Strategic Business Plan Process

Presentation to the Customer Review Panel
September 28, 2016
Development of 2015-2020 Strategic Business Plan
The Challenge

• Four lines of businesses (LOBs)
• Lots of rate pressures and different rate setting periods for each LOB; lack of predictable rate increases
• Lack of transparency on what customers receive for their dollars
The Response

• A transparent six-year business plan (2015-2020) and predictable rate path for all lines of business
  • Maintain current service levels
  • Identify specific new investments
  • Commit to efficiencies and savings
  • Tie these investments and savings to a specific six-year rate path

• Create customer review panel for input, advice
• Engage employees, customers and policy makers throughout
The Response: Key Benefits

- Transparency for customers, policy makers, staff
- Increased focus on policy issues and service levels
- Engagement of employees, customers and policy makers
- Accountability
- Rate predictability
- Much easier budget process
The Six-Year Planning Process

**GUIDING PRINCIPLES:**
Mission, Vision, Strategic Role, Values

**STARTING POINT**
- SWOC Baseline

**FRAMEWORK**
- Focus Areas & Strategic Objectives

**ANALYSIS**
- Programmatic Cuts
- Efficiencies & Benchmarking
- New Investments

**STRATEGIC BUSINESS PLAN**
- Baseline activities
- New Action Plans & Efficiencies
- 2015-2020 Rate Path

Customer Input

**Mayor, Council, Budget Office, Customer Review Panel, Employee Input**

Customer Input
Guiding Principles ("Promise")

Mission:
Providing efficient and forward-looking utility services that keep Seattle the best place to live

Vision:
Our customers will see how their utility dollars sustain and improve their quality of life

Strategic Role:
Solving problems at the source

Values:
Customer focus, Safety, Innovation, Inclusion, Value for money
# Framework: Focus Areas

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<thead>
<tr>
<th>Initial wording</th>
<th>Final wording</th>
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<tbody>
<tr>
<td>Create an easy &amp; engaged customer experience</td>
<td><em>Making it easier to get help and find answers</em></td>
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<tr>
<td>Transform the workforce</td>
<td><em>Enhancing our services by continually updating employee skills</em></td>
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<td>Protect Environment &amp; public health</td>
<td><em>Better protecting your health and our environment</em></td>
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<tr>
<td>Achieve operational excellence</td>
<td><em>Improving how we work to deliver consistent, high quality services</em></td>
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The Analysis

1. Defining the **baseline** rate path
2. Identifying **programmatic** reductions
3. Identifying **efficiencies** and **benchmarking** with other utilities (consultant)
4. Identifying and prioritizing **gap action plans**
5. Calculating the **proposed rate path**
Customer and Employee Input

• **Customer Review Panel**
  - Met 28 times over 15 months
  - Partner with SPU staff, Mayor’s Office and Council staff during Plan development
  - Comment letter to the Mayor and City Council

• **Community outreach**
  - 14 outreach sessions, some multi-lingual
  - Phase 1: Before we made decisions: What’s important to you? What level of rates can you support?
  - On-line customer survey
  - Phase 2: After we submitted the Plan: What do you think about the proposed Plan?

• **Employee in-reach, including two surveys**
The Results

Baseline Starting Point = +4.6% per year

The cost of maintaining existing service levels plus meet firm regulatory requirements

Action Plan Investments

Investments to increase current levels of service, and/or organization strength and effectiveness
Increase Baseline by 0.5%

Efficiencies & Programmatic Reductions

Decreases to costs through efficiency measures and reductions in lower priority services/programs
Reduce Baseline by 0.5%

Balancing Costs & Services to Rate Packages = +4.6% per year
## Six-Year Rate Path

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<tbody>
<tr>
<td><strong>Water</strong></td>
<td>0.0%</td>
<td>5.2%</td>
<td>5.2%</td>
<td>4.1%</td>
<td>4.4%</td>
<td>2.6%</td>
<td>3.6%</td>
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<tr>
<td><strong>Wastewater</strong></td>
<td>0.8%</td>
<td>3.9%</td>
<td>1.8%</td>
<td>2.8%</td>
<td>7.2%</td>
<td>8.1%</td>
<td>4.1%</td>
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<tr>
<td><strong>Drainage</strong></td>
<td>9.8%</td>
<td>10.1%</td>
<td>8.1%</td>
<td>7.8%</td>
<td>8.1%</td>
<td>8.0%</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Solid Waste</strong></td>
<td>4.2%</td>
<td>3.5%</td>
<td>6.0%</td>
<td>4.0%</td>
<td>2.9%</td>
<td>2.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td><strong>Combined</strong></td>
<td>2.7%</td>
<td>5.0%</td>
<td>4.7%</td>
<td>4.2%</td>
<td>5.5%</td>
<td>5.2%</td>
<td>4.6%</td>
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Main Commitments

Meet our Promise to our customers:

• Remain within a 4.6% average annual rate path.
• Continue to meet service levels.
• Follow through on action items to address gaps and increase efficiencies.

Update the SBP every three years.
2018-2023 Update of the Strategic Business Plan
What’s Changing for 2018-2023?

• Update the baseline budget and baseline rate path, including updating approved gap action plans.
• Identify new investments.
• Identify savings/efficiencies.
• Propose an updated rate path.
• Tell the SPU and LOB stories.
Current State Overview

**What we’ve done so far...**

- Completed six customer focus groups
- Created an employee engagement plan
- Made adjustments to the baseline budget
- Held “futuring” workshop
- Developed LOB and SPU-Wide SWOC

**What’s next...**

- Implement ongoing customer engagement
- Implement employee engagement
- Identify service levels and metrics
- Identify top new investments
- Identify cost savings/efficiencies
- Develop rate path (baseline and proposed)
Updating The Strategic Business Plan

THE STEPS:

- **Existing SBP**
  - SPU Promise
  - Focus Areas
  - Actions and Efficiencies

- **Futuring**
  - Future readiness/resiliency

- **All-SPU SWOC**
  - Utility strengths, weaknesses, opportunities and challenges.

- **Baseline Rate Path**
  - Update baseline budget and rates.

- **Investments, Savings/Efficiencies and Metrics**
  - The few new investments, savings/efficiencies with service levels and metrics.

- **Proposed Rate Path**
  - Baseline rate path plus investments, savings and efficiencies.

- **Gather Feedback**
  - Make adjustments based on customer and Mayor’s Office feedback.

**Employee Engagement:**
Report outs, workshops and outreach to all employees.

**Customer Engagement:**

| Customer focus groups | Customer Review Panel input related to each step, discussions, Panel recommendations | Community meetings, online surveys | CRP comments to Mayor and Council |

*Note: Several of these steps will occur simultaneously*
Customer Review Panel’s Role

- Voice of the Customer
- Partner with staff during Update
  - SPU
  - Mayor’s Office
  - City Council
- Offer advice, comments and insight
- Provide comments to Mayor’s Office and City Council