

**San Francisco Public Utilities Commission
Audit Response**

1. Designing the Sewer Service Charge

Recommendations

The Public Utilities Commission Financial Service Division should:

- 1.1 Continue to analyze and present information to the Rate Fairness Board on the impact of alternative sewer service rate designs on residential sewer service customers, sewer service charge revenues, and water conservation, including:
- (i) the relative advantages and disadvantages of fixed rates based on equivalent dwelling units that incorporate different consumption blocks, volume-based uniform rates, and volume-based inclining rates in providing stable revenues and promoting conservation, and
 - (ii) the relative impact, including projected combined monthly water and sewer service bill increases, of fixed rates based on equivalent dwelling units that incorporate different consumption blocks, volume-based uniform rates, and volume-based inclining rates on sewer service customers.

SFPUC response: Agree.

- 1.2 Continue to evaluate and present to the Rate Fairness Board alternative scenarios for phasing-in new rate structures to mitigate the impact of future combined water and sewer service charges.

SFPUC response: Agree.

- 1.3 Continue to assess and present to the Rate Fairness Board the option of reclassifying the Single Residence Occupancy hotels as residential customers during the FY 2004-2005 Rate Fairness Board discussions of alternative sewer service rate structures.

SFPUC response: Agree; this is one of several options we are considering.

- 1.4 Continue to assess and present to the Rate Fairness Board alternative structures for storm water charges, including the relative advantages and disadvantages (i) of the current storm water structure and of dis-aggregating storm water and sewer system charges, and (ii) of including storm water charges on the sewer service bill or the property tax bill, including the impact of shifting the frequency of charges from bi-monthly sewer service bills to annual property tax bills and shifting charges from sewer service customers to property owners, to the extent that the two are not the same.

SFPUC response: Agree.

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2. Allocating Costs of Sewer Services to Customer Classes

Recommendations

The Public Utilities Commission General Manager should:

- 2.1 Adopt a formal, written policy to sample wastewater strengths for residential and nonresidential customer classes every ten years and assign new wastewater strengths as appropriate.

SFPUC response: Agree; may require modification to sampling points.

- 2.2 Direct the Business Services Division to reconcile Customer Services billing system data for nonresidential customers with the Schedule of Sewer Service Charges, including:

- (a) Clearly defining the categories of nonresidential customers who are sampled for purposes of setting sewer service charges under Schedule B;
- (b) Clearly defining criteria for assigning nonresidential customers to Standard Industrial Classification codes under Schedule C; and
- (c) Reviewing all existing Standard Industrial Classification codes in the Customer Services billing system to determine which Standard Industrial Classification codes correspond to nonresidential property uses in San Francisco, eliminate unneeded Standard Industrial Classification codes, and reconcile Standard Industrial Classification codes in Schedule C of the Schedule of Sewer Service Charges and in the Customer Services billing system.

SFPUC response: Agree.

- 2.3 Continue implementation of the proposed work plan to sample the wastewater strengths of residential and nonresidential customers to determine the source of the discrepancy between expected and actual wastewater strengths.

SFPUC response: Agree; however, the “discrepancy” came from a flawed consultant study that did not provide accurate estimates.

- 2.4 Continue implementation of the proposed work plan to test existing customer accounts against Tax Collector and Assessor records to verify the correct use of properties.

SFPUC response: Agree.

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- 2.5 Establish a protocol to (a) identify which commercial and industrial property uses are high risk for discharging pollutants into the sewer system, and (b) establish a periodic review of Tax Collector and other documents to identify high risk commercial and industrial users who do not have customer accounts.

SFPUC response: Agree; we will review permitting requirements governing this issue.

- 2.6 Direct the Business Services Division, in conjunction with the Bureau of Environmental Regulation and Management, to develop formal, written policies defining the role of Customer Services in identifying the property use of new accounts and notifying the Pretreatment, Pollution Prevention, and Storm Water Program of new accounts.

SFPUC response: Agree.

- 2.7 Direct the Bureau of Environmental Regulation and Management to develop formal, written policies regarding identification and inspection of properties with new sewer service accounts or changes in use for existing accounts.

SFPUC response: Agree.

