

Organization Efficiency Study

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March 20, 2013

Pre-Submittal Conference



Introduction

Purpose:

Provide information pertaining to SAWS Solicitation No. R-13012-PC - Organization Efficiency Study

Agenda:

Briefing is divided into two section:

1. Technical/System Overview
2. Administrative with a Wrap Up

A Short Question and Answer Period will be Conducted after Each Section

SAWS Mission and Vision Guide our Service

Providing Life-Essential Services

Mission

Sustainable **A**ffordable **W**ater **S**ervices

Vision

To be Leaders in Delivering Responsible Water Services
for Life

Values

Excellence, Integrity, and Respect

Even the best organizations need to work to become better!



SAN ANTONIO IS
WATER'S
MOST RESOURCEFUL CITY

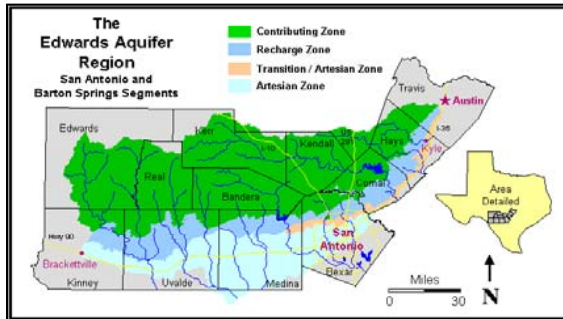
- Long-term water plan
- Aquifer Storage and Recovery
- Nationally renowned water conservation programs
- The nation's largest direct recycled water system
- Among the lowest bills in Texas



Commitment to Essential Services

Providing Value Around the Clock

Water Source



Well/Pump



Storage



River



Wastewater Treatment Plant



Sewage Collection System



Distribution



Four Core Services

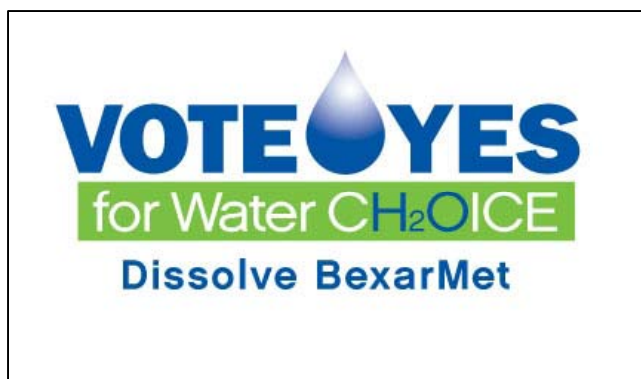
Separate Funding Streams Required

- **Water Supply**
 - Development & provision of water resources to ~1.7 million people
- **Water Delivery**
 - Distribution of water from pump stations to customer's premises (~460,000 connections & 6,100 miles of main)
- **Wastewater (Sewer)**
 - Collection and treatment of wastewater (~410,000 connections & 5,200 miles of main)
- **Chilled Water and Steam**
 - Provide heating and cooling services to certain customers



Integration Of Bexar Met

- SAWS directed by SB 341 to provide integration of services and infrastructure of the former BexarMet Water District
- Approved by U.S. Dept. of Justice Jan. 27, 2012
- No more than five years to complete



System Integration Progress

- Converting DSP staff to SAWS positions
 - 2012 – 249 DSP employees
 - 2013 – 114 remain in DSP positions
- Relocated all DSP staff from BexarMet facilities
- Integrated and converted networks, servers, data, email, work order, customer service & business applications
- Integrated BexarMet customer accounts into SAWS billing system



Rate Increase Drivers

Budget Components

- Capital Improvements Program (CIP)
 - Infrastructure projects are started every year, requiring new bond funding and rate increases every year
 - Infrastructure projects can require phasing over multiple years, requiring multiple rate increases
- Operations & Maintenance (O&M)
 - Recurring costs for daily operations do not require annual rate increases
 - New incremental operating costs require rate increases



SAWS System Challenges

Water Supply, Infrastructure, and Operational Performance

- Procurement of diverse water supplies
 - Regulatory Constraints and Higher Costs
 - Integration
- Maintenance and replacement of aging or degraded infrastructure
- Reduction of Sanitary Sewer Overflows (SSOs)
 - Compliance with the Federal Clean Water Act
- **Demonstrate improvements in organizational efficiency**



Public Utilities Office Report on SAWS

Report to City Council dated January 16, 2013

*“Develop and plan and begin to review level of resources and service delivery in areas such as the following to **identify potential efficiencies and improvements**; results of reviews undertaken must be presented to the City in conjunction with the submission of a rate request for 2014;”*

