

**CITY OF SAN DIEGO  
PUBLIC UTILITIES DEPARTMENT**

**PRELIMINARY STUDY TO  
DETERMINE FUNCTIONAL AREAS WITHIN THE  
WATER AND METRO WASTEWATER DEPARTMENTS  
WHERE COST SAVINGS/EFFICIENCIES ARE  
POSSIBLE THROUGH CONSOLIDATIONS**

**Presented to**

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## **I. Background Information**

The City of San Diego Public Utilities Director heads up both the Water and Metro Wastewater Departments and exercises control through an Assistant Director (AD) supervising each. Since these Departments were separate entities prior to the assignment of a single manager, both have many of the same operational, business and administrative functions serving each Department. Until the early nineties, the Water Utilities Department operated both systems, but then was separated into two departments due to the large Capital Improvements Program (CIP) mandated by the Clean Water Act.

## **II. Purpose of the Study**

With the reemergence of a single Director for Water and Wastewater, it is fiscally prudent to reexamine the common functional areas in both departments to determine if potential efficiencies exist in bringing them together.

This study will examine administrative functional areas and make recommendations regarding which areas show potential and should be examined in more depth. As information was being developed, other functional areas became known to Consultant and are included in the report.

## **III. Evaluation Methods and Activities**

Briefings were provided by both Assistant Directors (AD) and organizational reports were provided. These reports were studied by the Consultant and a series of interviews with Water and Wastewater employees were conducted. **Over 30 interviews** were completed and a visit to the laboratories at Alvarado was made. Of particular relevance was the Business Practice Reengineering (BPR) studies conducted by the Water and Wastewater Departments during the past year and the Wastewater Most Efficient Organization (MEO), which is under implementation.

## **IV. Findings and Recommendations**

Both Departments have been in some personnel turmoil due to the BPR process and the implementation of the MEO. It is important, at this juncture, to be careful not to overburden the employees with yet another reorganization without ample time being offered to complete the process. In concurrence with the Director's initial view, Consultant finds that the earliest implementation of any consolidations should be FY 10 (July 1, 2009). Should the recommended reorganization be carried out in whole or in part, the basic staffing models and move costs need to be available by October 2008 for submission with the FY10 budget.

The list of administrative functional areas Consultant recommends for further staffing study is found at Appendix A.

Notably absent from that listing is **Customer Service**. This division, under the Water AD, has provided services to both Departments for many years. The operation is reasonably satisfactory to both Departments and Consultant sees no need to change the current arrangement. Both departments have recently worked jointly on the Service level Agreement (SLA) which memorializes the services the Water Department's Customer Service Division provides to the Wastewater Department. Consultant recommends that this new SLA be carefully monitored over the next year to see how well it is working. That format could then be used in other "cross-servicing agreements" that may be required as a result of business function consolidations.

Consultant has developed a **proposed operational organization chart** for FY 10 which is found at Appendix B. Considering the amount of cross servicing that will be done in each functional area, it seems necessary to establish an AD for Business. This position would be at the same organizational level as the ADs for Water and Wastewater. Safety/Security were elevated to have a direct reporting line to the Director, but should be placed in the staff of the AD for Business for administrative purposes. The cost of supporting the AD of Business position and three proposed Deputy Directors (DD) should be offset by savings achieved by efficiencies gained through the consolidation.

Furthermore, Consultant anticipates that the **excess space current available at the Metro Operations Center (MOC)** will be utilized by transferring Water Department personnel there whose functions are being consolidated. The space vacated at 600B Street could then be offered to other City of San Diego Departments in need (Parks and Recreation) or negotiated out of the current Water Department lease. Some of these actions could be started as early as FY 09 considering that the difference in cost per square foot is possibly as high as \$5.00 and that 90,000 square feet is currently underutilized. Moving Water Department personnel to fill this underutilized area would not only be a cost benefit to that department, but would provide unanticipated revenue to Wastewater.

Consideration should also be given to the joint use of the **Metro Data Center**. This function is also currently operating with excess capacity. Cost savings are unknown, but should be studied.

