



Strategic Business Plan

2015 - 2020

*Efficient and forward-looking utility services
that keep Seattle the best place to live.*

What makes Seattle a great place to live?

We live in a city where...

... you can drink mountain-fresh water from your tap anytime you want it.

...businesses and residents have reliable and efficient water, garbage, recycling, sewer and drainage services and are protected from flooding.

...streets and alleys are free of litter and garbage.

...residents are world leaders in recycling things rather than throwing them into garbage dumps.

...our lakes are safe for swimming and migrating salmon.

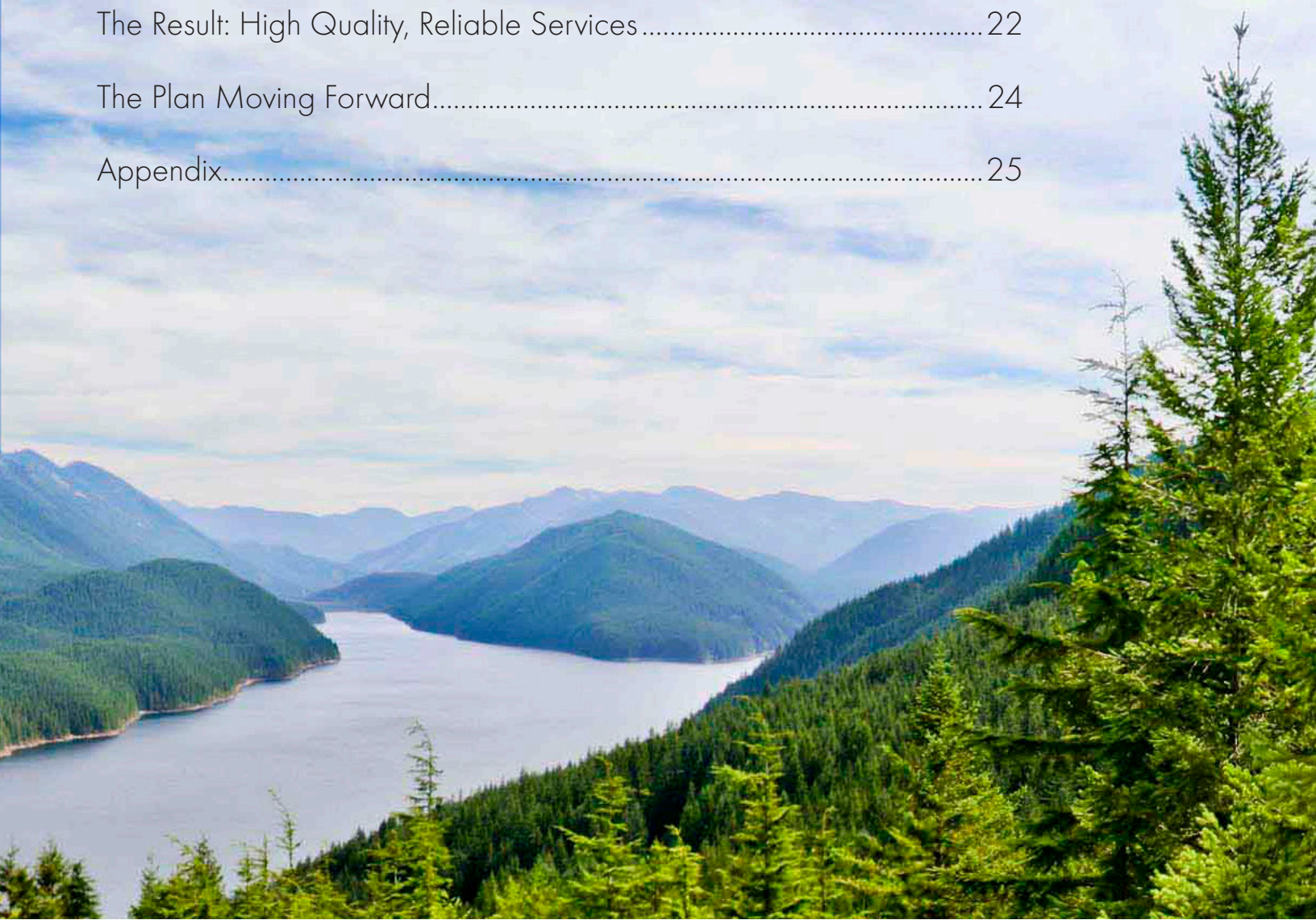
Seattle Public Utilities provides essential services that safeguard your health and our shared environment where all customers can get the access, help and answers they need.

This Strategic Business Plan is a roadmap for the Utility's work from 2015 through 2020. It includes a current baseline operations discussion, strategic focus areas, new efficiency savings and action plans, and recommended utility rate path. It answers how we'll meet residential and business customers' needs for high-quality utility services with predictable rates.

The 99,000-acre Cedar River watershed provides drinking water to Seattle and King County residents.

