

APPENDIX D
Consolidated Employee Bid

Procurement Sensitive

*BID TO GOAL
REENGINEERING PROJECT*

*Metropolitan Wastewater
Department (MWWD)*



THE CITY OF SAN DIEGO

Employee Bid

DECEMBER 29, 2006

Note to Users and Readers of this Preliminary Draft:

This bid document has been prepared by members of the MWWD BPR team in preparing their Bid as part of this Reengineering Project. It is understood that, at the time of bid preparation, a number of issues related to the Bid to Goal program were unresolved and subject to decision by the City. These issues include use of an Assurance Fund, Gainsharing procedures, and other items. It is expected that as the City makes decisions regarding these items, subsequent versions of this document will be prepared.

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1 EMPLOYEE BID BACKGROUND

1.1 Introduction

The San Diego Metropolitan Wastewater Department (MWWD) has undertaken this Bid to Goal Reengineering Project as a productivity improvement initiative within the overall City of San Diego's Business Process Reengineering Program. The Bid to Goal concept and program was originally developed in 1997 as a pilot methodology by MWWD to achieve the objective of organizational competitiveness. Management and labor partnered in submitting the original proposals to the City of San Diego (City) City Manager. The proposal to implement Bid to Goal reflected the interests of both management and the employees and provided significant savings opportunities for the City. Since 1997, the Bid to Goal program has been used in two MWWD Divisions: Operation and Maintenance and Wastewater Collection. More recently, in Fiscal Year 2005, the Water Operations Division of the Water Department initiated a Bid to Goal program. As this MWWD bid is being prepared, the City is also giving final consideration to an Employee Bid prepared by the Customer Support Division of the Water Department.

This MWWD BPR Team Employee Bid was developed by applying the techniques, procedures, and methodologies employed in previous MWWD and Water Operations' Bid to Goal Programs.

The MWWD BPR Team's Employee Bid results in City employees continuing to provide management, operations, and maintenance services of the City's and Metropolitan Wastewater System and follows directly from its primary and governing reference document, the Bid to Goal Memorandum of Understanding (MOU), which is approved by the City Council (see Appendix A). The MOU sets forth the basic ground rules for an agreement between the Mayor on behalf of the City of San Diego, the Metropolitan Wastewater Department Director, and the MWWD management team and employees, hereinafter referred to as the MWWD BPR Team. The MWWD BPR Team is comprised of employees represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127) and employees represented by the San Diego Municipal Employees Association (MEA). Also included in the MWWD BPR Team are classified unrepresented employees and the MWWD BPR Management Team.

The Employee Bid is intended to supplement the MOU, providing complementary detail and procedural information. It was developed, reviewed, and approved by the MWWD BPR Management Team. Strategies for savings and performance improvement as well as performance accountability measures were developed and recommended to the MWWD BPR Management Team by the Divisional BPR Teams. The Divisional BPR Teams were formed by employees from each of MWWD's Divisions.

The Employee Bid is summarized in Section 1.2. Section 2 of this document presents the basis for this MWWD BPR Team's Employee Bid. Section 3 presents the basis for the Budget

Objective that was used to develop this Employee Bid. Section 4 provides relevant definitions.

1.2 Summary of the Metropolitan Wastewater Department/MWWD BPR Team's Employee Bid Operating Budget Objective

1.2.1 Projected Budget Objective and Savings

The Budget Objective of the Employee Bid ties the MWWD BPR Team's performance to Metropolitan Wastewater Department's Mission and its vision to be a 'Best-in-Class' wastewater utility for its customers. MWWD BPR Team performance and service levels will be measured to document that the MWWD BPR Team is providing the community with outstanding wastewater service, while the performance targets will lead to achieving the goal of becoming a Best-in-Class wastewater utility for the ratepayers.

The Employee Bid Budget Objective for Fiscal Years 2008 through 2012 is summarized in Table 1.1. In order to estimate the savings associated with the Employee Bid, an annual inflation factor of 4% was applied to both the Employee Bid Budget Objective and the Baseline Budget. Over five years, the anticipated savings are approximately \$109,600,000.

Table 1.1: Projected Operating Budget Objective and Savings

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Employee Bid Budget Objective ⁽¹⁾	\$219,581,496	\$219,556,942	\$219,486,686	\$220,464,476	\$220,614,150
Employee Bid Budget Objective (w/ Inflation) ⁽²⁾	\$ 248,993,450	\$ 258,953,188	\$269,311,316	\$ 280,083,768	\$291,287,119
Baseline Budget ⁽³⁾	\$ 248,993,450	\$ 258,953,188	\$269,311,316	\$ 280,083,768	\$291,287,119
Savings ⁽⁴⁾	\$20,628,694	\$21,480,399	\$22,418,645	\$22,171,541	\$22,876,273

Notes:

- (1) The Employee Bid Budget Objective is the MWWD BPR Team's proposed budget to operate the System as defined in this document.
- (2) The Employee Bid Budget Objective (w/ Inflation) for Fiscal Year 2008 through 2012 was calculated using a 4% annual inflation factor on the Employee Bid Budget Objective.
- (3) The Baseline Budget for Fiscal Year 2008 through 2012 was calculated using a 4% annual inflation factor on the Fiscal Year 2007 Operating Budget.
- (4) The Annual Saving was calculated based on the difference between the Employee Bid Budget Objective (w/ Inflation) and the Baseline Budget.

Table 1.2 shows a detailed breakdown of how the Operating Budget fits into the overall Budget for both the Fiscal Year 2007 Budget and the Employee Bid. The dollar values outside of the Operating Budget were not studied in this Employee Bid. Therefore, Fiscal Year 2007 Budget values were used for those line items. This breakdown is in Fiscal Year 2007 dollars.

Table 1.2: Detailed Budget and Bid Breakdown

	FY2007 Budget	Budget Objective
Operations and Maintenance	\$89,856,501	\$86,271,512
Wastewater Collection	\$63,456,934	\$46,673,694
Environmental Monitoring and Technical Services	\$20,646,354	\$19,329,480
Information and Organizational Support	\$16,827,799	
Services & Contracts	\$36,378,686	
Administrative Services		\$46,989,880
Engineering and Program Management	\$12,250,505	\$13,059,230
Other Insurance		\$1,760,000
MWWD Operating Contingency		\$5,532,263
Total Operating Budget	\$239,416,779	\$219,616,060
Capital Improvement Projects	\$39,520,884	\$39,520,884
Unallocated MWWD Reserve	\$3,295,536	\$3,295,536
Operational Reserve - Metro	\$15,070,536	\$15,070,536
Debt Service (Bonds) - Metro	\$68,439,996	\$68,439,996
Debt Service (SRF) - Metro	\$6,170,615	\$6,170,615
Operational Reserve - Muni	\$12,317,744	\$12,317,744
Debt Service (Bonds) - Muni	\$29,911,343	\$29,911,343
Stormwater Division	\$13,561,608	\$13,561,608
Total Budget	\$427,705,041	\$407,904,322

1.3 Employee Bid Budget Objective Components

The Budget Objective presented in Table 1.3 is divided into several components for the purpose of performance auditing. The two components are 1) the Controllable Budget Objective, and 2) the Pass-through Budget Objective.

Table 1.3: MWWD EMPLOYEE BID BUDGET OBJECTIVE AMOUNT (FY2007 Dollars)

Pass-Through Budget Objective			Controllable Budget Objective			Total		
Personnel	Non-Personnel	Total	Personnel	Non-Personnel	Total	Personnel	Non-Personnel	Total
\$0	\$57,7522,673	\$57,752,673	\$74,590,659	\$87,272,728	\$161,863,387	\$74,590,659	\$145,025,401	\$219,616,060

Notes:

- (1) Fiscal Evaluation will be made on the Controllable Objective Total amount only. Personnel and Non Personnel components provided to calculate adjustments for future years.
- (2) For future years, the personnel component will be adjusted proportionately to City of San Diego negotiated labor contracts.
- (3) For future years, the non-personnel component will be adjusted proportionate to the CPI.
- (4) For a description of Pass-Through and Controllable Budget Objectives See Sections 1.3.1 and 1.3.2 respectively.

1.3.1 The Controllable Budget Objective

The Controllable Budget Objective represents the annual cost elements of the Employee Bid that, in general, can be controlled by the MWWD BPR Team. The actual results of the cumulative controllable costs are compared to the Controllable Budget Objective to determine savings on an annual basis.

1.3.2 The Pass-Through Budget Objective

The Pass-Through Budget Objective represents the annual cost elements of the Employee Bid that are generally outside the control of the MWWD BPR Team. The Pass-Through Budget Objective includes costs such as Service Level Agreements, fees charged by other agencies, and other costs categorized as outside the control of the MWWD BPR Team. These costs will not be included in the annual determination of savings. The complete list of Pass-Through Costs is identified in Appendix B of this Employee Bid.

1.4 Adjustments to the Employee Bid and/or Budget Objective

1.4.1 Background

In the Budget Performance Monitoring and Uncontrollable Events/Changes in Law sections of the MOU, the parties acknowledge that circumstances can occur that could require a negotiated adjustment to the Employee Bid. MOU Section V.C. also lists several events qualifying for Employee Bid adjustments. Furthermore, this Employee Bid contains references to potential conditions or situations that may warrant adjustments to the Employee Bid.

