

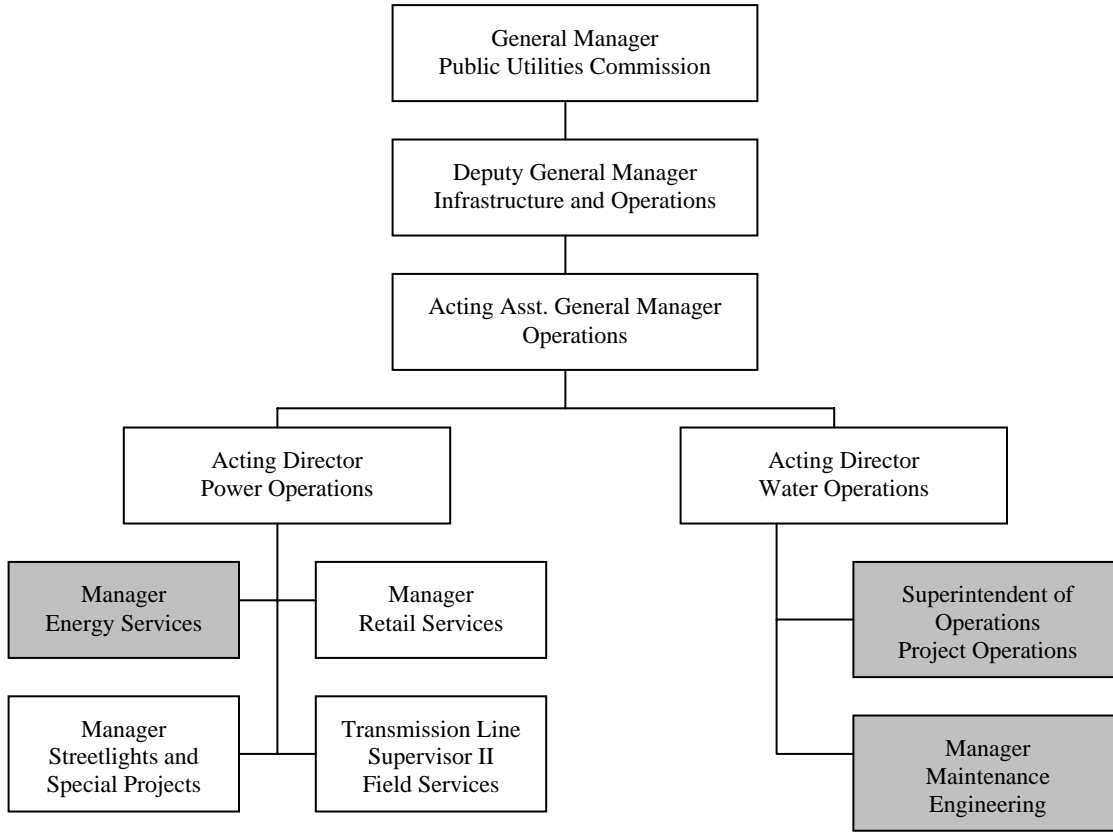
5. Hetch Hetchy Enterprise Personnel and Administration

- The Hetch Hetchy Enterprise has not established effective administrative, personnel management or asset security policies or procedures. General personnel policies and procedures related to employee conduct, work hours, job performance and health and safety are absent; and, no policies or procedures have been developed to provide management direction on emergency medical coverage, housing assignment or official travel for employees assigned to the remote Moccasin Powerhouse.
- In addition, annual employee performance evaluations are inconsistently conducted. For example, the Maintenance Engineering Division conducted only one of 14 required evaluations in FY 2002-03 and FY 2003-04. Further, the Department does not comply with employee "Entrance and Exit" policies that are designed to safeguard City assets. Out of 63 temporary and permanent employees who left Hetch Hetchy employment between July 2002 and September 2004, only eight equipment and tool control forms were collected and reviewed by Human Resources Division personnel.
- Hetch Hetchy Enterprise management should immediately develop general and location specific policies and procedures for both water and power operations. In addition, during FY 2004-05, management should develop and comply with procedures to ensure that annual employee performance evaluations are conducted within all divisions. Further, management should strictly adhere to Entrance and Exit policies that are designed to safeguard City assets

Hetch Hetchy Organization

The administration of the Hetch Hetchy Enterprise is divided between two Acting Directors, one each for Power Operations and for Water Operations, as shown in Exhibit 5.1 below.

Exhibit 5.1
Hetch Hetchy Organizational Structure
and Reporting Lines



Note: Shaded elements are located at Moccasin Powerhouse and maintenance facilities in Tuolumne County.