Contents

Letter from the Mayor and SPU Director	2
Where We've Come From	4
Introduction and Executive Summary	6
The Starting Point: Our Promise	9
Challenges and Opportunities in Current Baseline Operations	10
Focus Areas, Efficiency Savings and Action Plans	12
The Bottom Line: Utility Rates and Bills 2015-2020	18
The Result: High Quality, Reliable Services	22
The Plan Moving Forward.....	24
Appendix.....	25





Ed Murray, Mayor



*Ray Hoffman, Director,
Seattle Public Utilities*

Letter from the Mayor and SPU Director

Seattle is a growing city with qualities that attract people looking for a great place to live and work. Our customers tell us they value the essential services the Utility provides: drinking water from mountain sources, recycling and composting that leads the nation, and sewer and drainage to protect our local waterways. Our customers depend on us to be there for them—to deliver these services reliably and spend their dollars wisely.

This work is not simple or easy.

We manage and maintain over 3,700 miles of water, sewer and drainage pipes and related systems that connect to every house and building in the City.

We are the unseen structure, often underground, that makes the City work—we continually upgrade and maintain our systems to ensure that you have 24/7 utility services.

And, we are planning for the future, sometimes even decades ahead of time.

Our Strategic Business Plan

Seattle Public Utilities has developed its first Strategic Business Plan that links utility rates to actions based on direction from City Council. It will serve as our guide from 2015 through 2020. The Plan reflects difficult choices: We must keep rates as low as possible while providing services that protect public health and our environment while meeting regulatory challenges.

A rigorous process

Creating the Plan was a very inclusive process. We reached out to our many residential and business customers. We also worked closely with employees, elected officials, and an independent Customer Review Panel.

We identified four strategic focus areas, 14 efficiency saving actions and 27 action plans where we'll focus improvements over the next six years. These address working more effectively, public health and our environment, customer service, and the workforce. We will provide regular updates on our progress and revise the Plan every three years.

Billing rates through 2020

Developing predictable rates was a key Plan goal. On average, current baseline operations will require a 4.6% increase per year. We then looked for efficiency savings across the Utility and what critical actions we'll need to take to fill gaps in our services. After subtracting efficiency savings from current baseline operations and adding in the costs of new action plans our recommended rate path will remain at 4.6% per year. While this looks like where we started, it's not business as usual—our customers will receive more value across all services. This is a significant reduction from the almost 7% cumulative average annual rate increase over the previous decade.

We recognize that we can't achieve affordability for everyone. This is why we offer a Utility Discount Program to help our qualified, lower-income customers through bi-monthly bill discounts.

We want to thank the Customer Review Panel members for dedicating many hours of service and giving us great input and guidance. We also want to thank the employees of Seattle Public Utilities who have done the hard work of turning ideas into actions. Finally, we want to give a big thank you to the many community advisory committee members, community leaders and residential and business customers who provided feedback.

We're excited about this Plan. It delivers our promise of keeping Seattle the best place to live while putting us on a path to realize greater efficiencies. We have a lot of work ahead, but now we have a detailed map to help get us there.

Sincerely,

Mayor

Director



Geographic information system (GIS) mapping of West Seattle's Longfellow Creek.



From left to right: Carl Pierce, Solid Waste Division Operations Manager for Seattle Housing Authority; Walter Reese, Controller for Nucor Steel Seattle; Bruce Lorig, Lorig Associates; Suzie Burke, President of the Fremont Dock Co.; David Gault, Director of Engineering for The Fairmont Olympic Hotel; Laura Lippman, Physician and Environmental Steward; Noel Miller, Retired City of Edmonds Public Works Director; Tara Luckie, Executive Director of the Environmental Science Center; David Layton, Professor at the Evans School of Public Affairs, University of Washington.

Customer Review Panel

The all-volunteer Customer Review Panel's nine members are representative of our customer base. They were appointed to act as a constant customer voice during Plan development. They've been with us for each step of the process.

The process to develop the Plan has been very thorough, transparent and collaborative. The Plan represents a major step forward for the Utility in terms of rate predictability and accountability.

Noel Miller, Customer Review Panel Chair

Where We've Come From

Seattle Public Utilities was created in 1997 from Seattle Water and Engineering Departments. However, the core utility services that make it up weren't built all at once—they're part of Seattle's history. A brief look back may provide you with some perspective on how utility services benefit you.

Drinking water history

It's 1889. The Great Seattle Fire has left downtown in ruins. Seattle's water supply, provided by the privately owned Spring Hill Water Company, couldn't provide enough water pressure to put the fire out. Meanwhile, residents drink contaminated Lake Washington water and typhoid fever outbreaks are not uncommon. Voters overwhelmingly approve a bond issue to provide clean, mountain water from the Cedar River Watershed and build protected reservoirs throughout the City. This solves the City's drinking water and fire protection challenges.

Where we are today

Seattle has some of the safest and best tasting water in the nation with sufficient pressure to effectively fight Seattle fires. Residents take conservation seriously and consume less water now than in 1959 when the City was half the size. We have a protected clean water supply that will take us well into the middle of this century.



The Great Seattle Fire, 1889.

Garbage and recycling history

Until 1970, Seattle had open-air garbage dumps. These were breeding grounds for rodents and disease, polluted the soil and resulted in dangerous levels of explosive methane gas.



South Park dump (circ. 1929), one of twelve dumps the City operated.