1.4.2 Process for Submittal and Approval of Employee Bid Adjustments

Step 1 – Early Notification: Upon determination by the MWWD BPR Team of an event or situation that may qualify for an Employee Bid adjustment, the MWWD Director shall notify the Mayor and/or his designee in writing. The written notice should include a description of the nature of the event and an estimate of the requested adjustment/fiscal impact.

Requests for Employee Bid adjustments should be made as soon as possible, upon identification of a potentially qualifying event. Requests submitted late in the year may result in a delay of the annual audit.

Step 2 – Review: The request will be reviewed by the Mayor and/or his designee. Depending on the nature of the request and the details of the review, the Mayor and/or his designee may take one or more of the following actions:

- ◆ Request additional information from the MWWD BPR Team.
- ◆ Meet with MWWD BPR Management and/or the Labor-Management Partnership Committee to review the request.
- ◆ Convene a meeting with all relevant parties to review the request.

Step 3 – Finding: After reviewing the request and additional information if any, the Mayor and/or his designee will make one of the following determinations:

- ◆ Approve the requested adjustment without requiring an Amendment to the Bid.
- ◆ Request an Amendment to the Bid. The MWWD BPR Team would be required to prepare an Amendment to the Employee Bid and obtain signatures from all parties to the agreement.

Step 4 – Resolution: Adjustments approved per Step 3 shall be documented in subsequent applicable Performance Accountability Reports. All adjustments are subject to independent validation by an independent auditor. Adjustments with incomplete or improper fiscal documentation may not be accepted by the independent auditor. It is the responsibility of the MWWD BPR Management Team to properly and completely document all requested adjustments.

All requests for Employee Bid Adjustments and/or Employee Bid Amendments must be resolved before the annual audit can commence.

1.5 The Role of the Mayor’s Designee as Contract Administrator

The Mayor, at his discretion, may appoint an individual from the Business Office and Support Services to serve as the Mayor’s designee to administer this MWWD BPR Team Employee Bid agreement for the City. All issues and changes pertaining to this Employee Bid are subject to review and approval by the Mayor’s designee, the MWWD Director, the Deputy Chief of

Public Works, and the Mayor.

1.5.1 Substantial Conformance with the Employee Bid

Substantial Conformance for purposes of this Employee Bid conveys the MWWD BPR Team's intent to achieve the Service Level Requirements outlined in Section 2.2.6. However, it must be acknowledged that due to unforeseen circumstances these requirements could be largely, but not wholly, met by the end of each year. The process and criteria for determining whether the MWWD BPR Team has met Substantial Conformance is described below.

- a) Within thirty (30) calendar days on the end of any fiscal year, the MWWD BPR Team shall notify the Mayor or his designee in writing that The MWWD BPR Team is in Substantial Conformance with the Service Level Requirements listed in Section 2.2.6 of this Employee Bid and request that a determination of Substantial Conformance with the Employee Bid be made in writing. The MWWD BPR Team shall attach to this notification a Service Level Requirements Table (Attachment C) listing the Service Level Requirements of the Employee Bid and the actual performance achieved by the MWWD BPR Team.
- b) Within 30 calendar days after the MWWD BPR Team's notification, the Mayor or his designee shall in consultation with the Metropolitan Wastewater Department Director make an evaluation of the performance of the services provided in accordance with the Employee Bid to determine the status of conformance. Such determination should be made at both the Division level and for the MWWD BPR Team as a whole.
- c) If the Mayor or his designee considers the services provided are substantially, as defined above, in conformance with this Employee Bid, the Mayor or his designee will deliver a written determination of Substantial Conformance. In the alternative, the Mayor may deliver a tentative determination of Substantial Conformance listing any minor non-conformance items to be corrected.
- d) In response to a tentative determination of Substantial Conformance, the MWWD BPR Team will deliver to the Mayor or his designee a written plan as to responsibilities and time tables for correcting minor non-conformances with the Employee Bid. The Mayor or his designee after approval of this written plan for correcting minor non-conformances shall issue a written determination of Substantial Conformance provided: i) the written plan for correcting minor non-conformances is credible, ii) the non-conformances are minor items and do not significantly impact wastewater utility regulatory compliance, and iii) the non-conformances are minor items and do not significantly impact customer service. If the determination of Substantial Conformance, or notification of reason(s) for disapproval of the written plan as to responsibilities and time tables for correcting minor non-conformances from the Mayor or his designee is not received by the MWWD BPR Team prior to the submission of the Annual Performance Accountability Report in

accordance with Section 2.2.8.4 of the Employee Bid, then the MWWD BPR Team shall be deemed in Substantial Conformance with the Employee Bid.

- e) Subsequent to a determination that the MWWD BPR Team as a whole is in Substantial Conformance with the terms and conditions of this Employee Bid as described in paragraphs C and D, establishment of the amount for annual savings are made, subject to approval by the MWWD Director per Section 1.4.2 above.
- f) Subsequent to a determination that an individual Division is in Substantial Conformance with the terms and conditions of this Employee Bid as described in paragraph C and D, and are subject to approval by the Metropolitan Wastewater Department Director.

1.6 Bid Approval

MWWD BPR Team submission, Metropolitan Wastewater Department approval, and City of San Diego acceptance of this Employee Bid are indicated by appropriate signatures below. When this page is fully executed and dated, the Employee Bid is accepted and the Bid to Goal program is initiated.

SUBMITTED FOR THE MWWD BPR TEAM

Date: _____

Division Deputy Director all sign in this section

APPROVED FOR METROPOLITAN WASTEWATER DEPARTMENT

Date: _____

Scott Tulloch
Metropolitan Wastewater Department Director

ACCEPTED BY THE CITY OF SAN DIEGO

Date: _____

Jerry Sanders
Mayor

2 EMPLOYEE BID BASIS

2.1 Introduction

2.1.1 General

The MWWD BPR Team developed this Employee Bid with the intention of sustaining a balanced and advantageous approach to providing wastewater management, operations and maintenance services in the best interests of public health, safety, welfare, environmental protection, and community economic interests.

For the purpose of this Employee Bid, the following MWWD Divisions are within the scope of services provided by the MWWD Business Process Reengineering (BPR) Team:

1. Operations and Maintenance Division;
2. Wastewater Collection Division;
3. Environmental Monitoring and Technical Services Division;
4. Engineering and Program Management Division; and
5. Administrative Services Division, which is formed from the following Divisions which were consolidated in this BPR/Employee Bid development process.
 - a. Services and Contracts Division;
 - b. Information and Organizational Support Division; and
 - c. Department Administration and Management Division

For the purpose of this Employee Bid, MWWD's Storm Water Pollution Prevention Division is outside the scope of services provided by the MWWD BPR Team. This Division is undergoing a reengineering process separate from this Bid To Goal Reengineering Project.

The MWWD BPR Team shall establish a headquarters site located in the City to house most administrative functions; the site is currently located at 9192 Topaz Way, San Diego, California, 92123. The MWWD BPR Team headquarters site and the other sites for operations may be relocated upon written approval of the Mayor. Any costs associated with such relocation shall be excluded from the scope (out of scope) of this Employee Bid.

The MWWD BPR Team's actual costs to manage, support, operate, and maintain the System will be tracked and reported in relation to the Budget Objective.

Excluded from the scope of this Employee Bid (out of scope), unless specifically noted, are the

following services or facilities:

- ◆ Any new facility not presently on-line or named within this document
- ◆ Metropolitan Wastewater Department Capital Improvement Projects and System Modifications not presently on-line or named within this document
- ◆ Departmental Cash Reserves

2.1.2 Description of In-Scope Facilities

In accordance with this Employee Bid, the MWWD BPR Team shall manage, administer, operate, and maintain the System and provide services or functions defined in the Statement of Work (SOW). MWWD manages all of the resources needed to operate and maintain the City of San Diego's Municipal Sewerage System and the Metropolitan Sewerage System. The mission of MWWD is to "provide the public with a safe, efficient, and cost-effective regional sewer system as well as manage urban runoff to protect the environment, supplement our limited water supply, and meet regulatory standards." The Municipal Sewerage System is specific to the City and consists of all elements required for the collection and conveyance of wastewater generated within the City of San Diego. The Metropolitan Sewerage System treats the wastewater generated by the City of San Diego and 15 other cities and districts within a 450 square mile area with a population of more than 2 million. On a daily basis, MWWD treats approximately 180 million gallons of wastewater.

2.1.3 Base Levels of Service, Risk and Associated Cost Responsibility

2.1.3.1 Level of Service

The Employee Bid is presented for Management, Operations and Maintenance Services for the System at currently sustained Fiscal Year 2007 service levels, or as specified herein.

2.1.3.2 Risk Management and Cost Responsibility

A basic principle of Contract Operations, whether private or public, is the concept of risk management and associated allocation of cost responsibilities. In order to realize the benefits of reduced costs using competition-driven technologies and operating techniques, this Employee Bid proposes an allocation of cost responsibilities in a manner similar to allocations commonly found in the private contract operations industry.

The following Table 2.1 presents Examples of Cost Responsibilities of the MWWD BPR Team's In-Scope Items (those that are the responsibility of the MWWD BPR Team in return for the funds included in the Budget Objective) and Out-of-Scope Items (those that are outside the scope of the Employee Bid). Should any "in-scope" issues occur, the MWWD BPR Team assumes responsibility without a request for additional funding. However, should any Out-of-Scope or similar issues occur, the MWWD BPR Team would be entitled to an adjustment in the Budget Objective.