- *Public Affairs Department*
- *Engineering Department*
- *Customer Service Department*
- *Fleet Replacement and Maintenance*

Feedback from City Council

2013 Rate Increase Approved on 8 – 3 Vote

- Realized the need for rate increase and trusted the SSO reduction program
 - “Nobody likes a rate increase, but ...”
 - Regular reporting on progress
 - Increased investment needs to result in SSO reductions
- Instill confidence with City Council & general public
- Demonstrate increased organizational efficiency and accountability
 - Report back prior to next rate request
- Are affordability programs really providing the assistance that certain groups need?
 - Improve affordability outreach to community

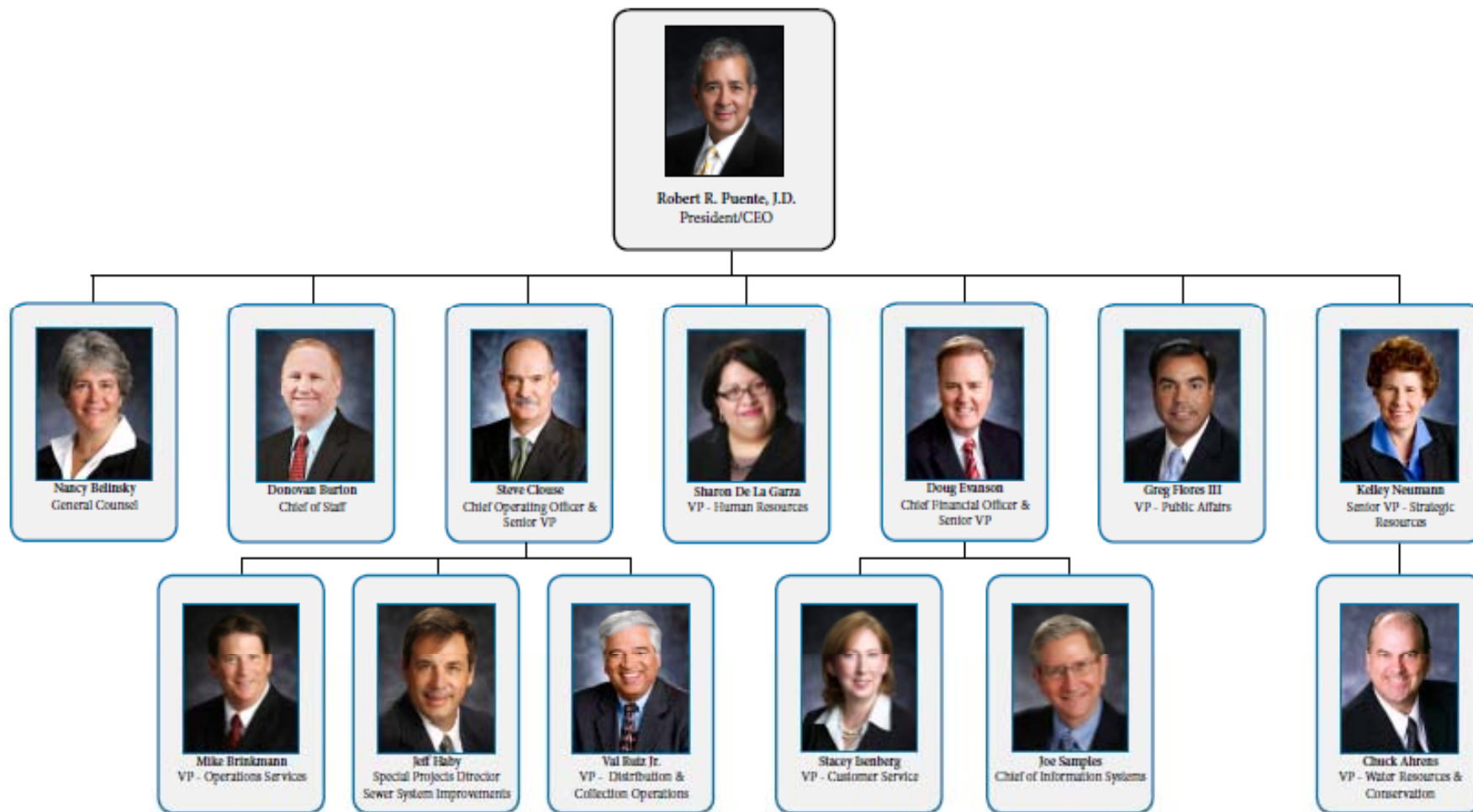
City Council Direction To SAWS

February 7, 2013 City Council Meeting

"The SAWS Board of Trustees is directed to consider conducting a review for operational efficiencies, preparing an organizational assessment, and developing a program to identify organizational efficiencies and cost saving measures taking into consideration these and other recommendations of the Supervisor of Public Utilities found in the City Staff Memo attached as Exhibit B. Findings and conclusions from these efforts should be presented to the City prior to the next rate request."



