

13. Personnel and Management Issues

- **The Water Supply and Treatment Division has not adopted a final set of performance measures that serve to set objectives for the Division and provide a basis for evaluating how well the Division is accomplishing its mission. The Water Supply and Treatment Division Manager should obtain formal approval for the proposed performance measures and use the performance measures in managing the Division.**
- **The City Distribution Division has developed a set of performance measures for the operational aspects of its mission. The City Distribution Division Manager should expand the scope of the Division's performance measures to include all facets of the Division's responsibilities, such as performance measures for staff development and worker safety.**
- **The Water Supply and Treatment Division and the City Distribution Division do not have their own administrative Policy and Procedures Manuals, but rather rely upon Public Utilities Commission policies and procedures which have not been codified into a single, cohesive document. Organizations the size of the Water Supply and Treatment Division and City Distribution Division require a specific set of administrative policies and procedures to standardize and control activities and assist in accomplishing objectives.**
- **Due to the management emphasis on completing employee performance evaluations for FY 2003-2004, the Hetch Hetchy Water and Wholesale Power Division, the City Distribution Division, and the Water Pollution Control Division had very high employee performance evaluation completion rates for the most recent period. For example, although the City Distribution Division completed only 78 employee performance evaluations for FY 2002-2003, a total of 309 employee performance evaluations were completed for FY 2003-2004. However, the total number of employee performance evaluations completed for Water Supply and Treatment Division personnel for FY 2003-2004 increased by only 11, from 156 to 167, although the Division had a total of 294 employees as of December 20, 2004. The Water Supply and Treatment Division needs to achieve a much higher employee performance evaluation completion rate.**

- **The California Highway Patrol has a State driver license Employer Pull Notice Program for all drivers who are required to possess a Class A or Class B driver license. The Budget Analyst determined that the Employer Pull Notice Program at the City Distribution Division was non-existent.**
- **During FY 2002-2003, FY 2003-2004, and FY 2004-2005, standby pay in the amounts of \$341,203, \$323,670, and \$319,564 respectively were paid to City Distribution Division employees. Most of the standby payments were based on 25 percent of base pay, despite the fact that the City is only obligated to compensate standby pay at 10 percent of the regular straight time rate, if the employees are outfitted with a pager or cell phone. Further, the memorandum of understanding between the City and Plumbers and Pipe Fitters Local No. 38 states “standby pay shall not be allowed for positions with duties which are primarily administrative in nature.” Nonetheless, the incumbents in primarily administrative classifications received standby pay during calendar year 2004 at the 25 percent rate. The Budget Analyst recommends that the City Distribution Division Manager review standby pay requirements for the Division and reduce the number of positions required to the minimum consistent with operational prudence, and that standby pay be paid at 10 percent of base salary.**
- **Gatemen operate gate valves in the streets to regulate water supplies. The current 11-week rotational schedule used by the Gatemen requires one period of working 12 consecutive days. The City Distribution Division Manager has expressed concern about the level of stress imposed by the current schedule. Therefore, for purposes of health and safety and potential cost savings, the Budget Analyst recommends that the Division Manager and his staff review the work requirements for Gatemen and revise the work schedule. In comparison to the Gateman work schedule, the Water Pollution Control Division has employed a work schedule that is cost effective and achieves the required 24-hour, 365 day, annual coverage without an exorbitant number of consecutive workdays.**
- **The City Distribution Division Manager can achieve cost savings of up to \$335,814 annually by (a) changing the basis of standby pay from 25 percent to 10 percent of base salaries (up to \$171,710), and (b) employing the minimum essential standby and overtime staff necessary for effective and safe operations (up to \$164,104).**

Divisions' Missions and Organizational Structures

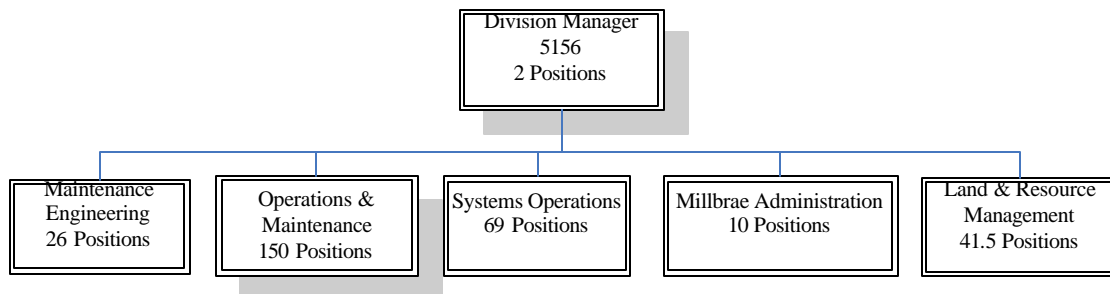
Water Supply and Treatment Division

The Water Supply and Treatment Division is located at 1000 El Camino Real in the City of Millbrae. The mission of the Water Supply and Treatment Division is to operate as an effective, reliable water supplier while managing resources in an environmentally sound manner and supporting the health, productivity, and professional development of its employees.

