

---

## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

---

**Date Issued:** June 10, 2011

**IBA Report Number:** 11-38

**City Council Docket Date:** June 13, 2011

**Item Number:** 150

---

# Preliminary Statement of Work for Public Utilities Customer Service Office

## OVERVIEW

On June 13, 2011 the City Council will be requested to review and approve the Preliminary Statement of Work (PSOW) for the managed competition process for the Public Utilities Customer Service Office (CSO). Current services include:

- Water/Sewer Utility Billing
- Utility Call Center and Customer Care Services
- Water/Sewer Emergency Repair Call Response Services
- First Level Delinquent Account Collections
- Payment/Remittance Processing
- CSO Administration Services

This item was reviewed by the Rules Committee on April 27, 2011 and was approved to move forward to the City Council with no recommendation. Numerous issues were raised and follow up information was requested. This report provides information on the managed competition process as well as further information on issues raised by members of the Rules Committee at the April 27 meeting, the Independent Rates Oversight Committee (IROC), the IBA and other stakeholders.

## FISCAL/POLICY DISCUSSION

As mandated by City Charter Section 117(c), City Council is responsible for ensuring that service quality in the City is maintained when it has been determined by the Mayor that a function will undergo a managed competition process. Aside from approval of the Mayor's recommendation for award to an outside bidder, this is the only role of the City Council in the managed competition process. Council approval of the PSOW is an important step in the process as it provides Council the opportunity to review service

levels and performance standards that would be included in the Request for Proposal (RFP) prior to its issuance. Once approved, the PSOW will form the foundation of the Final SOW that will be developed and included in the RFP. Service levels cannot change between the PSOW as approved by Council and Final SOW/RFP.

As outlined in the Managed Competition Guide, the Final SOW is to include the following information:

- Overall scope of work, general operating conditions, quality control requirements and employee certifications and training requirements.
- Any City-furnished Property, materials and services that will be provided to the selected service provider and whether the cost for replacement of City-furnished Property, when necessary, will be borne by the City or included in the service provider's proposed costs. Also included in the SOW is whether bidders should include or exclude the cost of any ongoing maintenance of City-furnished Property.
- Technical exhibits including but not limited to workload data, performance levels, facility data, and government furnished property inventory.
- Supporting documentation, which may include drawings, maps, component system descriptions, property inventories, reporting formats, material usage, guiding documentation, and other reference materials.

According to the Business Office, more detailed performance data will be included in the more detailed SOW that will be developed in the next phase in preparation for issuing an RFP. Some data is not made available prior to developing the SOW due to procurement sensitivity. Review of the PSOW is the Council's only opportunity to provide input to help shape the Final SOW and RFP.

### **Outstanding Issues**

Numerous issues of concern and follow-up questions were raised by Committee members and the public at the April 27 Rules Committee meeting. The Independent Rates Oversight Committee (IROC) and the IBA have also raised issues for Council discussion.

### ***Issues Raised at April 27 Rules Committee Meeting***

#### **Implementation and Timing of Customer Care Solution**

The Public Utilities Department is currently implementing the new SAP Customer Care Solutions (CCS) which is designed to provide integrated customer information and billing systems, as well as other utilities management functions. CCS contains modules which will replace certain current Public Utilities systems: the Customer Information System (used for billing and payment activities); the Installation Order System (used by Development Services Department to issue permits to customers and collect fees from customers); the water meter inventory management system; and the third party online

customer payment portal. The CCS go-live date is planned for July 5, 2011; and CCS will be monitored through September 30, 2011 – the post-go-live stabilization period.

Because CCS implementation will occur during the same time period as the planned SOW development, a concern has been raised as to the appropriateness of the timing for SOW development. Staff will be learning and enhancing CCS and related business processes during the same time period as the SOW is being developed.

Business processes could be transformed as a result of the new CCS, and a concern has been raised as to whether service levels should be adjusted to align with changing business processes. As an example, automating a number of tasks could reduce the time spent on those activities, which could potentially free staff to focus on other service areas, such as handling customer complaints. Thus, it is possible that customer complaints could be resolved more quickly in the future. However, there is no way to know how the PSOW service level associated with customer complaint resolution should be adjusted for the new CCS, if at all.

