

Clean Water Enterprise SUMMARY

Among the many complaints, accusations, and charges brought to the attention of this year's Civil Grand Jury, none was more persistent and rancorous than citizen frustration about the sewer service charges levied against residential users under the Clean Water Enterprise Revenue Plan. Significant negative publicity concerning the Clean Water Program was manifest during the latter half of 1995. This involved charges that the Program has mishandled its money (revenues) -- with anecdotal accounts of extravagant vehicle purchases, questionable Miami Beach conferences, expensive office furnishings, etc.

The Clean Water Enterprise (Enterprise) is a 20-year \$1.3 billion program, currently funded at 84% (and 96% by year 2000) by the levy of a Sewer Service Charge to both residential and commercial users in the City and County of San Francisco (CCSF). The rapid escalation of these charges in recent years has raised a hue and cry about bureaucratic wastefulness, institutional profligacy, and hemorrhaging of public money.

Despite the Management Audit of the San Francisco Clean Water Enterprise by the Board of Supervisors Budget Analyst (March 1993), there has been no abatement of complaints against the Department of Public Works (DPW) and the role they play in the Clean Water Program. Senior citizens and low-income residents have had an increasingly difficult time paying water bills inflated by ever-increasing sewer service charges.

Both State Senator Quentin Kopp and Budget Analyst Harvey Rose have called the Clean Water Enterprise to task for lackadaisical personnel practices, wasteful fiscal and contracting controls, and bloated programs. The 1995-1996 Civil Grand Jury felt that an investigation of the Clean Water Enterprise was fitting and timely.

BACKGROUND

The Clean Water Enterprise is an undertaking that comprises "every part of the municipal sewage treatment and disposal system of the City for the collection, treatment, and disposal of sewage, waste, and storm water and all additions, betterments, and extensions"¹ to the system (see Appendix A). The Enterprise is neither a separate department nor a division of the City. It is a part of the Department of Public Works (DPW). However, the Enterprise is accounted for separately for financial reporting purposes. Four bureaus within the Department of Public Works are actively engaged in the operations of the Clean Water Enterprise:

Water Pollution Control

Sewer Repair

Engineering/Clean Water Operation

Environmental Regulation and Management

The Bureau of Water Pollution Control is responsible for operating the four treatment plants and 20 pumping stations which are the key operating elements of the sewer system. The Southeast and Oceanside Water Pollution Control Plants operate 24 hours per day, 365 days per year. The Northpoint Water Pollution Control Plant operates only during wet weather to deal with storm water flows.

The Bureau of Street and Sewer Repair, Sewer Repair Program is responsible for inspecting, cleaning and repairing the sewerage collection system and catch basins throughout the City.

The Bureau of Engineering, Clean Water Operation Program provides sewer system information, engineering consultation to the Bureau of Water Pollution Control, and studies and investigations specific to the City's sewage transportation and treatment facilities.

The Bureau of Environmental Regulation and Management is responsible for regulating industrial waste discharges to the sewerage system, implementing the City's Sewer User Charge Program (includes the Appeals Board), and assisting DPW in complying with environmental health and safety requirements.

Based on the five-year projections provided in the report "Clean Water Enterprise Five-Year Revenue Plan 1995/1996 - 1999/2000" by the Finance and Budget Division, Office of Financial Management & Administration, Department of Public Works, April 26, 1995, expenditures will continue to increase with the completion of such projects as the Richmond Transport and Islais Creek Facilities (see, for example, Appendix B).

The Clean Water Enterprise is continuing to increase its service levels to meet more and more stringent environmental standards and to provide additional services (e.g., water reclamation and reuse). The Enterprise's future operations are also likely to expand to cover new service areas not previously maintained by the Enterprise (e.g., the Presidio and Treasure Island).

Revenues:

sewer service charge (currently 84% of total budget, anticipated to rise to 96% by the year 2000)

interest income

carryover

rental income from the Southeast Community Facility and other property of the Enterprise

special district sewer revenues

property tax revenues (for general obligation bond debt service)

Expenses:

capital expenditures (funded by bonds and loans) (see Appendix C, Appendix D, and Appendix E)

operations & maintenance (funded through annual operating budget)

repair & replacement (specified by Board Resolution No. 656-92)

Note: Board of Supervisors Resolution No. 656-92 increased the minimum deposit to \$5 million in 1985-1986, and requires that the annual contribution to the Repair and Replacement Fund be increased by at least 5% annually until the annual contribution reaches \$20 million.

The Sewer Service Charge is anticipated to increase by 6.5-7.5% per year over the next four years and by 6.5% in the fifth year. In this regard, it should be noted that a budget reduction of \$1 million would lower sewer service charges by approximately 1% according to Enterprise staff. The Civil Grand Jury wanted to look at the possibilities for lessening these charges.

FINDINGS AND RECOMMENDATIONS

Finding

The Clean Water Enterprise is integrated into the structure of the Department of Public Works. It does not have a specific mission statement and focus. This makes it difficult to ascertain that the most cost-effective service is being provided.

Recommendation

The functions of the Clean Water Enterprise should be removed from the integrated structure currently employed at the Department of Public Works and consolidated into a single bureau. The person in charge of this Enterprise could report to the Director of Public Works or to a city manager. The Clean Water Enterprise should develop a mission statement which includes a mandate for cost-effective service. The bureaus or portions of bureaus identified as charging to this Enterprise would be consolidated under this Enterprise to the extent it is cost-effective to do so. The person in charge could then evaluate consolidated personnel needs.