To accomplish its mission during FY 2004-2005, the Water Supply and Treatment Division is authorized 301.53 full-time equivalent (FTE) positions, including 276.5 FTE operating budget positions, 22 FTE capital-funded positions, and 3.03 FTE temporary positions. The Water Supply and Treatment Division is organized into the major elements shown below:

Exhibit 13.1

Water Supply and Treatment Division Organizational Chart



The Administration Section, which consists of ten authorized positions as shown in Table 13.1 below, is responsible for a wide-range of administrative support functions including budget preparation and budget execution, payroll activities, personnel actions, and providing information support to other Water Supply and Treatment Division elements and outside agencies.

Table 13.1

**Administrative Services Section
Authorized Positions**

Classification	Title	No. of Positions	Salary at Top Step	Total Salaries at Top Step
1823	Senior Administrative Analyst	1	\$77,491	\$77,491
1426	Senior Clerk Typist	1	47,685	47,685
1222	Senior Payroll and Personnel Clerk	1	58,647	58,647
1930	Warehouse Worker	1	45,962	45,962
1934	Storekeeper	1	45,727	45,727
1936	Senior Storekeeper	1	48,729	48,729
1632	Senior Account Clerk	2	51,939	103,878
1842	Management Assistant	1	62,196	62,196
1950	Assistant Purchaser	1	51,678	51,678
Totals		10		\$541,993

Source: Public Utilities Commission and Annual Salary Ordinance.

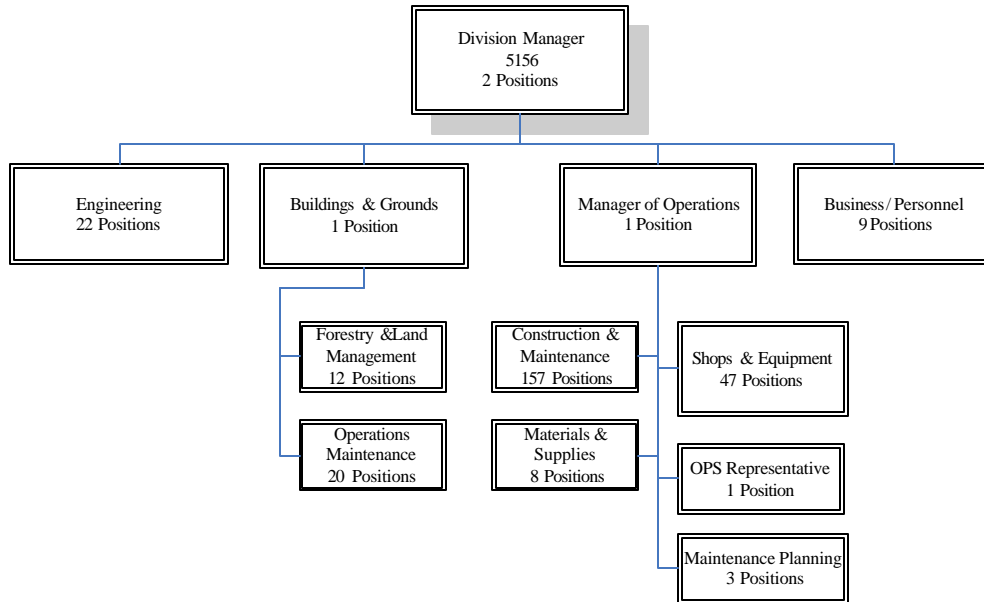
City Distribution Division

The City Distribution Division is located at 1990 Newcomb Avenue in the Southeast sector of San Francisco. The mission of the City Distribution Division is to distribute high quality water reliably to San Francisco customers.

To accomplish its mission during FY 2004-2005, the City Distribution Division is authorized 285.34 full-time equivalent (FTE) positions, including 212 FTE operating budget positions, 71 FTE capital-funded positions, and 2.34 FTE temporary positions. The City Distribution Division is organized into the major elements shown below:

Exhibit 13.2

City Distribution Division Organizational Chart



* The Operational Support Representative is the Division's liaison to the Public Utilities Commission's Water System Capital Improvement Program.

The Business Services Section, which provides the administrative support for the City Distribution Division, consists of nine authorized positions, as shown in Table 13.2 below:

Table 13.2

**Business Services Section
Authorized Positions**

Classification	Title	No. of Positions	Salary at Top Step	Total Salaries at Top Step
1824	Principal Administrative Analyst	1	\$90,567	\$90,567
1410	Chief Clerk	1	65,615	65,615
1426	Senior Clerk Typist	5	47,685	238,424
1222	Senior Payroll and Personnel Clerk	1	58,647	58,647
1842	Management Assistant	1	62,196	62,196
Totals		9		\$515,449

Source: Public Utilities Commission and Annual Salary Ordinance.

The Business Services Section is responsible for a wide-range of administrative support functions including budget preparation and budget execution, payroll activities, personnel transactions, and providing information support to other City Distribution Division elements and outside agencies.

Division Performance Measures

Water Supply and Treatment Division

The Water Supply and Treatment Division has not adopted a set of performance measures that serve to set objectives for the Division and provide a basis for evaluating how well the Division is accomplishing its mission.