Table 2.1: Examples of Cost Responsibilities of MWWD BPR Team's In-Scope and Out-of-Scope Items

In-Scope Items	Example
To MWWD BPR TEAM	
Staffing	Salaries, benefits, overtime
Postage	Limited to current postal rates
Wastewater Treatment Chemicals	Cost of Chemicals limited to current unit costs
Preventive Maintenance	PM for all wastewater equipment
Predictive Maintenance	Costs of administering the program
Normal Equipment Repairs and Replacement	Replacement or repair of equipment
Regulatory Coordination/Reporting	Dealing with routine regulatory issues and inspections
Utilities	Bills for electrical, water, and sewer usage costs, limited to current rates
Out-of-Scope Items	Example
Normal Escalation, Salary Changes, and Inflation above four (4) percent	Limit of 4 percent per year of each functional area's cost inflation is within scope
Increase in the Number or Capacity of Facilities	The Quantifiable System Definition (QSD) (see below) within the Statement of Work lists the facilities included in-scope. New facilities costs are out of scope.
Implementation Costs for Initiatives not specified in the Employee Bid	
Capital Improvement Projects	Operations for Additional Capital Improvements not listed in Table 2.3.
Changes in Service Levels and Guidelines	Employee time or MWWD resources, beyond current levels, for activities that are mandated by the City but are not associated with core functions as defined within the Employee Bid.
Costs for Breakdowns of Equipment	Breakdowns of major equipment or capital assets.
System Modifications	Modifications implemented at the request of the City to anticipate or address system obsolescence.
Employees on Long-Term Leave	Costs associated with filling in for employees on leave for greater than 60 consecutive days.
Independent Auditor Costs	Audits and feedback in regard to review of the internal quarterly reports and the Annual Report.

2.2 Service Level Agreement

This Employee Bid is presented for MWWD services for the System. Minimum levels of service will be documented at the end of each year for the service indicators identified in the Scope of Work, referred to in Section 2.2.6. Standard performance for each year of the agreement will be projected for the term of the agreement and adjusted annually.

2.2.1 Memorandum of Understanding (MOU)

The MOU is the basis for the preparation of this Employee Bid. No material exceptions or modifications to the MOU are offered, and the Employee Bid and levels of service proposed in this Employee Bid are in accordance with the MOU. This Employee Bid includes

implementation and interpretive details regarding the policy statements contained in the MOU. Once the Employee Bid is accepted, an agreement is operative for the continued provision of Management, Operations, and Maintenance services for the System. *[Note:As of the preparation of this Bid the MOU had not yet been drafted.]*

2.2.2 Quantifiable System Definition (QSD)

Certain assumed Quantifiable System Definition values are the basis of this Employee Bid and the Budget Objective. The QSD for the Employee Bid is presented in Section 4 of the Statement of Work. No claim, based on actual values differing from the QSD, for modification of the Budget Objective shall be made for variations within the range from +5 percent to -5 percent of any value of the QSD. The MWWD BPR Team and the City may modify, by mutual agreement only, the QSD and the Budget Objective through amendment of this agreement.

2.2.3 Associated In-Scope Responsibilities

The MWWD BPR Team will be responsible for all associated aspects of the Management Operations, and Maintenance Services for the System, as set forth in this Employee Bid, including the Statement of Work, and under the MOU.

CITY POLICIES AND GUIDELINES. The MWWD BPR Team, subcontractors, agents, and invitees will be required to comply with all City policies and guidelines. Any cost associated with a change to City policies and guidelines during the term of this agreement is excluded from the scope_(out of scope) of this Employee Bid.

STORM WATER. Storm water discharge from the System is regulated by various National Pollutant Discharge Elimination System (NPDES) permits for storm water. The MWWD BPR Team will operate the System in accordance with existing storm water NPDES permits and existing storm Water Pollution Prevention Plans.

HAZARDOUS MATERIALS TRAINING (HAZMAT). The MWWD BPR Team shall comply with existing City and other regulatory HAZMAT policies.

EMPLOYEE SAFETY. The MWWD BPR Team shall be responsible for basic site security, such as maintaining fencing and locking gates at the level currently in place for the safety of employees, through MWWD BPR Team members.

TRAINING. The MWWD BPR Team shall ensure employees receive training opportunities to maintain necessary certification or other qualifications to meet regulatory requirements.

STAFFING. The MWWD BPR Team shall provide qualified staffing for the System, including supervisory staff, which maintains any certifications and qualifications necessary to comply with regulatory requirements. The MWWD BPR Team shall manage the personnel expenses to remain within the Budget Objective. To comply with the requirement for this paragraph, the MWWD BPR Team may, from time to time exceed the number of budgeted positions to make

up for staffing shortages due to vacancies, light duty, furloughs, and other leaves of absence.

UTILITIES. Subject to modifications in the Budget Objective due to changes in billing rates, the MWWD BPR Team's responsibility with respect to utilities will be as follows:

- ◆ Telephone service and electronic communication charges and associated taxes and repairs.
- ◆ Water and sewer service charges and natural gas charges.
- ◆ Electrical use for the System.

REVENUE. Changes in revenues shall be accounted for as described in the MOU, Section V.B.

SPILLS. The MWWD BPR Team will be responsible for actions and costs associated with the cleanup, reporting, and disposal of all spills from the System, or from MWWD BPR Team activities. It is the responsibility of third-party contractors to correct deficiencies in performance associated with working on MWWD activities. Except for incidental and administrative costs related to the correction of deficiencies in performance by third-party contractors, the costs associated with such deficiencies in performance shall be excluded from the scope (out of scope) of the Employee Bid. Actions and costs associated with the actions, resolution of disputes, fines, monitoring, cleanup, reporting, and disposal of all spills at the site from third-party contractors working on CIP activities or any others shall be excluded from the scope (out of scope) of the Employee Bid.

Other on-site third-party contractors (e.g., CIP) shall be responsible for cleanup, reporting, disposal, and all associated costs of all spills occurring as a result of their operations. The MWWD BPR Team will facilitate emergency and urgent actions in this regard. Costs thus incurred shall be excluded from the scope (out of scope) of the Employee Bid.

SOLID WASTE. The MWWD BPR Team shall be responsible for disposal of all solid waste generated on-site from MWWD BPR Team activities, in accordance with all applicable regulations. All costs for disposal of solid waste generated by third-party contractors working on CIP activities, or any others, shall be out of scope.

INSURANCE. The Metropolitan Wastewater Department shall furnish the MWWD BPR Team the required liability insurance as provided by the City for claims and similar events in accordance with the City's Risk Management policies. The costs of insurance are paid by the Metropolitan Wastewater Department. The costs for any claims shall be paid by MWWD BPR Team as a Pass-Through cost as discussed in Section 2.2.10 of this Employee Bid. The MWWD BPR Team shall provide all other insurance as provided by the City in accordance with the City's Risk Management policies.

TOOLS AND EQUIPMENT. The MWWD BPR Team shall furnish and maintain all tools and

equipment needed to provide Management, Operations and Maintenance Services.

VEHICLES. The MWWD BPR Team shall manage the operation and pay for maintenance of all City vehicles and other related equipment designated by the MWWD BPR Team for services for the System. The MWWD BPR Team may use privately owned vehicles to provide services. Authorized drivers of privately owned vehicles operated for MWWD BPR Team activities shall be reimbursed for all usage cost on a mileage reimbursement basis in accordance with City Policy and respective labor contract.

EMERGENCY PLANS AND SAFETY PROVISIONS. The MWWD BPR Team shall adopt and utilize the existing plans as prepared by the Metropolitan Wastewater Department.

SAFETY PROGRAM. MWWD BPR Team shall adhere to federal, state, and City safety programs in order to effectively minimize the potential for injury and property damage. All modifications or procedural changes due to safety recommendations by City or other regulatory agencies shall be deemed and treated as a Change in Law.

INFORMATION TECHNOLOGY (IT) SUPPORT. The MWWD BPR Team shall manage all required information technology support to ensure continued efficient operations. The MWWD BPR Team may elect to allow that such support (hardware and software) be provided through the Metropolitan Wastewater Department and the existing Metropolitan Wastewater Department Information Technology (IT) Section and/or San Diego Data Processing Corporation. If the MWWD BPR Team elects to provide such services through means other than the existing Metropolitan Wastewater Department IT Section and/or San Diego Data Processing Corporation, it will be responsible for all necessary hardware and software costs, including ongoing user support, as well as developing the necessary links to the Metropolitan Wastewater Department's information systems to ensure continued reliable and accurate operation of that system, all in accordance with the requirements of the MOU.

FACILITIES. The areas and facilities specified in the QSD are to be provided to the MWWD BPR Team for its use and the MWWD BPR Team shall maintain the specified facilities as specified below under "Building, Grounds Maintenance, and Central Yards".

BUILDING, GROUNDS MAINTENANCE, AND CENTRAL YARDS. Areas within the existing MWWD facilities are to be provided to the MWWD BPR Team for its use. The MWWD BPR Team may elect to allow that such building maintenance support be provided through City Facilities Maintenance, and other service providers.

In addition, the areas for parking of employee vehicles and vehicles to be operated and maintained by the MWWD BPR Team shall be provided.

