COUNCILMEMBER DAVID ALVAREZ

City of San Diego
Eighth District

MEMORANDUM

DATE: October 12, 2011

TO: Honorable City Councilmembers

FROM: Councilmember David Alvarez

SUBJECT: Managed Competition Expectations

Communication between the City Council and the Mayor is key in developing the best possible statements of work required in the managed competition process. I appreciate the briefings I have received from staff on the preliminary statements of work (PSOW) that have been before the City Council for the various services put out for managed competition. As a councilmember who does not serve on the Rules Committee, briefings have provided me with important information which I have used to determine how best to move forward on each PSOW that comes before the City Council.

The City Council should approach each PSOW with an emphasis on achieving cost savings with two key decisions: setting the optimal level of service and establishing performance standards to achieve it. Thus far, every PSOW the council has considered simply continued status quo service levels and performance standards. Going forward, the Council should consider data on the costs and benefits of alternative service levels and performance standards, and choose the most efficient option.

Unless the Council and the Mayor are committed to making data-driven decisions regarding service levels and performance standards in PSOWs, the City could be leaving millions of dollars in additional savings on the table.

Earlier this year, when the City Council considered the PSOW for street sweeping services, no information was presented to the City Council on how various levels of street sweeping services effect the city's ability to comply with the standards laid out in the Clean Water Act. Instead, the PSOW simply continued status quo service levels. By increasing street sweeping in targeted

watersheds and reducing the amount of sweeping in areas with no parking enforcement, the city could have set an optimal level of service that met clean water targets at a lower cost. Note that potential savings from setting an optimal level of service are distinct from the savings in operation achieved through managed competition. Even if the eventual winner of the managed competition for street sweeping achieves significant reductions in operating costs, they will still be locked into providing the suboptimal level of service set out in the Statement of Work for five years.

In addition to setting optimal service levels, establishing efficient performance standards in every PSOW is also critical to maximize savings. For example, the most recent PSOW approved by the City Council for the operation of the Miramar Landfill contained performance standards related to extending the life of the landfill that were not based on any significant evidence or data. The potential ability to extend the life of this valuable and diminishing resource may have been missed due to the Council not being provided with a cost benefit analysis of different performance standards for the Airspace Utilization Factor (AUF). Such an analysis might have shown that a higher standard for the AUF yielded benefits from extending the life of the landfill that exceeded the increased costs of meeting that standard.

As we consider additional city functions for managed competition, it is the duty of the Mayor and City Council to ensure that the City achieves the maximum amount of savings through this process while maintaining levels of service desired by residents. I believe we can do this by seeking to choose optimal, rather than customary, service levels and performance standards, and basing these choices on data rather than past practice.

Please contact me should you have any questions regarding my concerns.

CC: Honorable Mayor Jerry Sanders
Andrea Tevlin, Independent Budget Analyst

DAA/tk