The Water Supply and Treatment Division Manager has been in the process of developing performance measures for the past several months and has involved the sections of the Division and received direction from the Assistant General Manager, Water. The Water Supply and Treatment Division Manager has provided the Budget Analyst with a draft of the proposed performance measures that appear to be comprehensive and include measures for water supply, water quality, customer service, transmission facilities, operations and maintenance, and safety and injuries prevention. The Water Supply and Treatment Division Manager should obtain formal approval for the proposed performance measures and use the performance measures in managing the Division.

In addition, the Budget Analyst recommends that the Water Supply and Treatment Division Manager include “distribution system water loss” as one of the performance measures for the Division, as has the Division Manager, City Distribution Division. The “distribution system water loss” performance measure involves an issue that is of growing interest and concern in the water supply and distribution community. According to the Department’s Water Conservation Administrator, water losses have traditionally been a relatively unknown factor in the City’s delivery system, which is not uncommon for water agencies. The Department’s Water Conservation Administrator has proposed developing a program that identifies, quantifies, monitors, and controls water losses, and estimates that it would take two to three years to fully develop leak detection and repair programs to reduce real losses and conserve water resources.

The water loss issue applies to all of the Water Enterprise Divisions: the Hetch Hetchy Water and Wholesale Power Division, the Water Supply and Treatment Division, and the City Distribution Division. Department staff members have provided the Budget Analyst with American Water Works Association materials on water loss reduction programs and strategies that appear to provide effective methods for identifying and reducing water losses. Therefore, the Budget Analyst recommends that the Public Utilities Commission General Manager should (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, and (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 report the results of that evaluation to the Public Utilities Commission and the Board of Supervisors through its budget performance measures.

Further, the Water Supply and Treatment Division should endeavor to ensure the accuracy of its data collection on actual performance.

City Distribution Division

During the course of this management audit, the City Distribution Division Manager and his staff, developed and refined the performance measures shown in Table 13.3 below to evaluate the performance of the City Distribution Division. The performance measures listed are all quantitative in nature and capable of objective verification. The City Distribution Division has provided the Budget Analyst with actual and target values, where available.

Table 13.3**City Distribution Division
Performance Measures**

Measure Description	FY 2002-2003	FY 2003-2004		FY 2004-2005
	Actual	Target	12-mo. Actual	Target
Number of main breaks per 100 miles of distribution piping	4.4 ¹		4.1	
Percentage of service calls responded to within 90 minutes			100%	100%
Water main replacement rate	0.53% (6.4 miles) ²	0.83% (10 miles)	0.43% (5.1 miles)	0.83% (10 miles)
Water meter replacement rate	3.5% (6,255 meters) ³	3.9% (7,000 meters)	2.2% (3,984 meters)	3.9% (7,000 meters)
Distribution system water loss percentage	10%		10%	9%
Percentage of main breaks returned to service within six hours				100%
Cost of operations and maintenance per millions of gallons produced			\$0.30/Gal	
Planned maintenance ratio				10%

Source: Division Manager, City Distribution Division

The City Distribution Division Manager should expand the scope of the Division's performance measures to include all facets of the Division's responsibilities, such as those in staff development and in safety and injuries prevention. Concerning water

¹ There are approximately 1,200 miles of water mains in the City. Thus, a rate of 4.4 breaks per 100 miles of water mains equals approximately 53 water main breaks for the year. Where applicable, the performance measures are denominated in rates rather than absolute values so that comparisons with water agencies of different sizes can be made.

² The replacement rates were obtained by taking the number of miles of main pipe replaced as a percentage of 1,200. A replace rate of 0.83 percent or 10 miles per year would require 120 years to replace all mains in the system.

³ There are approximately 180,000 water meters in the City.

distribution operations and maintenance, the City Distribution Division Manager should compare the newly developed performance measures to performance measures proposed in American Water Works Association literature and the literature of other water associations in order to identify the most useful measures available.

FY 2004-2005 Objectives

Water Supply and Treatment Division

In response to an inquiry concerning the objectives of the Water Supply and Treatment Division for FY 2004-2005, the Water Supply and Treatment Division Manager provided the following:

- To maintain the equipment and facilities of the regional water supply system in a way that supports reliable delivery of safe water to both current and future customers.
- To schedule maintenance work in a manner that does not interfere with meeting customer demand.
- To perform maintenance work in a manner that protects water quality, natural resources, and employee health.
- To plan, schedule, and execute work in a manner that uses staff time, equipment, supplies, and other resources efficiently.

An objective is a benefit to be achieved. As a guide to developing objectives that are measurable and verifiable, the Water Supply and Treatment Division could structure its objectives in accordance with the following guidelines:⁴

- State a single key result to be accomplished as specifically and quantitatively as possible.
- Specify a target date for accomplishment.
- Specify a maximum cost factor.

The objective statement should relate directly to the manager's mission and to higher level missions and objectives. Further, it should be understandable by those who will be contributing to its attainment, and it should represent a significant but attainable challenge. Using these guidelines, two of the objectives listed above might be specified as follows:

- To reduce accidents and injuries during FY 2004-2005 by 50 percent using in-house staff and a safety analyst at a cost not-to-exceed \$85,000.
- To obtain approval of an Emergency Preparedness Response Plan by May 31, 2004 at a cost not-to-exceed 200 hours of staff time.

⁴ Taken from *Management by Objectives and Results in the Public Sector* by George L. Morrisey.

