

Section 1. Containing the Costs of Administrative Overhead and Work Orders with Other City Departments

The Public Utilities Commission General Manager should:

- 1.1 Direct the Public Utilities Commission's Director of Financial Services to identify all areas of administration overhead that are currently allocated through the cost allocation plan but that could be directly charged to the receiving division, including (a) charging the Customer Services Section's costs for electricity billing directly to the Hetch Hetchy Enterprise, and (b) charging the Information Technology Service's costs for the Supervisory Control and Data Acquisition System (SCADA) unit directly to the Water Enterprise.
- 1.2 Direct the Assistant General Manager, Business Services, to implement service agreements between Information Technology Services, Human Resource Services, and Financial Services, and the operating divisions, identifying (a) the role of the administrative overhead sections, including both oversight and service functions, and (b) the level of service to be provided to the operating divisions, including, as appropriate: (i) an identified administrative overhead section contact person, (ii) timelines for responding to phone calls or requests for information, (iii) turnaround time for specific processes, (iv) procedures to resolve complaints or disputes, and (v) regular meetings and sharing of information as needed.
- 1.3 Direct the Assistant General Manager, Business Services, to establish quantifiable performance measures to be included in the service agreements, which (a) identify expected timelines or costs for performing routine activities whenever possible, and (b) establish benchmarks and reporting requirements.
- 1.4 Direct the Director of Communications and Public Outreach to present an analysis of the Communications and Public Outreach Section's costs and consultant costs for communications and public outreach, which includes: (a) identification of the Communications and Public Outreach Section's and consultants' functions and how these functions are differentiated in practice, (b) an evaluation of the consultants' performance in accomplishing the identified function, and (c) recommendations to better coordinate or streamline Public Utilities Commission's staff and consultant functions as necessary.
- 1.5 Direct the Director of Information Technology Services to develop a staffing reduction plan to eliminate the six Mainframe Applications Unit positions over the next five years.
- 1.6 Direct the Director of Information Technology Services to evaluate potential staffing and training plans to train Information Technology Services staff to assume more responsibility for maintaining the SCADA system, as part of the SCADA strategic planning process.

- 1.7 Direct the Director of Water Supply and Treatment Services to evaluate Water Supply and Treatment Division staff performance and potential improved staff performance in maintaining the SCADA system.
- 1.8 Consolidate management of the SCADA system's in-house and contractual budget under one manager, as part of the SCADA strategic planning process.
- 1.9 Negotiate an interdepartmental agreement between the Public Utilities Commission and the Department of Human Resources that identifies the Department of Human Resources responsibilities for specific services that are not currently covered by an interdepartmental agreement, such as Employee Relations, including reporting and performance standards.
- 1.10 Direct the Director of Financial Services to negotiate annual task plans with the Department of Public Works that measure the cost-efficiency of services, including: (a) identifying average hours and costs of routine activities, based on industry standards when possible, (b) measuring and reporting on the actual hours and costs of routine activities compared to the standard hours and cost, (c) benchmarking the hours and costs of services against a standard measure, and (d) tracking actual hours and costs of services over time.
- 1.11 Direct the Director of Information Technology Services to review all Department of Telecommunications and Information Systems work orders to determine the actual number of productive staff hours and revise the work order to reflect the actual number of productive staff hours as appropriate.
- 1.12 Negotiate an interdepartmental agreement between the Public Utilities Commission and the City Attorney's Office that (a) specifies the estimated hours of service and cost per hour and other associated expenses for the City Attorney's management of claims, litigation and special projects, and (b) benchmarks the hours and costs of City Attorney's services for claims and litigation.
- 1.13 Direct the Director of Financial Services to (a) identify all work orders between the Public Utilities Commission and other City Departments that do not currently have an interdepartmental agreement, (b) determine which work orders require an interdepartmental agreement, and (c) negotiate an interdepartmental agreement for the respective City Departments, including service levels and performance measures, prior to preparation of the FY 2006-2007 budget.

