

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary
Monday, February 24, 2014**

Attendance:

Panel Members			
Suzie Burke	x	Tara Luckie	x
David Gault	x	Noel Miller	x
Dave Layton	x	Carl Pierce	x
Laura Lippman		Walter Reese	x
Bruce Lorig	x		
Staff and Others¹			
Ray Hoffman, SPU	x	Brian Surratt, Mayor's Office	x
Nancy Ahern, SPU	x	Meg Moorehead, City Council Central Staff	x
Martin Baker, SPU	x	Saroja Reddy, City Budget Office	x
Melina Thung, SPU	x	Karen Reed (facilitator)	x
Helen Welborn, SPU	x	Diane Clausen	

1. Review and Approval of Agenda.

- Feb 24 agenda approved without discussion or changes.

2. Review and Approval of Meeting 19 Summary.

- Approved without discussion or changes.

3. April Meeting –Panel’s availability for the April meeting is the same on either Monday April 14 1:30- 4:30, or Friday April 11 noon-3:00. Tentatively set for April 14; Karen will follow up with Laura.

4. Update on Outreach meetings.

- Michael Davis (SPU staff) summarized observations from outreach meetings, including 127 SPU customers. In general, there’s a focus of interest on improvements related to health, the environment, and how SPU works. Developer interest appears focused on employee management and an easy customer experience. Customers are:
 - surprised and interested in the number of services SPU provides
 - concerned about increasing costs and increasing salaries
- Customer Panel observations on public meetings:
 - SPU staff is wonderful at engaging the public meeting attendees
 - Meeting attendees may not understand SPU means 4.9% rate increases *each year*
 - Some feedback that City Light rates have gone beyond what makes sense and SPU’s rates are headed that way
 - Customers don’t see enough choice between the 4.3% and the 4.9% options, but liked seeing that specific improvements will happen
 - North end customers are concerned w/ flooding; relieved “every-other-week garbage” isn’t happening

¹ Only those individuals sitting at the head table are included on this list. A number of other staff and consultants attended the meeting.

- Third-party billing of utility costs is of concern—sizeable surcharges being added.
- In Ballard, utility costs drive apartment rental rates
- Some feedback that SPU staff make too much money
- Need to show how rate increases lead to more things getting done
- SPU’s report will provide formal report on the initial phase of public outreach at the mid-April meeting

Update on City Council outreach. Noel Miller spoke to the upcoming presentation before the City Council SPUN Committee and asked the Panel for feedback on the draft presentation materials.

- Customer Panel observations on Council meetings:
 - SPU 101 tutorial – present one Line of Business at a time
 - Panel would like copies of the presentations of the Line of Business 101s
 - Need more tangible, specific examples of what SPU does
 - Have photos of infrastructure problems
 - Have a manual of regulatory requirements; make an impression
 - Clarify the “color” of money constraints
 - The “rivers” chart will be helpful in showing the financial changes over time
 - Understand choices when there is “excess” cash
 - Understand the financial policies
 - Stress affordability and keeping rates as low as possible
 - Utility taxes are hard to talk about, but we’re going to talk about them: why do they need to go up at the same rate as the utility rates?
 - Customer Panel anticipates periodic updates to the SPUN Committee

5. Report of Efficiency Recommendations.

- Ray Hoffman will be meeting w/ Mayor’s staff tomorrow on:
 - System constraints (utility tax, tonnage tax)
 - Centralized City services charges (FAS, DoIT)
 - Flexibility on contracting out services
 - Proposal to commit to no net increase of FTE
- E-Team continues to work on efficiencies and will report back to panel in March.
- Customer Panel comments:
 - See Feb 21 PSBJ article on apprenticeships (<http://www.bizjournals.com/seattle/print-edition/2014/02/21/big-demand-for-apprentice-programs-cover.html>)
 - Need more info on how our Consent Decree strategy saves money

6. Baseline follow Up

- Melina Thung noted that work continues on the Baseline. “Rivers” charts have been drafted for each line of business. Staff continue work on the “elevator” speeches for each line of business
- Customer Panel comments:
 - Point out that 70% of the DWW contract costs go straight to King County. Also, show which part of the contract portion is “required” and which part is project management.
 - Want to know what is driving labor costs above inflation rate,
- Melina and Meg Moorehead will be looking at possible adjustments in several baseline assumptions. They will bring a proposal to the Customer Panel.
- Revisit efficiency ideas in Vladimir Kazak’s presentation.

- Give “real life” example of what we do when we have excess cash.

