



THE CITY OF SAN DIEGO
M E M O R A N D U M

DATE: August 26, 2010

TO: Jay Goldstone, Chief Operating Officer
via Alex Ruiz, Interim Director of Public Utilities *Agustin 9/27/10*

FROM: Delia M. Dee, Acting Deputy Director, Customer Support Division
via Marsi Steirer, Interim Assistant Public Utilities Director
Marsi Steirer 8/30/10

SUBJECT: Modification to the Bid to Goal Fiscal Year 2009 Annual Report

This memorandum is submitted to request a modification to the Customer Support Division's Bid to Goal (BTG) Fiscal Year 2009 Annual Report. The modification reflects a correction of approximately \$564 to the fiscal year's financial results.

After an internal review was conducted, it was determined that an error had occurred in the calculation of released encumbrances. The calculation error was due to the learning process occurring as the City transitioned to the SAP Enterprise Resource Planning system. The change will reduce BTG budgetary savings by \$564 to a total of \$1,431,716. The modification is summarized in the Fiscal Year 2009 Annual Report.

Approval of this request requires modification to the Fiscal Year 2009 Annual Report. The modified report is attached, and it reflects no other financial changes. Declining approval of this request would result in program savings being overstated. Results will be finalized pending completion of an external independent audit.

Delia M. Dee

Attachment: Customer Support Division BTG Fiscal Year 2009 Annual Report (3rd Revision)

OK
[Signature]
9/5/10



**PUBLIC UTILITIES DEPARTMENT
CUSTOMER SUPPORT DIVISION**

BID TO GOAL

FY2009 ANNUAL REPORT – 3rd Revision

Submitted by: Marsi Steirer

Date: 9/23/10

Marsi Steirer, Interim Assistant Director, City of San Diego Public Utilities Department

Reviewed by: Executive Team

Date: September 22, 2010

Approved by: Alex Ruiz

Date: 9/23/10

Alex Ruiz, Interim Director, City of San Diego Public Utilities Department

The Fiscal Year 2009 Annual Report covers the third year of the Public Utilities Customer Support Division's five-year Bid to Goal contract. The report includes financial information, performance results and a summary of the operational achievements and challenges faced by the Division in order to meet service level requirements while achieving savings and continuing to provide excellent customer service. The report also provides a brief overview of savings, Assurance Fund balances, and the external auditor findings and recommendations monitored by the Division in order to continue to implement efficient and judicious changes to the program.

FINANCIAL RESULTS

The Customer Support Division's (CSD) Fiscal Year 2009 financial results, summarized below by expenditure category and by functional group in Attachment 1 reflect a decrease in savings from the previous year. These results indicate that CSD met its Bid objectives and achieved savings of \$1,431,716, resulting in a decrease from last year's audited savings of \$1,609,952. The reported savings will be audited by the external auditor in fiscal year 2010. Savings are summarized by expenditure category as follows:

FY 2009 Financial Results - Summary

	BID	FY2009 Expense	Variance
Personnel Services	\$9,425,331	\$8,779,026	\$646,305
Fringe Benefits	\$4,835,327	\$4,776,394	\$58,933
Supplies and Services	\$5,015,991	\$5,032,702	(\$16,711)
Data Processing	\$1,917,000	\$1,696,472	\$220,528
Energy Resources/Utility	\$113,236	\$122,161	(\$8,925)
Outlay	\$83,996	\$18,955	\$65,041
Encumbrances Released	-	(\$42,553)	\$42,553
Contingency	\$360,00	-	\$360,000
	<u>\$21,750,881</u>	<u>\$20,383,157</u>	<u>\$1,367,724</u>
Inflation – Adjusted			<u>\$63,992</u>
Total Savings ¹			\$1,431,716

¹Financial Results may change subject to post-closing adjustments.