City Distribution Division

In response to an inquiry concerning the objectives of the City Distribution Division for FY 2004-2005, the City Distribution Division Manager provided the following:

- Continue with the horizontal boring procedures to minimize public disruption and traffic congestion for street excavation service.
- Improve employee safety, through training, coaching and utilization of the safety analyst, thereby reducing accidents and injuries.
- Prepare an Emergency Preparedness Response plan.
- Continue chloramination program implementation including unidirectional flushing.
- Expand MAXIMO usage at City Distribution Division facilities to improve preventative maintenance program.
- Develop reliance on Geographic Information System.
- Implement the Supervisory Control and Data Acquisition System (SCADA) and security upgrades to include centralization of both.
- Continue management of computerized records at the Engineering, Warehouse, Construction and Maintenance, and Business Services Sections.
- Continue the use of Dive Team services to promote cost savings by use of the team among Department divisions and other water utility agencies.

As noted above, an objective is a benefit to be achieved and the objective statement should relate directly to the manager's mission and to higher level missions and objectives. Further, it should be understandable by those who will be contributing to its attainment and it should represent a significant but attainable challenge. Using these guidelines, two of the objectives listed above might be specified as follows:

- To reduce accidents and injuries during FY 2004-2005 by 50 percent using in-house staff and a safety analyst at a cost not-to-exceed \$85,000.
- To obtain approval of an Emergency Preparedness Response Plan by May 31, 2004 at a cost not-to-exceed 200 hours of staff time.

Division Administration

In addition to evaluating the quality of an administrative policies and procedures manual, if such a manual exists, the Budget Analyst selected five administrative processes by which to evaluate the Water Supply and Treatment Division and the City Distribution Division's compliance with the City's and the Public Utilities Commission's administrative regulations:

- Employee performance evaluations.

- Employee equipment and access processing.
- Discipline.
- Equal employment opportunity complaints.
- The State's Employer Pull Notice Program.

The Budget Analyst has selected an additional, sixth administrative process by which to evaluate the City Distribution Division:

- Work Scheduling and Pay Practices.

Based on our examination of the numbers and types of disciplinary actions and our observations of work crews at the Water Supply and Treatment Division and the City Distribution Division yards and in the field, the Budget Analyst did not note indicators of cause for concern about the state of discipline within the two Divisions. Further, based on the incidence of equal employment opportunity complaints submitted by Water Supply and Treatment Division and City Distribution Division staff persons between January of 2002 and February of 2005, and the decisions rendered on those complaints, the Budget Analyst concludes that there is no evidence of systemic discrimination against any protected group.

Administrative Policy and Procedures Manuals

A good set of administrative policies and procedures is an important element of administrative control and is a “best practice” in the management of a maintenance and repair function because of the need to provide management guidance over the complicated, technical work required to ensure that the City’s water distribution system operates properly. A Policies and Procedures Manual could cover such issues as employment policies, employee conduct, work hours and authorized absences, job performance, and health and safety. In addition, topics unique to the Water Supply and Treatment Division because of its location and widespread operations such as medical coverage, cabin assignment procedures, and official travel to the City, could be covered.

The Water Supply and Treatment Division and the City Distribution Division do not have their own administrative Policies and Procedures Manuals, but rather rely upon Public Utilities Commission policies and procedures, which are currently being codified into a single, cohesive document. In addition, the Business Services Manager maintains an extensive library of City policies and procedures.

The City Distribution Division initiated an effort in 1999 to develop a policies and procedures manual. Correspondence reviewed concerning that project begun in 1999 lists 33 topics for inclusion in a policies and procedures manual, including such topics as work habits, performance monitoring, software control, and warehouse access and safety procedures.

According to the Business Services Manager, the former City Distribution Division Manager cancelled the initiative to develop a Policies and Procedures Manual during 1999 due to a change in management priorities.

The Budget Analyst recommends that, in addition to the Public Utilities Commission developing an overall Policies and Procedures Manual for human resources functions which span the entire department (which is currently in final draft form), the Water Supply and Treatment Division and the City Distribution Division should develop their own Administrative Policies and Procedures Manuals on a priority basis for the administrative functions which are unique responsibilities of those divisions.

Employee Performance Evaluations

As stated in the City's Employee Handbook, the purposes of employee performance evaluations are to: (a) evaluate the strengths and weaknesses of work; (b) communicate those strengths and weaknesses to the employee; and (c) set goals for performance, improvement, and career development. City and Public Utilities Commission policies require that employees be evaluated once every year.

Water Supply and Treatment Division

According to information provided by the Department's Human Resource Services and the Water Supply and Treatment Division, numerous Water Supply and Treatment Division employees do not regularly receive performance evaluations. Such non-compliance with the annual employee performance evaluation policy was the case with the other Public Utilities Commission operating divisions prior to FY 2003-2004. Because of the management emphasis on performing the employee performance evaluations for FY 2003-2004, the Hetch Hetchy Water and Wholesale Power Division, the City Distribution Division, and the Water Pollution Control Division had very high employee performance evaluation completion rates for the most recent period. For example, although the City Distribution Division completed only 78 employee performance evaluations for FY 2002-2003, a total of 309 employee performance evaluations were completed for FY 2003-2004. However, the total number of employee performance evaluations completed for Water Supply and Treatment Division personnel for FY 2003-2004 increased by only 11, from 156 to 167, although the Division had a total of 294 employees as of December 20, 2004, as reported by Human Resource Services.

