

# DWP GOVERNANCE REFORM Presentation



Presented by:

*Miguel A. Santana*  
*City Administrative Officer*

*Sharon Tso*  
*Chief Legislative Analyst*

May 17, 2016

# City Hall Oversight

What level of oversight should the Council retain over DWP matters?

- DWP governance involves DWP Board, Council and Mayor
- Research indicates challenges of the current DWP governance structure.
- Reform Options:
  - Continue Council oversight with no change
  - Remove Council's oversight of DWP
  - Limit Council oversight to DWP matters with direct impacts to the City
  - Remove the Council's oversight of DWP operations AND restrict Mayor and Council oversight to DWP policies and budget
  - Establish DWP as a Council, non-proprietary department and remove the DWP Board of Commissioners

# City Hall Oversight – Charter Section 245

What type of Council jurisdiction should be provided in Charter Section 245 for DWP matters?

- Charter Section 245:
  - Permits Council to assert jurisdiction over a matter approved by the DWP Board and veto Board's decision; vetoed proposal returned to the Board for review/action.
- Reform Options:
  - No change
  - Enhance the authority of Charter Section 245 to allow City Council to veto and act on DWP matters with the same authority as originally held by the Board.

# City Hall Oversight – Rate Setting

What level of oversight should the Council retain over the adoption of new water and power rates?

- Water and electricity rates are set by the Board and approved by the Council per Charter.
- Studies state that rate reviews are inconsistent and timing is unclear.
- Reform Options:
  - Grant DWP Board sole authority for rate setting
  - Eliminate Council approval of rates while continuing oversight authority with Charter Section 245
  - Eliminate Council approval of rates while adopting new oversight authority with an enhanced version of Charter Section 245
  - Provide City Council approval of strategic planning documents which will guide rate changes

# Hiring and Civil Service – Internal Rules and Practices

How should internal rules and practices be handled by DWP?

- Seniority Based Bid Plan
- Effective Rule of One
- Joint Selection Process
  
- Reform Options:
  - Maintain current processes
  - Negotiate removal of internal rules and practices regarding seniority based bid plans, effective rule of one and the joint selection process to increase flexibility in hiring

# Hiring and Civil Service – Charter

Should the Charter be amended to provide hiring flexibility to DWP?

- Section 1001 – exemptions
- Section 1009 – promotions
- Section 1010 – three whole scores
- Section 1011 – probationary period
- Section 1015 – three departments
  
- Reform Options:
  - Maintain existing provisions
  - Amend Charter Sections 1001, 1009, 1010 and /or 1015 addressing exemptions, promotion, certification, probation and layoffs to increase flexibility in hiring

# Hiring and Civil Service – Civil Service Rule on Seniority

Should Civil Service Rule 4.10(b) regarding seniority credits in examinations be amended?

- Civil Service Rule 4.10(b) – seniority credit
- Reform options:
  - Maintain existing provision
  - Amend Rule 4.10(b) to eliminate seniority credit
  - Amend Rule 4.10(b) to cap or reduce seniority credit similar to management classifications

# Hiring and Civil Service – Personnel Operations

Should the Charter be amended to remove Personnel from DWP classification and examination process and place all human resource functions under the control of the Department?

- Personnel handles examinations and classification functions for DWP.
- CAO is the chief labor negotiator for DWP.
- Reform options:
  - Maintain the existing structure
  - Amend Charter to place all human resource functions under the control of the DWP Board



# Hiring and Civil Service – Civil Service

Should the Charter be amended to enable the new governance structure to have the option to eliminate Civil Service and implement a new employment system in its place?

- The Motion identified the elimination of Civil Service as an option.
- Civil Service changes require additional time to develop alternatives and complete discussions with labor partners.
- Reform Option:
  - No action
  - Adopt a new Charter Section that would authorize the new salary setting authority (Mayor/Council or DWP Board) to waive civil service and establish a new employment structure by MOU.

# Contracts

Should the procurement process be modified for DWP?

- Studies report procurement challenges slow down capital investments and infrastructure repairs
- DWP proposed modifications:
  - Increase the contracting authority of the General Manager from \$150,000 to a maximum of \$5 million and five years
  - Modify/Eliminate ED 4 requirement for minor on-going operational contracts
  - Adjust RFP/Competitive Negotiation requirements for the purchase of specialized equipment
  - Eliminate the ordinance requirement for design-build contracts
  - Eliminate ordinance requirement for power contracts

# Board Structure

Should the Charter be amended to provide a full-time Board for the DWP?

How many members should a modified DWP Board include?

- Current DWP Board structure consists of five part-time members, appointed by Mayor, confirmed by Council.
- Part-time or Full-time Reform options:
  - No change, maintain part-time/volunteer board
  - Full-time board
- Number of Commissioners Reform options:
  - No change, five members
  - Seven members
  - Nine members

# Board Structure – Qualifications

Should the City Council modify qualifications to serve on the Board?