The City built two garbage transfer stations in the mid-1960s to replace the dumps. In 1988, Seattle began the first stage of its current curbside-recycling program.

Where we are today

Since 1988, the City's garbage and recycling efforts have:

- Saved more than 9 million trees through paper recycling.
- Saved more than \$68 million in landfill fees.
- Reduced greenhouse gases by 3.1 million metric tons.
- Become the nation's recycling leader at 70% for single-family-home residents and 61% for businesses.

Sewage history

From Seattle's founding until the 1960s, untreated sewage flowed into Lake Washington, the Puget Sound and our other waterways. This poisoned our drinking water, our marine environment and made local beaches unsafe for swimming.

By the 1950s, Seattle had discontinued the practice of building combined storm drains and sewers, opting instead to lay separate pipes to handle sewage and stormwater. The completion of multiple treatment plants by King County in the mid-1960s radically changed our quality of life by making it safe to swim in lakes and play on beaches while improving fish and wildlife habitat.

Where we are today

Seattle Public Utilities maintains more than 1,870 miles of sewers that connect to King County sewage treatment plants. The problem is not completely solved yet: In heavy rains, some City neighborhoods still experience sewer backups. We're addressing this problem with sewer and drainage upgrades in some of the City's most problem-prone neighborhoods in response to a federal consent decree. The Utility has entered into a long-term agreement program to greatly reduce sewer overflows as required by the Environmental Protection Agency.

Drainage history

Since the early 1900s, hard surfaces that don't absorb rainfall have gradually replaced trees, fields and dirt roads. In Seattle, more than 55 percent of the land area is covered with roads, sidewalks, driveways, patios, and roofs. This means hundreds of millions of gallons of stormwater runs off these hard surfaces into 85,000 storm drains each year.

Where we are today

Polluted rainwater carries motor oil, heavy metals, pesticides, algae-growing nitrogen, plastics, and Styrofoam from our streets into our waterways. We're working with customers to



Excavating by hand for a new sewer line in 1912.

keep these substances from reaching our drains through education, appropriate treatment and street cleaning.

But there's more to be done. Where stormwater and sewage flow through the same pipes, 113 million gallons of sewage overflow and polluted stormwater drains directly into our waterways each year.



Fresh mountain water is available to everyone in Seattle 24/7.

Introduction and Executive Summary

INTRODUCTION

Seattle Public Utilities has developed its first Strategic Business Plan that links utility rates to actions based on direction from City Council. The Utility faces significant challenges including a growing and increasingly diverse population, constantly changing regulations, aging systems, and threats from earthquakes and climate change.

The Plan will address these challenges through the lens of its Promise—**providing you with efficient and forward-looking utility services that keep Seattle the best place to live.** We developed the Promise to create accountability to our customers.

Who we are

Seattle Public Utilities serves 652,000 Seattle residential and 64,000 business customers—that’s every house, building and business in Seattle with drinking water, sewer, drainage, garbage and recycling. We also supply over 700,000 customers in other Puget Sound area cities with drinking water.

We own two mountain watersheds, 193 miles of drinking water transmission pipelines, 1,680 miles of distribution mains, and 400 million gallons of transmission and distribution reservoir storage. When you turn on your tap in the kitchen, or need a reliable source of clean water for your business, you can be assured that the drinking water is safe, clear and good tasting.

Our sewage system includes 448 miles of regular sanitary sewers (sewage only) and our combined sewers (sewage plus stormwater). We protect you, your family, neighborhoods and businesses from disease by safely transporting sewage to treatment facilities.

The Utility needs to take a business approach—focus on efficiency, streamlining and cross-training employees. It can’t just be service at any cost.

Seattle Business Customer

When we get one of our trademark Pacific Northwest rains, 460 miles of drainage pipes and our combined sewers carry the water away to help protect your home or business from flooding.

Every week we pick up 6,127 tons of garbage throughout the City or collect it from customers at our two garbage and recycling transfer stations. This helps keep our City clean, protects health and reduces waste. We are also responsible for painting over graffiti in certain public places, keeping the downtown core free of litter, and offering many customer education programs.

EXECUTIVE SUMMARY

What is the goal of the Plan?

There are several:

- Create predictable billing rates while controlling costs.
- Find new ways to be more efficient.
- Ensure continued high quality, reliable services.
- Meet federal and state regulatory mandates.
- Develop more effective ways to communicate and partner with customers, neighborhoods and communities.

2013

Research and analyze needs. Propose focus areas, efficiency savings and action plans.

2014

Conduct customer outreach. Write Plan. Get approvals.

The Plan was the result of an intensive two-year process. The Utility gathered customer and employee input and spent many hours looking at operational needs and vulnerabilities to determine where it should focus and what actions it should take. The Plan includes:

- The Utility’s Promise to customers.
- Challenges and opportunities.
- Current baseline operations.
- Focus areas.
- Efficiency savings.
- Action plans.
- Recommended rate path and bills.
- High quality and reliable services that result from the Plan’s work.