Personnel Expense

This expense category includes salaries, special pay, overtime and benefits. Savings in the personnel services and fringe benefits categories was attributed mainly to the Division's vacancy rate of seven percent this year. In addition, the Division's overall overtime expense, although higher than in previous years, remained below the Budget Objective at eighty percent spent. This budget was met despite an overtime increase in the Water Conservation Section due to a higher than normal demand for water conservation presentations and water conservation events.

In addition to managing overtime expenses at a level below the Budget Objective, a challenge for the Division this year was to meet its service level requirements and

increase productivity despite significant staffing challenges, including the high vacancy level described above, and a reduction in employee availability due to injuries, particularly in the Meter Services and Field Services and Investigations sections.

Non-Personnel Expense

Savings in non-personnel expenses were achieved by better managing spending in Data Processing and Outlay. In addition, completed purchase orders with remaining balances were closed and encumbrances totaling approximately \$43,000 were released.

Inflation

The Bid provides for inflation to be applied to personnel and non-personnel expenses. The personnel expense inflation is based on the actual rate of salary increases effective in the year. Non-personnel expenses are adjusted based on the local Consumer Price Index (CPI). There were no salary increases this fiscal year, therefore the personnel expense was not adjusted. Non-personnel expenses were adjusted for an inflation rate of 1.228 percent. The inflation adjustment is considerably lower this year. In fiscal year 2008, personnel expenses were adjusted by four percent due to salary increases and non-personnel expenses were adjusted by a 3.4 percent inflation rate.

PAY FOR PERFORMANCE RESULTS

The Pay for Performance program is implemented to incentivize exceptional performance in the achievement of goals that stretch employees beyond their normal workloads. Goals are set up consistent with the Division's vision and objectives for the year. In addition, employees provide feedback and participate in the development of the goals in order to make goals more meaningful. Pay for performance goals are established prior to the beginning of the fiscal year to allow for sufficient communication and planning prior to the implementation of the new goals.

The status of each sections' performance goals is monitored through monthly report-out meetings. At these meetings, each section's supervisor reports on the results of his or her goals and receives feedback and direction from the Division's management team as well as from other groups impacted by the goals. The report-out meetings provide an opportunity to discuss and resolve challenges and alternatives for reaching each goal.

The Division established 21 Pay for Performance goals this year, five goals were shared by the Division's five sections. Approximately 90 percent (19 out of 21) goals were fully achieved. This is an improvement from the previous year's Pay for Performance results when 72 percent (13 out of 18) of the goals were achieved. These results will be audited by the external auditor in fiscal Year 2010.

SERVICE LEVEL REQUIREMENTS

The Bid's requirement to submit a memorandum of Substantial Conformance to the Mayor's office was met as required in July 2009. As indicated in this correspondence, the Customer Support Division was successful in substantially meeting its fiscal year 2009 service level requirements as defined in the Employee Bid (Section 2.2.6).

OPERATIONAL ACHIEVEMENTS AND CHALLENGES

Water Conservation

In 1985 the San Diego City Council officially established the City's Water Conservation Program to reduce San Diego's dependency upon imported water. Today, the Water Conservation Program directly accounts for over 29.5 million gallons per day (MGD) of potable water savings. Creating a water conservation ethic, adopting programs, policies and ordinances designed to promote water conservation practices, and implementing comprehensive public information and education campaigns have achieved this savings.

San Diego is located in a semi-arid coastal environment that averages about 10 inches of rainfall annually. San Diego imports most of its water by purchasing it from the San Diego County Water Authority (CWA) of Southern California. Only 10-20 percent of San Diego's water is of local origin, collected as runoff in the City's nine reservoirs.

Fiscal Year (FY) 2009 started with the City of San Diego and the State of California in a drought condition. Governor Arnold Schwarzenegger had proclaimed a statewide drought and had issued an Executive Order, which required immediate action to address water shortage conditions where numerous California communities were being forced to mandate water conservation or rationing. On May 5, 2009, Mayor Sanders and the City Council approved moving from Level 1 Drought Watch Condition to a Level 2 Drought Alert Condition starting on June 1, 2009.