SAWS Organization & Leadership



Job Levels - Estimate

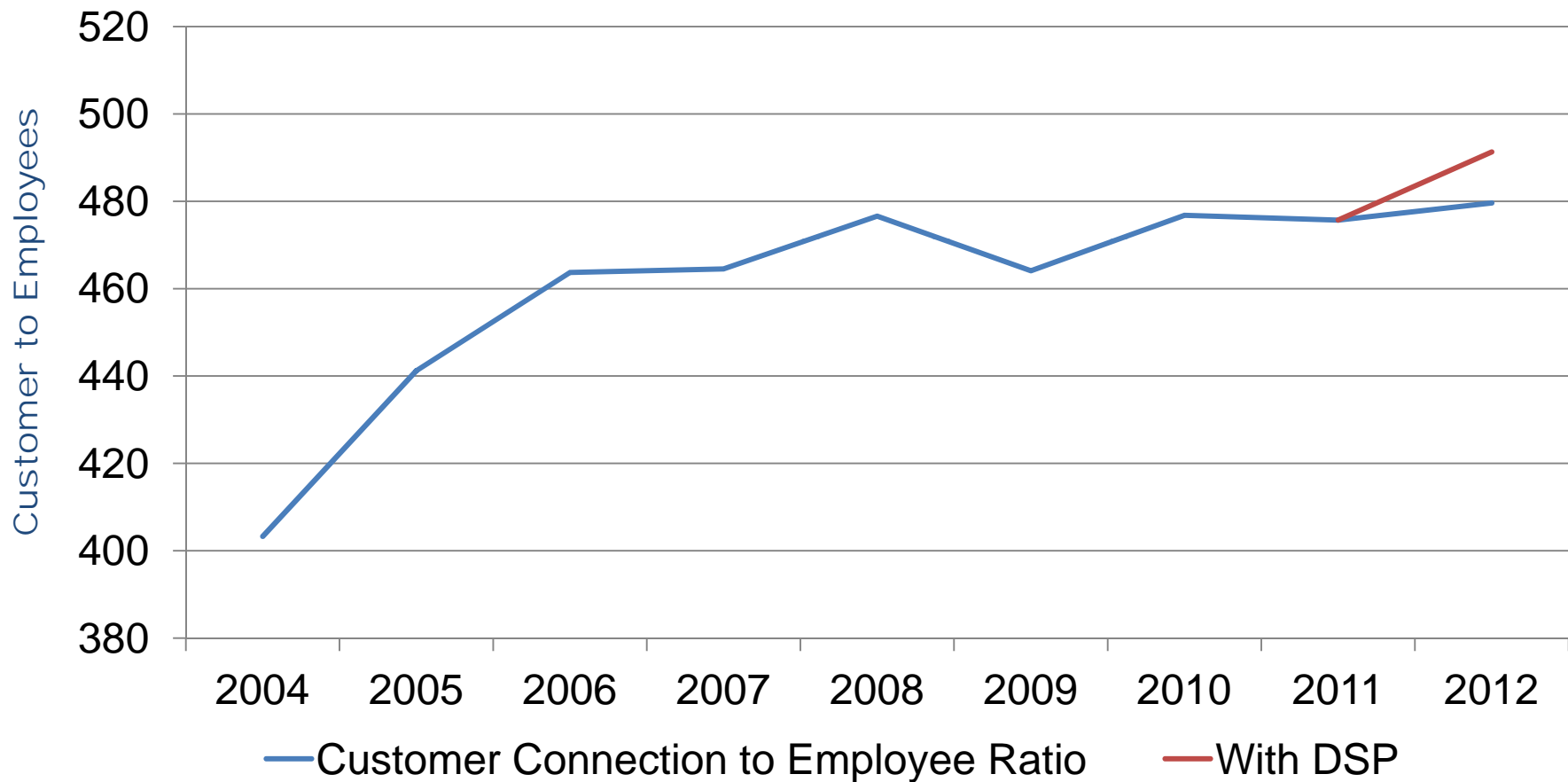
SAWS as of March 18, 2013

| Level | Total | % |
|----------------|-------------|--------|
| Executive | 14 | 0.8% |
| Director | 32 | 1.8% |
| Manager | 73 | 4.1% |
| Supervisor | 211 | 11.7% |
| Non-Supervisor | <u>1468</u> | 81.6% |
| Grand Total | 1798 | 100.0% |

Positions have been labeled as “supervisory” based on reporting relationships (vs. titles).