Focus areas, efficiency savings and action plans

Our four focus areas include:

- **Better protecting your health and our environment.**
- **Improving how we work to deliver consistent, high quality services.**
- **Enhancing our services by continually updating employee skills.**
- **Making it easier to get help and find answers.**

In the summer of 2013, an independent efficiency expert reviewed all operations. Based on this, the Utility is recommending 14 efficiency saving actions that will reduce baseline operating costs by \$125 million through 2020. We will achieve efficiency savings through better alignment around our core services, improved systems and strategies, and increased productivity.

Our action plans will strengthen the Utility so it can meet the demands for increased service. The Utility is recommending 27 action plans costing \$169 million through 2020. Action plans will help prevent flooding and sewer backups, prepare for emergencies, use technology to improve efficiency in the workforce and improve service for all customers.

WHAT WE LEARNED FROM OUR CUSTOMERS

We received input from 843 customers who reflect our City’s diversity including businesses, seniors, environmentalists, developers, low-income, youth, African Americans, Spanish-speaking and limited-English-proficiency residents. Customer responses fell into several categories that directly tie to the Plan’s focus areas, efficiency savings and action plans.

Environment and health. Protect public health, improve the environment and explain what customers can do to help.

Efficiency. Explain how the Utility is becoming more efficient.

Equity. Ensure all customers are engaged and have full, equitable access to our services.

Investing for the future. Be prepared for future challenges.

Partnership. Educate and partner with customers to help them save money and improve our environment.

During public outreach, customers supported the Plan’s focus areas, efficiency savings and action plans. They asked that any rate increase be accompanied by improvements for greater value, and efficiency savings for greater affordability. See Appendix: *Customer Outreach Report* for more information.



Because of efficiency savings, new investments won't raise rates above the current baseline-operations level.

See *Focus Areas, Efficiency Savings and Action Plans* for more details.

Rate paths

The recommended billing rate path for the Utility is a 4.6% average annual increase and represents a blended rate for our core services of drinking water, sewer, drainage, and garbage and recycling. The rates are 31% higher in 2020 than they are in 2014 with greater than 50% of that increase resulting from inflation. See *The Bottom Line: Utility Rates and Bills 2015-2020* section of this Plan for more details.

IMPORTANT TERMS

Action plans: The actions the Utility will take from 2015-2020 to improve service quality and reliability.

Current baseline operations: Day-to-day operations and projects not including Plan improvements.

Efficiency savings: Actions or processes that will allow us to get more done with less work and save money.

Focus areas: Strategies used to determine which action plans and efficiency savings we'll accomplish.

We are striving to make it as easy as possible for our customers to do business with us.

Susan Sánchez, Customer Service Deputy Director



Collecting compostable organics at Seattle's Pike Place Market.

The Starting Point: Our Promise

The Plan delivers the Utility’s Promise of **efficient and forward-looking utility services that keep Seattle the best place to live**. Our Promise focuses on what’s important to our residential and business customers.

We’ll turn our Promise into action by:

Being efficient. Keeping efficiency top-of-mind and measuring results.

Being forward-looking. Planning ahead to meet challenges and take advantage of opportunities.

Keeping Seattle the best place to live. Ensuring our customers continue to enjoy the benefits of public health and environmental protection.

The Utility will also be working to meet its vision of **helping customers see how their utility dollars sustain and improve their quality of life**.

Our employees use the following values to guide their work:

Customer-focus. We are accountable to our customers.

Safety. We provide a safe environment for our employees and customers.

Innovation. We encourage employees to explore new ideas and challenge traditional viewpoints.

Inclusion. We listen and collaborate to ensure our actions are equitable and improve quality of life.

Value for money. We make effective decisions based on financial, social and environmental costs and benefits to achieve the best value for our customers.

We are making promises to our customers, because we believe in what we are doing.

Tim Croll, Solid Waste Director



Every day our 1,400 employees deliver reliable services to your home or business.

Challenges and Opportunities in Current Baseline Operations

We run a big operation, reflected by a budget of \$925 million in 2014. Additionally, between 2015 and 2020, the Utility plans to spend \$1.4 billion on projects including:

- Significant investments in reducing sewer overflows into the Sound, Lake Washington and other waterways.
- Cleaning up polluted sediments and rehabilitating and improving water, drainage and sewage systems.
- Pump facilities upgrades at Chester Morse Lake (near North Bend) to upgrade water storage access.
- Building the South Park Pump Station to address longstanding South Park flooding and water pollution.
- Making improvements to the Broadview sewer and drainage system that will reduce chronic sewer backups and stormwater flooding.
- Constructing the new North Transfer Station.

The size and complexity of Utility operations and projects, as well as external events, create the challenges and opportunities that we address in this Plan.

CHALLENGES

Why are we asking our customers to invest more money now? Part of the answer is to simply keep up with the increased cost of doing business. We also have many pressing needs that, if ignored, will result in significant customer service disruptions or threats to public health and our environment.

Our system of pipes and valves are aging and need replacement. We have neighborhoods that are still prone to flooding and sewer backups. Population growth and new City utility requirements from the waterfront tunnel, seawall and other projects also impact costs. We have several customer groups that don't currently have full access to our services due to language barriers and other factors. Climate change and disaster recovery are also important considerations. Finally, regulations to protect public health and the environment can get more stringent and costly over time.