Section 2. Implementing the Asset Management Program

The Public Utilities Commission General Manager should:

- 2.1 Direct the Assistant General Managers for Infrastructure, Water, and Clean Water to prepare and implement an asset management program work plan, that:

- (a) includes goals, work product, and timelines, and
 - (b) identifies executive management oversight responsibilities.
- 2.2 Direct the Assistant General Managers for Infrastructure, Water, and Clean Water to develop criteria and prepare formal, written procedures for determining routine maintenance work orders and capital repair and replacement work orders to be set up as projects.
- 2.3 Direct the Assistant General Managers, Infrastructure, Water, and Clean Water in conjunction with the Director of Financial Services to:
- (a) develop standard procedures for defining capital repair and replacement projects,
 - (b) determine capital repair and replacement program funding criteria, and
 - (c) include such criteria in the proposed FY 2006-2007 budget.
- 2.4 Implement the State Department of Finance audit recommendation to provide the Public Utilities Commission and the Board of Supervisors detailed capital repair and replacement program information as recommended in Phase III of this management audit, including:
- (a) providing water system capital repair and replacement program information as part of the monthly Water System Capital Improvement Program status reports to the Public Utilities Commission; and
 - (b) providing water system capital repair and replacement program information to the Board of Supervisors as part of the quarterly Water System Capital Improvement Program status reports.
- 2.5 Direct the Assistant General Manager for Water to draft a flowchart and policy governing the process of setting-up, charging, and closing work orders for maintenance and capital repair and replacement projects, and to present the draft flowchart and policy to the General Manager and the Public Utilities Commission no later than December 31, 2005. The policy should include:
- (a) requirements that a senior manager sign off on the work order,
 - (b) criteria to define routine maintenance work orders and capital repair and replacement work orders that will be set up as a project.
- 2.6 Direct the Director of Financial Services to (a) review all of the Clean Water, Water, and Hetch Hetchy Enterprises' existing revenue-funded capital repair and replacement projects with unexpended appropriations and no current year expenditures, and (b) recommend de-funding and re-allocating unexpended appropriations to active repair and replacement projects.

- 2.7 Direct the Assistant General Manager, Infrastructure, to require all project managers to develop annual spending plans for repair and replacement projects which correspond to the annual project appropriations should correspond to the spending plan.
- 2.8 Direct the Assistant General Managers for Infrastructure, Water, and Clean Water to develop procedures to review and approve capital repair and replacement project spending plans.

Section 3. Managing Financial Data and Information

The Director of Accounting should:

- 3.1 Develop lead-sheets and schedules of account balances and track and monitor all audit adjustments for the FY 2005-2006 year-end close and financial audit process.
- 3.2 Augment the "Prepared by Client" listing with actual completion dates and track and monitor deadlines for the FY 2005-2006 year-end close and financial audit process.
- 3.3 Annually assess performance or process issues identified in 3.1 and 3.2 above and implement improvements as necessary.
- 3.4 Develop written policies and desk procedures for the General Ledger and Financial Reporting area by March 30, 2006.
- 3.5 Develop a training needs assessment and a formalized training plan for each staff and monitor as part of the employee evaluation process by December 31, 2005.

The Director of Financial Services should:

- 3.6 Define and document the roles and responsibilities of vested parties within the Public Utilities Commission related to capturing critical financial data and information, including the Accounting, Budget and Finance units of the Financial Services Section and the Infrastructure Division's project managers and its Infrastructure Resources Management Bureau by December 31, 2005.
- 3.7 Clearly define and document routine maintenance, repair and replacement, and capital activities by December 31, 2005.
- 3.8 Revise the accounting structure and its use in budgeting, transaction processing and reporting to segregate routine maintenance, repair and replacement, and capital activities, in conjunction with segregating expenditures that should be capitalized as an asset from those expenditures that should be categorically expensed by March 31, 2006.
- 3.9 Develop written policies and procedures for all staff in the Financial Services Section as well as in operations to provide practical guidance on the implementation of 3.8 above by June 30, 2006.

- 3.10 Develop written instructions and guidance on the revision of the Public Utilities Commission's index codes, including detail on the index codes to be standardized across divisions if applicable, incorporation of industry standards, and documentation of any external reporting requirements by December 31, 2005.
- 3.11 Develop written policies and procedures for the on-going creation of new index codes by December 31, 2005.