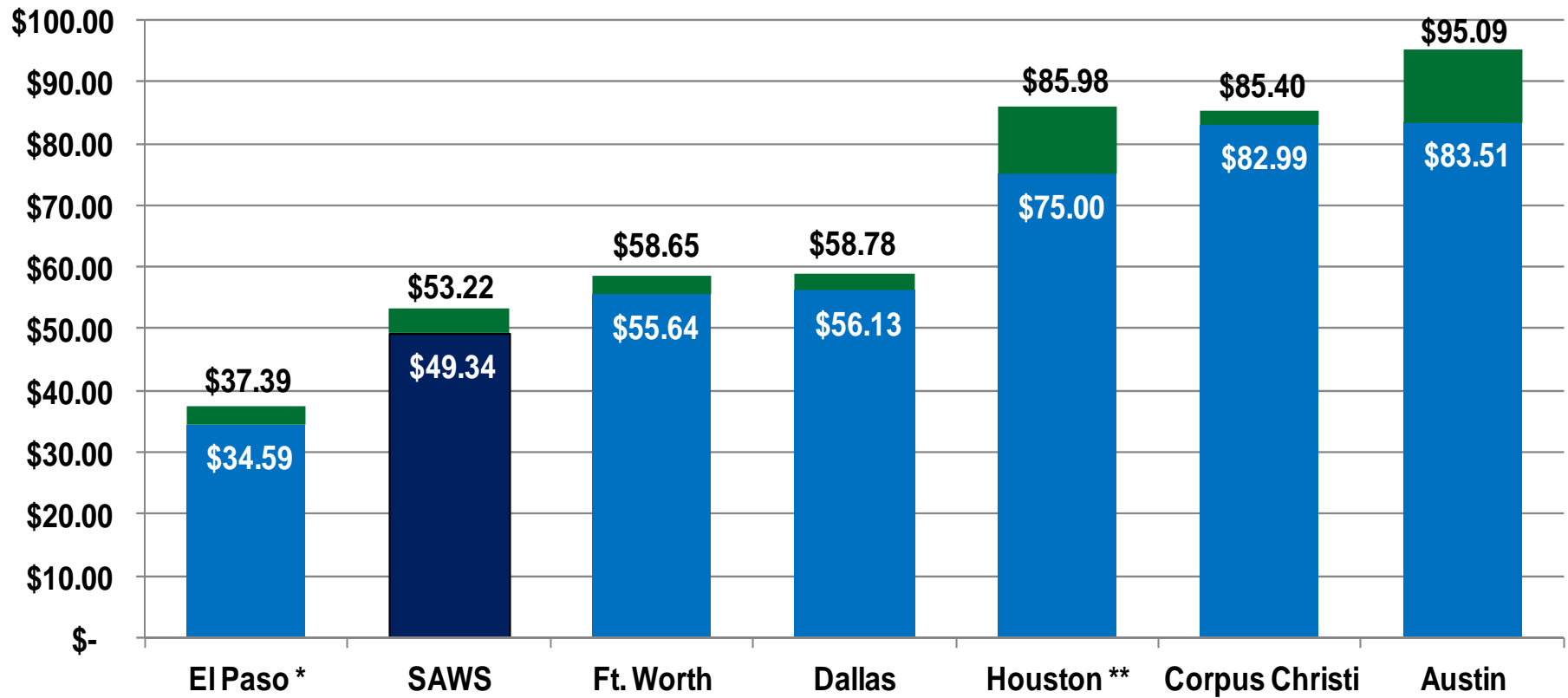
Increased Operational Efficiencies

21.9% Improvement in Customer Connection to Employee Ratio



Nearly the Lowest Bill in Texas

\$5.58 Average Texas Increase Since Last SAWS Adjustment*



*Excludes SAWS and includes already approved rate adjustments for El Paso and Houston to be implemented March 1 & April 1
 Based on 7,788 Gal. Water (Standard)/6,178 Gal. Wastewater. Includes EAA and TCEQ Fees for SAWS

O&M Costs 2005 - 2013

Compounded Annual Growth Rate

| | |
|--|--------------|
| Increase in Budgeted O&M Expenses (Before capitalization) | 3.16% |
| Adjusted O&M Expenses for pass-through fees, water option payments, chemicals, fuel | 2.23% |
| Avg Annual Inflation Rate Sept. 04 – Sept. 12 | 2.50% |
| Avg Annual Customer Growth Sept. 04 – Sept. 12 | <u>2.20%</u> |
| Inflation + Customer Growth Rate | 4.70% |