2.2.4 Functional Limits of Responsibility

The MWWD BPR Team will be responsible for providing Management, Operations, and Maintenance Services for the System in accordance with this Bid.

The MWWD BPR Team will be responsible for coordinating (but shall not be responsible for actually performing) several activities with regulatory agencies, and other contractors, if any, including:

- ◆ Contractors performing work on System capital improvements.
- ◆ Regulatory agency inspections.

2.2.5 Capital Improvements

2.2.5.1 General Requirements

The Capital Improvement Program (CIP) of the Metropolitan Wastewater Department and third-party projects include proposed projects (“Planned Capital Improvements”) that will affect the operations and maintenance of the System, and that are identified in this Employee Bid. The MWWD BPR Team will review and comment on planned capital improvements projects, coordinate with contractors during construction on operations related issues, and provide appropriate operations and maintenance staff to operate the planned capital improvements projects upon acceptance by the MWWD BPR Team. There will be operations and maintenance training provided to the MWWD BPR Team and equipment performance tests as part of the planned capital improvements. Implementation delays can have impacts on operations costs. Should such impacts be material, appropriate adjustments will be made to the Budget Objective in accordance with MOU Section on Uncontrollable Events/Changes in Law.

The MWWD BPR Team will monitor warranty aspects of planned capital improvements project equipment or facilities and accept corrective maintenance responsibilities after the planned capital improvements stipulated warranty or “good repair” period has expired. The MWWD BPR Team shall accept operational, routine maintenance and preventive maintenance responsibilities of these planned capital improvements after the MWWD BPR Team accepts them from the contractors. The MWWD BPR Team shall notify the Service Provider during the warranty period if equipment performance or reliability is deficient, or if operations and maintenance costs that are experienced during the warranty period appear excessive. The responsible contractor or equipment supplier shall make warranty repairs at no cost to MWWD BPR Team. Costs for repairs made by the MWWD BPR Team during the warranty period or on equipment reported by MWWD BPR Team during the warranty period to have deficient performance or reliability shall be excluded from the scope (out of scope) of the Employee Bid.

In addition, lost work-time incurred by the MWWD BPR Team due to deficient performance or reliability under a warranty period of any project shall be a basis for a request for modification of the Employee Bid, or modification of the performance measurements impacted by such lost work-time.

2.2.5.2 Capital Expenditure Recommendation/Coordination

The MWWD BPR Team will assess the need for capital expenditures and submit to the Metropolitan Wastewater Department recommendations and justification for each item.

2.2.5.3 Additional Capital Improvements

For the purpose of this Employee Bid, Additional Capital Improvements are modifications not currently planned, or not included in the Planned Capital Improvements. The impact of these additional improvements or modifications on operational costs and/or the Budget Objective will be negotiated at the appropriate time and may result in an amendment to the Employee Bid.

2.2.6 Performance Specifications for MWWB BPR Team

The MWWB BPR Team shall perform all services in accordance with the SOW. The SOW is located in Appendix B of the BPR Report.

2.2.7 Inspections and Reports

2.2.7.1 Inspections

The MWWB BPR Team shall attend and represent the MWWB at regulatory permit compliance inspections conducted by county, regional, state, and federal agencies having permitting authority and jurisdiction over the System. The MWWB BPR Team shall respond to the inspecting agency in writing with regard to any written inspection reports, and provide copies of inspection reports and responses to the Metropolitan Wastewater Department.

The MWWB BPR Team may request internal courtesy inspections by City regulatory personnel and may respond as the MWWB BPR Team deems necessary. Costs associated with courtesy inspections are in-scope. Inspections initiated by City regulatory personnel, such as the Fire Department, Environmental Services/HazMat, and the Safety Office, for no purpose other than to assist the MWWB BPR Team in assessing status, conducted more frequently than twice per year or what is then regularly required by any single agency shall be excluded from scope (out of scope) of the Employee Bid. Inspections provided for by agreement or to validate remedies from previous inspection results are in scope.

2.2.7.2 Regulatory Reporting

The MWWB BPR Team shall review and certify all required regulatory agency reports and notifications in accordance with all current Metropolitan Wastewater Department practices, regulatory agency requirements, and permits, including the Regional Water Quality Control Board reports related to the System.

2.2.7.3 Periodic Reports

- Information Reports. The MWWB BPR Team shall maintain monthly/accounting period data required for monitoring system performance, and report to the Metropolitan Wastewater Department as directed.
- Inventory Reports. The MWWB BPR Team shall provide the City with Inventory Reports in accordance with Auditor guidelines.

2.2.7.4 Performance Accountability Reports

An Annual Performance Accountability Report covering best available information for the

previous fiscal year shall be submitted on or before each first of November by the MWWD BPR Team via the MWWD Director to the Mayor. Format and content of the Annual Performance Accountability Report shall be in accordance with Figure 2.1 (located at the end of Section 2).

A semi-annual Performance Accountability Report covering the best available year-to-date information for the first six months of the fiscal year shall be submitted by each first of March by the MWWD BPR Team via the Metropolitan Wastewater Department Director to the Mayor. Quarterly Performance Accountability Reports covering best available year-to-date information for the second and third fiscal quarters will be produced by the MWWD BPR Team for internal review. Format and content of the Performance Accountability Reports shall be in accordance with the following:

MWWD BPR Team Annual Performance Accountability Report Fiscal Year XXXX
(timeframe)

Section I Operations Performance (same as Annual Performance Accountability Report, Section II.A.)

Section II Financial Status:

- A. Year to Date Fiscal Execution
(Management Information equal to Figure 2.1 detail)
- B. Recommendations / Actions impacting Budget Objective
- C. Recommendations / Actions impacting annual savings

Section III Narrative Description/Key Considerations

Upon request of the Department Director, or the independent Auditor, a copy of the current MWWD BPR Team's annual Performance Measures associated with this Employee Bid shall be made available for periodic review.

2.2.8 Additional Required Services

The MWWD BPR Team will be responsible for providing, as part of the Budget Objective, the following additional services:

- ◆ Meetings: Each Division shall meet regularly with Department Management to review operations and maintenance related issues. The Divisions shall announce and make available to all personnel the opportunity to attend on-site periodic 'all hands' meetings.
- ◆ Tours: When approved by the MWWD BPR Team, tours of the System for school groups, civic groups, government officials, and others, as requested or outlined by the City. Tour costs beyond a total of eight staff hours in any pay period and an annual not-to-exceed amount of 200 hours per facility shall be a Pass-Through Cost.

2.2.9 Services Not Part of the Budget Objective

The MWWD BPR Team shall not have cost responsibility for providing the services listed below. When requested or directed to perform these, the MWWD BPR Team will account for these services as excluded from the scope (out-of-scope) of the Employee Bid items. Departmental budget considerations shall be identified to the Metropolitan Wastewater Department in a timely manner.

- ◆ Employees on Long-Term Leave. The personnel costs associated with filling behind employees on leave for greater than 60 consecutive days due to sickness, disability, military leave, jury duty, or suspension with pay or for any other reason.
- ◆ Other Additional Services: Provision of any additional service above the levels provided within this Employee Bid, or support for out of scope activities.

2.2.10 Pass-Through Costs

2.2.10.1 Capital Improvement Program (CIP) Support

The monthly Pass-Through component shall be equal to the sum of the actual amount of unallocated costs incurred by the MWWD BPR Team providing support services to the Metropolitan Wastewater Department CIP. The MWWD BPR Team shall account for all CIP related costs and properly allocate these costs to CIP in accordance with the CIP Program procedures. Historically it has not been practical for all CIP support related costs to be allocated to the CIP. Any residual unallocated costs for CIP support, such as costs for unassigned time, training time, overtime, and unassigned materials, that remain not allocated to CIP shall be a Pass-Through Cost to MWWD BPR Team.

- ◆ Permit Applications: Assistance in preparation of regulatory permit applications, Waiver requests or change negotiations relative to System operations and maintenance. The MWWD BPR Team shall approve applications prior to submittal by the Metropolitan Wastewater Department. Permit Inspection or Renewal fees paid to regulatory agencies shall be a Pass-Through Cost.

2.2.10.2 Summary of Pass-Through Cost Components

The monthly Pass-Through component shall be equal to the sum of the actual amounts paid by the MWWD BPR Team for the required operating charges presented in the charge codes presented in Appendix B.

All Pass-Through costs for this Employee Bid are listed in Appendix B. All other costs not listed in this table shall be considered to be part of the Controllable Budget Objective unless expressly identified in this Employee Bid as Out of Scope.

Claims. The costs for all claims shall be charged to the MWWD BPR Team as a Pass-Through cost. However, if a claim is the result of negligence of the MWWD BPR Team or failure to comply with the terms of the MOU, then the costs of the claim are to be paid as part of the Controllable Budget Objective and not as a Pass-Through Cost.

2.3 Pricing

The assumption in the Budget Objective for inflation is four (4) percent. Adjustments for actual cost increases and costs related to unforeseen circumstances may be made only pursuant to provisions in the Administration of Section V of the MOU. The procedure for initiating adjustments to the Employee Bid (subject to the provisions of the MOU) is identified in Section 1.4 of this Bid.