Section 4. Management of the Accounting Unit

The Board of Supervisors should:

- 4.1 Eliminate one 1675 Supervising Fiscal Officer position for an annual salary and fringe benefit savings of \$134, 517.

The Public Utilities Commission General Manager should:

- 4.2 Take any and all steps necessary to fill the Assistant General Manager, Business Services, the Director of Financial Services, the Director of Accounting, and one Accounting Manager position with technically qualified, highly skilled, permanent staff.

The Director of Financial Services should:

- 4.3 Organize separate working groups to:
 - (a) Revise and update by June 30, 2006 the Financial Services Section policies and procedures manual and clearly define the roles and responsibilities of all staff relative to these procedures.
 - (b) Develop the mission, goals, objectives, work plans, and performance measures for the Accounting Unit by December 31, 2005.
 - (c) Evaluate the extent of purchasing issues, develop benchmarks for measuring and monitoring performance, and work with the Purchasing Division of the Administrative Services Department to resolve performance issues and process weaknesses by March 31, 2006.
- 4.4 Direct the Director of Accounting, in coordination with the Accounting Managers, to:
 - (a) Conduct employee performance evaluations in a timely manner and in compliance with the Public Utilities Commission's policies and procedures.
 - (b) Develop a training needs assessment and a training plan for all staff in the Accounting Unit which is tracked and monitored throughout the year and incorporated into the employee performance evaluation process.

- (c) Develop an ongoing training program for operations division and administrative bureau finance and administrative staff on the Financial Services Section and City accounting and finance policies and procedures.
 - (d) Work with operations divisions and administrative bureaus to ensure that accounting and finance procedures are clearly assigned and are occurring at appropriate levels.
- 4.5 Report back to the Deputy Director of Business Services and the General Manager by September 30, December 31, March 31, and June 30 on the status of the recommendations and the progress made by the working groups and the Director of Accounting.

Section 5. Contracting

The Public Utilities Commission Contracts Administration Manager should:

- 5.1 Identify specific points of delay in the contracting process.
- 5.2 Implement specific procedures to reduce points of delay in the contracting process, including:
 - (a) Eliminating redundant steps;
 - (b) Scheduling future meetings with various entities, such as unions, the Civil Service Commission, and the City Attorney at an earlier point in the process;
 - (c) Setting up reminder notices to follow-up on steps in the contracting process with external entities, such as the City Attorney's Office and the Human Rights Commission; and
 - (d) Requiring the contractors to provide a complete set of insurance documents and other documents necessary to comply with the City's and Public Utilities Commission's contracting procedures no later than the end of the contract negotiating period.
- 5.3 Establish enforceable timelines for each step of the contracting process, as part of the Contracts Administration Section's planning for the Department's contracts webpage.
- 5.4 Benchmark the performance of the Contracts Administration Section as a whole and Contracts Administration Section employees individually against these enforceable timelines.

The Construction Management Bureau Manager should:

- 5.5 Establish written guidelines for accurately and regularly completing the Department's Task Order Evaluation Form and mandate staff to adhere to these guidelines.

- 5.6 Establish written guidelines for systematically reviewing the contractor's monthly invoices to determine their accuracy and completeness and mandate staff to adhere to such guidelines.
- 5.7 Establish policies and procedures on how to process and evaluate change orders and mandate staff adherence to these guidelines.
- 5.8 Establish a standard list of required documents and forms that are needed to internally process all change orders for construction projects.
- 5.9 Establish a formal document retention policy for key contract-related documents and should specify where such documents should be maintained.

The Deputy General Manager should

- 5.10 Develop a training program for Contract Administration and Project Management staff regarding (a) contract negotiations, (b) evaluating contractor performance, and (c) evaluating and negotiating change orders.