3. Opportunities to Improve Management Control of Clean Water Enterprise Fund Expenditures

SFPUC Overall Comments: While Water Pollution Control division monitors its costs closely, and the SFPUC wants to mitigate further rate increases, we are committed to minimizing odors in communities surrounding our plants. Implementing the Budget Analyst's recommendations regarding possible savings in electrical and chemical treatment costs would increase the burden on our neighbors to an unacceptable level.

Recommendations

The Public Utilities Commission General Manager should:

- 3.1 Direct the development of service measures for each of the Administration functions in conjunction with the three enterprises, which determine (a) the level of services provided by the Administration functions and (b) the funding levels, and should include deliverables and performance evaluations. Preparation of each year's budget for Administration functions should include an assessment of the current year's deliverables and performance.

SFPUC response: Agree.

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The Director of Financial Services should:

- 3.2 In conjunction with the Water Pollution Control Division Manager, assess the options for reducing or limiting increases in chemical costs, such as revised vendor contracts, prior to the Public Utilities Commission's FY 2005-2006 budget preparation and review.

SFPUC response: As noted above, we are deeply committed to odor control, and that is the primary reason for budget increases. Our Southeast and North Point plant facilities are in residential areas, and many of our transports run through high occupancy areas such as the Embarcadero and SBC Park, so chemical addition is needed to mitigate the odors. The Red Oak conclusion was based on a comparison with EBMUD and on an increase in WPCD's chemical budget in recent years. However, comparisons to other districts can be misleading, and the comparison to previous WPCD expenses assumed that the unit price was constant, which is unlikely.

We monitor chemical expenses closely and have been very aggressive on this issue over the years, finding creative ways to reduce annual expenses. We are still working to optimize the new odor control systems for the collection system and may be able to reduce consumption somewhat as we fine tune those systems. That process is part of our normal operating procedures. It has been under way for some months and will continue until we are sure that we have reached the optimum point.

- 3.3. In conjunction with the Water Pollution Control Division Manager, evaluate the feasibility of operating the treatment plants during off-peak hours, which includes an assessment of storage capacity and odor control at different levels of storage and off-peak operations and the potential associated cost savings. This analysis should be part of the FY 2005-2006 budget preparation and review.

SFPUC response: Disagree; the shutdown of these facilities could not be done daily without increasing odors in the collection system. Approximately 20 million gallons of sewage would need to be stored, and there is no effective way to mix the oxidizing chemical in the transport box that will provide contact with all the wastewater. If the boxes are filled up and drawn down on a daily basis, they will develop a slime layer above the normal operating depth in which sulfide bacteria will grow and produce hydrogen sulfide. Stored sewage will be septic and produce highly odorous hydrogen sulfide gas. The warmer the sewage, the faster hydrogen sulfide gas will be produced. As a result, over time more odor will be present in the boxes.

The rise in power noted in the report is due to the increase in the PG&E schedule E-20 rates. We were directed to increase our power budget from \$6,267,769 in FY 2000-01 to \$9,985,992 in FY 2001-02 with little or no projected change in consumption. The analysis of potential savings in electricity is based on the times when the Southeast and Oceanside Plants and some major pump stations were

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shutdown during the 2001 power crisis. At that time, the Independent System Operator offered incentives for customers who could provide a firm capacity to go offline when called on short notice. This was not to occur more than once or twice in any week, and was, in general, to be a limited number of times overall. WPCD complied and exceeded its commitment to the ISO. However, this was done with great effort. In both the shutdown and restart of the treatment plants and pump stations, considerable extra operator effort is required.

Finally, it should be noted that:

1. The peak period is from 12pm to 6pm.
 2. The peak demand charge is based on any single day. Therefore, the plant must be offline everyday from 12 to 6 to save the peak demand charge; otherwise the plant is charged according to its highest peak day for the whole month.
 3. The cogeneration plant offers significant savings on power demand that was not available at the time of the shutdowns in 2001.
 4. For the Oceanside plant there was an EIR agreement that the plant will not be used in this way on a regular basis. Only in case of emergency can we store the raw wastewater and treat it at a later time during dry weather.
- 3.4. In conjunction with the Water Pollution Control Division Manager, the Pretreatment, Pollution Prevention, and Storm Water Manager, and the Water Quality Bureau Laboratories Manager, develop budgetary benchmarks for the Clean Water Enterprise Fund.