What We Do

Action plan investments and efficiency savings will result in better services and a leaner Utility. While some improvements are specific, most will make our entire operation more efficient and effective. The following is a list of the current baseline operations that these actions will improve:

Drinking Water

- Manage, treat, and reliably deliver high quality drinking water 24/7.
- Promote wise water use, manage the Cedar and Tolt watersheds, dams and water storage facilities.
- Ensure the system meets growth and development needs.

Drainage and Sewer

- Manage sewage and stormwater to protect public health as required by the Environmental Protection Agency and state regulatory agencies.
- Inspect, clean, and maintain systems and educate customers to keep things out of the system that contribute to flooding and runoff pollution.
- Ensure the system meets population growth and development needs.

Garbage and Recycling

- Manage garbage, recycling and yard waste collection and educate customers to encourage composting of yard waste and organics, recycling, and garbage reduction.
- Operate Seattle's two garbage and recycling transfer stations.
- Clean up graffiti, illegal dumping and street litter in the downtown core.

OPPORTUNITIES

We also see several opportunities to reduce costs and improve services. Delivering our services well requires a highly productive workforce. The Plan will focus on employee talent development and training for productivity gains.

We'll also focus on making our relationships with outside service providers and federal and state regulators stronger to hold down costs and meet regulatory requirements. We'll focus on helping customers to better understand and enjoy full access to our services. We'll be working with individual communities to meet their needs. We'll also work with landlords to improve our service delivery to renters in multi-family buildings.

Action plans that reflect opportunities include the need to speed up work to prevent sewer backup and flooding in the

South Park and Broadview neighborhoods, prepare for future system threats, improve technology and workforce productivity, increase street sweeping to reduce runoff pollution and flooding, and improve valve maintenance. See Appendix: *Action Plans* for more information.

One of our greatest challenges is to deliver services equitably across a city with diverse topography, cultures and demographics.

Michael Davis, Environmental Justice and Service Equity Division Director



Construction of a storage tank in the Windermere neighborhood that will capture sewage and stormwater during heavy rains.

Focus Areas, Efficiency Savings and Action Plans

Focus areas, efficiency savings and action plans represent the new improvements the Utility will make in 2015 through 2020 beyond our current baseline operations. These resulted from a comprehensive look at where we can get the best results and eliminate service vulnerabilities and gaps. These improvements were supported by the Customer Review Panel, our customers and employees during outreach.

For more detail see Appendix: *Customer Review Panel Letter*, *Customer Outreach Report*, and *Efficiency Savings From Efficiency Initiatives and Programmatic Reductions*.

The Utility is recommending 27 action plans which will cost \$169 million through 2020. It's also recommending 14 efficiency saving actions that will reduce baseline operations costs by \$125 million through 2020. Because of efficiency savings, new investments won't raise rates above the current baseline-operations level.



I live here because it's a beautiful place to raise a family. I work for Seattle Public Utilities because what we do makes a real difference.

Pete Rude, Senior Sediments Scientist

Enjoying a summer day in Seattle.

FOCUS AREA #1: BETTER PROTECTING YOUR HEALTH AND OUR ENVIRONMENT

Goal: We will provide utility services in a way that makes Seattle cleaner, greener and healthier.

Six-year efficiency savings: \$8.1 million in operations; \$51.4 million in projects.

Six-year action plan investment required to meet goals: \$8.2 million in operations; \$5.6 million in projects.

How we'll take action: We need our Plan to address water pollution and future impacts from climate change. We manage all water from its source, through use, before sending it into the Puget Sound, lakes and streams.

Efficiency savings

- In drainage and sewer, update project cost estimates and reduce outside support for policy development and regulatory compliance.
- Reduce expenditures on sewer behavior-change campaigns.
- Reduce expenditures on garbage prevention work.
- Align budget to actual expenses for historic landfills.
- Reduce implementation costs for the Habitat Conservation Plan.
- Achieve efficiency gains through better alignment around our four lines of business, improved systems and strategies, and increased productivity.

Action plans

Action plans address major environmental and water pollution threats, prepare for climate change effects and reduce the Utility's carbon footprint.

Action plan example: Street sweeping is important to health and the environment because it effectively reduces flooding while keeping harmful pollutants from reaching the Puget Sound and other waterways. Over the six-year Plan period, the Utility will remove 40 tons of pollutants from our streets annually.

For complete details see Appendix: *Action Plans*.

Make it easier to find information and solve problems online and with mobile.

Seattle Residential Customer

Action Plan	Measure	Service Improved
Prepare for water supply and Utility system threats that may occur from climate change.	Increase reliability of drinking water supply through system improvements.	Planning for the future
Develop policies to respond to "green" decentralized service alternatives like rain capture.	Develop decentralized utility system policies.	Planning for the future
Achieve carbon neutrality through emission reductions within the utility and purchase of local carbon offsets.	Develop the 2014 greenhouse gas inventory by June 2015.	Planning for the future
Maintain roadways in the Cedar River Watershed for Utility and tribal purposes.	Maintain identified roadways.	Mountain-fresh drinking water
Expand existing street sweeping to remove pollutants from our streets and drains so they do not flow into Puget Sound and Lake Washington.	40 additional tons of harmful metals and organic compounds removed from our streets annually over a five-year period.	Drainage that reduces flooding and pollution

FOCUS AREA #2: IMPROVING HOW WE WORK TO DELIVER CONSISTENT, HIGH QUALITY SERVICES

Goal: We will increase value delivered to customers.