2.4 Modifications

2.4.1 System Modifications

It may be necessary or desirable to further modify, alter, or improve the System, either at the request of the MWWWD BPR Team or the City. These modifications may be appropriate to increase the efficiency or improve the performance of the System, to anticipate or address the obsolescence of any portion of the System, or to respond to a Change in Law. All such System Modifications shall be financed and designed, built, procured, and implemented by the City.

2.4.2 Modifications at MWWWD BPR Team Request

The MWWWD BPR Team may propose that the City make System Modifications. All System Modifications proposed by the MWWWD BPR Team shall be subject solely to the City's approval. The City has no obligation to accept the MWWWD BPR Team's proposed System Modifications. If pursuant to a Change in Law, relief will be in accordance with MOU Section entitled Uncontrollable Events/Changes in Law.

2.4.3 Modifications Due to Changes in Law

When a Change in Law occurs, the City shall make all System Modifications necessary to permit the MWWWD BPR Team to perform its obligations under the agreement. If a requirement for secondary treatment at the Point Loma WWTP is implemented by regulatory agencies, it shall be considered a Change in Law. The City and the MWWWD BPR Team shall cooperatively evaluate alternate solutions and expeditiously address Changes in Law. Material operations and maintenance cost charges resulting from Changes in Law shall be out of scope and result in Budget Objective adjustments, unless otherwise specified in the governing MOU.

2.4.4 Modifications by the City-

The City may undertake System Modifications. If such modifications impair the ability of the MWWWD BPR Team to meet the Regulatory Conditions, do not comply with this Employee Bid, adversely affect the MWWWD BPR Team, or impose additional cost, delay, liability, or obligation to the MWWWD BPR Team, then a modification to the Employee Bid shall be negotiated in good faith.

2.4.5 Procurement of System Modifications

The City may require that any System Modification be designed, built, procured, and implemented as a Metropolitan Wastewater Department public works project. If undertaken by

the Metropolitan Wastewater Department or a third-party contractor, the MWWD BPR Team shall cooperate and assist in the implementation of the System Modification, in accordance with Section 2.2.5 of this Employee Bid.

After acceptance of this Employee Bid, modifications to this agreement may be proposed by any party to this agreement as outlined in Section 1.4 of this Employee Bid and resolved by mutual agreement and be authorized in writing.

2.5 System Repairs, Replacements and Major Maintenance Activities

2.5.1 In-Scope Repairs or Replacements

In order to provide for the high level of reliability of the System and to continue the development of in-house expertise of the staff for work on specialized wastewater equipment, the MWWD BRP Team has determined that certain System repairs, refurbishments, and replacements shall be performed by the MWWD BPR Team staff. Examples of the repairs, refurbishments, and replacements identified in Table 2.2 are considered to be In-Scope for the MWWD BPR Team. The expenses associated with these activities shall not be considered part of the Controllable Budget Objective.

Table 2.2: Examples of In-Scope Repairs or Replacements

In-Scope Repair and Replacement Activities
Refurbishment of Wastewater Screens
Reconditioning of Pump Rotating Assemblies
Other Repair, refurbishment, or replacement activities as directed by the O&M Deputy Director

2.5.2 Reserve for Asset Repair(s) or Replacement(s)

There shall be a reserve fund created, funded, and maintained by and for the City to support the cost of making Asset Repair(s) or Replacement(s) to the System. The total amount of the reserve may be used to fund non-capital repairs, replacements or refurbishments, or when Capital Funds are not readily available to meet the needs of the System for continuous operation. The reserve also will stabilize the Budget Objective from year to year. Any reserve funds not expended at the end of one Fiscal Year, shall be transferred into the fund for the subsequent fiscal year for expenditure in succeeding years.

The MWWD BPR Team shall have the right to draw on the reserve fund to make Asset Repair(s) or Replacement(s), or for non-capital maintenance activity, such as the contract cleaning of digesters, routine pump refurbishment, or for any activity approved by the MWWD Director. However, the cost for labor and fringe benefits of the MWWD BPR Team for activities associated with these Asset Repairs or Replacements shall not be charged to the reserve fund.

Each year, each Division of the MWWD BPR Team shall include in its Controllable Budget Objective and make a transfer of funds into the reserve fund the amounts presented in Table 2.4. The annual amount of current expense contributions to the Reserve Fund may be amended based upon analyses to be conducted as part of the development of the Asset Management Program by an amendment to this Employee Bid.

Table 2.3: Current Expense Contributions to the Reserve Fund by Division

MWWD Division	Annual Contribution
Operations and Maintenance	\$ 4,000,000
Wastewater Collection	\$ 400,000
Envir. Monitoring and Tech. Services	\$ 400,000

Figure 2.1

MWWD BPR TEAM
ANNUAL PERFORMANCE ACCOUNTABILITY REPORT
FY XXXX

Date:

Submitted by:

I. Financial Performance

A. Variance Calculation:

Adjusted Controllable Budget Objective _____

(Attach an explanation of any difference from MOU)

Less - Actual Controllable In Scope Spending _____

(Attach an explanation of adjustments from official report of total MWWD execution to reach in scope spending)

Equals - Financial Performance Variance vs. the Controllable Budget Objective

B. Disposition of Variance

For positive variance, follow MOU guidelines in the paragraph entitled Goal, subparagraph Treatment of Additional Savings, and the paragraph entitled Administration of the Agreement, subparagraph Default Thresholds.

For negative variance, make default calculation per MOU paragraph entitled Administration of the Agreement, subparagraph Default Thresholds.

II. Operations and Maintenance Performance

A. Mandatory Performance Requirements

Report any issue concerning violation of any regulatory requirement during the fiscal year. (Include requirement standard and actual Performance. Cite official reports by title, date, and location of original. Attach copy if practical.)

B. Other Key Performance Indicators

1. Report the actual performance for each of the key performance measures selected annually per the Employee Bid.
2. Prepare a computation of the amount of annual savings
3. Maintenance Plan Status

Update key events since prior report to reflect planned and actual spending, disposition of unspent funds, plus any adjustment to future year planning (e.g., trends indicate that the Plan should be increased/ decreased as follow: _____ Rationale: _____)

III. Narrative Description/Key Considerations

- A. Describe how Budget Objective and key performance indicators were met.
- B. Explain negative financial variances and MWWD Standards not met. Include assessment of causal factors and recommended corrective measures, if needed.
- C. Discuss any unusual circumstances or assumptions not borne out and associated recommendations regarding future plans and execution.

Attachment_____

**BID TO GOAL
ADJUSTMENT JUSTIFICATION FORM**

(Include additional pages, if needed)

1. TYPE OF ADJUSTMENT (CIRCLE ONE)

Per MOU:

- CIP Associated
- Mandated changes in service levels
- Changes in major NPE prices compared to Consumer Price Index, including postage
- Changes in Assumed Quantifiable System Definition
- Breakdowns of major equipment or capital assets
- Catastrophic acts of nature, terrorism or war
- Changes in Law
- Labor Cost adjustment resulting from collective bargaining agreements
- Other (explain in detail)

2. ADJUSTMENT (a) CALCULATION and (b) JUSTIFICATION

(Cite and attach Director's Notice of Adjustment Materiality; expand if appropriate)

3. AMPLIFYING INFORMATION

(Cite and attach any related correspondence, minutes or meeting notes)

3 BASIS OF BUDGET OBJECTIVES

3.1 General

The Basis of the MWWD BPR Team’s Employee Bid presented in Section 2 of this document summarized the responsibilities of the MWWD BPR Team. In essence, Section 2 presented the terms and conditions that define the duties and responsibilities of the MWWD BPR Team to the City. The Basis of the Budget Objectives in this Section 3 presents the key assumptions of each Division of MWWD BPR Team and the basis for computation of the costs comprising the Budget Objectives for each section. The following information is provided for each Division of MWWD:

- ◆ Significant Planned Initiatives or Improvements
- ◆ Cost Assumptions
- ◆ Additional Opportunities Not Included in the Bid

3.1.1 Departmental Cost Assumptions

- ◆ Compliance with the Statement of Work.
- ◆ The extent of the San Diego Wastewater System for the purpose of determining the Budget Objective for the MWWD BPR Team is defined in the Quantifiable System Definition of the Statement of Work.
- ◆ The salary and fringe benefits are based upon the City of San Diego’s average compensation package for each job classification as defined by the Fiscal Year 2007 Budget. Any changes to the compensation package would result in an adjustment to the Bid.
- ◆ Maintain current level of service unless otherwise specified in the Statement of Work.
- ◆ Incorporate in Budget Process the ability to include unfunded but approved FTEs to allow management of staffing levels.
- ◆ Approval of a consolidated MWWD BPR Team contingency at the Department level.

3.2 Operations and Maintenance Division

3.2.1 Significant Planned Initiatives or Improvements

- ◆ Completion of Asset Management Program Development (2 years)
- ◆ Past Agreements for Minimum Staffing and Work Shift Schedule will be Modified
- ◆ “Champions” for energy and chemicals assigned to control costs.

3.2.2 Cost Assumptions

- ◆ Vacancy Rate – 0 percent.