SFPUC response: Performance measures are submitted to the Controller's Office as part of the annual efficiency plan and budget process.

4. Clean Water Capital Improvement Planning

Recommendations

The General Manager should:

- 4.1 Hold Department staff and third party contractors accountable for meeting critical path milestones in the Clean Water Master Planning process.

SFPUC response: Agree.

- 4.2 Consider a five year interim capital improvement program for immediately needed projects which would not jeopardize the Clean Water Master Planning process or result in investing in facilities which would be quickly redundant.

SFPUC response: Agree.

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5. Public Participation in Clean Water Policy and Planning

SFPUC Overall Comments: Section 5 focuses on a specific public participation process undertaken by a former General Manager and former consultants on the City's clean water infrastructure and capital programs. It is a historical account of that process and its strengths and weaknesses. As the Budget Analyst is aware, there is a new General Manager and a new Director of Communications at the SFPUC. They are reviewing the status of the Clean Water Master Plan and public participation proposals. The Clean Water Master Plan and a public participation process that fully engages both the community as well as technical advisors in policy planning and decisions are priorities for the new General Manager.

Recommendations

The General Manager should:

- 5.1 Ensure that the Department utilizes established community and technical advisory groups in policy and planning decisions.

SFPUC response: 5.1-5.7 The new General Manager is already working with the Clean Water Master Plan project team and the new Director of Communications to review the status of the Clean Water Master Plan and be sure that the plan includes detailed proposals to work with relevant community stakeholders and advisory groups. We will ensure appropriate coordination, oversight of consultants, consistency of SFPUC staff participation, extensive public participation and transparency.

- 5.2 Direct the Project Manager of the Clean Water Master Planning process to establish a system of documentation in which the planning and engineering program and the environmental review program clearly record how recommendations from established community and technical advisory groups influence technical decisions.

SFPUC response: See above.

- 5.3 Ensure that the internal Communications Division staff is fully utilized to do public outreach work, and that expenditures for the proposed public participation program reflect the appropriate mix of internal and contractual resources.

SFPUC response: See above.

- 5.4 Direct the Communications Division to develop a detailed plan for the public participation program following the policy guidance of the Citizens' Advisory Committee.

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SFPUC response: See above.

- 5.5 Ensure that the Communications Division does not “reinvent the wheel”. Instead, the Communications Division should further the development of the existing consultant stakeholder lists, evaluations, and recommendations from the earlier process.

SFPUC response: See above.

- 5.6 Ensure that the detailed plan for public participation includes (1) the identification of who is representative of a cross section of the community, (2) an ongoing forum for public input to policy and planning, (3) a method to incorporate community input into the Clean Water Master Plan and new Clean Water Capital Improvement Program, and (4) a plan for community outreach.

SFPUC response: See above.

- 5.7 Ensure consistent and appropriate staff representation in the community planning process.

SFPUC response: See above.

The Public Utilities Commission should:

- 5.8 Review and approve the plan for public participation.

SFPUC response: This will be done as part of the Clean Water Master Plan process.

- 5.9 Require the General Manager to report the status of the public participation program quarterly.

SFPUC response: Already in process as part of General Manager’s reports to the Commission.

- 5.10 Ensure that the Public Utilities Citizens’ Advisory Committee is fully utilized in policy and planning.

SFPUC response: Agree.

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6. Managing Debt and Funding Future Capital Projects

Overall Comment: While we do not disagree with the idea of small, regular rate increases, the audit implies that such increases are a possibility right now, which they are not. Eleven percent increases will not bring the department to proper reserve levels, and we may need more funds for maintenance and capital projects.

Recommendations

The General Manager should:

- 6.1 Present an annual report prepared by Financial Services staff pursuant to Proposition E prior to May 31 each year, that includes (i) current Clean Water Enterprise program revenue and expenditure projections, (ii) the projected need for sewer service charge increases, the impact of smaller incremental sewer service charge increases compared to larger periodic increases, and the impact of combined water and sewer service charge increases, (iii) the status of implementation of the asset management program and an evaluation of the asset management program's effectiveness, and (iv) the status of the capital planning process and proposed funding for both interim capital projects and Clean Water Capital Improvement Program projects.

