TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: City Manager’s Office
DATE: September 12, 2005 CMR: 361:05

SUBJECT: APPROVAL OF CONTRACT AMENDMENT IN AN AMOUNT NOT TO EXCEED $20,000 WITH MIKE MILLER FOR CONSULTING SERVICES FOR UTILITIES POLICIES AND PROCEDURES AND ORGANIZATIONAL REVIEW

RECOMMENDATION
Staff recommends that the Council approve an amendment to the contract with Mike Miller for consulting services for $20,000, for a total contract amount not to exceed $105,000, for services related to the investigation of the Utilities Department as well as the consequent need to create and/or update Utilities policies, procedures and department organization.

BACKGROUND
In December 2004, the City Manager and City Attorney were made aware of allegations of misconduct in the Utilities Department Engineering and Operations Division. To assist the management team assembled to investigate the allegations, an investigator was retained. In addition, staff retained a former City employee who had served as the Deputy Director of Public Works Operations (and subsequently the Director of Public Works for the City of Livermore) before retiring.

The original contract for consulting services anticipated reviewing and making recommendations to City management on Utilities Department and Municipal Services Center operating policies and procedures, work practices and rules. In addition, the consultant was to provide administrative support to Utilities management and Human Resources in documentation of the disciplinary process based on what was at the time a single incident of misuse of City property. As the investigation progressed, however, it became clear that the misconduct allegations were more widespread. Ultimately, 19 employees received disciplinary notices and the investigation and preparation of discipline consumed the majority of the consultant’s time.

The consultant assisted City management staff in the preparation of administrative documents related to the investigation, assisted the Utilities department in preparing factual background
materials needed for disciplinary documentation by reviewing City Policy and Procedures, work rules and Merit Rules and Regulations; and reviewed each of the investigator's four reports and supporting information to assist City staff in the preparation of administrative documents.

**DISCUSSION**
As a result of the significant amount of time required to administratively support the investigator, as well as assisting the Human Resources and Utilities Departments in the preparation of disciplinary actions, work contemplated in the original scope of services was not completed. In addition to completing this work, the following revisions and additions to the original scope of services are proposed:

- Review and make recommendations related to existing Utilities Department operating division policy and procedures, work practices, and rules. Recommendations may include revisions to current departmental policies and procedures, and assisting in developing training programs or other mechanisms for compliance to current and future rules and organizational structural changes.

- Solicit, review and compile information from other California public utilities and investor-owned utilities with regards to Palo Alto Utilities and Engineering and Operations Division and propose alternatives for improved efficiency, cost reduction, and consolidation where appropriate.

- Review security measures for all facilities and assist in preparation of funding and implementation plan.

- Evaluate current and potential vacancies in the Utilities Department and, in conjunction with the City Manager’s Office and Human Resources Department, evaluate and propose alternatives for improved organizational reporting relationships.

**RESOURCE IMPACT**
The original contract was for $75,000. An additional $10,000 was added when the scope of the investigation became clear. The major part of that funding has now been expended. The contract amendment will allow the consultant to complete all of the work contemplated. Funds are available in the Utilities Department administration budget.

**POLICY IMPLICATIONS**
This recommendation does not represent any change to existing City policies.