



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE June 20, 2007 REPORT 07-114
ISSUED: NO:

ATTENTION: Council President and City Council
Docket of June 25, 2007
SUBJECT: Public Contract Operations (MWWD Department-wide Bid to
Goal) Implementation
REFERENCE: Metropolitan Wastewater Bid to Goal Memorandum of
Understanding

REQUESTED ACTION:

Ratify the MWWD Bid to Goal Memorandum of Understanding (MOU) and authorize the Mayor to approve and accept a responsible and responsive MWWD Labor-Management Partnership (LMP) Bid to encompass all MWWD operations and functions in an organization-wide Public Contract Operations (Bid to Goal) Agreement.

STAFF RECOMMENDATION:

Approve the requested action.

BACKGROUND:

In 1997, City Council authorized an innovative pilot Bid to Goal Agreement (Agreement) with the Metropolitan Wastewater Department (MWWD) Operations and Maintenance (O&M) Division for the operation and maintenance of certain wastewater treatment facilities through Fiscal Year (FY) 2003. In FY 2000, Amendment I to this Agreement was authorized to add remaining City of San Diego wastewater treatment infrastructure. Amendment II to this Agreement was approved in FY 2004 continuing the Agreement through FY 2007. A second Bid to Goal Agreement covering the Wastewater Collection (WWC) Division functions was subsequently approved for the period FY 2002-2007.

Since its inception, the Bid to Goal approach has demonstrated remarkable success as a strategy to optimize public sector service delivery utilizing the most appropriate features of both the public and private sectors. Over the past 9 years, significant improvements in the efficiency and effectiveness of relevant MWWD functions have been realized. In particular, baseline budgets were reduced by approximately \$120 million (avoided costs) and an additional \$70 million in audited savings (beyond benchmarked competitive budgets) were realized. Further, these efficiencies were accomplished with service level maintenance or improvements that included reductions of sewer spills from 316 in FY 2001 to 71 in FY 2006, while maintaining full regulatory compliance, receiving Association of Metropolitan Sewerage Agencies (AMSA) platinum and gold awards for performance, and becoming the first U.S. publicly-operated

wastewater department to achieve ISO-14001 certifications for Environmental Management Systems in WWC, O&M, and the Environmental Monitoring and Technical Services divisions. The O&M Bid-to-Goal Agreement received the International City/County Managers Association (ICMA) Program Excellence Award for Innovations in Local Government Management in FY 2002, and it was recognized in FY 2004 by the Ash Institute for Democratic Governance and Innovation associated with Harvard University's John F. Kennedy School of Government as the most significant government optimization initiative since Managed Competition.

This proposed renewed and expanded Bid to Goal Agreement is complementary to the recent MWWD Business Process Reengineering (BPR) effort that validated MWWD performance levels and developed a Most Efficient Organization (MEO). This Agreement maintains most of the elements of the two operative Agreements (both of which expire at the end of FY 2007), with the following significant refinements:

- Whereas the existing two Agreements cover the major collection, conveyance, treatment and disposal functions of MWWD, this successor Agreement consolidates those Agreements, updates benchmarked service levels, and expands the scope to include all support functions including environmental monitoring and technical services, engineering services, budgeting, information systems, and human resources management.
- Whereas key service levels are identified for a five year term and default provisions are identified in case budget or performance metrics are not sufficiently met (similar to current Agreements), a provision has been added to enable termination of the Agreement for convenience at any time after the initial year. This provision will provide flexibility for the City to pursue Managed Competition or other optimization measures if desired and deemed to be cost-effective.
- The two existing performance management systems (Pay for Performance and Assurance Program/Gainsharing) utilized to encourage savings from efficiencies beyond those identified in the Bid to Goal Budget Objective are consolidated and redesigned into a unified system that will better support the proposed, consolidated department-wide Agreement. The proposed Employee Efficiency Incentive Reserve is capped at \$10 million for the MWWD-wide Agreement, as opposed to the combined \$8 million cap for the two operative Agreements with coverage limited to MWWD's two major operating divisions.

City Council action is requested to ratify the successor MWWD-wide Bid to Goal Memorandum of Understanding to be effective commencing in FY 2008, and (consistent with past practice) contingent on the Mayor accepting a responsive and responsible LMP Bid which will provide clarification and details necessary to administer this Agreement. MWWD and the Labor Organizations have reached a tentative Bid to Goal agreement pending the City Council approval.

FISCAL CONSIDERATIONS:

MWWD's Department-wide Public Contract Operations Bid to Goal Agreement is projected to yield an estimated annual cost avoidance of \$20 million per year over the course of the five year agreement compared to projections made prior to implementing the BPR improvements and expanded Bid to Goal Agreement scope and provisions. Incentives and accountability provisions are incorporated to encourage efficiency savings beyond these projections.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

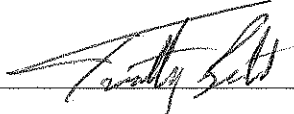
Two existing MWWD Public Contract Operations Bid to Goal Agreements and related Amendments derived via the Bid to Goal strategy were approved with MWWD's O&M and WWC Divisions. Both expire at the end of FY 2007.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Past Bid to Goal efforts and the proposed expansion to a department-wide agreement were discussed with the Public Utilities Advisory Commission in conjunction with presentations on the MWWD Business Process Reengineering process. As with former benchmarking efforts and Bid to Goal Agreements, ongoing performance results will be briefed in public forum at appropriate oversight venues.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Results of actions described above are intended and designed to deliver reliable, cost-effective services to the sewer system's ratepayers with reduced staff and associated expenses. This agreement also extends and maintains the ongoing labor-management partnership of the City of San Diego and participating labor organizations.


_____ 2/1/07

Originating Department



Deputy Chief/Chief Operating
Officer