The San Diego County Water Authority (CWA) has given the City of San Diego a water consumption reduction target of 8%. To meet established goals and drought requirements, the Water Conservation Program continues to integrate existing programs while developing new programs, all focused on achieving the additional acre foot (AF) savings and in responding to the drought. The following includes, but is not limited to, the ongoing programs and initiatives implemented by the City of San Diego, by the City's Water Conservation Program:

- Drought Alert campaign ("*No Time to Waste No Water to Waste*") and outreach
- Water Waste Investigations
- Water Conserving Municipal Codes
- Residential interior/exterior water surveys
- Residential toilet, clothes washer and irrigation device incentives
- Commercial Landscape Survey Program (CLSP)
- Commercial, Industrial, Institutional (CII) and Multi-Family Incentives
- Water Conservation Children's Poster Contest
- Water Conservation Film Contest for College, 11th and 12th Grade students
- Water Conservation Garden on the Campus of Cuyamaca College
- California-Friendly Landscape Contest
- Scripps Green Flow Control Valve Pilot Project
- Water Department's Internet-based Landscape Watering Calculator
- Regional Water Conservation Summit
- CIMIS (California Irrigation Management Information System) Stations

- Public Education, Information and Community Outreach (Water Conservation staff members actively participate in community fairs or events [46 events], or as individual speakers [78 individual presentation]to community groups, providing informational brochures on the drought, various programs and promoting both simple and highly technical conservation measures.)
- Coordination with the City's Storm Water Pollution Prevention Program (Water conservation contributes more than just local water savings. Proper water conservation techniques assist the City's Storm Water Pollution Prevention Program. When excess irrigation water flows out of yards, it flows directly into storm drains. Everything that flows down into a storm drain goes untreated directly into canyons, creeks, bays, lagoons, and ultimately the ocean. Irrigation runoff water carries pesticides, fertilizers, motor oil, pet waste, and silt.)

The Water Conservation Program is currently focused on helping citizens save water in response to California's drought.

Administration

The Administration Section is responsible for providing Division management, as well as providing administrative and analytical support. Important tasks in this section are to manage the deployment of special projects and identify areas of Divisional improvement.

Special Projects:

A significant project this year is the replacement of the Department's billing and customer information system (CIS). The project officially started this fiscal year with the selection of the project manager to lead this effort. This Public Utilities project will replace the Customer Information System (CIS) and Installation Order System (IOS), both legacy mainframe applications, with SAP Public Utilities Modules. The new application will integrate with and maximize existing OneSD infrastructure, provide long-term stability of customer information, and will be a foundation to meet intermediate and long-term needs for innovation and excellence in serving the City's customers.

Divisional Improvements:

In order to meet the Division's challenge of continual improvement, the Administration Section was tasked with evaluating selected existing work processes where challenges had been identified. This evaluation resulted in narrowing-down specific areas of improvement and in the development of recommendations to increase productivity. Accordingly, improvements were made in the Program's Pay for Performance Report-Out process and the Water Conservation brochure delivery process. Two other areas were examined for improvements; however full implementation was delayed for the Daily Vehicle Assignment and the Public Utilities/Water Fund property tracking process improvements. Although implementation of these processes was delayed due to staffing reallocations to major programs (CIS replacement and AMI), the new process flow descriptions were completed and will be used for training and communication purposes.

Customer Services Office

The Customer Services Office (CSO) continued to focus on delivering the best possible service to its customers. In fiscal year 2008, CSO established a pay for performance goal that focused on increasing job knowledge of its Customer Service Representatives (CSR) and providing enhanced customer service. In fiscal year 2009, CSO continued this effort by developing and implementing more training sessions for its employees. The seven new training sessions that were completed by CSO included the following:

- CIS Back to Basics – Opening Accounts
- CSR Proposed Rate Increase Training
- Office Ergonomics
- CSR Water Conservation Training
- Fire Safety Refresher
- Drought Level 2 Response Training
- Delivering Next Level Customer Service Training

The new Electronic Bill Presentment and Payment (EBPP) program was implemented in 2008, and offered customers more options to pay their water and sewer bills. While implemented in 2008, the cost savings were not realized until fiscal year 2009. Savings of approximately \$86,000 was achieved last year. In addition, EBPP improved customer service as customers cited that the program is user-friendly and welcomed the program's new features, such as the option for one-time payments. The number of payments made through EBPP users has increased from 4.9 percent during fiscal year 2008 to eight percent in fiscal year 2009 with a steady growth continuing throughout the year.

