

DATE ISSUED: January 9, 2002

REPORT NO. 02-008

ATTENTION: Natural Resources & Culture Committee
Docket of January 16, 2002

SUBJECT: San Diego Water Department Management Review Study

SUMMARY

Issue – What actions should be taken to respond to the Management Review of the Water Department conducted by Black & Veatch?

Manager's Recommendations – Authorize the actions outlined below.

- ❑ Use the newly created Utility Advisory Commission to oversee and advise the Water Department in addressing the myriad of specific recommendations contained in the Black & Veatch report.
- ❑ Initiate a Strategic Business Planning Process for the Water Department.
- ❑ Continue the Bid-to-Goal process that has already begun in the Water Department.
- ❑ Continue the Water Supply Capital Improvement Program adopted by the City Council.
- ❑ Conduct a special, focused effort to review the Customer Service functions, including the information systems necessary to support high-quality customer service.
- ❑ Expedite the process already underway to streamline the classification series of Water Systems Technician.

These actions are presented in more detail in the DISCUSSION section, below.

Other Recommendations – None.

Fiscal Impact – The specific costs and savings associated with each of the recommendations must be developed as a component of the specific action(s) proposed to address the recommendation. These costs and savings will be identified as part of the action plan related to each recommendation.

However, there are some areas of change where the potential for significant costs, and associated savings, exists. The acquisition and implementation of up-to-date information systems for maintenance management, inventory control, work order generation, and customer relations will entail substantial expenditures. A comprehensive cost/benefit analysis will be required for any acquisition. The implementation of the Water Systems Technician series will entail up-front costs, but will also generate long-term savings. In addition, producing a strategic business plan will require the dedication of staff time and possibly the use of outside facilitators. In all cases, the financial implications of each

proposed course of action will be presented prior to embarking on a course of action.

BACKGROUND

At its meeting of May 15, 2001 the City Council directed that an expert consultant be engaged to conduct a management review of the San Diego Water Department and that the review be completed by October 2001. The firm of Black & Veatch was retained to perform this evaluation. Black & Veatch formed six teams to pursue the areas of the review, utilizing its own staff and the sub-consultants of Charles E. Day & Associates (a firm with expertise in customer service) and Vanir Construction Management (a firm with expertise in capital construction management). The consultants reviewed existing documentation, interviewed Water Department managers and staff, and visited work sites.

On October 24, 2001 Black & Veatch transmitted its report to the City.

DISCUSSION

The Black & Veatch report ranks the San Diego Water Department, in an overall evaluation, in the middle of twenty similar water utilities studied by Black & Veatch. Black & Veatch uses its own rating and benchmarking methodology, a scorecard of a possible 100 points—with the highest score attained by any rated utility at 92 points. The Water Department scored 83 points, with Black & Veatch concluding, “With few exceptions, it appears performance of the Department falls toward the middle of the range found in other similar sized municipal operations.”

What meaning can one extract from such a broad and homogenizing rating? Several key points emerge from the evaluation:

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The water system and its operations are not in imminent danger of collapse. There is, within the Water Department, a core of capable staff who will continue to deliver key services to their customers.

While personnel at the Water Department are generally dedicated and skilled, the support systems (particularly the planning and information systems) are in need of improvement. The “average” rating for the Water Department is not uniform across all parts of the organization. Some components are high-performers, while others have considerable room for improvement.

The change of the Water Department from an “average” to a “high-performing” organization will be a process, not a one-time organizational or technological “fix.” Black & Veatch notes that a number of reports done in the past did identify goals, but failed to sustain change.

The physical infrastructure of the San Diego water system is in serious need of improvement. Many elements of the distribution system and the storage system are beyond their expected useful lives. In addition, these systems must be expanded to serve the growing areas of San Diego.

The San Diego water system needs a strategic business plan—a blueprint—within which the Water Department and others can address the key issues of infrastructure, water supply, and organizational performance. Further, the plan must incorporate a set of objectives and benchmarks to measure progress against its goals.

Communication within the Water Department should be improved so that all Water Department staff can contribute to the development and attainment of departmental goals.

With these key points in mind, I recommend the actions outlined below.

Use the newly created Utility Advisory Commission to oversee and advise the Water Department in addressing the myriad of specific recommendations contained in the Black & Veatch report.

The Black & Veatch report contains 37 separate recommendations, some of which have a number of components. A vehicle and process is needed to evaluate the recommendations and to plan and implement actions that respond to them. The Utility Advisory Commission is best positioned to provide regular oversight and advice for this process.

The Advisory Commission and the Water Department should review each specific recommendation to determine if it should be: (1) implemented as proposed by Black & Veatch; (2) not implemented; or, (3) implemented with modifications. The Water Department should create, and the Advisory Commission review, an action plan with milestones for implementation of changes. The Advisory Commission should regularly review and evaluate progress against the milestones. The Water Department and the Advisory Commission should review the efficacy of each change made in response to recommendations to determine if the change achieved its desired goal—and amend the change if necessary.

The Water Department and the Advisory Commission should report regularly to the City Council on progress against the action plan.