The Acting Director of Power Operations, is stationed at the Public Utilities Commission headquarters building at 1155 Market Street in San Francisco, and is responsible for the power planning and services elements shown on the organizational chart. The Energy Services Section, which is located at the Hetch Hetchy facility at Moccasin Powerhouse and maintenance facilities in Tuolumne County, approximately 135 miles east of San Francisco, is responsible for scheduling water delivery and electrical power generation throughout the Hetch Hetchy system. The Retail Services and Streetlights and Special Projects Sections perform their functions out of the Public Utilities Commission headquarters building. The San Francisco Field Services Section, which is authorized 16 positions and which operates out of Treasure Island and a streetlight yard located at 639 Bryant Street, is responsible for the following functions:

- Maintaining and repairing approximately 22,000 streetlights in the City. The remaining streetlights are owned and maintained by the Pacific Gas and Electric Company (approximately 20,000), the Recreation and Park Department

(approximately 400), MUNI (approximately 40), the Presidio Trust (approximately 800), and Caltrans (unknown).

- Maintaining electrical substations and power lines that provide power to the City's municipal load.

The Acting Director of Water Operations, who also serves as the Manager, Construction Coordination within the Water Supply and Treatment Division, operates out of the Water Supply and Treatment Division's Millbrae facility. Reporting to the Acting Director of Water Operations is the Superintendent of Operations, Project Operations Section, who is responsible for managing, operating, and maintaining the water storage, water conveyance and hydroelectric generation facilities and high voltage transmissions systems of the Hetch Hetchy Enterprise, and the Manager, Maintenance Engineering Section, who is responsible for fault analyses, data analyses, and maintenance engineering. The Project Operations Section, which is authorized at total of 151 fulltime equivalent (FTE) positions in the FY 2004-2005 budget, is by far the largest organizational element within the Hetch Hetchy Enterprise.

Administrative Policy and Procedures Manual

The Hetch Hetchy Enterprise does not have its own administrative Policy and Procedures Manual, but rather relies on Public Utilities Commission policies and procedures, which have not been codified into a single, cohesive document. The Project Operations Section, which as previously stated is approximately 135 miles east of San Francisco, does not have its own administrative Policies and Procedures Manual which should cover such issues as general employment policies, employee conduct, work hours and authorized absences, job performance, and health and safety. Also, topics unique to Moccasin because of its location, such as medical coverage, Moccasin housing assignment procedures, and official travel to the City, should be covered. A comprehensive set of administrative policies and procedures is an important element of administrative control. The Hetch Hetchy Enterprise in general and the Project Operations Section in particular should develop an Administrative Policies and Procedures Manual on a priority basis.

Moccasin's Superintendent of Operations, who manages the Project Operations Section, has tasked the Classification 5148 Water Operations Analyst, who functions as the Information Manager, with overseeing the development of policies and procedures, including administrative, maintenance management, and materials management policies and procedures for Project Operations. In addition to the importance of such policies and procedures due to Moccasin's remote location, the site's workforce is an aging one that will lose much institutional knowledge in the not-too-distant future. That knowledge should be captured by a good set of policies and procedures manual prior to the departure of Moccasin's knowledge base.

Concerning development of procedures at Moccasin, the Budget Analyst inquired about a schedule for developing the various procedures manuals being overseen by the Information Manager, and was informed that no such schedule exists. Since obtaining a

commitment to a schedule from a manager responsible for accomplishing an objective is a basic management practice and an effective control mechanism, the Budget Analyst recommends that the Acting Director of Water Operations, in conjunction with the Superintendent of Operations and the Information Manager, to establish a timeline to develop an Administrative Policies and Procedures Manual, and report on the status of the manual development to the Assistant General Manager, Operations, prior to June 30, 2005.

Hetch Hetchy Enterprise Personnel Administration

Both Power Operations and Water Operations have administration and finance sections. The Power Operations Division in San Francisco has five finance and administration staff that report directly to the Acting Director of Power Operations, and the Water Operations Division at Moccasin has five finance and administration staff, including a Classification 1823 Senior Administrative Analyst, who functions as the Administration Manager. The Budget Analyst selected five administrative processes to evaluate the Hetch Hetchy Enterprise's compliance with the City's and the Public Utilities Commission's (the Department) administrative regulations:

- Performance Evaluations.
- The Entrance and Exit Policy.
- Discipline.
- Equal Employment Opportunity Complaints.
- Driver License Controls at Moccasin.

Performance Evaluations

The purpose of performance appraisals is to ensure that employees understand their job functions and are evaluated fairly. City and Department policy requires that employees be evaluated once every year.

According to information provided by the Department's Human Resource Services Bureau, the total number of personnel evaluations completed for Hetch Hetchy Enterprise personnel for FY 2002-2003 and FY 2003-2004 were 161 and 221, respectively, although the number of permanent authorized positions varied only slightly between the two fiscal years.

The Budget Analyst's review of performance evaluations for both the Power Operations Division and the Water Operations Division at Moccasin revealed that with the exception of the Maintenance Engineering Section at Moccasin, performance evaluations were completed as prescribed for FY 2003-2004. For FY 2002-2003, four of 31 Power Operations Division employees did not receive a performance evaluation.