7. Action Plans

- Re-cap from Action Plans presented at the last meeting:
 - **Climate Change Adaptation & Resiliency.** Nancy Ahern reviewed a revised action plan write-up on this topic, which separates discussion of O&M and capital costs, and also Drainage & Wastewater from Drinking Water.
 - The E-Team has determined to fund **decentralized green systems policies** in the baseline.
 - **Carbon Neutrality**—this remains as initially proposed. In discussion, Noel offered that the Utility should get credit for increased carbon absorption from the watershed. Ray noted that this would not qualify under the third-party certification rules for carbon neutrality (additionality) but offered that the rules don’t seem very logical, and that we should determine the sequestration value of our watersheds. He reminded the group that SPU is looking for carbon reduction opportunities in the treatment plants and pump stations
- **Overview on Sewer Cleaning and Sewer Inspection & Rehabilitation action plans:**
 - Martin Baker presented an introductory PowerPoint. He noted that the two action plans are separated to simplify presentation of the costs and the impacts of the Consent Decree. In reality, the two plans are inter-dependent. Although driven by regulatory measures, these actions are only partially funded in the baseline. Regulators’ reactions/responses to non-compliance are not predictable, and we are getting uncomfortably close to tripping the 4-Sanitary Sewer Overflows (SSOs) per 100 miles of pipe per year cap. The compliance limit applies to City pipes, not private pipes or side-sewers. Generally, we have been under-servicing the system, which is aging. Average age of sewer pipes is 85 years. The utility proposed to employ a variety of techniques and minimize disruption of service and tearing up street pavement
 - PowerPoint presentation will be distributed to the Customer Panel, post-meeting.
- **Sewer Cleaning Action Plan.** Blair Troutman presented the specific details of the Action Plan.
 - The staffing efficiencies noted reflect an ability to avoid hiring new staff, rather than lay-offs.
 - Improving efficiency depends on scheduling siting activity in geographically clustered areas, siting decant facilities in the north and south ends of town, and raising performance expectations for the crews.
 - Customer Panel questions:
 - Are there other opportunities to quintuple productivity? (A: yes, the Development Services Office; material on this is forthcoming)
 - Why focus on sewer cleaning, not rehab or replacement?
- **Sewer Inspection and Rehabilitation.** Blair Troutman presented details of the Action Plan.
 - From Customer Panel:
 - This is what your customers want – getting something done.
 - Add “Effectiveness & Efficiency” as a strategic objective served by this Action Plan.
 - Overall, the Panel expressed general support for both this Action Plan and the Sewer Cleaning Action Plan.

- **Accelerated Implementation of Broadview and South Park Projects.** Nancy Ahern presented this Action Plan, which calls for \$2M additional work each year in both Broadview and South Park areas to correct flooding problems on an accelerated scale.
 - From Customer Panel:
 - Customers in these areas wonder why they pay the same rates the rest of us pay for less service than the rest of us have.
 - Can you quantify the benefit of the reduction in claims resulting from this?
 - This seems an important Action Plan.
 - The Combined Sewer Overflow (CSO) compliance program consumes a large part of the DWW budget, which is why SPU seeks additional funds to cover these high-priority non-CSO projects.
- **Drainage & Wastewater Planning & Policies.** Nancy Ahern presented this Action Plan, which include funding for 5 FTEs to develop plans and policies. She noted that the efficiency consultant (HDR) found that SPU lags in planning compared to benchmarked utilities.
 - From Customer Panel:
 - How is this related to the NPDES requirements? (A: Some of this is required by NPDES.)
 - Will the FTEs be laid off after 5 years? (A: yes, unless other planning work is found for them)
 - Can SPU quantify the anticipated reduction in claims as a result of this work?

8. Panel Information Request – Low-Income Rate Assistance (LIRA)

- Susan Sanchez and Tracey Rowland provided an overview of the LIRA program.
- City Light and SPU collaborate to fund this program; it is managed by the Human Services Department so other low-income services can be coordinated at a “one stop shop”
- Per recent Mayoral directive, seeking to double current enrollment of about 14,000 households.
- Participation rate has remained stubbornly at around the same level for the last decade, we’re not sure why.
- Enrollment not automatic; must apply and renew.
 - From the Customer Panel:
 - How does Seattle’s program “benchmark” with other utilities’ low-income programs? (A: There is no national standard. SCL’s 60% rate discount is apparently the most generous in the country).
 - Remember, these low-income customers are subsidized by other rate payers, not by SPU.
 - How much is the annual cost of the program currently? (A: over \$7M)

9. Next Meeting – March 12, proposed agenda

- Three Operational Excellence action plans:
 - Technology Services, Facilities Management, System Development Fees
- HDR’s efficiencies report
- SPU’s response to the HDR’s efficiencies report

10. The meeting was adjourned at 4:35.

Follow up Items for Staff:

1. Show progress on the “elevator” talking points.
2. On DWW “rivers” chart, identify what portion of the DWW contract costs go straight to King County or are otherwise non-negotiable.
3. On DWW plans, identify what is driving labor costs above inflation rate
4. As a result of new DWW work, quantify the anticipated reduction in claims.
5. Send presentations to Customer Panel on the Action Plans presented