Monthly Residential Bill

Five Year Projection

| Residential Bill (7,788 gallons water / 6,178 wastewater, ICL, Standard) | | | | | | |
|---|----------------|-----------------|------------------|------------------|------------------|------------------|
| | Adopted | Budget | Projected | Projected | Projected | Projected |
| Monthly Residential Bill | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Water Supply | \$9.06 | \$ 9.29 | \$11.72 | \$13.09 | \$13.78 | \$16.27 |
| Water Delivery | \$15.29 | \$ 15.29 | \$16.00 | \$17.02 | \$17.82 | \$18.32 |
| Wastewater | \$22.10 | \$ 25.75 | \$29.38 | \$32.14 | \$34.36 | \$35.46 |
| Total | \$46.45 | \$ 50.33 | \$ 57.10 | \$ 62.25 | \$ 65.96 | \$ 70.05 |
| Increase | | \$ 3.88 | \$ 6.77 | \$ 5.15 | \$ 3.71 | \$ 4.09 |
| Increase % | | 8.4% | 13.5% | 9.0% | 6.0% | 6.2% |

| | | | | | | |
|--|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EAA Fee | \$3.04 | \$2.67 | \$2.67 | \$2.67 | \$2.67 | \$2.67 |
| State-Imposed TCEQ Fee | \$0.23 | \$0.22 | \$0.22 | \$0.22 | \$0.22 | \$0.22 |
| Total With EAA / TCEQ Fees | \$49.72 | \$ 53.22 | \$ 59.99 | \$ 65.14 | \$ 68.85 | \$ 72.94 |
| Increase % with EAA / TCEQ Fees | | 7.0% | 12.7% | 8.6% | 5.7% | 5.9% |

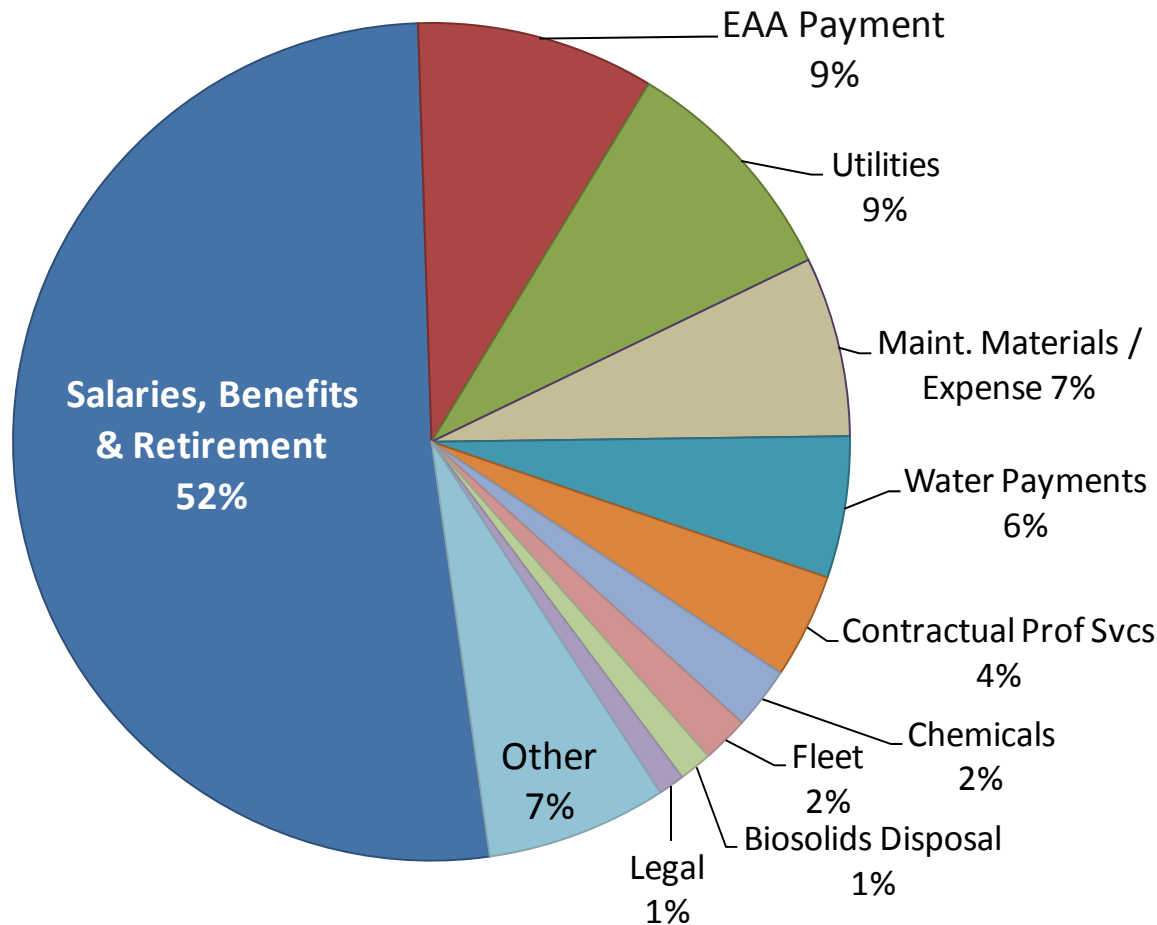
Rate Projections from the 2013 Budget Process, excludes COSA Stormwater, assumes no change to pass-through fees