- ◆ Overtime Rate – 6.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Chemical and Energy Bid Costs at Current Rates
- ◆ Assurance Fund; Maintenance Plan and R&R Fund Included
- ◆ O&M Engineers not Impacted by City-wide BPR Process

3.2.3 Additional Opportunities Not Included in the Bid

- ◆ Revise the reclaimed water contract specifications from 1000 TDS to 1200 TDS
- ◆ Eliminate the requirement to treat 22.5 MGD at NCWRP

3.3 Wastewater Collection Division

3.3.1 Significant Planned Initiatives or Improvements

- ◆ Negotiate Division-wide 8-hour work schedules (except off-shifts)
- ◆ Reduce overtime and allow only paid overtime
- ◆ Greater worker flexibility between work units
- ◆ Improve sewer cleaning quality:
 - ◆ Higher quality tools
 - ◆ More frequent cleaning training
 - ◆ Modify sewer cleaning QA/QC program
- ◆ Reduce cleaning needs in low risk areas
 - ◆ Modify cleaning frequency decision process to use all available data
- ◆ Improve coordination, scheduling, and tracking of canyon activities
- ◆ Improve use of management tools to increase sewer repair productivity
- ◆ Optimize pump station maintenance program
- ◆ Review organizational design of sewer acceptance, warranty, and repair/replacement decision making and modify to increase coordination
- ◆ Eliminate assignment charges from Equipment Division for vehicles beyond useful life
- ◆ Redefine and reallocate operations engineering services that are being reduced in the WWC Employee Bid
- ◆ Transfer additional sewer alarm monitoring functions and activities to current alarm contract.

3.3.2 Cost Assumptions

- ◆ Vacancy Rate – 0 percent.
- ◆ Substantial reduction in overtime
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Streets SLA will continue and refocus after elimination of current backlog
- ◆ Algorithm for Collection System flow meters alarms will reduce false alarms by 90%
- ◆ Contingency for larger emergencies held at Department level
- ◆ WWC Employee Bid does not include inspection and potential cleaning of Metro sewers
- ◆ Large diameter sewer inspection focusing on cleaning needs assessment (was not performed in FY06)
- ◆ A reduction in the quantity motive equipment
- ◆ Claims against MWWD will be paid for at the Department Level
- ◆ No significant changes to existing permits and regulatory procedures are anticipated.
- ◆ In general, FY2006 service levels will be maintained

3.4 Environmental Monitoring and Technical Services Division

3.4.1 Significant Planned Initiatives or Improvements

- ◆ In-Sourcing “To-Be” Process Matrix to be followed
- ◆ Aggressive recruitment and hiring processes will eliminate delays in filling vacancies.

3.4.2 Cost Assumptions

- ◆ Vacancy Rate – 0 percent.
- ◆ Overtime Rate – 1.5 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ Overtime related to call-backs and/or emergencies such as spills or other events is in excess to the above baseline.
- ◆ Overtime associated with new and/or continued special projects, the waiver, and or other work beyond the SOW will be determined on a case by case basis and is in excess to the above baseline.
- ◆ Mandated City training and meetings limited to no more than 40 hours per employee per year.

- ◆ Standby pay established to address operational needs will be addressed through a budget adjustment.
- ◆ EMTS Staff defines the SOW and parameters for any new or renegotiated SLAs/contracts supported by the EMTS operating budget.
- ◆ Assumes NPE such as equipment, supplies and capital outlay associated only with regular activities defined in SOW.
 - ◆ Does not include NPE associated with non-regular or unforeseen replacement of equipment and/or maintenance that may be needed during the 5-year bid period.
- ◆ Assumes maintenance of existing vendor contracts for existing IT/LIMS/GIS applications.
- ◆ Assumes adequate annual funding of EMTS Division's IT needs budget request (including SDDPC labor costs for new technology implementation projects).
- ◆ Assumes MWWD continues its current policy of providing funding for network costs, standard hardware, software and other "department-wide resources."
- ◆ Assumes additional outlays associated with improved efficiencies such as programming to automate routine regulatory reporting requirements, equipment/instrumentation training, etc.
- ◆ Capital outlay and other NPE in FY 2008 indexed to inflation for subsequent years. Unspent capital outlay rolls over to next year total budget allocation.
- ◆ Cost increases from vendors treated as "pass-through" and budget adjusted proportionately.
- ◆ EMTS sets equipment and [analytical] software standards in conformance with standards required by or necessary to meet regulatory requirements.
- ◆ No significant changes to regulatory requirements affecting monitoring and reporting programs.
- ◆ Special projects and emergency response to continue at current levels.
- ◆ In general, FY2006 service levels maintained
- ◆ The following position reclassifications will be approved expeditiously:
 - ◆ One Assistant Chemist to a Laboratory Technician
 - ◆ One Assistant Chemist to a Supervising Management Analyst
 - ◆ One Senior Clerk Typist to a Marine Biologist III

3.5 Engineering and Program Management Division

3.5.1 Significant Planned Initiatives or Improvements

- ◆ Reorganization of the Long Range/Master Planning Section for Muni and Metro

Facilities.

- ◆ Additional automation of the Collection System CCTV and condition assessment process.
- ◆ Creation of a Program Management section to oversee the management of MWWD CIP projects performed by a centralized Engineering Department.

3.5.2 Cost Assumptions

- ◆ Vacancy Rate – 0 percent.
- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-Wide BPR Process – Services not assumed to remain in MWWD will be provided at historic service levels and cost levels.
- ◆ Functions under review in the City-Wide BPR Process include Design, Construction, Engineering Support to Operating Divisions, and Development Review.
- ◆ No funding for Secondary Treatment, contract services for inspection of force mains and interceptors, permit costs or contract services for support to operating divisions, mitigation, restoration, and canyon access design, implementation and easement acquisition.

3.6 Administrative Services Division

3.6.1 Significant Planned Initiatives or Improvements

- ◆ Consolidation of the Services & Contracts Division and Information and the Organizational Support Division into the Administrative Services Division.
- ◆ Centralization of the following functions: Budget Analysts, Payroll and Training within the HR section.
- ◆ Rate Case function transferred from Financing Services Dept. to the owner departments (Water & MWWD)
- ◆ Reductions: cut SDDPC positions to reflect centralized helpdesk and infrastructure services. Eliminated position: 3 full-time and 4 part-time SDDPC positions, Program Manager now half-time.
- ◆ IT Budget Allocations: Applications, maintenance contracts and division specific projects are budgeted within the division
- ◆ Reduction: OES II SLA deleted
- ◆ Process Improvement: Addition of the Accident Review Committee to Safety's Accident Investigation

3.6.2 Cost Assumptions

- ◆ Vacancy Rate – 0 percent.
- ◆ Overtime Rate – 2.0 percent.
- ◆ Paid Industrial Leave, light duty and furlough rate – 1.0%
- ◆ City-wide BPR Process
 - ◆ Certain Key Services Remain in MWWD
 - ◆ Services Not Assumed to Remain in MWWD will be provided at historic service levels and costs.
- ◆ Functions Shifting to Other Divisions:
 - ◆ COMNET
 - ◆ Engineering
 - ◆ Flow Metering

3.6.3 Additional Opportunities Not Included in the Bid

- ◆ Consolidate Payroll Services Department-wide
- ◆ Consolidate Budget Services Department-wide

3.7 Other Metropolitan Wastewater Department and City Activities

The MWWD BPR Team is necessarily dependent upon other City departments to support the activities associated with the MWWD BPR Team’s Employee Bid. The purpose of this section is to identify those key “supplier” dependencies and to state that any substantial failure of these “suppliers” to support the MWWD BPR Team as described herein could be cause for renegotiation of either the cost or performance terms of this Employee Bid.

References are to existing City departments, including but not limited to the following. In the event that these activities are re-organized or re-aligned within the City, such support shall be provided by the successor City organization.

Basic Service Assumptions

- ◆ From San Diego Data Processing
 - ▲ Data Processing Support
 - ▲ Operations Support
- ◆ From City Attorney:
 - ▲ Provide advice and counsel as needed
 - ▲ Pursue civil and criminal actions related to Code Enforcement

- ▲ Assistance to the MWWD BPR Team with matters before the Civil Service Commission
- ▲ Review Contracts
- ◆ From Purchasing and Contracts Department:
 - ▲ Provide guidance and support related to the purchase of materials and services
 - ▲ Contract and Bid Processing through Award
- ◆ General Services:
 - ▲ Equipment Division
 - ▲ Central Stores
 - ▲ Station 38
 - ▲ Purchasing
 - ▲ Construction and Maintenance
 - ▲ Facilities Maintenance
- ◆ From Personnel Department:
 - ▲ Provide guidance and support related to the selection and promotional process;
 - ▲ Provide specific required training for "performance appraisal" and "appointing authority interview" processes
 - ▲ Provide guidance and interpretation of Civil Service and Administrative rules and regulations
 - ▲ Provide general personnel support including generating recruiting announcements, providing selection protocols, notifications of ineligibility, etc.
- ◆ From Risk Management:
 - ▲ Provide current level of support through life of agreement
- ◆ From Departmental Human Resources:
 - ▲ Coordinate Medical Program
 - ▲ Support to Fact Findings
 - ▲ Provide Departmental Payroll Functions
 - ▲ Tracking Performance Evaluations
 - ▲ Provide Mandatory Training Program
 - ▲ Manage Certification Program

- ▲ Coordinate Rewards and Recognition Program
 - ▲ Assist in Tracking Departmental Vacancies
 - ▲ Manage Reduction-In-Force Issues
 - ▲ Manage centralized Laborer processes
 - ▲ Provide guidance and support related to selection and promotional processes
 - ▲ Provide required training for "performance appraisal" and "appointing authority. interview" processes
 - ▲ Provide guidance and interpretation of Civil Service and Administrative rules and regulations
 - ▲ Provide general personnel support including generating recruiting announcements, providing selection protocols, notifications of ineligibility, etc.
- ◆ Development Services Department:
 - ▲ Environmental and Permitting Approval
 - ◆ Water Department:
 - ▲ GIS Support
 - ◆ Engineering and Capital Project:
 - ▲ Design, Construction, Support to Operating Divisions and GRC Contracting

4 DEFINITIONS AND INTERPRETATION

As used in this Employee Bid, the following terms shall have the meanings set forth below:

"Agreement Date" means the date the MOU and Employee Bid are executed by the parties hereto.