By ensuring that each Water Supply and Treatment Division employee is provided with an annual performance evaluation, Division management would be complying with an important City regulation and, combined with appropriate management actions, would also demonstrate to Division employees that the professional development of its staff members, of which sound employee performance evaluations are a necessary part, is a high priority task. Given the Water Supply and Treatment Division's performance on completing employee performance evaluations for FY 2003-2004, the top management of the Public Utilities Commission should place extra emphasis on ensuring that all

Water Supply and Treatment Division employees receive an annual performance evaluation.

City Distribution Division

According to information provided by the Human Resource Services Division of the Public Utilities Commission, the total number of employee performance evaluations completed for City Distribution Division personnel for fiscal years 2002-03 and 2003-04 were 78 and 309, respectively, although the number of authorized positions increased by only 9.46 FTEs between the two fiscal years, from 281.94 FTEs to 291.40 FTEs.

Clearly, the top management emphasis placed on completing employee performance evaluations during FY 2003-2004 resulted in complete or near complete adherence to the City's policy for performing such evaluations. However, such compliance is required every reporting period in order to track an employee's performance progress or address continued shortcomings. Thus, City Distribution Division and Department management should continue to emphasize the importance of, and ensure the completion of, annual employee performance evaluations.

By ensuring that each City Distribution Division employee is provided with an annual performance evaluation, Division management would be complying with an important City regulation and, combined with appropriate management actions, would also demonstrate to Division employees that the professional development of its staff members, of which sound employee performance evaluations are a necessary part, is a high priority task.

Employee Equipment and Access Processing and Exit Interviews

Human Resource Services of the Public Utilities Commission has prescribed a procedure for Unit Processing of Employee Equipment and Access. This procedure describes the process for documenting the issuance of equipment, tools, access codes, and related items to employees. The process is designed to track such issuances throughout the tenure of an employee's employment with the Department and to ensure that upon departure, each employee follows the proper procedure for turning in each item that has been assigned.

Human Resource Services initiates an Equipment Processing Form for each new employee as a part of the Public Utilities Commission's initial in-processing. Thereafter, the Equipment Processing Form should follow the employee to his or her first job assignment, and any subsequent changes in assignment, and should be updated as equipment and other items are issued and turned in.

Whenever equipment is assigned or access is provided, the employee's supervisor is responsible for indicating such on the Equipment Processing Form and updating the Form as needed. The supervisor is to maintain the Equipment Processing Form in a confidential location because it contains confidential personal information. When an

employee changes positions, is reassigned from one Division or Bureau to another, or separates from employment, the supervisor is required to initial on the Equipment Processing Form that each item has been returned. When all items are appropriately returned, the supervisor should sign and initial in the space indicated and transmit the form to the Departmental Personnel Liaison.

The procedure requires that the Departmental Personnel Liaison review the Equipment Processing Form of each departing employee to ensure that it was completed correctly and that the Department Personnel Liaison conduct an “exit” interview by noting responses to questions listed on an Exit Interview Form. The Departmental Personnel Liaison is then required to sign the forms and forward them to Human Resource Services.

In order to test whether the Equipment Processing Forms and the Exit Interview Forms are being completed and retained as required by policy, the Budget Analyst obtained a listing showing that of 14 Water Supply and Treatment Division employee separations during the period of December 2003 through September 2004, no Equipment Processing Forms had been forwarded by the Water Supply and Treatment Division to Human Resource Services and that only six Exit Interview Forms had been completed. The Budget Analyst also obtained listings showing that a total of 15 City Distribution Division employees had separated from the Department during the period of December 2003 through November 2004. However, for the period tested, only two Equipment Processing Forms and two Exit Interview Forms had been forwarded by the City Distribution Division to Human Resource Services.

Based on the foregoing, the Budget Analyst concludes that the Water Supply and Treatment Division and the City Distribution Division’s compliance with the Department’s Unit Processing of Employee Equipment and Access and Exit Interview procedures is clearly inadequate and that an important control for maintaining adequate safekeeping of both Division’s assets is not being enforced.

The State's Employer Pull Notice Program

The California Highway Patrol is responsible for regulating the safe operation of certain types of vehicles. Accordingly, the California Highway Patrol has instituted safety programs covering vehicle maintenance requirements and a State driver license Employer Pull Notice Program for all drivers who are required to possess a Class A or Class B driver license.

Each of the Public Utilities Commission’s operating divisions operates numerous vehicles requiring enrollment in the State's Employer Pull Notice Program. An employer enrolled in the State's Employer Pull Notice Program is assigned a requester code. The requester code is added to an employee's driver license record. When an employee's driver license is updated to record an action/activity, a check is made electronically to determine if an employer pull notice is on file. If the action/activity is one that is specified to be reported under the State's Employer Pull Notice Program, a driver record

is generated and mailed to the employer. The California Highway Patrol periodically checks sites required to be in the safety programs in order to determine compliance with the requirements.

The State's Employer Pull Notice Program allows an organization to monitor driver license records of employees who drive on the organization's behalf. This monitoring accomplishes the following:

- Improves public safety.
- Determines if each driver has a valid driver license.
- Reveals problem drivers or driving behavior.