Initiate a Strategic Business Planning Process for the Water Department.

This process should incorporate the Water Supply Planning Process already underway, as well as other previous planning efforts. The City Council, the Utility Advisory Commission, stakeholders and the public should be actively involved in setting the long-term goals and policies guiding the planning process. The planning process should actively involve Water Department employees at all levels of the organization. An inclusive process will facilitate improved communications throughout the Water Department. The planning process for the Water Department should relate, both substantively and procedurally, to the Metropolitan Wastewater Department's planning process.

Continue the Bid-to-Goal process that has already begun in the Water Department.

City Council action for the Fiscal Year 2002 budget recommended that the Water Department develop an optimization program for the Operations Division similar to that of the Metropolitan Wastewater Department. In August 2001, the Operations Division, in conjunction with the Financial Management Department Optimization Program, began the process to develop the Bid to Goal Program. Water Operations and the Optimization Program staff began meeting in August 2001 to develop the contract, scope of work, fee schedule, and timeline for the 26-month optimization project.

The bid-to-goal process can become the underpinning for benchmarking performance and implementing performance measurement and gainsharing. The experience of the Metropolitan Wastewater Department in using the bid-to-goal process to establish benchmarks, goals and performance measurements demonstrates its viability.

In addition, the Water Department should develop a long-term schedule to expand the

Bid to Goal process beyond the Operations Division to all components of the Water Department.

Continue the Water Supply Capital Improvement Program adopted by the City Council.

The Black & Veatch report identifies the deteriorated state of much of the water system as a key factor depressing the performance of the Water Department. Excessive amounts of time spent repairing failing physical components of the system inflate Operations and Maintenance (O&M) costs. In addition, the water service needs resulting from the continuing growth of San Diego's population cannot be met without a significant investment in expanding the storage, treatment and distribution systems for potable and reclaimed water. Further, continued compliance with the increasingly stringent standards of the Safe Drinking Water Act requires capital improvements to San Diego's water treatment system. Any real or perceived inadequacies in the quality of San Diego's water would have a negative impact on economic development.

The Black & Veatch report identifies the CIP management program within the Water Department as one of the high-performing components of the Department. The report states that "Our review indicates that, overall, the CIP Management Division is well organized and well run, and staff is confident that they have the ability to deliver the program as planned."

Conduct a special, focused effort to review the Customer Service functions, including the information systems necessary to support high-quality customer service.

Customer service interaction is the key point at which water and wastewater users form their opinions of the quality of the City's performance. The Black & Veatch report points out that improvements in both organizational structure and information systems would enhance the Water Department's customer service functions.

The Utility Advisory Commission should provide, in its committee structure, a working group focused on the continuing improvement of Water and Wastewater Customer Service. Private sector and water/wastewater industry standards should be reviewed and incorporated into this effort.

The City should seek to acquire the (donated) services of an "executive on-loan" from a private sector organization that depends heavily on the management of its customer relations (e.g., airlines, telecommunications utilities). Such a "donated" executive could spend six to twelve months working with City staff and the Commission to help insure adoption of state-of-the-art customer information and management systems. Metropolitan Wastewater Department staff should actively participate in this effort—their customers are equally affected by customer service interactions.

The Water Department Customer Service Division has already initiated a number of actions that address issues raised in the Black and Veatch report—Attachment A contains a brief description of these initiatives.

Expedite the process already underway to streamline the classification series of

Water Systems Technician.

The Black & Veatch report concludes that the personnel management and pay system at the Water Department is too complicated and rigid. The Black & Veatch report also recommends reducing the number of levels of supervision and increasing the spans of control.

To assist the Water Department in having a more flexible, productive and efficient work force, a new classification series of "Water Systems Technician" was approved in 2000. The series condenses sixteen existing classifications into six classifications in one multi-skilled, generalist classification series. Among other benefits, this change collapses a four level supervisory structure into two levels, broadening the span of control.

In conclusion, I would like to emphasize some key concepts:

- ❑ The Water Department can and does provide an adequate level of service to its customers.
- ❑ The Water Department management and staff are capable of, and are committed to, achieving the highest level of performance.
- ❑ The Water Department is committed to a process of continuous improvement.
- ❑ The Water Department understands that the active participation of the City Council, the Utility Advisory Commission, stakeholders and the public is necessary to develop and attain a shared set of goals.

I recommend that the City Council approve the actions described in this report, and that the Utility Advisory Commission and the Water Department report back to the City Council with a work plan and progress report by April 2002.

ALTERNATIVE

Extend the engagement with Black & Veatch, expanding their scope of work to produce specific action plans for each of the recommendations contained in their report. This alternative would entail additional consultant expenses and would delay the Water Department in taking ownership of the issues presented in the existing Black & Veatch report. I do not recommend this alternative.

Respectfully submitted,

Richard Mendes
Utilities General Manager

Note: Attachment B is not available in electronic format. A copy is available for review in the Office of the City Clerk.

[Attachment A: Customer Service Initiatives Already Underway](#)

Attachment B: San Diego Water Department Management Review Study, October 2001