"APCD" is the Air Pollution Control District having jurisdiction over the System.

"AWWA" is the acronym for American Water Works Association.

"Applicable Law" means any law, rule, code, standard, regulation, requirement, court decree, court order, court agreement, permit, action, determination, guideline, or order of, or any Legal Entitlement issued by, any professional or industry organization or society or any Governmental Body having jurisdiction, applicable from time to time to any of the activities associated with the construction, operation, maintenance or repair of the System; the collection, transmission, treatment, and disposal of wastewater; the production, transmission, storage and delivery of reclaimed water; the transfer, handling, transportation or disposal of residuals, and any other transaction, matter or obligations of the parties contemplated hereby, without limitation, any of the foregoing which pertain to water treatment, residuals, health, safety, fire, environmental protection, labor relations, and building codes).

"Assumed Quantifiable System Definition" means detailed projections concerning various measurable characteristics that define the existing System under this Employee Bid. The Assumed Quantifiable System Definition, expected to be managed by the MWWD BPR Team, were developed for preparing the Employee Bid. Significant changes in the Assumed Quantifiable System Definition values will impact the costs of providing services and are grounds for renegotiation of the Employee Bid.

"Best in Class" means achieving the top performing quartile in relevant performance measures reported in the QualServe program.

"Bid to Goal MOU" means the Memorandum of Understanding (MOU) concerning the Bid to Goal offer of the MWWD BPR Team which was approved by the Mayor and City Council and is attached in Appendix A.

"Budget Objective" means the total annual compensation paid to the MWWD BPR Team to operate, maintain and manage the in-scope activities of the MWWD BPR Team in accordance with this Employee Bid, for each fiscal year during the term of this agreement. The Budget Objective includes the in-scope costs of operations, maintenance and management, the Pass-through Costs, the contingency, and the allowance for inflation. The Budget Objective is the compensation the MWWD BPR Team will be paid for the services they provide, and shall not be changed, except as provided in the MOU and this Employee Bid. Refer to Section 1.3 of

this Employee Bid for definition of the components of the Bid Objective, specifically the Controllable Bid Objective and the Pass-Through Bid Objective.

“CDHS” means the State of California, Department of Health Services.

“Change in Law” means generally any of the following events which occur after the agreement date:

- a) the promulgation, modification or written change in interpretation by a controlling authority of any applicable law unless the System had notice or should have had notice of such change as of the date of this agreement; or
- b) the order or judgment of any court or other controlling authority as long as it was not the result of a willful or negligent act or lack of reasonable diligence by a party to this agreement; or
- c) the denial of a permit application or the inclusion of a new relevant condition in the City’s permit as long as such denial is not the result of a willful or negligent action or lack of diligence by a party to this agreement.

"City" means the City of San Diego, California.

“CMUA” is the acronym for California Municipal Utilities Association.

“Code Compliance Inspection” means any inquiry into potential municipal, federal or state Code violations.

“Construction Reimbursable Services” means the services provided by the MWWD BPR Team for approved work on the System requested by a non-MWWD entity, such as a contractor or a developer, or another City department for which MWWD BPR Team costs are not reimbursed. The Water Enterprise Fund, the Metropolitan Wastewater Department, or the City may be reimbursed for Construction Reimbursable Services.

“BPR Management Team” means the MWWD Director and the MWWD Deputy Directors.

“MWWD BPR Team” means the Management Team of MWWD and the employees of the in-scope activities, as represented by Local 127 of the American Federation of State, County, and Municipal Employees (AFSCME Local 127), the San Diego Municipal Employees Association (MEA), and including other classified unrepresented employees.

“EPA” is the United states Environmental Protection Agency.

“Mayor” means the Mayor or his/her designee.

“MWWD” means the City of San Diego Metropolitan Wastewater Department.

“MOU” is the Memorandum of Understanding (MOU) concerning the Bid to Goal program of the MWWD BPR Team which was approved by the San Diego City Council.

"Notice to Proceed" means those written instructions issued by the City to the MWWD BPR Team, requiring the MWWD BPR Team to commence operation of the System.

“NPDES” means the National Pollutant Discharge Elimination System.

“Pass-Through Costs” means the amount equal to the actual and direct expenses (without markup for profit, administration or otherwise) paid by the MWWD BPR Team to the City or to unrelated third parties.

“Prudent Industry Practice” means these methods, techniques, standards and practices which, at the time they are to be employed hereunder and in light of the circumstances known or reasonably believed to exist as such time, are generally accepted as prudent in the municipal water industry as practiced in the southern California region.

“Public records Act” means the California Public records Act codified at California Government code Section 6250 et. seq., as amended from time to time.

“Risk Management” is defined as the City of San Diego Risk Management Department.

“Routine Maintenance” is defined in the Performance Specification for Maintenance paragraph of the Employee Bid.

“RWQCB: means the Regional Water Quality Control Board having jurisdiction over the System.

“Service Level Requirements” is defined as the primary service levels of core MWWD functions that must be maintained at current standards, or better, as provided in this Employee Bid.

“Service Territory” means the City of San Diego, portions of San Diego County and all other territory in which customers are served by the Metropolitan Wastewater System during the term hereof.

“Sludge” means residual biosolids generated or treated by the System resulting from the treatment of wastewater.

“Solid Waste” means any material waste remaining from operations and maintenance, and administrative activities.

“Spill” means a discharge of raw domestic sewage from a separate sewer system before the

headworks of a wastewater treatment facility.

“State” means the State of California.

“Statement of Work” or “SOW” means the Statement of Work for Management, Operations, and Maintenance Services that is attached to the Bid to Goal Reengineering Report as Appendix B.

“Substantial Conformance” for purposes of this Employee Bid conveys the MWWD BPR Team’s intent to achieve the Service Level Requirements as outlined in this document and that due to unforeseen circumstances these requirements may be largely but not wholly met.

“System” means the assets of the Metropolitan Wastewater Department which are included in the Scope of Work for services under this Agreement.

“Uncontrollable Circumstance” means generally any of the events or conditions defined in the MOU and having a material and adverse effect on the performance by the parties of their respective obligations under this Agreement, or on its operation, maintenance or management of the System.

“Utilities” means any and all utility services and installations whatsoever (including gas, water, sewer, telephone, and telecommunications), and all piping, wiring, conduit, and other fixtures of every kind whatsoever related thereto or used in connection therewith.

APPENDIX A
Memorandum of Understanding

Procurement Sensitive

Procurement Sensitive

At the time of the December 29, 2006 submittal, the memorandum of understanding had not been finalized.