Six-year efficiency savings: \$44.4 million in operations; \$19.2 million in projects.

Six-year action plan investment required to meet goals: \$32.2 million in operations; \$109 million in projects.

How we'll take action: We'll develop more efficient and effective operations resulting in greater reliability, consistency and quality. We'll focus on continually improving services and eliminate projects, programs or services that aren't a priority.

Efficiency savings

- In drainage and sewer, update project cost estimates and reduce outside support for policy development and regulatory compliance.
- In garbage and recycling, update project cost estimates including those for transfer station operations.
- Reduce the budget for technical studies in drinking water, drainage and sewer.

- Take miscellaneous Utility-wide cuts to equipment purchases, consultant contracts and supplies.
- Achieve efficiency gains through better alignment around our four lines of business, improved systems and strategies, increased productivity and service agreements with other City departments.

Action plans

Action plans improve facilities, data, and revenue management; keep us ahead of maintenance issues; and fix major service delivery issues.

Action plan examples: The Broadview and South Park neighborhoods are very susceptible to flooding and sewer backups during heavy rains. This presents a health and economic hazard for area residents and businesses. These action plans will let us bring South Park roughly half-way to standard levels for flood prevention and make significant progress in Broadview. Both projects require large investments in new sewer and drainage collection, and pumping facilities and will create more equitable service for our customers.

For complete details see Appendix: *Action Plans*

Action Plan	Measure	Service Improved
Improve the quality of drainage and sewer services through accelerated mapping, planning and policy development.	Develop master plans for 4-6 drainage basins in the City.	Planning for the future
Accelerate flooding and sewer backup prevention projects in the Broadview and South Park neighborhoods.	By 2020, address 50% of Broadview's sewer and drainage problems; bring South Park roughly half way to standard service levels for flood prevention.	Drainage that reduces flooding and pollution
Increase sewer pipe inspection and rehabilitation to reduce sewer backups and overflows.	Rehabilitate a total of 335 miles of pipe from 2015-2020.	Safe sewage transport to King County treatment facilities
Increase sewer pipe cleaning to reduce sewer backups and overflows.	50% of all sewer pipes will be on a proactive cleaning maintenance schedule by 2020.	Safe sewage transport to King County treatment facilities
Create a comprehensive emergency plan for maintaining and restoring essential services in emergencies.	Reduce recovery and response time through project design that lessens impacts on Utility facilities.	Ready for emergencies
Develop a plan to protect the drinking water system from major regional earthquakes.	Plan in place to minimize the impacts of water outages after earthquakes.	Ready for emergencies
Improve maintenance and operation of the approximately 60,000 valves in the drinking water system.	100% of critical valves are on a routine maintenance program.	Ready for emergencies

Action Plan	Measure	Service Improved
Require new developments to pay for a share of the Utility's systems to help fund the needs resulting from growth.	Design and put in place system development charges.	Planning for the future
Centralize meter management within the Utility and improve testing, replacement, and repair services.	Increase meter accuracy to industry standards.	Effective customer service
Create a more comprehensive approach to collect non-rate-related revenues such as water connection and other development-related fees.	The Utility has consistent and transparent non-rate fee structures that increase accountability and reduce the risk of missed revenue collection.	Effective customer service
Improve use of technology and data to create business knowledge to support core utility services.	Information technology plans help guide improvements to utility planning and operations.	All services
Develop a centralized facility management program to improve the efficient use of energy and utility resources in existing facilities.	Plan and measurements are in place for energy and utility resource use.	Planning for the future
Implement a data and quality assurance program so the Utility can more effectively use its information.	A formal structure and tools are in place to measure information as an asset.	All services
Continue to implement a centralized materials management system for everything from procuring to inventory to use.	Standard inventory management principles are consistently applied.	All services



It's important to plan for climate change and rising water and sewage issues that could affect this area.

Seattle Business Customer

Discovering the wonders of Puget Sound along Alki Beach.

FOCUS AREA #3: ENHANCING OUR SERVICES BY CONTINUALLY UPDATING EMPLOYEE SKILLS

Goal: We will have a high-performing, engaged workforce focused on customer outcomes.

Efficiency savings: Shown under other three focus areas.

Six year action plan investment required to meet goal: \$8.8 million in operations; no additional investments in projects.

How we'll take action: To be most effective and efficient requires investments in employee skills and performance. We'll continue to build a culture of committed and passionate employees, and develop workforce flexibility.

Efficiency savings

In this focus area, there was nearly a one-for-one overlap in the actions identified to generate efficiency savings, and the action plan investments to improve employee skills. We've shown the efficiency savings throughout the other focus areas, as we expect these efficiency savings to be utility-wide.

Worker capacity, tools, equipment, good salaries and good benefits are all needed to support the workers and make sure the Utility does a good job.