Reduced Expenditures

For 2013 Rate Request

- Utilize Low Variable Rate Debt \$ 3,200 K
- Deferred Fleet Purchases 2,000 K
- Claims Projections 825 K
- Anticipated Bond Refinancing 374 K
- Advertising 250 K
- Legal 200 K
- Worker's Comp Medical 200 K
- Communications, Sponsorships,
Travel, Conferences & Other Misc. 375 K

2013 O&M Budget



| \$ in millions | O&M |
|---|----------------|
| Salaries, Benefits & Retirement | \$143.4 |
| EAA Payment | 25.5 |
| Utilities | 25.4 |
| Maint. Materials / Expense | 19.2 |
| Water Payments | 15.2 |
| Contractual Prof Svcs | 11.2 |
| Chemicals | 6.6 |
| Fleet | 5.0 |
| Biosolids Disposal | 3.5 |
| Legal | 2.8 |
| Other | 19.4 |
| Total SAWS (before Capitalization) | \$277.3 |
| Capitalized Costs | (35.2) |
| Total SAWS (after Capitalization) | \$242.1 |

SAWS Customer Connections

Growth



| | <u>Water</u> | <u>% Increase</u> | <u>Wastewater</u> | <u>% Increase</u> |
|------|--------------|-------------------|-------------------|-------------------|
| 2007 | 344,468 | | 379,962 | |
| 2008 | 348,834 | 1.27% | 389,894 | 2.61% |
| 2009 | 352,059 | 0.92% | 395,161 | 1.35% |
| 2010 | 356,546 | 1.27% | 400,096 | 1.25% |
| 2011 | 360,281 | 1.05% | 405,119 | 1.26% |
| 2012 | 365,099 | 1.34% | 412,275 | 1.77% |

Sanitary Sewer Overflows

Compliance with the Clean Water Act

“In March 2007, SAWS was orally notified by the... EPA of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows.”