Procurement Sensitive

Procurement Sensitive

APPENDIX B
Pass-Through Object Accounts

Procurement Sensitive

Procurement Sensitive

Pass-Through Object Accounts By Division

Operations & Maintenance		Wastewater Collection		Administrative Services Department		Environmental Monitoring and Technical Services		Engineering and Program Management	
Object Account	Object Account Description	Object Account	Object Account Description	Object Account	Object Account Description	Object Account	Object Account Description	Object Account	Object Account Description
4118	ENGINEERING SERVICE	4118	ENGINEERING SERVICE	4118	ENGINEERING SERVICE	4118	ENGINEERING SERVICE	4118	ENGINEERING SERVICE
4119	ENVIRONMENT IMPACT STUDYS	4119	ENVIRONMENT IMPACT STUDYS	4119	ENVIRONMENT IMPACT STUDYS	4119	ENVIRONMENT IMPACT STUDYS	4119	ENVIRONMENT IMPACT STUDYS
4132	ENTERPRISE GIS-SHRD COSTS	4132	ENTERPRISE GIS-SHRD COSTS	4132	ENTERPRISE GIS-SHRD COSTS	4132	ENTERPRISE GIS-SHRD COSTS	4132	ENTERPRISE GIS-SHRD COSTS
4140	LEGAL FEES	4140	LEGAL FEES	4140	LEGAL FEES	4140	LEGAL FEES	4140	LEGAL FEES
4141	LEGAL FEES	4141	LEGAL FEES	4141	LEGAL FEES	4141	LEGAL FEES	4141	LEGAL FEES
4145	AUDIT SERVICES	4145	AUDIT SERVICES	4145	AUDIT SERVICES	4145	AUDIT SERVICES	4145	AUDIT SERVICES
4146	MISC PERMITS/FEES	4146	MISC PERMITS/FEES	4146	MISC PERMITS/FEES	4146	MISC PERMITS/FEES	4146	MISC PERMITS/FEES
4171	REFUSE DISPOSAL FEES-CITY	4171	REFUSE DISPOSAL FEES-CITY	4171	REFUSE DISPOSAL FEES-CITY	4171	REFUSE DISPOSAL FEES-CITY	4171	REFUSE DISPOSAL FEES-CITY
4213	REPR & MAINT BLDGS/STRUCT	4211	MAINT & JANITOR SERVICES	4216	CENTRAL SHOP SERVICE	4216	CENTRAL SHOP SERVICE	4216	CENTRAL SHOP SERVICE
4216	CENTRAL SHOP SERVICE	4216	CENTRAL SHOP SERVICE	4217	LANDSCAPING SERVICES	4217	LANDSCAPING SERVICES	4217	LANDSCAPING SERVICES
4217	LANDSCAPING SERVICES	4217	LANDSCAPING SERVICES	4226	CONT SERV-CITY FORCE	4226	CONT SERV-CITY FORCE	4226	CONT SERV-CITY FORCE
4226	CONT SERV-CITY FORCE	4226	CONT SERV-CITY FORCE	4273	GENERAL GOVT SERV	4273	GENERAL GOVT SERV	4273	GENERAL GOVT SERV
4273	GENERAL GOVT SERV	4229	ALL CONTR SERV-OTH AGENCY	4653	LOAN REPAYMENT	4653	LOAN REPAYMENT	4653	LOAN REPAYMENT
4653	LOAN REPAYMENT	4273	GENERAL GOVT SERV	4681	RENT:DEPT SPECIFICS	4681	RENT:DEPT SPECIFICS	4681	RENT:DEPT SPECIFICS
4681	RENT:DEPT SPECIFICS	4653	LOAN REPAYMENT	4682	RENT LAND BLDGS	4682	RENT LAND BLDGS	4682	RENT LAND BLDGS
4682	RENT LAND BLDGS	4681	RENT:DEPT SPECIFICS	4881	TRANSFERS - CASH	4881	TRANSFERS - CASH	4881	TRANSFERS - CASH
4881	TRANSFERS - CASH	4682	RENT LAND BLDGS	4887	IT INTERFUND TRANSFER	4887	IT INTERFUND TRANSFER	4887	IT INTERFUND TRANSFER
4887	IT INTERFUND TRANSFER	4881	TRANSFERS - CASH	4924	ENV SVCS DEPT CHARGES	4924	ENV SVCS DEPT CHARGES	4924	ENV SVCS DEPT CHARGES
4924	ENV SVCS DEPT CHARGES	4887	IT INTERFUND TRANSFER	4930	COUNTY RECORDER FEE	4930	COUNTY RECORDER FEE	4930	COUNTY RECORDER FEE
4930	COUNTY RECORDER FEE	4924	ENV SVCS DEPT CHARGES	4932	TRANSFER OF CHARGES	4932	TRANSFER OF CHARGES	4932	TRANSFER OF CHARGES
4932	TRANSFER OF CHARGES	4930	COUNTY RECORDER FEE	4935	PROPERTY DEPT CHARGES	4935	PROPERTY DEPT CHARGES	4935	PROPERTY DEPT CHARGES
4935	PROPERTY DEPT CHARGES	4932	TRANSFER OF CHARGES	4945	ENGINEERING DEPT CHARGES	4945	ENGINEERING DEPT CHARGES	4945	ENGINEERING DEPT CHARGES
4945	ENGINEERING DEPT CHARGES	4935	PROPERTY DEPT CHARGES	4946	UTILITIES DEPT CHARGES	4946	UTILITIES DEPT CHARGES	4946	UTILITIES DEPT CHARGES
4946	UTILITIES DEPT CHARGES	4945	ENGINEERING DEPT CHARGES	4948	PLANNING DEPT CHARGES	4948	PLANNING DEPT CHARGES	4948	PLANNING DEPT CHARGES
4948	PLANNING DEPT CHARGES	4946	UTILITIES DEPT CHARGES	4956	ATTORNEY DEPT CHARGES	4956	ATTORNEY DEPT CHARGES	4956	ATTORNEY DEPT CHARGES
4956	ATTORNEY DEPT CHARGES	4948	PLANNING DEPT CHARGES	4959	FIN MGMT DEPT CHARGES	4959	FIN MGMT DEPT CHARGES	4959	FIN MGMT DEPT CHARGES
4959	FIN MGMT DEPT CHARGES	4956	ATTORNEY DEPT CHARGES	4960	ACCTG DEPT CHARGES	4960	ACCTG DEPT CHARGES	4960	ACCTG DEPT CHARGES
4960	ACCTG DEPT CHARGES	4959	FIN MGMT DEPT CHARGES	4961	TREAS DEPT CHARGES	4961	TREAS DEPT CHARGES	4961	TREAS DEPT CHARGES
4961	TREAS DEPT CHARGES	4960	ACCTG DEPT CHARGES	4964	E & D FIELD DIV SERVICES	4964	E & D FIELD DIV SERVICES	4964	E & D FIELD DIV SERVICES
4964	E & D FIELD DIV SERVICES	4961	TREAS DEPT CHARGES	4973	ECONOMIC DEV. DEPT. CHRGS	4973	ECONOMIC DEV. DEPT. CHRGS	4973	ECONOMIC DEV. DEPT. CHRGS
4973	ECONOMIC DEV. DEPT. CHRGS	4964	E & D FIELD DIV SERVICES	4982	COMPUTER SVCS-COMMITTED	4981	APPL SUPPORT-COMMITTED	4981	APPL SUPPORT-COMMITTED
4981	APPL SUPPORT-COMMITTED	4973	ECONOMIC DEV. DEPT. CHRGS	4984	NETWORK ACCESS-COMMITTED	4982	COMPUTER SVCS-COMMITTED	4982	COMPUTER SVCS-COMMITTED
4982	COMPUTER SVCS-COMMITTED	4981	APPL SUPPORT-COMMITTED	4985	EQUIP/SUPPORT-COMMITTED	4984	NETWORK ACCESS-COMMITTED	4984	NETWORK ACCESS-COMMITTED
4984	NETWORK ACCESS-COMMITTED	4982	COMPUTER SVCS-COMMITTED	4986	HARDWARE LEASE-COMMITTED	4985	EQUIP/SUPPORT-COMMITTED	4985	EQUIP/SUPPORT-COMMITTED
4985	EQUIP/SUPPORT-COMMITTED	4984	NETWORK ACCESS-COMMITTED	4987	AMRIS ALLOC-NON 100 FD	4986	HARDWARE LEASE-COMMITTED	4986	HARDWARE LEASE-COMMITTED
4986	HARDWARE LEASE-COMMITTED	4985	EQUIP/SUPPORT-COMMITTED	5101	ELECTRIC SERVICES	4987	AMRIS ALLOC-NON 100 FD	4987	AMRIS ALLOC-NON 100 FD
4987	AMRIS ALLOC-NON 100 FD	4986	HARDWARE LEASE-COMMITTED	5102	GAS SERVICES	5101	ELECTRIC SERVICES	5101	ELECTRIC SERVICES
5301	TELEPHONE SERV-DP CORP	4987	AMRIS ALLOC-NON 100 FD	5106	OTHER MOTOR FUELS	5102	GAS SERVICES	5102	GAS SERVICES
49266	DSD-LAND DEV REV	5101	ELECTRIC SERVICES	5301	TELEPHONE SERV-DP CORP	5106	OTHER MOTOR FUELS	5106	OTHER MOTOR FUELS
49267	DSD-PROJECT MGMT	5102	GAS SERVICES	49266	DSD-LAND DEV REV	5301	TELEPHONE SERV-DP CORP	5301	TELEPHONE SERV-DP CORP
49852	PC HARDWARE PURCH	5106	OTHER MOTOR FUELS	49267	DSD-PROJECT MGMT	49266	DSD-LAND DEV REV	49266	DSD-LAND DEV REV
49941	MS OFFICE LICENSING	5301	TELEPHONE SERV-DP CORP	49852	PC HARDWARE PURCH	49267	DSD-PROJECT MGMT	49267	DSD-PROJECT MGMT
49942	A-LIST PROJECT TRANSFER	49266	DSD-LAND DEV REV	49941	MS OFFICE LICENSING	49852	PC HARDWARE PURCH	49852	PC HARDWARE PURCH
49943	TIMS PROJECT TRANSFER	49267	DSD-PROJECT MGMT	49942	A-LIST PROJECT TRANSFER	49941	MS OFFICE LICENSING	49941	MS OFFICE LICENSING
49944	OPIS MAINT INTERF TRANS	49852	PC HARDWARE PURCH	49943	TIMS PROJECT TRANSFER	49942	A-LIST PROJECT TRANSFER	49942	A-LIST PROJECT TRANSFER
49946	WIRELESS COMMUNICATIONS T	49941	MS OFFICE LICENSING	49944	OPIS MAINT INTERF TRANS	49943	TIMS PROJECT TRANSFER	49943	TIMS PROJECT TRANSFER
		49942	A-LIST PROJECT TRANSFER	49946	WIRELESS COMMUNICATIONS T	49944	OPIS MAINT INTERF TRANS	49944	OPIS MAINT INTERF TRANS
		49943	TIMS PROJECT TRANSFER			49946	WIRELESS COMMUNICATIONS T	49946	WIRELESS COMMUNICATIONS T
		49944	OPIS MAINT INTERF TRANS						
		49946	WIRELESS COMMUNICATIONS T						