Section 6. Security and Emergency Preparedness

The Public Utilities Commission General Manager should:

- 6.1 Direct the Deputy General Manager to ensure that the Security Director and operating division managers regularly revise department-wide and facility-specific Emergency Operations Plans.
- 6.2 Direct the Deputy General Manager to ensure that the department-wide and facility-specific Emergency Operations Plans are easily accessible to its staff.
- 6.3 Present a plan and timelines to develop comprehensive electronic security measures for the Public Utilities Commission's facilities to the Public Utilities Commission no later than December 31, 2005.
- 6.4 Present a capital spending plan and timelines for the Facilities Security Project to the Public Utilities Commission during the February 2006 budget presentation.
- 6.5 Prioritize the hiring of a Security Director to manage the Public Utilities Commission's security and emergency planning program.
- 6.6 Direct the Security Director to develop department-wide written policies regarding:
 - (a) employees' responsibilities when witnessing a criminal act, including procedures to notify management and law enforcement personnel; and

- (b) an incident reporting system to track criminal activity or security breaches to determine commonly occurring or high cost incidents.
- 6.7 Direct the Security Director, in conjunction with the Assistant General Managers Infrastructure, Clean Water, and Water, to develop:
- (a) a loss prevention program for losses associated with theft, vandalism, or other criminal activity; and
 - (b) annual reports to the General Manager and the Public Utilities Commission on (i) the estimated costs of loss associated with criminal activity and (ii) proposals to reduce loss from criminal activity.

Section 7. Water System Capital Improvement Program Management Services Contracts

The Public Utilities Commission General Manager should:

- 7.1 Ensure that the Department and the contractor jointly develop measurable programmatic performance measures for incorporation into the annual performance review process outlined in Recommendation 7.3.
- 7.2 Provide the Board of Supervisors with a staff hiring plan, prepared in conjunction with the Joint Union-City Committee, for positions related to the Water System Capital Improvement Program, by October 19, 2005.
- 7.3 Continue to provide the Board of Supervisors, throughout the term of the Water System Capital Improvement Program, with an integrated annual report which addresses (1) the former Board of Supervisors Finance and Audits Committee's request for an annual report on (a) the details of all outside consultants being used for the Water System Capital Improvement Program, including the scope and cost of each outside consultant contract, and (b) the details of all City staff working on the Water System Capital Improvement Program, including their classification, duties, and salary costs, and (2) the current Board of Supervisors Governmental Audits and Oversight Committee's request for a contractor performance audit conducted annually prior to the annual Department budget review.

Section 8. Infrastructure Division's Organizational Structure

The Public Utilities Commission General Manager should:

- 8.1 Eliminate the Classification 0941 Manager VI (Resources Management Bureau Manager) position in the Resources Management Bureau.

- 8.2 Eliminate the Classification 0922 Manager I (General Administration Manager) position in the Resources Management Bureau.
- 8.3 Eliminate two Classification 1404 Clerk positions and one Classification 9922 Public Services Aide position which provide front desk coverage and clerical support in the Resources Management Bureau.
- 8.4 Direct the Assistant General Manager, Infrastructure to finalize and sign the Infrastructure Division organization charts as soon as the latest Infrastructure Division restructuring is complete.
- 8.5 Direct the Assistant General Manager, Infrastructure to charge an Infrastructure Division staff member with the responsibility to ensure that the finalized organization charts are amended as soon as personnel changes occur, and that all deviations from the Annual Salary Ordinance are accurately noted.

The Board of Supervisors Budget and Finance Committee should:

- 8.6 Release the salary reserve of \$107,340 plus mandatory fringe benefits for the 0942 Manager VII, Engineering Management Bureau Manager position.
- 8.7 Release \$183,966 plus mandatory fringe benefits of the reserve of \$560,571 plus mandatory fringe benefits for new 0933 Manager V positions.

Section 9. Managing General Liability and Workers' Compensation Costs

The Public Utilities Commission General Manager should:

- 9.1 Designate the Assistant General Manager, Business Services, as the risk manager for the Public Utilities Commission.
- 9.2 Direct the Assistant General Manager, Business Services to:
 - (a) Coordinate loss prevention programs among the Clean Water, Water, and Hetch Hetchy Enterprises.
 - (b) Develop measures and reporting mechanisms to monitor the effectiveness of the loss prevention program.
 - (c) Conduct trend analyses to track the Public Utilities Commission's actual claims and litigation experience, annual claims and litigation costs, and reported liability in the audited financial statements.
- 9.3 Report quarterly to the Public Utilities Commission on (a) the status of the loss prevention programs, (b) the risk management measures, and (c) the trend analysis.

