2018-2023 Strategic Business Plan
O&M Baseline

Presentation to the Customer Review Panel
February 22, 2017
Purpose of this Presentation

Provide a better understanding of SPU’s O&M Baseline

1. General overview of the O&M Baseline
2. Breakout what is in the O&M Baseline
### 2018-2023 Rate Path Options and Rate Math

Starting Point (September 2016) 6.8%
- Scrubbed base & assumptions
- Prioritized & removed investments
- Expenditure reductions of $171M

<table>
<thead>
<tr>
<th>Current baseline operations</th>
<th>5.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus action plan investments</td>
<td>0.7%</td>
</tr>
<tr>
<td>Minus additional savings</td>
<td>(0.3%)</td>
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</tbody>
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**Option A Average Annual Rate Increase:** 5.6%

**Option B Average Annual Rate Increase:** 5.4%

**Option C Average Annual Rate Increase:** 5.3%
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General Overview of Baseline
Overview: What makes up the Baseline?

2018 O&M Baseline - $869M

- Debt service, $171
- Labor, $125
- Central Costs, $54
- Non-labor, $92
- Taxes, $125
- Contracts, $292
- Temporary & Overtime, $10

Non-labor, $92

Temporary & Overtime, $10

Labor, $125

Central Costs, $54

Debt service, $171

Taxes, $125

Contracts, $292
Overview: What makes up the Baseline?

2018 Baseline: $869M

- **Fixed**: $642
- **Core Services**: $155
- **Value-Added Corporate**: $21
- **Required Support**: $51
What is included in the O&M buckets?
What makes up the fixed costs in the Baseline?

2018 Baseline $869M

- Core Services, $155
- Value-Added Corporate, $21
- Fixed, $642
- Required Support, $51
Fixed Costs - $642M

- Major contracts - $292M
- Taxes - $125M
- Debt service - $171M
- Central costs - $54M
- General expense - $21M
- Administrative offsets – ($21M)
What makes up core services in the Baseline?

2018 Baseline $869M

Fixed, $642

Core Services, $155

Value-Added Corporate, $21

Required Support, $51
Core Services - $155M

- Water Line of Business - $64M
- Drainage and Wastewater Line of Business - $46M
- Solid Waste Line of Business - $24M
- Project Delivery and Engineering - $16M
- Pre-Capital Planning - $5M
Overview: What makes up the Baseline?

- Fixed, $642
- Core Services, $155
- Value-Added Corporate, $21
- Required Support, $51

2018 Baseline $869M
Required Support - $51M

- Customer Service - $22M
- Finance, Contracts, Facilities, Fleets & Warehouse - $16M
- Human Resources, General Manager’s Office, Safety - $8M
- Capital Project Services & Development Services - $5M
Overview: What makes up the Baseline?

2018 Baseline $869M

- Fixed, $642
- Core Services, $155
- Required Support, $51
- Value-Added Corporate, $21
Value-Added Corporate- $21M

Value-added corporate functions are activities that enable us to operate effectively, efficiently and sustainably, and/or add greater value to the organization and/or our customers.

- Customer programs and business support - $12M
- Economic services, asset management, & climate resiliency - $3M
- Environmental justice and service equity - $2M
- Communications - $2M
- Corporate policy and support - $2M
Why Value Added Corporate?

• Proactively meet customer needs and be positioned to meet future utility needs

• Foster partnerships with key stakeholders within and outside the City of Seattle to leverage our ability to meet our strategic objectives

• Provide equitable services to all customers

• Support SPU in continually improve SPU’s efficiency and effectiveness in providing quality services to all customers, both externally and internally