Consultant found that each department operates differently under the **Bid to Goal** program. The Wastewater program includes all department employees and is the model that Consultant recommends to be implemented for all employees of both departments. Should this recommendation be accepted, it is further recommended that the cognizant employee unions be advised of this planned action well in advance. This Public Utilities Department Bid to Goal program should be planned for and take effect at the commencement of FY 10.

## **V. Follow-on Organizational Studies**

For reasons stated earlier in this report, Consultant recommends that the efforts to achieve efficiencies between the two departments be phased. This will offer time to check how each functional team is serving the two departments before launching into other actions.

*Phase 1. Assistant Director for Business Organization –Studies completed by October 2008-Planned Implementation, July 1, 2009*

Consultant found that there are distinctly different operating and organizational theories at play between the same functional areas in the two departments. Each functional area demands a distinct study to determine the most efficient way to do business and then to develop positions which will optimize staffing. These should be completed by November 2008 in time for inclusion in the FY 10 budget submittal. Clearly these studies must be accomplished concurrently and while daily business continues. It is imperative that the current staffs are part of this process and that a third disinterested party be engaged to mediate these study groups and insure adherence to the schedule agreed upon. Because a large amount of energy was consumed during the BPR and MEO processes, those studies should provide a substantial foundation upon which to build this new organization.

*Phase 2. Operating Divisions Common Services– Study completed by Dec 2009*

Consultant is not suggesting that the three operating divisions be considered for wholesale consolidations, but that there are functions and services that are common to each that merit studies for efficiencies gained through having one entity provide that service to all. Some areas of consideration are corrosion control, electrical equipment maintenance and repair (M&R), instrumentation M&R, and emergency service investigations- to name a few.

*Phase 3. Laboratories- Study completed by Dec 2010*

Both departments operate laboratories in the same building for the testing of water and wastewater. The mandates for testing are large and both labs were viewed to be well organized and busy. The directors of each advised the Consultant that they work well together and share resources when the need arises. Both agreed that there are probably efficiencies that could be achieved by a third party study. The last study was completed 8-10 years ago and has little validity considering the changes in the regulatory climate and their impact on lab requirements.

*Phase 4. Customer Service-Improved SLA implemented Dec 2008 -Study completed by June 2010*

With a strengthened SLA in effect for 18 months, it is important to determine if both departments are satisfied with the service being tendered by this division operating under the Water AD. The final organizational location of the division within the Public Utilities structure should then be finalized and the SLA further strengthened if needed.

*Phase 5. Policy Development, Long Range Planning and Engineering Project Management- Study completed by Dec 2010*

The Water Department has a division responsible for policy, long range planning, CIP development, and engineering project management. Wastewater's EPM division develops CIP project scopes and tracks engineering project development. The Deputy Director, along with others, plays a large role in policy formulation. The City Engineering BPR consolidated engineering and capital project functions city-wide. Both departments are in the initial stage of learning how to cope with this consolidation. While each is doing many of the same functions and efficiencies could probably be found, it is too earlier in the whole process to study this area. Consultant recommends that these organizations be reviewed for possible consolidation.

*Phase 6. Operating Divisions Organizational Structure– Study completed by Dec 2011*

The Water Department is currently organized with one operating division. It has operated with two divisions in the past. Wastewater has two operating divisions, Treatment & Disposal and Collection. In the past, there have been a number of different organizational structures. With the advent of a single director for public utilities, Consultant recommends that the operating divisions be studied to determine the most efficient operational structure.

# **Appendix A**

## **Functional Areas for Consolidation Consideration**

### Acquisition Management

- Purchasing & Contracts Liaison
- Grants
- Outsourcing Coordination

### Asset Management

- Inventory
- Condition Assessment
- CIP development

### Auditing

### Financial Management

- Budgeting
  - Budget Formulation
  - Budget Tracking
  - SLA /Interagency Agreements
  - IROC Liaison
  - City FM Liaison
  - Auditor Liaison
- Financing Management
  - Debt Financing
  - Debt Service Liaison
  - Rate Analysis & Tracking

### Human Resources Management

- Employee Relations
- Employee Benefits
- Risk Management
- Organizational Development
  - Change Mgmt
  - Bid to Goal Admin
  - Performance Measures
  - Training

### Information Technology

- Data Center Operations

### Safety

### Security