The Director of Human Resource Services should:

- 9.4 Measure the performance of the modified duty program and report annually to the Public Utilities Commission on the performance measures.
- 9.5 Work with the Department of Human Resources Workers' Compensation Division to identify successful modified duty programs in other agencies and develop best practices for the Public Utilities Commission's modified duty program.

The Director of Financial Services should:

- 9.6 Report annually to the Public Utilities Commission on the accrued workers' compensation liability, including (a) increases or decreases in accrued liability over time and (b) causes for increases or decreases in accrued liability.

Section 10. Improving Human Resource Processes

The Director of Human Resource Services should:

- 10.1 Evaluate the steps and timelines for recruiting and conducting exams for vacant positions and processing the selected candidate.
- 10.2 Establish timelines for specific stages of the hiring process and streamline steps in the hiring process when possible.
- 10.3 Establish performance measures for the hiring process, including meeting established timelines and preparing complete information.
- 10.4 Benchmark the Work Flow system measures against the timelines established for specific steps of the hiring process.
- 10.5 Reduce two 1222 Senior Payroll/Personnel Clerk positions in the FY 2006-2007 budget, after full conversion to the eTime system.

The Director of Financial Services should:

- 10.6 Review all Public Utility Commission positions in which the actual position differs from the budgeted position and revise the position in the annual budget.

Section 11. Automotive and Mobile Equipment Management

The Public Utilities Commission General Manager should:

- 11.1 Transfer fleet management responsibilities for the 99 general purpose vehicles currently maintained by Central Shops to the Director of Administrative Services.
- 11.2 Emphasize the importance of vehicle maintenance including complying with preventive maintenance inspection schedules and complying with the State's Employer Pull Notice Program.
- 11.3 Direct the Fleet Manager to present a report to the Assistant General Manager, Business Services on implementation of the Public Utilities Commission's department-wide Employer Pull Notice Program prior to December 31, 2005.

Section 12. Maintenance and Materials Management

The Water Supply and Treatment Division Manager should:

- 12.1 Establish a timeline for development of a Maintenance Management Policies and Procedures Manual and report on the status of the manual's development to the Assistant General Manager, Water prior to December 31, 2005.
- 12.2 Establish a timeline for development of a Materials Management Policies and Procedures Manual and report on the status of the manual's development to the Assistant General Manager, Water prior to December 31, 2005.
- 12.3 Ensure that the Water Supply and Treatment Division incorporates automated planning and scheduling processes into its everyday maintenance activities.
- 12.4 Ensure that the Water Supply and Treatment Division initiates maintenance reporting on a continuing, periodic basis. The *Management by Objectives Report* produced by the Water Pollution Control Division is a useful model.
- 12.5 Use MAXIMO reports when requesting maintenance resources.
- 12.6 Ensure that all tools and equipment are inventoried annually.
- 12.7 Direct a review of inventory items for the purpose of determining which items should be stocked regardless of demand history, which items should be retained in inventory but only reordered when there is a demand, and which items should be advertised for disposal.
- 12.8 Ensure that the material in the maintenance yard not currently in inventory be brought into inventory or reported for disposal.

- 12.9 Take necessary action to improve the physical condition of the warehouse, including ensuring that the leaking roof is repaired.

