

DWP GOVERNANCE REFORM

Presentation



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~~Item~~ Communication
from the CAO and
CLA

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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.

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>