CSO received a total of 377,508 calls through the call center. This year's challenges included educating customers on a number of issues including two separate water rate increases, a sewer rate increase, voluntary water conservation, and mandatory water use restrictions.

Field Services & Investigations

During fiscal year 2008, Field Services and Investigations (FS&I) achieved the following productivity milestones:

- 1,589,253 Bi-monthly meter reads
- 131,181 Monthly meter reads
- 12,282 Monthly confined space meter reads
- 6,916 Office generated Investigations
- 2,424 Customer requested investigations
- 1,630 Sewer Classification investigations

In fiscal year 2009, FS&I reclassified its Meter Readers to Field Representatives. This eliminated an incentive program whereby employees were allowed to finish their work day after completing assigned meter reading routes. The increase of work hours, resulted in a reduction of skipped (skipping the meter due to obstructions, such as vehicle parked over the meter or debris covering the meter) reads to 0.4 percent. In addition to reading

meters, reclassified staff conducts field investigations that contribute to improvements in billing and revenue generation. Investigations include high and low bills, No Sign with usage (water being used and not paid by a customer of record), read verifications, meter locations and other work such as shut-off and restoration. This new flexible force has reduced overtime and improved the timeliness of completed field work by more than doubling the number of investigations completed each month by the Section.

A significant component of the BTG program is to elicit better communication between sections and work units. An example of improved communication is demonstrated by FS&I and the Meter Services Cross-Connection staff. By working together, these groups continued to make notable progress in gaining compliance with testing requirements for customer maintained backflow prevention devices.

Meter Services

The Meter Services section continued to provide significant support to both the Division's billing and meter reading sections. In addition, despite significant staffing decreases due to retirement and on-the-job injuries, Meter Services succeeded in meeting most of its performance goals. This was accomplished by successfully motivating employees to engage in cross-training in order to trade resources across sections and continually focusing on achieving the sections' goals. In addition, the Section will continue to make improvements in the area of field to computer-systems data matches. These actions are characteristic of the successful implementation of Bid to Goal Program components.

SAVINGS TO RATEPAYERS

The Bid to Goal Program is designed to optimize operational efficiencies and create savings for the ratepayers. Funding will only be put into the Employee Efficiency Incentive Reserve (EEIR) and made available for incentive awards if there are operational in-scope savings. Savings are spread between direct savings for ratepayer benefit and the EEIR. The EEIR has a cap of \$2.2 million.

The Bid to Goal Program was first implemented in Fiscal Year 2007. The estimated cumulative savings to the Rate Payers for Fiscal Years 2007 and 2008 is approximately \$1.3 million. On average, over the two-year period, savings from the BTG program has resulted in the reduction of a Water rate increase equivalent to .22 percent.

EMPLOYEE EFFICIENCY INCENTIVE RESERVE (EEIR)/ASSURANCE FUND

An initial deposit of approximately \$484,000 was placed in the EEIR (or Assurance Fund) based on the Fiscal Year 2007 audited savings achieved. An additional audited savings of approximately \$805,000 was added in Fiscal Year 2008. During Fiscal Year 2008, the Labor Management Committee recommended, and the Director authorized, incentive awards based on annual performance results up to the cap of \$4,000 net per employee. CSD, due to the conservative approach in successfully implementing this program, has not reached the cap net incentive award per employee. In Fiscal Year 2008,

incentive awards totaled approximately \$803,000. In addition, Assurance Fund purchases recommended by the LMC and ultimately approved by the Director totaled approximately \$5,000. The approved purchases have contributed to an improved work environment where employees can be more productive. A summary of the Division's EEIR/Assurance Fund activity is provided in Attachment 3.