Addendum to Recommendation

Subsequent to the affirmative vote on this report by the 1995-1996 Civil Grand Jury, it was learned that Mayor Brown has indicated his intention to place the Clean Water Enterprise under the aegis of the Public Utilities Commission (PUC). Presumably, this decision would not be implemented until July 1, 1996, when changes in the City Charter are put into effect eliminating the role of the Chief Administrative Officer (CAO). The CAO currently has surveillance over DPW including the Clean Water Enterprise program.

Finding

The Clean Water Enterprise does not maintain an equipment inventory, nor is there a tracking system to evaluate maintenance or usage histories of equipment. Therefore, there is no mechanism for ensuring that equipment purchased with Clean Water Enterprise funds is being used for Clean Water Enterprise activities. This information would also be valuable in determining if the equipment is being used and maintained appropriately, how often it is used and whether there are specific requirements which should be considered if the equipment is replaced.

Recommendations

The Clean Water Enterprise should conduct a physical audit of all purchases billed to the Clean Water Enterprise to ensure that all purchases were and/or are being used solely for Clean Water Enterprise functions (unless charged proportionally).

The Clean Water Enterprise should develop and use an inventory and equipment tracking system.

The Clean Water Enterprise should update the inventory and equipment tracking system annually to ensure that it is kept up to date and meaningful. This should include equipment maintenance records. A five-year capital replacement plan should also be developed.

Finding

The Clean Water Enterprise assesses a sewer service charge based upon the amount of water used (see Appendix F). A basic "lifeline rate" (established by City Ordinance 176-78) is applied to the first 75 gallons of water used per residence. Water used beyond 75 gallons is assessed at a higher rate. Seventy-five gallons per month appears to be insufficient for most households with low or fixed incomes. The local agency should conduct a biennial review of sewer service rates and methodology under federal grant requirements.

Recommendation

The Clean Water Enterprise should institute a new lifeline rate policy. A feasibility study of other viable options, such as those used by other utilities, should be evaluated. Outside nonprofit agencies (e.g., Salvation Army, Catholic Charities, etc.) should be consulted to determine viable options and to assist in developing a "means" test.

Finding

The current annual revenues from the Southeast Community Facility are approximately \$390,000. The current projected annual expenses are approximately \$518,000 which results in a shortfall of \$128,000.

Recommendation

The Southeast Community Facility should evaluate methods for becoming self-funding.

Staff in the Bureau of Street and Sewer Repair are not regularly consulted on equipment purchases. The foreman is responsible for generating the equipment purchase orders. There are no requirements for ordering the most cost-effective equipment to perform a specific function within budgetary constraints.

Recommendation

Managers should ensure that the equipment being requested is necessary and appropriate. Each person in the signature chain should be held accountable for equipment purchases which they initial or on which they sign off. This should be included in their performance reviews.

Finding

Funding for work to address emergency situations like the fall 1995 sinkhole emergency near 25th Avenue (Seacliff, West Clay Park) is coming from Clean Water Enterprise funds.

Recommendation

In emergency situations, expenditures should not automatically be charged to the Clean Water Enterprise. All efforts should be made to recover the expenditures from insurance recovery and from interest earned from bond funds. Unless and until responsibility is assessed, these expenditures should not be charged to the Clean Water Enterprise. Accounting procedures should be established to reconcile the accounts once a situation

is legally determined.

Finding

The Department of Public Works, Bureau of Engineering, Streets and Highways Section, produced a report entitled "Report on Control Density Fill" dated July 27, 1994, which noted that the San Francisco Water Department had problems excavating control density fill (Bode mix) at a number of locations. Improperly formulated Bode mix hardens to a consistency of concrete, which requires a backhoe or jackhammer to remove. Properly formulated Bode mix can be removed with a shovel. Procedures for addressing improperly formulated Bode mix have recently been implemented.

In large volume excavations, material costs are a significant factor. The estimated volume is approximately 15 to 20 cubic yards when the cost of Bode mix begins to exceed jetted sand.

Recommendation

The Bureau of Street and Sewer Repair, the Street and Highways Section of the Bureau of Engineering, and the Bureau of Street Use and Mapping should have regularly scheduled coordination meetings both internally and with other utilities to facilitate the resolution of any problems identified and to share information gathered. This would allow everyone to develop a partnering relationship and could facilitate coordination of activities by different utilities in the streets.

Finding

DPW has limited funds for training and does not have specific written guidelines for selecting personnel who warrant non-mandatory training and/or participation in conferences.

Recommendation

A policy should be implemented whereby staff shall not be sent to non-mandatory training or to conferences if they intend to retire or voluntarily leave City service within one year. Otherwise, staff should be required to reimburse the Department for these costs.

Finding

Staff on-call are allowed to use City-owned vehicles for transportation to their homes. Some managers also use City-owned vehicles for transportation to and from their homes, many of which are located in the East Bay, the Peninsula, Marin, and other counties.

Recommendation

Staff/managers who use City-owned vehicles for transportation to and from their homes should reimburse the City for the cost of mileage in accordance with Section 4.11 of the San Francisco Administrative Code*, including the penalty provisions. They should be encouraged to use public transportation or to use their personal car to drive to work and may then use a City-owned car for job-related trips. The Department should reimburse staff for their personal car mileage if they are called in to respond to an emergency

situation.

Responses Required

Mayor

Board of Supervisors

Department of Public Works

*See Department of Public Works Report, Appendix A.

APPENDICES

Note: Appendices consist of the following items, which can be obtained by contacting the San Francisco Civil Grand Jury.

A. SAN FRANCISCO COMBINED SEWER OVERFLOW CONTROL FACILITIES

B. PROJECTED EXPENDITURES FOR THE CLEAN WATER ENTERPRISE

C. LOCAL FUNDING SOURCES -- BONDS

D. LOCAL FUNDING SOURCES -- LOANS

E. DEBT SERVICE ON BONDS AND LOANS

F. SEWER SERVICE CHARGES