The Budget Analyst tested the Employer Pull Notice Program within the Water Supply and Treatment Division and noted no deficiencies.

The Budget Analyst tested the Employer Pull Notice Program at the City Distribution Division in order to determine whether required employees are enrolled and whether the individual Driver Record Information is current.

We determined that the Employer Pull Notice Program at the City Distribution Division was non-existent: the only document concerning the Employer Pull Notice Program was a calendar year 2001 listing of those enrolled in the Employer Pull Notice Program and that no individual Driver Record Information forms were available for any of the 28 drivers required to be enrolled. According to City Distribution Division management, the person who had been overseeing the Employer Pull Notice Program had departed the organization and that no one had subsequently assumed the responsibility.

The California Highway Patrol regards single breaches of the State's Employer Pull Notice Program requirements, i.e., excluding a single required employee from the Employer Pull Notice Program, as serious deficiencies. In the instance noted, the City Distribution Division was out-of-compliance with the requirements for all of its Class A, Class B, and special category drivers. Aside from receiving an "Unsatisfactory" rating on the evaluation, the City Distribution Division would be charged for re-inspections until achieving satisfactory status, and would be subject to greater scrutiny.

As of the writing of this audit report, the City Distribution Division had re-enrolled in the State's Employer Pull Notice Program. The Department advises that the Department's new Fleet Manager has begun the process of centralizing the Employer Pull Notice Program for the Department. The Department has enrolled in the program and information on those employees requiring enrolment for all divisions is currently being collected by Human Resource Services.

Uneconomical Pay and Work Schedule Practices

Total Salaries and Salary Components

Table 13.4 below shows total salary amounts and the amounts for the components of total salaries for the City Distribution Division for FY 1995-1996 through FY 2004-2005. Table 13.4 also shows the percentage that each component of total salaries comprises. Finally, Table 13.4 shows the amount and percentage of growth between FY 1995-1996 and FY 2004-2005 for selected salary components.

As shown in the bottom part of Table 13.4, Total Salaries, Permanent Salaries – Misc., and Overtime each increased by similar percentages of between 50.2 percent and 55.3 percent during the nine-year period of FY 1995-1996 to FY 2004-2005. However, as also shown in Table 13.4, over the same period Premium Pay increased by \$505,210 or 414.8 percent, from \$121,797 to \$627,007.

Standby Pay, which is paid to employees who are required to be available on call to perform emergency services, is a major component of Premium Pay. Standby pay in the amount of \$319,564 was paid to City Distribution Division employees during FY 2004-2005, which is 50.1 percent of the \$627,007 in premium pay paid to City Distribution Division employees during FY 2004-2005.

Table 13.4
Total Salary and Salary Component Amounts - City Distribution Division
FY 1995-1996 through FY 2004-2005

Salary Component	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Permanent Salaries-Misc.	\$8,094,177	\$8,235,501	\$8,316,012	\$9,263,332	\$10,463,204	\$10,702,864	\$10,780,762	\$11,794,850	\$12,470,142	\$12,154,850
Permanent Salaries-Uniform	0	0	0	38,450	40,845	45,532	35,236	48,716	0	0
Temporary Salaries-Misc.	289,601	438,718	451,971	187,163	149,286	165,414	235,527	408,371	395,154	271,696
Premium Pay (Includes Standby Pay)	121,797	153,129	296,509	342,228	414,619	412,146	466,497	519,906	535,165	627,007
Note Only: Standby Pay								341,203	323,670	319,564
One-Time Payments	31,401	0	0	0	1,593	2,156	81,459	88,814	201,404	237,758
Overtime	813,068	782,951	1,059,182	1,060,280	1,011,667	1,316,410	1,151,545	1,228,454	1,210,559	1,252,562
Holiday Pay	<u>33,676</u>	<u>41,852</u>	<u>53,927</u>	<u>39,345</u>	<u>45,399</u>	<u>36,463</u>	<u>42,052</u>	<u>53,399</u>	<u>49,720</u>	<u>31,122</u>
Total Salaries	\$9,383,720	\$9,652,151	\$10,177,601	\$10,930,798	\$12,126,613	\$12,680,985	\$12,793,078	\$14,142,510	\$14,862,144	\$14,574,995
Percentage of Salaries - Total										
Permanent Salaries	86.3%	85.3%	81.7%	84.8%	86.3%	84.4%	84.3%	83.4%	83.9%	83.4%
Temporary Salaries	3.1%	4.6%	4.5%	1.7%	1.2%	1.3%	1.8%	2.9%	2.7%	1.9%
Premium Pay	1.3%	1.6%	2.9%	3.1%	3.4%	3.3%	3.7%	3.7%	3.6%	4.3%
One-Time Payments	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	1.4%	1.6%
Overtime	8.6%	8.1%	10.4%	9.7%	8.4%	10.4%	9.0%	8.7%	8.1%	8.6%
Uniform Salaries and Holiday Pay	<u>0.4%</u>	<u>0.4%</u>	<u>0.5%</u>	<u>0.7%</u>	<u>0.7%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>0.3%</u>	<u>0.2%</u>
Total Percentages	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Growth Between FY 1995-96 and FY 2004-05	Amount	Percentage Change								
Total Salaries	\$5,191,275	55.3%								
Permanent Salaries - Misc	\$4,060,673	50.2%								
Premium Pay	\$505,210	414.8%								
Overtime	\$439,494	54.0%								
FTE Count per ASO	195.0*	246.00	269.59	276.25	283.15	282.15	278.41	281.94	291.4	285.34

* The FY 1995-1996 Annual Salary Ordinance does not show project positions.