AUDIT FINDINGS

The purposes of the Gainsharing and Pay for Performance Independent Audit reports focused on the following elements:

- To verify the accuracy of the budgetary savings reported.
- To verify adequate documentation supported reported percentages of goals met.
- To identify practices and procedures that could assist in improving future program reporting.

The Independent Auditors findings and recommendations are summarized below for Fiscal Years 2007 and 2008. In order to benefit from audit recommendations, the Division will:

- ✓ Enhance review of accounting information by multiple parties and provide follow-up documentation to support out-of-scope expenses.
- ✓ Emphasize the importance of precisely defining goal criteria, calculations and achievement; and identify goal contacts.
- ✓ Incorporate dynamic system changes in data collection, tracking and monitoring of goal achievement; and report actual goal achievement, even if greater than 100 percent.
- ✓ Encourage periodic internal audits.
- ✓ Continue to develop goals that proactively enhance productivity in key areas of focus.
- ✓ Continue to develop auditable goals that can be verified.
- ✓ Communicate and clearly state goals to all employees.

The primary purpose of the audit is to determine conclusively the savings amount and goal achievement percentages. For Fiscal Years 2007 and 2008, minimal adjustments were necessary to restate the savings calculation to a per audit condition. The audits resulted in no required adjustments to the goal achievements percentages. The savings calculation was adjusted as per the audits recommendations and appropriately distributed.

Process improvements were recommended as a means of minimizing potential errors in reporting savings and goal attainment. A centralized administrative approach has been introduced as part of implementing the Fiscal Year 2010 Department-wide BTG program. The centralized approach includes the development of new tools and procedures

necessary to standardize gathering, scheduling, reviewing, approving and reporting accurate financial data and goal attainment.

Savings deposits to the Assurance Fund, now Employee Efficiency Incentive Reserve (EEIR), are strictly based on audited values provided by the independent auditor.

CONCLUSION

The third year of Bid to Goal implementation in the Customer Support Division continues to be positive for the organization. Operational performance continues to improve as sections remain focused on working together to achieve their established key service levels and pay for performance goals.

In Fiscal Year 2011, the Division will continue to focus on providing excellent customer service through the implementation of projects such as CIS replacement and to improve the quality of its workforce through enhanced training. The Division will also continue to improve operational efficiency by evaluating existing work processes and developing and implementing process improvements.

Attachments

1. FY 2009 Financial Performance Summary
2. CSD Pay for Performance Goals FY 2009
3. EEIR/Assurance Fund Balance Statement

FY 2009 Financial Performance Summary

Attachment 1

Functional Group or Remark	BID FY2009	In-Scope Expenditure	% of BID Expended	FY 2009 Savings	FY08 Audited Savings	Change
Administration	1,664,547	1,958,852	117.7%	(294,305)	(229,852)	(64,453)
Water Conservation	2,165,702	2,303,238	106.4%	(137,536)	223,312	(360,848)
Customer Service	6,384,304	5,660,098	88.7%	724,206	480,652	243,554
Field Services & Inv	3,670,877	3,756,320	102.3%	(85,443)	71,061	(156,504)
Meter Services	7,505,451	6,704,650	89.3%	800,801	60,282	740,519
Division Contingency Fund budgeted in Administration Program	360,000	-	-	360,000	266,193	93,807
Inflation- Actual 1.228%	63,992	-	-	63,992	738,304	(674,312)
Fixed Budget Objective	\$ 21,814,873	\$ 20,383,157	93.4%	\$ 1,431,716	\$ 1,609,952	\$ (178,236)

Source: Simpler Financial Reports

	BID	ACTUAL
Water Conservation	517,000	87,098
Pay for Performance Fund	150,000	150,000
Pass Through Budget Objective	\$ 667,000	\$ 237,098
Fixed Budget Objective	21,814,873	20,383,157
Pass Through Budget Objective	667,000	237,098
	\$ 22,481,873	\$ 20,620,256