On the other hand, a concern has been raised that service levels in the PSOW may need to be reduced, rather than enhanced. An example of where reduced service levels could apply is in the case where difficulties in CCS implementation would result in declining performance levels. However, the Business Office has responded that reducing service levels would not be necessary because, during the Quality Assurance Surveillance Plan (QASP) evaluation, system problems would be considered and the determination of reasons for contract failures would be made accordingly. However, there are concerns that it may not be easy to discern whether the reason service levels have not been met is due to service provider failings or system failings.

The Public Utilities Department has indicated that they believe most performance measures will not be materially impacted by the changeover to CCS. Additionally, bidding contractors and the City's Employee Proposal Team will be able to adjust the staffing level in their bids in accordance with the systems and other requirements contained in the RFP.

#### Procurement Sensitive Issues

Budget and staffing data has been requested but not provided. The Business Office has stated that this information is procurement sensitive and will not be released until after the procurement process.

Additionally, the Business Office has indicated that information on systems that will be required to be utilized by the winning service provider is also procurement sensitive. Questions have been asked regarding whether the winning service provider will be required to utilize the new CCS – estimated to cost the Public Utilities Department \$24 million. The Assistant COO has indicated that revealing such a requirement would risk

revealing elements of the RFP. However, he also acknowledged an awareness of the substantial investment that has been made in the system.

#### Management of City Policies

At the Rules Committee, a concern was raised regarding whether an outside vendor would be managing City policy. One of the services listed in the PSOW indicates that the winning bidder will manage policy and procedures. The Business Office has stated that the City will continue to set policy and establish protocols, and the chosen service provider for the CSO will decide how staff will be deployed to carry them out. Thus, an independent contractor would not be making policy for the City, but instead would affect policy and procedures for management of its operations.

#### Service Level Agreements

Currently, the Customer Service Office handles remittance processing for the City Treasurer's Business Tax, Rental Unit Business Tax and Citywide SAP Accounts Receivable invoice payments. The Business Office has indicated the related Service Level Agreement (SLA) will be included in the SOW.

Additionally, Public Utilities utilizes an Automated Call Distribution system (which handles call routing) and VoicePrint Call Logging system (which handles voice recordings for quality control). The services and costs for these systems are shared among the Public Utilities Department, the City Treasurer and the Environmental Services Department. The City Treasurer and Environmental Services pay Public Utilities for their share of the service costs in accordance with SLA's. In the case where an outside contractor wins the Customer Service Office managed competition process and elects not to utilize these call systems, the fixed costs associated with these systems would be distributed between the City Treasurer and Environmental Services. These distributed costs would be continuing governmental costs applicable to outside vendor bids.

There was also a question raised during the Rules Committee meeting regarding the feedback mechanism for departments with SLA's if a service was not provided adequately by the selected CSO service provider. The Business Office indicated feedback would be handled by the appointed Contract Manager for the function.

#### ***Issues Raised by the Independent Rates Oversight Committee***

##### Water and Sewer Emergency Repair and Services

At the May 16, 2011 Independent Rates Oversight Committee (IROC) meeting, a motion was approved recommending the water and sewer emergency repair reporting services be removed from the SOW. IROC did not reach consensus to otherwise support or oppose the PSOW. Concerns were raised regarding emergency call response activities because it was reasoned that a private firm may not have the expertise regarding the San Diego area

and Public Utilities infrastructure that would enable them to safely and reliably fulfill this role.

The role of the Emergency Water and Sewer Repair Call Response Section includes dealing with incoming calls and determining whether given situations are emergency or non-emergency. Emergency call response personnel would receive protocol training in order to ensure that they disseminate information correctly. The emergency call response section would be responsible for contacting appropriate Field Services personnel, who would handle issues in the field if necessary.

Competing the function of the emergency call response section is an additional opportunity that may garner costs savings, and thus staff has included it in the PSOW. Council should discuss with staff any concerns they have with respect to including this function in the RFP.