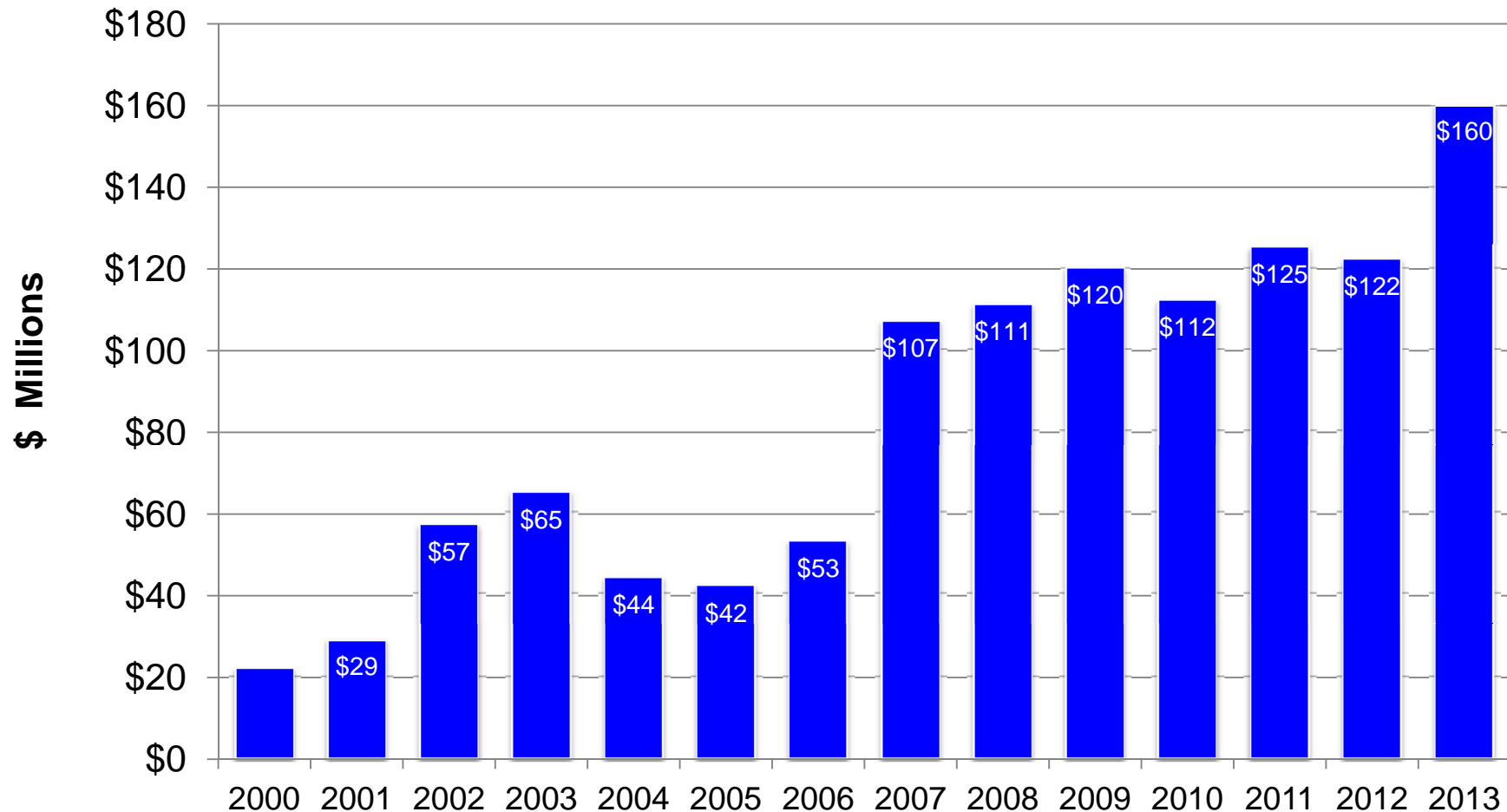


“Negotiations with the EPA/DOJ are ongoing... any settlement, consent decree, or enforcement action will result in the imposition of a civil penalty and in required capital improvements and increased annual maintenance and operating expenses...”

- SAWS Comprehensive Annual Financial Reports (CAFRs) Disclosure (2007 – 2012)

Historical Wastewater Capital (CIP) Budget

Increased Spending since 2007



SAWS System Challenges - Summary

- Reduce Sewer Spills
- Continue investing in critical infrastructure needs for our Quality of Life and Economic Development
- Continue developing new Water Supplies like Brackish Desalination
- Identify ways to **become more efficient**

Financial Reports Available Online

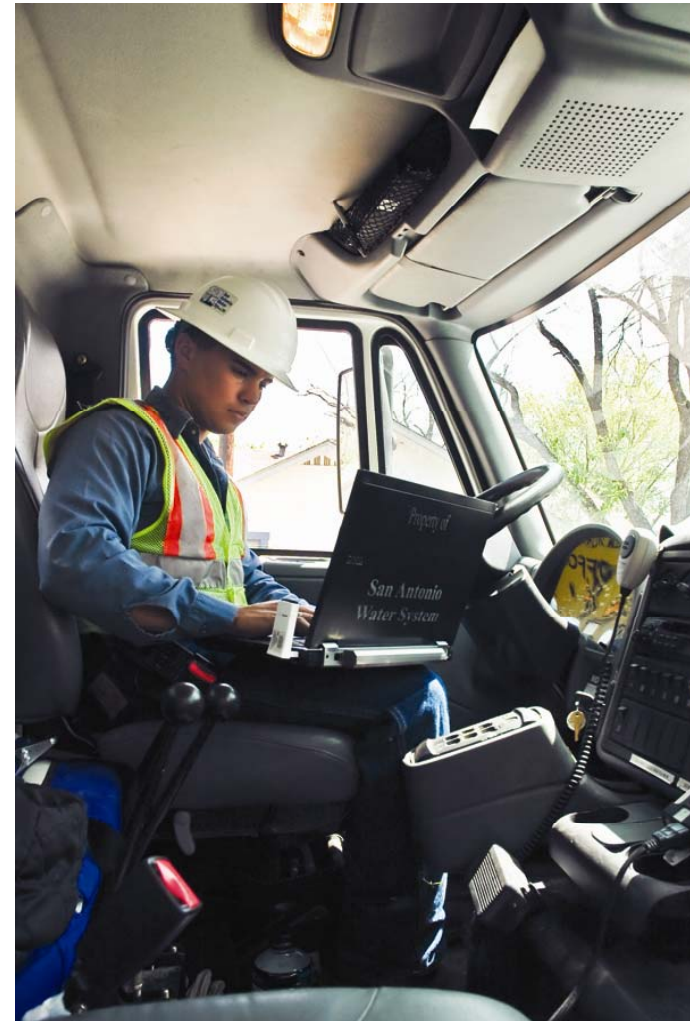
http://www.saws.org/who_we_are/Financial_Reports/

