2018-2023 SBP Update
Reduction Option Template

Cost Reduction: Transportation Opportunity Projects #11	**Owner:** Ben Marre/Alex Chen
Focus Area: Operational Excellence	**Sponsor:** Madeline Goddard/Rick Scott
Risk Level: DWW: MEDIUM, WATER: HIGH	**Rate Path Option:** 5.4 and 5.3

1. **Short summary of the cost reduction (suitable for using with Customer Review Panel and other members of the public, plus additional specifics required for clarity of action).**

   This reduction option eliminates funding for Drainage and Wastewater Move Seattle opportunity projects. It also reduces Water Transportation Move Seattle opportunity projects by 50%. The total reduction for both funds $94 million for the six-year period 2018-2023.

   SPU has identified three categories of transportation project investments: asset protection and rehabilitation; impact-based replacements; and opportunity replacements. Opportunity replacements are initiated to improve service levels, reduce risks, reduce future capital and operations and maintenance (O&M) costs, and/or provide service where it is currently not provided. For each transportation project, SPU will evaluate existing asset conditions, project impacts, and opportunities to determine the appropriate level of investment.

   This proposed cost reduction would eliminate Move Seattle and transportation opportunity projects for Drainage and Wastewater. It would also reduce Water opportunity projects for Move Seattle by 50% through 2020 and eliminate opportunity projects from 2021 to 2023.This proposed reduction does not include asset protection and rehabilitation and impact-based asset replacements associated with transportation projects. This funding is included in the baseline rates.

2. **What are the impacts or risks of this cost reduction? How will you mitigate these risks?**

   Impacts of this cost reduction include:
   - Loss of opportunity to address existing problems at a lower cost through shared pavement restoration, mobilization, and traffic control costs.
   - Elevated risks of street work causing water mains (typically buried only few feet below ground) to fail within a few years after the street work is done, resulting in fixing a newly-constructed street.
   - Occurrences of right-of-way construction multiple times in the same location if SPU does not complete opportunity work at the same time as SDOT or another transportation agency.
   - Increased environmental impact if paving materials are procured and disposed of and twice for the same project area within a limited timeframe (five years, for example).

   Risks of this cost reduction include:
   - Customer perception of the City not working cost-effectively and efficiently to replace aging infrastructure. “Why didn’t SPU take the opportunity to replace pipes when the street was being replaced?”
   - Less efficient use of taxpayer dollars if separate projects in the same location are funded by SPU rate payers and City of Seattle general fund separately.
   - Customer frustration if emergency repairs are required in a newly paved street
   - Levels of service are not met which leads to regulatory requirements not being met.
   - Increased operational risk and an increased need for emergency response and repair.

Risks will have to be assumed by SPU. Increased O&M resources will be required to mitigate risks associated with aging utility systems.

3. Implementation plan and timeline.

This cost reduction would affect SPU involvement on SDOT Move Seattle projects starting in 2018 and continuing through the end of the levy in 2024.

4. Budget and FTE changes

Changes (relative to baseline)

	2018	2019	2020	2021	2022	2023
O&M (Non- Labor) Budget Change						
CIP Budget Change, Water	(5,191,000)	(10,459,500)	(5,651,000)	(2,274,000)	(2,271,000)	(2,271,000)
CIP Budget Change, DWW	(6,712,155)	(17,772,979)	(15,988,120)	(11,624,243)	(7,596,427)	(6,589,473)
FTE Change						

5. Identify possible race and social justice implications for this reduction. How will it impact service equity and how will you resolve this impact?

This reduction will prevent both lines of business from addressing known system problems or improve level of service through partnership projects in areas with known racial or socioeconomic disparities. This reduction may not exacerbate existing service inequities, rather it will lead to the continuation of the status quo.

6. Describe your plan for evaluating the impacts of this reduction. Include any metrics you have.

Neither line of business has developed metrics to track the loss of opportunity over time. A potential way to quantify opportunities is to compare SPU costs for internally led projects versus SPU costs associated with partnership projects.