### ***Issues Raised by IBA***

#### Customer Service Locations and Hours of Operations

Key to any customer service operation is citizen access to customer service centers for paying bills in person or discussing a problem face-to-face with a Public Utilities customer services staff member. The PSOW (page 9) outlines *current* customer service hours and locations where citizens have such access. *Currently*, there are two downtown locations (600 B Street and Civic Center Plaza Lobby) for customer service and seven USA Checks Cashed offices throughout the area available for bill payment:

In San Diego:

- 1607 Garnet Avenue (D2)
- 5071 Federal Boulevard (D3)
- 4298 University Avenue (D4)

Outside San Diego:

- 936 Highland Avenue, National City
- 1610 Highland Avenue, National City
- 201 Broadway, National City
- 521 Sweetwater Road, Spring Valley

The B Street and Civic Center Plaza locations are open Monday-Friday, 7:30-5:00 P.M. and 8:00-5:P.M., respectively. Hours for USA Checks Cashed offices vary. All are open Monday – Friday during core business hours of 9 a.m. – 6 p.m.; five have later evening hours; all centers are open on Saturday; and three are open on Sunday as well.

However, the PSOW does *not* address any expectations or requirements for a similar level of citizen access to be provided by proposers in the managed competition process. The Business Office would remind the Council to stay focused on “what” gets done (number of calls answered within 60 seconds) and steer clear of “how” it gets done (when and where the calls are answered), when reviewing PSOW’s. In many cases we would concur with their position given Council’s limited Charter role in managed competition. However, in this case there is clearly a crossover of the “how” into the “what” when it pertains to customer support and citizen accessibility. Maintaining service levels for in-person bill payment or issue resolution is clearly tethered to physical locations and service hours available to customers. There should be some discussion and understanding of how this will be addressed in the RFP to assure Council that a similar level of citizen access for direct bill payment and resolution of issues will be available as a result of managed competition.

Related to this, in the May 27, 2011 memo from Barbara Lamb to the Council, she responded to a number of questions raised by Rules Committee members at the April 27th Rules Committee meeting. A Committee member had asked if the Customer Service Office would be open 24/7, and Ms. Lamb responded in her memo that this is a service level decision that should be determined by Council. However, we would note if Council were to set service levels for the RFP higher than current budgeted service levels for hours of operation or any other activity, this could result in a disadvantage to the employee team if their existing budgeting resources do not enable them to attain these increased service levels.

Finally, as a social policy matter of interest to the Council, the current partnering of the City with USA Checks Cashed for accepting water bill payments should be discussed further. Noting that there are significant concerns about the exploitative practices of pay day lending facilities in San Diego, on February 1, 2011, Council adopted Resolution No. 806581. This resolution established the Council’s 2011 Legislative Program, which includes pursuing legislation that would establish interest rate caps on payday lending. In light of this, Council should be made aware if this current contractual relationship with USA Checks Cashed will be carried over to the RFP or whether there will be a requirement for vendors to provide other alternatives for achieving geographic dispersion of bill payment opportunities and additional evening and weekend hours.

The IBA requested to review the existing contract between the City and USA Checks Cashed, however it was not made available in time for this report. Council may wish to inquire as to the terms of this contract to understand how this fits into the managed competition process.

**Next Steps**

Once the PSOW is approved by the Council, the City will begin preparing for the solicitation. A Final SOW will be developed and will be included in the RFP. The RFP is expected to be issued in September 2011.

The City will receive proposals and forward them to the Managed Competition Independent Review Board (MCIRB) who will evaluate and make a recommendation to the Mayor (anticipated for February 2012). The Mayor can accept or reject the MCIRB recommendation. If accepted, the Mayor will appropriately notify all labor organizations and begin the meet and confer process. The Mayor will then forward the recommendation to the Council, which may reject or accept the recommendation.

**CONCLUSION**

Based upon our review of the Preliminary Statement of Work for the Public Utilities Customer Service Office, including reviewing service level data and performance measures, the IBA recommends Council approval once any remaining issues have been addressed to the Council’s satisfaction.

Furthermore, maintaining service levels for in-person bill payment and issue resolution is clearly tethered to physical locations and service hours available to customers. There should be some discussion and understanding of how this will be addressed in the RFP to assure Council that a similar level of citizen access for in-person bill payment and resolution of issues will be available as a result of managed competition.

**[SIGNED]**

\_\_\_\_\_  
Lisa Byrne  
Fiscal/Policy Analyst

**[SIGNED]**

\_\_\_\_\_  
Brittany Bermingham  
Research Analyst

**[SIGNED]**

\_\_\_\_\_  
APPROVED: Andrea Tevlin  
Independent Budget Analyst