

Water Utility Oversight Report 2013

Background: The UAC was tasked with performing oversight activities for the water utility. The process has largely involved reviewing City reports, meeting with staff and seeking additional details and clarifications.

Based on the findings of the GHD Utility Business Advisor (UBA) Report dated August 2011, the UAC recommended the City retain the COBI water systems conditioned upon oversight performed by the UAC to monitor the Water Utility. In response to the benchmarking performed by the UBA, water utility operating expenses declined from the peak of peaked at \$1.7M in 2009, to \$.9M in 2012. These reductions have made it possible for Council to approve multiple rate reductions since 2011.

Our scope did not include any operational oversight. As such, we were unable to determine whether the reduction in expenses has any long term impact on operations and maintenance. Consequently, we are unable to comment as to whether current practices are sustainable. In addition, the scope of the UACs oversight activities have been constrained by limited access to information, the type of information available, and staff availability. We have noted two primary weaknesses:

- 1) The utility does not appear to have written policy and procedure manuals which ensure processes are consistently executed over time.
- 2) In many cases we were unable to understand or reconcile various financial calculations because supporting documentation was not available to the committee. Or what information was provided was not in a format that could be readily analyzed or understood.

These issues were discussed with the City Manager and the staff on June 10, 2013.

Conclusion: In the end, the UAC's process of oversight largely focused on the financial information being provided to Council and the UAC. It is our conclusion that routine reports are not sufficient to provide Council with the information necessary to make informed decisions or provide a gauge of actual performance.

Comments: In order to perform more effective oversight, we suggest the following:

1. Staff develops policy and procedure manuals for the water utility.
2. Staff makes available more detailed and effective supporting documentation.
3. Utility issues brought to Council for their consideration should be first presented to the UAC to facilitate Council's evaluation.

Submitted this day by the Utility Advisory Committee.

As adopted by unanimous consent of the Utility Advisory Committee at its September 30, 2013 meeting.