Of the approximately 40 personnel files that we reviewed of employees assigned to Moccasin, seven were assigned to the Maintenance Engineering Section. Of the seven files reviewed, one employee had a completed performance evaluation for FY 2003-2004, but not for FY 2002-2003. None of the remaining six employees assigned to the Maintenance Engineering Section had a performance evaluation completed for either FY 2002-2003 or 2003-2004. Clearly, compliance with Department and City policy on completing performance evaluations annually, for each employee, has not been a priority in the Maintenance Engineering Section.

By ensuring that each employee is provided with an annual performance evaluation, management would be complying with an important City and Department regulation and, combined with appropriate management actions, would also demonstrate to employees that professional development and employee performance are high priorities.

The Entrance and Exit Policy

The Human Resource Services Bureau has prescribed the Department's Entrance and Exit Policy through a procedure for Unit Processing of Employee Equipment and Access (the "Procedure"). The 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.

The Human Resource Services Bureau initiates an Equipment Processing Form for each new employee as a part of the Department's initial 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 form in a confidential location because it contains confidential personal information. When an employee changes positions, is reassigned from one Department 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 within the division or bureau.

The Procedure requires that the Departmental Personnel Liaison review the form 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 both forms and forward them to the Human Resource Services Bureau.

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 listings of Hetch Hetchy employees who had separated from the Department during FY 2002-2003 and FY 2003-2004. A total of 24 permanent employees had separated from employment since July 1, 2002 and a total of 39 as-needed employees had separated since that date. However, only eight Equipment Processing Forms and Exit Interview Forms had been forwarded by the Hetch Hetchy Enterprise to the Human Resource Services Bureau during calendar years 2002 and 2003, and to date, no such forms have been forwarded during calendar year 2004.

Based on the foregoing, the Budget Analyst concludes that the Hetch Hetchy Enterprise's compliance with the Department's Entrance and Exit Policy is clearly inadequate and that an important control for maintain adequate safekeeping of Hetch Hetchy assets is not being enforced.

Driver License Controls at Moccasin

Moccasin is enrolled in the State driver license Employer Pull Notice Program. An employer enrolled in the 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 a pull notice is on file. If the action/activity is one that is specified to be reported under the Employer Pull Notice Program, a driver record is generated and mailed to the employer.

The 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 to determine whether all employees are enrolled, based on comparing the Employer Pull Notice Program listing maintained by Moccasin's Auto Shop with the listing of employees maintained by Moccasin personnel.

In the entire listing, we found only one employee on the personnel listing out of approximately 200 employees who was not on the Employer Pull Notice Program listing. Further, we found two instances of employees' names in the Employer Pull Notice Program who are no longer employees at Moccasin. According to the manager in charge of the Employer Pull Notice Program for Moccasin, the employee whose name was not

on the Employer Pull Notice Program listing was no long employed by the Project Operations Section. The Budget Analyst verified that information with the Project Operations Section's Personnel Office.

With the exception of these minor discrepancies, the Employer Pull Notice Program at Moccasin appears to be working fine. As an indicator, for all of calendar year 2004, there has been only one recordable accident with a Moccasin vehicle estimated to exceed \$500 in repair costs, and that accident was rated non-preventable by the Accident Review Committee. According to vehicle records maintained by the Auto Shop, Moccasin vehicles have recorded a total of 867,949 miles driven in calendar year 2004, through November 10, 2004.

Conclusions

The Hetch Hetchy Enterprise is divided into two divisions and is geographically split between the City of San Francisco and the Moccasin Powerhouse and maintenance facilities in Tuolumne County. Accordingly, administrative and personnel functions should be supported by written policies and procedures, and such policies and procedures should be fully implemented and monitored by Hetch Hetchy Enterprise management.

Recommendations

The Acting Director of Water Operations should:

- 5.1 Establish a timeline to develop an Administrative Policies and Procedures Manual for Moccasin to include all current Department and Division policies and procedures, and report to the Assistant General Manager, Operations, on the status of the Administrative Policies and Procedures Manual prior to June 30, 2005.

The Acting Director of Water Operations and the Acting Director of Power Operations should:

- 5.2 Require all Hetch Hetchy Enterprise managers and supervisors to complete performance evaluations for all staff annually.
- 5.3 Include completion of staff performance evaluations annually as a goal and objective in the Hetch Hetchy Enterprise managers' and supervisors' performance evaluations.
- 5.4 Establish procedures for and monitor compliance with the Department's Entrance and Exit Policy, including ensuring the correct use of forms and forwarding the forms to the Human Resource Service Bureau when required, and ensure full compliance with the Employer Pull Notice Program.

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 Hetch Hetchy Enterprise operation, with increased internal controls and personnel better supported by management and the administrative staff.