TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
DATE: JANUARY 17, 2006 CMR:101:06
SUBJECT: UTILITIES STRATEGIC PLAN PERFORMANCE REPORT, JULY 2004 THROUGH JUNE 2005

This is an informational report and no Council action is required.

BACKGROUND

On May 21, 2001, the City Council approved the Utilities Strategic Plan Implementation Plan (CMR:223:01) and directed staff to make periodic progress reports on the performance of the Utilities in meeting the objectives of the strategic plan. Staff committed to update the Utilities Advisory Commission (UAC) and City Council twice per year. This report is report #8.

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The attached September 7, 2005 report, covering July 2004 through June 2005, provides key accomplishments and activities as well as key performance measures for each of the strategic objectives. The report also includes discussion of the development of an overall “balanced
scorecard” approach to measuring and reporting the Utilities Department’s progress in achieving the Strategic Plan Objectives, and application of this measurement methodology to identify and implement action plans to improve shortcomings.

As part of the current restructuring of the Utilities Department, the Strategic Plan will be evaluated with respect to its relevance and applicability in its current form. Therefore, no further updates to the Utilities Strategic Plan will be provided until such evaluation is completed.

BOARD/COMMISSION REVIEW AND RECOMMENDATIONS

The Utilities Strategic Plan performance report was discussed at the September 7, 2005 UAC meeting. Comments were generally positive and indicated that the Commission felt that staff is moving in the right direction. Key commission questions and comments are summarized below with staff responses.

1. Commissioners asked for clarification of “Accelerated CIP” measures. Accelerated CIP measures track how close to the target the Utilities Department is in completing the CIP programs. The CIP programs were accelerated in the past in order to reduce maintenance costs in future years. The goal statement for these measures is to complete more than 90% of the work for the CIP projects in any given year. Accelerated CIP measures report the actual money spent vs. budgeted amounts for these programs.

The discussion focused on whether there can be a better way to present the percent of work completed on these projects as actual money spent in a particular year may not necessarily indicate percent of total work to be done. This is because CIP projects may span over a number of years. Furthermore, the reported expenditures show actual spending that includes encumbered amounts, and comparing that against the adopted budget can also be misleading. The commissioners discussed using other measures to better reflect the intended goal. Staff will review this measure along with others as part of the overall review of the Utilities Strategic Plan.

2. Under “Bill Comparisons”, the Commissioners pointed out that Santa Clara’s bills are lower than the City of Palo Alto’s. The Commissioners also recommended that since Staff can not know with certainty what PG&E’s rates will be in the future, then perhaps those forecast of PG&E bills against the City of Palo Alto’s bills should not be made.

Staff responded that this information was put together in response to earlier requests, but going forward, if it is not required, then it could be excluded from future reports.

3. One Commissioner pointed out that the measure “Transfers to General Fund” is one where Staff has no control, and therefore, it should not be used as a performance measure for the Utilities Department. Other Commissioners stated that there is some virtue in showing that the Utilities Department is able to meet their obligation to the General Fund.
RESOURCE IMPACT
This report has no direct resource impact.

POLICY IMPLICATIONS
This report supports the existing Council-approved Utilities Strategic Plan (CMR 432:02) and Utilities Strategic Implementation Plan (CMR:223:01).

ATTACHMENTS
B: Minutes from UAC Meeting September 7, 2005

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