SFPUC response: To comply with Charter requirements established by Proposition E, the department prepares an annual rate report that contains all of the above items. The report is also submitted to the Rate Fairness Board and the Public Utilities Commission. We will present the report to the Board of Supervisors as well.

7. Water Pollution Control Division's Personnel and Maintenance Management

Recommendations

The General Manager should:

- 7.1 Assess the February 2004 concerns of Water Pollution Control Division employees regarding unfair treatment, including disparate treatment in promotional opportunities and the administration of discipline, and propose appropriate follow-up actions as needed.

SFPUC response: Agree.

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- 7.2 Direct the Director of Financial Services to evaluate the availability and the cost effectiveness of alternative providers for the after-hour, call-taking service required for Sewer Operations services.

SFPUC response: Agree.

The Manager, Water Pollution Control Division should:

- 7.3 Revise the administrative Policies and Procedures Manual to include all current Public Utilities Commission policies as a priority.

SFPUC response: Agree; this is underway.

- 7.4 Revise the Materials Management Policies and Procedures Manual to include all current Public Utilities Commission policies as a priority.

SFPUC response: Agree; this is underway.

- 7.5 Revise the Maintenance Management Policies and Procedures Manuals as necessary to include all current Public Utilities Commission policies and to reflect current Maintenance Division practices.

SFPUC response: Agree; WPCD Administration staff members have started to convert the manuals to digital form and are updating where needed.

- 7.6 Require compliance with the Maintenance Management Policies and Procedures including:

- Developing and implementing the “Weekly Work Schedule”;
- Investigating the feasibility of implementing “job cards” or other bar chart procedures in Maximo, Microsoft Project, or other systems;
- Implementing the “warranty” module in Maximo, including a system to track preventive maintenance on equipment under warranty.

SFPUC response: Agree; we expect the “Weekly Work Schedule” to be in the fall upgrade to Maximo.

- 7.7 Require all Water Pollution Control Division managers and supervisors to complete performance evaluations for all staff annually.

SFPUC response: Agree; this will be implemented department-wide.

- 7.8 Include completion of staff performance evaluations annually as a goal and objective in the Water Pollution Control Division managers’ and supervisors’ performance evaluations.

SFPUC response: Agree; this will be implemented department-wide.

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- 7.9 Establish policies and practices, in conjunction with the Director of Human Resources, to improve morale within the Maintenance Division, including setting acceptable work standards, recognizing good work performance, and taking appropriate action when performance standards are not met.

SFPUC response: Agree; “appropriate action” will be established by Human Resources Services in conjunction with WPCD managers.

- 7.10 Establish procedures for and monitor compliance with the “Entrance-Exit Form”, including ensuring the correct use of the form and forwarding the forms to the Bureau of Human Resources.

SFPUC response: Agree.

- 7.11 Comply with Policy 3.9 of the Water Pollution Control Division’s Policies and Procedures Manual, which requires that annually no Water Pollution Control Division employee may work overtime hours in excess of 16 percent of his or her regularly scheduled hours without the prior approval of the Appointing Officer, or obtain a waiver from the Appointing Officer excluding pre-scheduled overtime hours from the 16 percent hurdle calculation.

SFPUC response: Agree.

- 7.12 Direct the Maintenance Manager to continue developing the “Management by Objectives” report as a management tool to monitor the performance of the maintenance crews.

SFPUC response: Agree.

- 7.13 Direct the Maintenance Manager and Materials Coordinator to inventory all items in Lot B, assess the usefulness of each item, bring the items selected for retention under inventory control, and dispose of surplus items in accordance with Public Utilities Commission policy.

SFPUC response: Agree.

- 7.14 Direct the Maintenance Manager to establish procedures to inventory all tools and equipment in the Southeast Water Pollution Control Plant tool room annually and to ensure that all items are marked.

SFPUC response: Agree.

- 7.15 Direct the Maintenance Manager to establish written policies and procedures regarding inventory and accountability of all tools and equipment, including identification of staff members responsible for location of tools and equipment at all times and sign-out procedures for tools and equipment.

SFPUC response: Agree.

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- 7.16 Develop performance objectives that are stated in measurable terms for each of the Division's Key Results Areas.

SFPUC response: Agree.