- SAWS Annual Reports
- Comprehensive Annual Financial Report
- Annual Budget
- Quarterly Reports
- Monthly Financial Reports
- Official Statements

Questions

Request for Proposals Aspects

- Key Dates of Solicitation
- Key Items of Solicitation
- Scope of Services
- Scoring Criteria
- Compensation Proposal
- SMWB Scoring
- Submittal Package
- Closing Reminders



Key Dates of Solicitation

- March 22, 2013 - Written Questions – 4 PM CT
- March 27, 2013 - Q & A Posted – 4 PM CT
- April 3, 2013 - **Proposals Due by 2 PM CT**
- April 10, 2013 - Proposals Evaluated
- April 24, 2013 - Interviews, if necessary
- April 25, 2013 - Selected Firm Notified
- May 7, 2013 - SAWS Board Approval
- May 21, 2013 - Start Work
- August 21, 2013 - Final Report Due



Scope of Work

- 1. Organizational Structure and Staffing** - Analyze the current organizational structure of SAWS/DSP and identify opportunities to improve oversight and management of all departmental functions
 - The study must identify optimal staffing levels appropriate to the level of service as well as the size and complexity of the operations
- 2. Operations and Maintenance** - Analyze current operations and identify opportunities to improve the delivery of water and wastewater services to the community, including but not limited to: services provided, methods of service delivery, staffing, technology, performance metrics, use of best practices, and comparisons to similar organizations

Scope of Work – Continued

3. **Support Services** - Identify opportunities to improve the efficiency and cost effectiveness of SAWS's support functions which are intended to assist the core water and wastewater services

4. **Other** - Provide any other information and identify any other potential improvements to SAWS that were not addressed in subparagraphs 1 through 3 above and any opportunities for future efficiency studies

Scope of Work - Reports

- The final report on the overall organization is **due within 90 days** of contract execution - with interim reporting dates
- The report should address all aspects in the scope of services, plus any additional information that is necessary to identify organization efficiencies and/or cost savings measures
- Cost savings measures must be quantified, must detail any needed additional investments by SAWS and a tentative timeline for development & implementation of such a measure
- The final report should include proposals for future more detailed organization efficiency studies that outline further opportunities for cost savings from operational efficiencies

Scoring Criteria

| Proposal Section | Max Points |
|-------------------------------|------------|
| Proposed Project Approach | 40 Points |
| Qualifications and Experience | 25 Points |
| Compensation Proposal | 20 Points |
| SMWB – Good Faith Effort Plan | 15 Points |
| Total | 100 Points |

- Provide a proposed methodology, detailed scope of work and schedule that could be inserted into the final contract
- Maximize points by addressing all required items

Scoring Criteria - Continued

Compensation Proposals

- Provide a fixed fee by scope of service phase
- The fee should be inclusive of **all** expenses – including travel
- Any firm proposing a fee that includes sharing of any savings achieved by SAWS **will not** be considered

Scoring Criteria - Continued

SMWB – Good Faith Effort Plan

- **SMWB participation scoring:**
 - Aspirational Participation Goal (25%)
 - Scored on Sliding Scale based on SMWB participation – 15 points max
- **Good Faith Effort Plan:**
 - Complete the applicable sections to maximize scores
 - Form is available on website
 - SMWB Certification accepted from the South Central Texas Regional Certification Agency (SCTRCA), Texas Historically Underutilized Business (HUB) program, and/or federal SMWB designation/certification
 - Small Business Enterprise (SBE), Minority Business Enterprise (MBE), and Woman-owned Business Enterprise (WBE) certifications accepted
- **SMWB Questions or Assistance:**

Marisol V. Robles

marisol.robles@saws.org

210-233-3420

Proposal Components to Submit

- Due April 3, 2013 - 2:00 pm CT
 - Contracting Department – Customer Service Bldg. Room 171
 - Allow minimum 15 minutes for check-in
- Proposal Package Contents (40 pages max – excluding required forms)
 - Submittal Response Checklist
 - 1 Original Submittal, 10 Hard Copies, 1 CD in PDF format
 - Completed W-9 Form
 - Proposed Project Approach
 - Qualification & Experience with Organizational Chart
 - Compensation Proposal
 - SMWB Good Faith Effort Plan
 - Respondent Questionnaire
 - All Other Applicable Attachments

Closing Reminder

- Technical questions:
 - Must be received by 4:00 pm CT, on March 22, 2013
 - Must be in writing, by e-mail or fax and submit to:

Philip Campos

Contract Administration

San Antonio Water System

2800 U.S. Hwy 281 North, Suite 171

San Antonio, TX 78212

E-mail: philip.campos@saws.org

Fax: 210-233-5011

Questions

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March 20, 2013

Pre-Submittal Conference