Residential Customer

Action plans

Action plans here improve employee productivity and reduce safety issues and absences.

Example action plan: The Utility depends on its people and what they know to perform at a high level. We'll invest in performance through developing effective systems, tools and practices that continuously enable employee productivity.

For complete details see Appendix: *Action Plans*

Action Plan	Measure	Service Improved
Develop effective data and tools to support improved employee performance.	Develop database of job competencies and current employee skills and identify gaps.	All services
Develop effective systems, tools and practices to continuously improve employee performance to deliver higher quality services at lower costs.	Integrated performance management system in use.	All services
Develop leadership skills at each level of management to improve project and service delivery.	Leadership development programs in use.	All services
Implement a comprehensive talent management system to keep critical knowledge in the Utility and empower employees to achieve more.	Talent management system used utility-wide.	All services
Develop a system for managing and preventing employee absences and disabilities.	Annual percent reduction in incident rates, absences, claims, and medical costs.	All services

FOCUS AREA #4: MAKING IT EASIER TO GET HELP AND FIND ANSWERS

Goal: We will achieve internal and external customer expectations.

Six-year efficiency savings: \$1.6 million in operations; no additional investments in projects.

Six-year action plan investment required to meet goal: \$2.8 million in operations; \$2.0 million in projects.

How we'll take action: We'll help customers gain better access to our services. We'll create a one-stop experience, use technology to interact more with customers, find ways to ensure all customers receive equitable service and add more assistance for low-English-proficiency speakers. We'll also partner with communities and neighborhoods to create more effective customer access.

Efficiency savings

- Achieve improvement in the collection of past due accounts.
- Reduce water quality education and outreach expenditures.
- Achieve efficiency gains through better alignment around our four lines of business, improved systems and strategies, increased productivity, and service agreements with other City departments.

Action plans

Action plans here eliminate the barriers to getting utility services and quickly solving problems.



Seattle Public Utilities customer service representatives handle 600,000 calls per year.

Action plan example: Some customers have trouble getting access to services or help with problems. Service equity is the concept that all customers must have access and help to fully benefit from our services. We've already made good progress towards achieving this goal over the past decades. Now we'll ensure a more systematic application of service equity tools.

For complete details see Appendix: *Action Plans*.

Action Plan	Measure	Service Improved
Actively ensure that all communities and customer groups have equitable access, service delivery and ability to use services.	Customers from all backgrounds and communities feel they have access to the same services.	Effective customer service
Develop a website where customers can easily accomplish their tasks, whether it's to look up information, pay a bill, or submit a request.	Customers are easily able to complete the top ten tasks they wish to perform.	Effective customer service
Centralize and streamline the Utility's permit, service and sales functions for development customers.	Percent of customers who rate overall customer effort as 3 or less on a 1-7 scale where 7 is most effort.	Effective customer service

The Bottom Line: Utility Rates and Bills 2015-2020

We recognize that our customers’ bills represent a significant expense. We are continually looking for ways to make your bills more affordable. Predictable rates and bills that keep costs tightly focused are a key outcome of this Plan. Because we are a public utility, all of your money goes into supporting or improving your services. With private utilities, a significant portion goes back to shareholders as profit.

The following is a detailed explanation of how we determine billing rates.

Significant costs and efficiencies that drive rates

As the chart below illustrates, the Utility has to periodically make new, large investments to ensure continued service quality. The Utility is entering a new cycle of drainage and sewer investment. Meeting regulations to prevent sewer overflows and clean up historically polluted waterways will account for most of the growth in your drainage and sewer

bills during the Plan period. Other large investments include rebuilding the North Transfer Station, and preventing sewer backups and flooding in Seattle neighborhoods.