**Customer Support Division
Pay for Performance Goals
Annual Report - FY 2009**

Attachment 2

	GOAL	Actual	Achieved PFP Goal?
Division Administration			
1 Complete the BTG Annual Financial Reports On Time.	100%	100%	yes
2 Complete All Elements of the BTG Communications Plan:			yes
a Publish Quarterly Division Newsletters	4/yr	4	
b Hold Quarterly All-Hands Meetings	4/yr	4	
c Publish 6 Performance Posters	6/yr	6	
3 Resolve 97% of Customer Complaints = 15 Business Days.	97%	96.77%	yes
4 Develop 4 section flow charts and implement process improvements	4	4	yes
Customer Service - Office			
1 Percentage of customer request investigations completed in CIS in 5 business days or less of returning from Field Section	90%	96.2%	yes
2 Continue new and refresher training for Customer Service Staff. The focus will be on Customer Service, CIS & Critical Tasks for CSRs and Safety. Pre-test and post-test included.	6 training sessions	7	yes
3 Percentage of Call Center and Water Repair Staff Availability	75%	85.3%	yes
4 Percentage of Incoming US mailed remittance processed within the same business day	95%	98.0%	yes
5 Resolve 97% of Customer Complaints = 15 Business Days.	97%	96.77%	yes
Field Services & Investigations			
1 As a section maintain a skip rate at goal or below goal percentage using FY08 as a base year	0.60	0.49	yes
2 As a section (on a yearly average) complete the number of Sewer Classification investigations over the fiscal year at or in excess of goal. Self generated investigations are included.	150 per month	1,630	no
3 As a section (as a yearly average) complete the number of field investigations over the fiscal year at or in excess of goal. Self generated investigations are included.	500 per month	7,915	yes
4 Resolve 97% of Customer Complaints = 15 Business Days.	97%	96.77%	yes
Meter Services			
1 Small Meter Section and Large Meter Section work order accuracy	99%	100%	no
2 Percentage of all unique City maintained backflows meeting City of San Diego specifications on annual test	99%	100%	yes
3 Percentage of Recycled Water Facilities (airvalves 2" and smaller, butterfly valves, pressure regulator valves (PRVs), meeting City of San Diego specifications on annual preventive maintenance	95%	100%	yes
4 Resolve 97% of Customer Complaints = 15 Business Days.	97%	96.77%	yes
Water Conservation Program			
1 Complete 100% of presentations requested for normal business hours, 80% of presentations requested for non-normal business hours. Up to a combined total of 25 per year.	25	79	yes
2 Complete 30 <u>quality</u> Water Conservation Events	30	46	yes
3 Create and host four Single Family Residential Landscape Classes and four other than single family landscape classes	8	8	yes
4 Resolve 97% of Customer Complaints = 15 Business Days.	97%	96.77%	yes

EEIR/Assurance Fund Balance Statement

	Year 1 FY2007	Year 2 FY2008
A. Audited Savings	\$968,036	\$1,609,952
Ratepayer Allocation of Savings (50%)	\$484,018	\$804,976
Employee Allocation of Savings to AF (50%)	\$484,018	\$804,976
B. Balance Carried Forward from Prior Fiscal Year	-	\$24,885
C. Gainsharing Payout	-\$459,133	-\$592,466
D. Pay For Performance Payout from AF ¹	-	-\$60,664
E. Subtotal	\$24,885	\$176,731
F. Approved AF Expenses		
Equipment Outlay- non-cap	-	-\$699
Equipment Outlay- non-cap	-	-\$1,468
Equipment Outlay- non-cap	-	-\$1,549
Equipment Outlay- non-cap	-	-\$826
Equipment Outlay- non-cap	-	-\$313
G. Ending Balance	\$24,885	\$171,875

¹ PFP payouts are fully budgeted in FY 2007 and partly budgeted in FY 2008 - 2011