- Charter provides that appointed commissioners be registered voters of the City.
- Reform options:
  - No change
  - Existing qualifications AND
    - City Ethics Commissioner qualifications model and/or
    - Utility-oriented expertise in water and power and/or
    - Diversified utility expertise including water, power, environmental, labor relations, business/finance, community relations/organizations

# Board Structure – Term & Term Limits

What terms shall the Council pursue for the DWP Board members?  
Shall the Council pursue term limits for the DWP Board members?

- DWP Board members serve 5 year staggered terms.
- Term Reform Options:
  - No change
  - Change term to four years
  - Change term to three years
- Currently, the Board is not subject to term limits.
- Term Limit Reform Options:
  - No change
  - Implement term limits

# Board Structure – Selection & Removal

How should the DWP Board Members be selected and removed?

- Board members are selected by the Mayor, subject to Council approval; removed by Mayor, Council approval is *not* required.
- Selection Reform Options:
  - No change
  - Council appoints all members, with no Mayoral approval
  - Shared appointment authority by Mayor and Council
  - Elected by registered voters (at large or regionally)
- Removal Reform Options:
  - No change
  - Allow removed member to appeal to Council
  - Removal by Mayor with majority vote by Council
  - Removal by 2/3 vote of Council for neglect of duties or gross misconduct
  - Recall process for elected members

# General Manager – Appointment & Removal

How should the DWP General Manager be appointed and removed?

- Board appoints GM with confirmation by the Mayor and Council; may remove the GM with confirmation from the Mayor, GM may appeal to Council.
- Appointment Reform Options :
  - No Change
  - Vest the Board with sole appointment authority
  - Vest Board with appointment authority. Council will retain Charter Section 245 power
  - Vest Board with appointment authority subject to the Mayor's confirmation
- Removal Reform Options:
  - No change
  - Vest the Board with sole removal authority
  - Vest the Board with removal authority; Council will retain Charter Section 245 power
  - Vest Board with removal authority subject to the Mayor's confirmation.

# General Manager – Compensation

Should the Charter be amended to grant the DWP Board sole authority to set the General Manager's compensation?

- Pursuant to the Charter, the Board sets the GM's compensation within guidelines established by the City Council, per the recommendation of the CAO.
- Reform Options:
  - No change
  - Vest the Board with sole compensation setting authority
  - Vest the Board with compensation setting authority
  - Council will retain Charter Section 245 power
  - Vest Board with compensation setting authority subject to Mayor's confirmation



# Board Support

What type of analytical, administrative, and research support should be provided to the DWP Board of Commissioners?

- DWP Board receives clerical staff support for administrative tasks and analytical support from division managers.
- Reform options:
  - No change
  - Provide the DWP Board with authority to hire analytical staff (similar to CAO) as described by the Motion
  - Provide the DWP Board with authority to instruct the OPA

# Office of Public Accountability

Should the CAO and CLA be instructed to report on viable options for strengthening the OPA, including its role in the rate setting process?

- OPA provides “public independent analysis of department actions as they relate to water and electricity rates.”
- Various entities have identified challenges facing the OPA
- Reform Options:
  - No change, maintain existing role of OPA
  - Instruct CAO/CLA and OPA to report back on options for strengthening the OPA

# City Attorney

Who should represent DWP with respect to all legal matters?

- Charter and Administrative Code provide authority to the City Attorney to serve as legal adviser to the City, including all boards.
- Reform options:
  - No change
  - Direct CAO/CLA to report back on options to strengthen Board's authority over litigation
  - Amend Charter and Administrative Code to empower Board to conduct procurement and retain legal counsel independent of City Attorney

# Revenue Transfer

- Charter provides that Council may direct that a transfer be made to the Reserve Fund from surplus money in the Power Revenue Fund with the consent of the Board
- Amount of Revenue Transfer is set by ordinance and contains additional limitations to protect the financial health of the DWP
- In recent years, the Revenue Transfer has equaled eight percent of the DWP's power system gross operating revenue:
  - \$253 million in FY 2013-14
  - \$266 million in FY 2014-15
- Power Revenue transfer is the subject of litigation.

# Proposed Ballot Schedules

<u>Election Date</u>	<u>Last Day for Committee Action</u>	<u>Last Day for Council to Request City Attorney to Prepare Election Resolutions</u>	<u>Last Day for Council to Adopt Election Resolutions</u>
A. November 8, 2016 (State General)	June 17, 2016*	June 29, 2016***	July 1, 2016***
B. March 7, 2017 (City Primary)	October 21, 2016*	November 2, 2016	November 16, 2016
C. May 16, 2017 (City General)	December 9, 2016**	January 11, 2017	January 25, 2017

\*Last Regular scheduled Rules Committee meeting by which the Committee should act.

\*\*Date shown is a Special meeting, due to Council recess in December 2016.

\*\*\*Date shown is due to scheduled Council recess in July 2016.

# DWP Governance Reform Information

Information available at following websites:

<http://dwpreform.lacity.org/>

<http://www.7thdistrict.net/dwpreform>

<http://cao.lacity.org/DWP/index.htm>