The preponderance of the overtime pay and standby pay costs are made to the classifications shown in Table 13.5 below, excluding the Classification 5156 Utility Service Manager position which is the City Distribution Division Manager. That position is included for pay comparison purposes only. As shown in Table 13.5, by comparing the base salaries at the top step to the highest salaries for calendar year 2004, overtime pay and/or standby pay add substantially to the compensation paid out to the employees receiving such pay. Obviously, a certain amount of the overtime is unavoidable due to the need to respond to emergencies. However, there are certain practices within the City Distribution Division that serve to exacerbate the current levels of overtime pay and standby pay.

Our review of both Standby Pay and use of Overtime in the City Distribution Division revealed opportunities for cost savings in those pay categories.

Table 13.5
Salaries, Overtime Pay, and Standby Pay Statistics
City Distribution Division

Highest Total Pay Calendar Year 2004					
5156-Utility Services Manager (City Distribution Division Manager)	7134-Water Construction and Maint. Superintendent	7284-Utility Plumber Supervisor 2	7250-Utility Plumber Supervisor 1 (Gatemen)	7250-Utility Plumber Supervisor 1 (Non-Gatemen)	7388-Utility Plumber
\$130,979	\$155,555	\$150,975	\$154,130	\$140,306	\$126,498
			153,579	140,288	116,615
			151,032	139,511	116,390
			150,612	132,740	115,287
			143,264	129,809	110,709
Annual Salary at Top Step FY 2004-2005					
\$130,265	\$98,580	\$93,464	\$86,835	\$86,835	\$77,256
Average Increase Over Straight Salary					
Average of Salaries Shown	\$155,555	\$150,975	\$150,523	\$136,531	\$117,100
Percentage Above Base Salary	57.8	61.5	73.3	57.2	51.6

Standby Pay

The provisions for stand-by pay are included in the memorandum of understanding between the City and Plumbers and Pipe Fitters Local No. 38, as cited below:

"STAND-BY PAY - Employees who, as part of the duties of their positions are required by the Appointing Officer or designee to standby when normally off duty to be instantly available on call for immediate emergency service to perform their regular duties, shall be paid twenty-five (25%) percent of their regular straight time

rate of pay for the period of such standby service, except that employees shall be paid ten (10%) percent of their regular straight time rate of pay for the period of such standby service when outfitted by their department with a pager or cell phone. When such employees are paged or called to perform their regular duties during the period of such standby service, they shall be paid while engaged in such service at the usual rate of pay. Notwithstanding the general provision of this section, standby pay shall not be allowed for positions with duties which are primarily administrative in nature. Standby assignments at Millbrae location will be done on a rotational basis but only one person will be on standby."

As shown in Table 13.4 above, \$319,564, \$323,670, and \$341,203 in standby pay was paid to City Distribution Division employees in the most recent three fiscal years. Most of the standby pay payments were based on 25 percent of base pay, despite the fact that the memorandum of understanding cited above provides for a compensation rate of 10 percent of the regular straight time rate if the employees are outfitted with a pager or cell phone. For scheduled standby pay as shown in Table 13.6 below, if the employees had been outfitted with a cell phone or pager and paid at the 10 percent rate, scheduled standby costs would have been reduced by \$171,710 from \$286,178 to \$114,468, or by 60 percent. Further, the Classification 7134 Water Construction and Maintenance Superintendent and the Classification 7284 Utility Plumber Supervisor II positions shown in Table 13.5 above are primarily administrative positions. As stated in the memorandum of understanding cited above, "standby pay shall not be allowed for positions with duties which are primarily administrative in nature." Nonetheless, the incumbents in the Classification 7134 Water Construction and Maintenance Superintendent and Classification 7284 Utility Plumber Supervisor II positions received standby pay during calendar year 2004 at the 25 percent rate.

The Budget Analyst recommends that the City Distribution Division Manager review standby pay requirements for the Division and reduce the number of positions required to the minimum consistent with operational prudence. The Budget Analyst further recommends that standby pay be paid at 10 percent of base salary.

Table 13.6
Scheduled Standby Pay Statistics
City Distribution Division

Classification	FY 2004-05 Hourly Rate Top Step	25% Standby Rate	Standby hours per Week	Annual Cost at 25% Rate	Annual Cost at 10% Rate
7388	\$37.00	\$9.25	88	\$42,328	\$16,931
7388	\$37.00	\$9.25	88	\$42,328	\$16,931
7463	\$35.15	\$8.79	88	\$40,212	\$16,084
7463	\$35.15	\$8.79	88	\$40,212	\$16,084
7250	\$41.59	\$10.40	88	\$47,576	\$19,030
7284	\$44.76	\$11.19	61.5*	\$35,786	\$14,314
7134	\$47.21	\$11.80	61.5*	\$37,736	\$15,094
Totals			563	\$286,178	\$114,468

Source: City Distribution Division Business Services Section

* The Classification 7134 Water Construction and Maintenance Superintendent and the Classification 7284 Utility Plumber Supervisor II positions share 123 senior staff standby hours per week.