8. Managing the Interface Between the Public Utilities Commission and the Department of Public Works

Recommendations

The Public Utilities Commission General Manager and the Director of Public Works (DPW) should jointly:

- 8.1 Determine if there is additional cost and schedule information which needs to be electronically shared between the parties.

SFPUC response: Agree; information should also be shared via regular written reports.

- 8.2 Ensure that all reporting systems permit appropriate information exchange and results verification.

SFPUC response: Agree; we will work with the Director of DPW.

- 8.3 Determine how data protocols can be structured so that personnel in both departments can view the management reporting databases operated by the Department of Public Works.

SFPUC response: Agree; we will work with the Director of DPW.

- 8.4 Ensure that all field operations information is stored electronically, rather than having some information held in paper-based document form.

SFPUC response: Agree; we will work with the Director of DPW.

- 8.5 Ensure accurate data exchange between Department of Public Works databases and the FPS payroll and FAMIS financial management systems to capture all project expenditures.

SFPUC response: Agree; we will work with the Director of DPW.

- 8.6 Ensure, to the degree possible, that all data exchange is in the form of user-friendly information.

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SFPUC response: Agree; we will work with the Director of DPW.

- 8.7 Commission a comparative analysis of the cost of sewer repair services provided by the Bureau of Street and Sewer Repair and third party contractors.

SFPUC response: Will consider.

- 8.8 Conduct a joint space needs analysis of the City and County of San Francisco Yard and adjacent Public Utilities Commission space to ensure the two departments' optimal usage of those sites, and to clarify property ownership issues within the City and County of San Francisco Yard.

SFPUC response: Partially agree; the Yard is a joint PUC/DPW property. PUC and DPW highest-level management met recently and made a tentative plan to relocate all SFPUC needs within one contiguous area within the yard. The Sewer Operations trailer will be moved to the front gate area by the end of the year with costs shared by both agencies. Discussions of space use also need to include Hydraulic Engineering.

9. The Clean Water Enterprise's Organizational Structure

Recommendations

The General Manager should:

- 9.1 Reassign management responsibility for the Water Pollution Control Division from the Assistant General Manager, Operations to the new Assistant General Manager, Clean Water position.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 9.2 Reassign management responsibility for the Pretreatment, Pollution Prevention and Storm Water Program from the Manager, Bureau of Environmental Regulation and Management, to the new Assistant General Manager, Clean Water position.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

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- 9.3 Reassign management responsibility for the Clean Water Master Plan from the General Manager's Office and the Infrastructure Division to the new Assistant General Manager, Clean Water position.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 9.4 Transfer the Classification 0932 Manager IV, Clean Water Regulatory Compliance position from the Planning Bureau to the new Clean Water Enterprise.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 9.5 Eliminate the vacant Classification 5620 Regulatory Specialist, Clean Water Regulatory Compliance position in the Planning Bureau.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 9.6 Assign management responsibility for the incoming Hydraulic Section to the Principal Engineer of the Water Pollution Control Division.

SFPUC response: Agree.

- 9.7 Direct the Assistant General Manager, Clean Water, as recommended in Section 10, to develop an optimal organizational structure to integrate like functions, create appropriate spans of management control, rationalize the administrative support positions, and manage the risks associated with the consolidation.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 9.8 Direct the executive management team to develop intradepartmental protocols that ensure that the executive management team is not the sole policy and planning coordination point in the Department.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division

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with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

The General Manager and the Director of Public Works should:

- 9.9 Negotiate the specific Hydraulic Section resources to be transferred to the Public Utilities Commission.

SFPUC response: Agree.

10. Assistant General Manager, Clean Water

Recommendations

The Public Utilities Commission General Manager should:

- 10.1 Establish a new Classification 5166 Assistant General Manager, PUC position for the new Assistant General Manager, Clean Water. This position should be a direct report to the General Manager.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.

- 10.2 Conduct an extensive internal and external recruitment process for the new Assistant General Manager, Clean Water position to ensure the selection of a highly qualified industry specialist with the necessary level of management experience.

SFPUC response: The new SFPUC General Manager is currently reorganizing the agency and is discussing and reviewing the responsibilities of each division with SFPUC leadership. All recommendations, from both internal and external sources, will be taken into account.