The City Distribution Division Manager should:

- 12.10 Fill the vacant maintenance manager and maintenance planner positions and ensure that the 7205 Chief Stationary Engineer is assigned to maintenance planning functions.
- 12.11 Compare the newly established MAXIMO performance measures for the City Distribution Division against measures proposed in American Water Works Association literature and the literature of other water associations, and incorporate additional and/or replacement performance measures as deemed appropriate.
- 12.12 Ensure the accuracy of the data collected and reported on actual performance.
- 12.13 Establish a timeline for development of the Maintenance Management Policies and Procedures Manual and report on the status of the manual's development to the Assistant General Manager, Water prior to December 31, 2005.
- 12.14 Establish a timeline for development of the Materials Management Policies and Procedures Manual and report on the status of the manual's development to the Assistant General Manager, Water prior to December 31, 2005.
- 12.15 Ensure that the City Distribution Division incorporates automated planning and scheduling processes into its everyday maintenance activities.
- 12.16 Ensure that the City Distribution Division initiates maintenance reporting on a continuing, periodic basis. The *Management by Objectives Report* produced by the Water Pollution Control Division is a useful model.
- 12.17 Use MAXIMO reports when deciding on resource allocations.
- 12.18 Ensure that all tools and equipment are inventoried annually.
- 12.19 Take necessary action to reduce shrinkage and improve the accuracy of the data contained in MAXIMO on material.

The Director of Human Resources should:

- 12.20 In accordance with the existing memorandum of understanding and in conjunction with appropriate officials of Plumbing and Pipefitting Industry Local No. 38 and the Public Utilities Commission, make every effort to establish an agreement between the City and Plumbing and Pipefitting Industry Local No. 38 on a Utility Plumber Apprentice Program.

Section 13. Personnel and Management Issues

The Public Utilities Commission General Manager should:

13.1 Direct the Assistant General Manager, Water to:

- (a) compile data on the Hetch Hetchy Water and Wholesale Power, Water Supply and Treatment, and City Distribution Divisions' water loss,
- (b) determine the extent of water loss,
- (c) evaluate the feasibility of developing and implementing a program "that effectively identifies, quantifies, monitors, and controls water losses", including benchmarking the Public Utilities Commission's water loss against industry standards, as applicable, and
- (d) report the results of that evaluation to the Public Utilities Commission and the Board of Supervisors through its budget performance measures.

The Water Supply and Treatment Division Manager should:

- 13.2 Establish a timeline for developing an Administrative Policies and Procedures Manual for the Water Supply and Treatment Division, and report to the Assistant General Manager, Water on the status of the Administrative Policies and Procedures Manual prior to December 31, 2005.
- 13.3 Require all Water Supply and Treatment Division managers and supervisors to complete employee performance evaluations for all staff annually.
- 13.4 Include completion of employee performance evaluations annually as an objective in the Water Supply and Treatment Division managers' and supervisors' own employee performance evaluations.
- 13.5 Establish procedures for and monitor compliance with the Unit Processing of Employee Equipment and Access and Exit Interview procedures.

The City Distribution Division Manager should:

- 13.6 Establish a timeline for developing a comprehensive set of performance measures for concentrating effort and evaluating performance and progress for the entire range of City Distribution Division responsibilities, including such areas as staff development and safety, and report to the Assistant General Manager, Water on the status of the performance measures prior to December 31, 2005.
- 13.7 Establish a timeline for developing an Administrative Policies and Procedures Manual for the City Distribution Division, and report to the Assistant General Manager, Water on the status of the Administrative Policies and Procedures Manual prior to December 31, 2005.

- 13.8 Require all City Distribution Division managers and supervisors to complete employee performance evaluations for all staff, annually.
- 13.9 Include completion of employee performance evaluations annually as an objective in the City Distribution Division managers' and supervisors' own employee performance evaluations.
- 13.10 Establish procedures for and monitor compliance with the Unit Processing of Employee Equipment and Access and Exit Interview procedures.
- 13.11 Ensure full compliance with the State's Employer Pull Notice Program.
- 13.12 Review standby pay requirements for the City Distribution Division and consider reducing the number of positions required, consistent with operational prudence.
- 13.13 Issue pagers or cell phones to employees on standby and implement standby pay based on 10 percent of base salaries.
- 13.14 Immediately discontinue standby payments to employees in administrative positions.
- 13.15 Review the Gateroom work schedule for the purpose of achieving overtime cost efficiencies and workload relief for Gatemen.
- 13.16 In conjunction with the Employee Relations Division and Plumbers and Pipe Fitters Local No. 38, develop a schedule for the Gatemen that promotes health and safety and that minimizes built-in overtime costs.