Overtime and the “Gateroom” Work Schedule

The Reservoirs and Operations Section is supervised by a Classification 7284 Utility Plumber Supervisor II and is authorized 26 positions, as shown in Table 13.7 below.

Table 13.7
Construction and Maintenance Division
Gateroom Section

Class	Title	No. of Positions	Salary at Top Step	Total Salaries at Top Step
7284	Utility Plumber Supervisor 2	1	\$93,464	\$93,464
7250	Utility Plumber Supervisor 1	13	86,835	1,128,855
7388	Utility Plumber	10	77,256	772,560
7463	Utility Plumber Apprentice	1	73,393	73,393
7514	General Laborer	1	48,363	48,363
Totals		26		\$2,116,635

The term “Gateman” refers to a specialty within Classification 7250 Utility Plumber Supervisor. The term “Gateman” comes from the function of operating gate valves in the streets to regulate water supplies. For example, gate valves can be regulated to increase water supplied to fire fighters at the scene of a fire, or to shut off water coming to an area with a broken main pipe. The Construction and Maintenance Division of the City Distribution Division is authorized a total of 23 Utility Plumber Supervisor I positions. Of those 23 positions, 13 positions are allocated to the Reservoirs and Operations Section to which Gatemen are assigned. Currently, 11 of the 13 Gatemen positions are filled.

Gatemen perform a variety of very important functions, including the following:

- Regulate reservoir levels.
- Shut down large and small water mains because of breaks or connections to new mains.
- Flush water mains to ensure high quality potable water.
- Respond to all second alarm and greater fires to assist the Fire Department with increased water supply.
- Coordinate interruptions to service with the public due to upgrading of water mains.
- Chlorinate new water mains to assure purification before connection to the existing system.
- Keep daily records of changes in the water supply system in log books and gate books.
- Inspect paving by contractors and the City to ensure that gate valves are readily accessible to operate in an emergency.
- Investigate complaints by the public regarding hazardous conditions, lack of water, low water pressure, or leaks in the area.
- Inspect reservoirs, tanks, and pump stations to maintain facilities for peak performance and guard against vandalism.

A Gateman is required to be on duty 24 hours per day, every day of the year. The current staff of 11 Gatemen work a schedule that provides 24 hour per day coverage, with one Gateman scheduled for each swing and night shift and one Gateman for each of the six weekend eight-hour shifts. Overtime is paid for the six weekend shifts, to which apply the swing shift differential of 8.5 percent (between 5:00 p.m. and 12:00 a.m.) and the night differential of 10 percent (between 12:00 a.m. and 7:00 a.m.). Applying the pay differentials to the base salary of \$41.5875 per hour and the overtime factor of 1.5 to those amounts yields a built-in scheduled overtime sum of approximately \$164,104 annually.

The current 11-week rotational schedule used by the Gatemen requires one period of working 12 consecutive days. The City Distribution Division Manager has expressed

concern about the level of stress of working 12 consecutive days of Gateman duty. Further, Gatemen are subject to being called out on overtime during those 12 consecutive days. Therefore, for reasons of health and safety, and for possible cost savings, the Budget Analyst recommends that the Gatemen's work schedule be reviewed and evaluated to address concerns of health and safety, and work efficiencies. In comparison to the schedule of built-in overtime to accommodate the 24-hour per day, 365 day coverage required employed by the City Distribution Division, the Water Pollution Control Division has employed a schedule that is cost effective and achieves the required 24-hour, 365 day, annual coverage.

Conclusions

Water Supply and Treatment Division and City Distribution Division administrative and personnel functions should be supported by written policies and procedures, and such policies and procedures should be fully implemented and monitored by Water Supply and Treatment Division and the City Distribution Division management. Further, Water Supply and Treatment Division Further and the City Distribution Division management should improve their compliance with Public Utilities Commission, City, and State policies, procedures, and regulations, such as ensuring compliance with the Public Utilities Commission's Unit Processing of Employee Equipment and Access and Exit Interview procedures, consistent compliance with the City's employee performance evaluation policy, and compliance with the State's Employer Pull Notice Program.

The City Distribution Division's use of standby pay and overtime are not economical. Standby pay at the rate of 25 percent of base pay is paid for standby services that can be compensated at the rate of 10 percent of base pay, saving up to \$171,710 annually. In addition, revising the Gateroom schedule would save approximately \$164,104 of built-in overtime annually, and would no longer gatemen to work 12 consecutive days during the 11-week rotation schedule.

Recommendations

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.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished with existing staff in-house. The benefits of the recommendations would include a more efficient Water Supply and Treatment Division operation with improved internal controls and improved effectiveness of the City Distribution Department's administrative and personnel functions significantly assisting the City Distribution Department in accomplishing its objectives.

The City Distribution Division Manager can achieve cost savings of up to \$335,814 annually by (a) changing the basis of standby pay from 25 percent to 10 percent of base salaries (up to \$171,710), and (b) employing the minimum essential standby and overtime staff necessary for effective and safe operations (up to \$164,104).