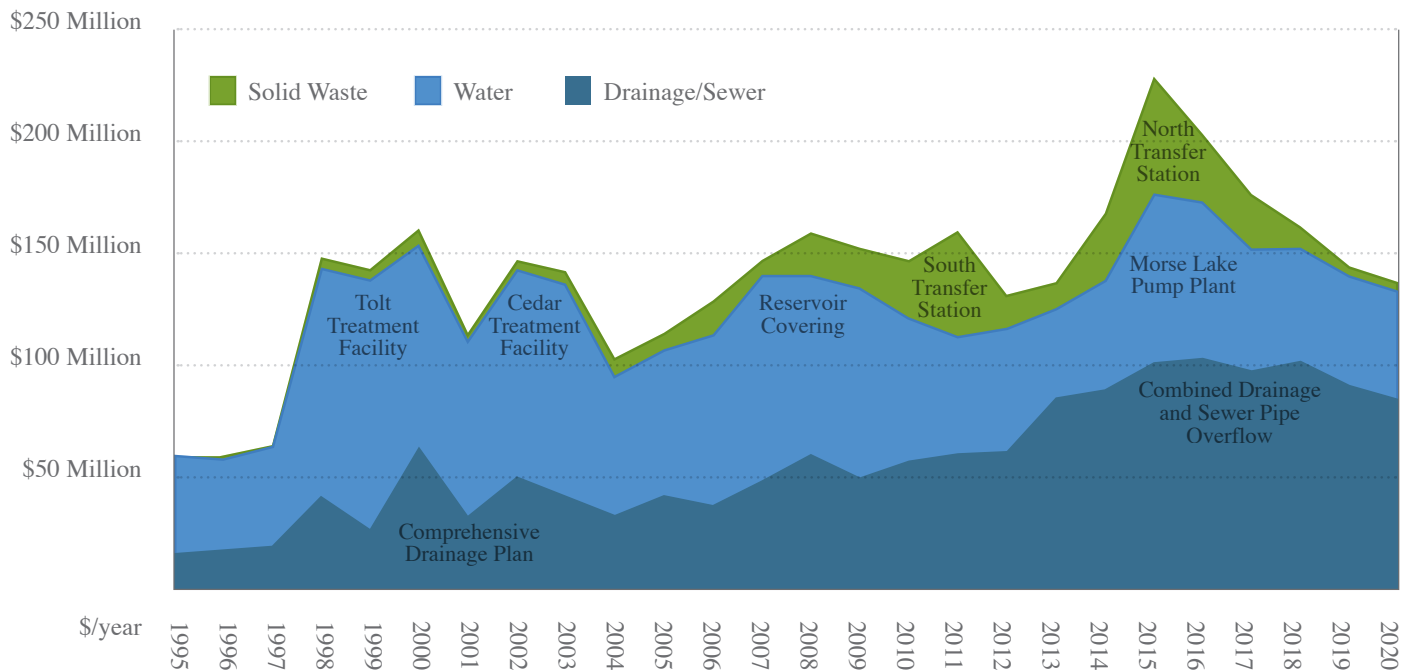
How we determined billing rates from 2015-2020

We used a three-step process to determine billing rates:

- **Current baseline operations.** We started with what the Utility would cost to run if it didn’t change anything.
- **Efficiency savings.** We then looked for efficiencies in the way we do our work including ways to cut costs in lower priority areas.
- **Action plans.** Finally, we identified focus areas and action plans to improve services and maintain our systems for future generations. Improvements will increase billing rates.

The Utility created three rate-increase options based on efficiency savings and action plan choices.

Total Project Investments 1995-2020



This chart shows the large investment cycles necessary for the Utility to meet service quality and regulatory needs.



Installing a new section of pipe for the Madison Valley Stormwater Project.

We considered a lower rate option that didn't meet current maintenance needs, solve neighborhood flooding problems or help us plan for future challenges. We also looked at higher increases, which would have put more money into worthwhile projects, mostly in drainage and sewer improvements.

We recommend investing in a middle rate path. Our recommended path starts with current baseline operations, and includes all possible efficiency savings and action plan investments. It will allow us to maintain quality and reliability and meet regulatory requirements.

Current baseline operations rate drivers

If we do nothing differently, our estimated average per-year billing rate increase over the next six years is 4.6%. We determined this by estimating future costs of current services, plus regulatory requirement costs through 2020.

This is 2.2% per year higher than the projected Seattle inflation rate of 2.4% for that time period. Here's why:

Building new systems and replacing old ones. The Utility is replacing worn out pipes, valves, pumps, etc. and building new systems to meet regulatory requirements. These costs are rising 0.6% per year above general inflation. This is because we issue new debt to pay for these projects while continuing to pay on existing investment debt.

Increasing cost of doing business. Basic operations and maintenance costs are rising more rapidly than general inflation adding 1.1% per year due to:

- Rising employee costs, including health care and retirement costs, and higher skill requirements that translate into higher wages.
- Rising costs in other City departments, from which we purchase many services.
- Taxes.

Together, inflation, the increasing cost of doing business, and building/replacing systems account for a 4.1% average increase in costs each year.

Two other factors increase current baseline operations' rates:

Increasing participation in the City's Utility Discount Program. The Utility's services meet basic human needs. A healthy city must make these services accessible to everyone. To support this, Seattle offers rate assistance to Seattle Public Utilities and Seattle City Light customers with incomes below 70% (family of four = \$4,905/mo) of the state median income.

Currently there are 14,650 households participating and the Mayor has committed to doubling this by 2018. This won't increase overall costs, but will shift costs from low income participants to all other customers, resulting in increased rates averaging 0.2% per year.

Decreasing demand. Despite population growth and a rebounding economy, demand for our services is expected to decline slightly. But system costs do not fall with declining demand—the pipes and pumps still need to be maintained and replaced, the garbage trucks still need to pick up the garbage, and we must meet all regulatory requirements. This will add 0.3% to an average customer's bill if demand patterns remain the same.

I'm happy to pay for changes that mean healthier communities and climate change preparation.

Seattle Business Customer

Here's the math for all increases:

Current Baseline Operations

2.4%	Inflation
0.6%	Replacing/building systems
1.1%	Increasing cost of doing business
0.2%	Utility Discount Program support
0.3%	Lost revenue from decreasing demand
<hr/>	
4.6%	Total

After determining this starting point, we then looked at how efficiency savings and action plans would impact rates.

Efficiency savings and action plans

To arrive at the recommended middle rate path, we identified \$54 million in savings on operations, and an additional \$71 million in project savings over the six-year period. These savings lower rates on average by 0.5% per year.

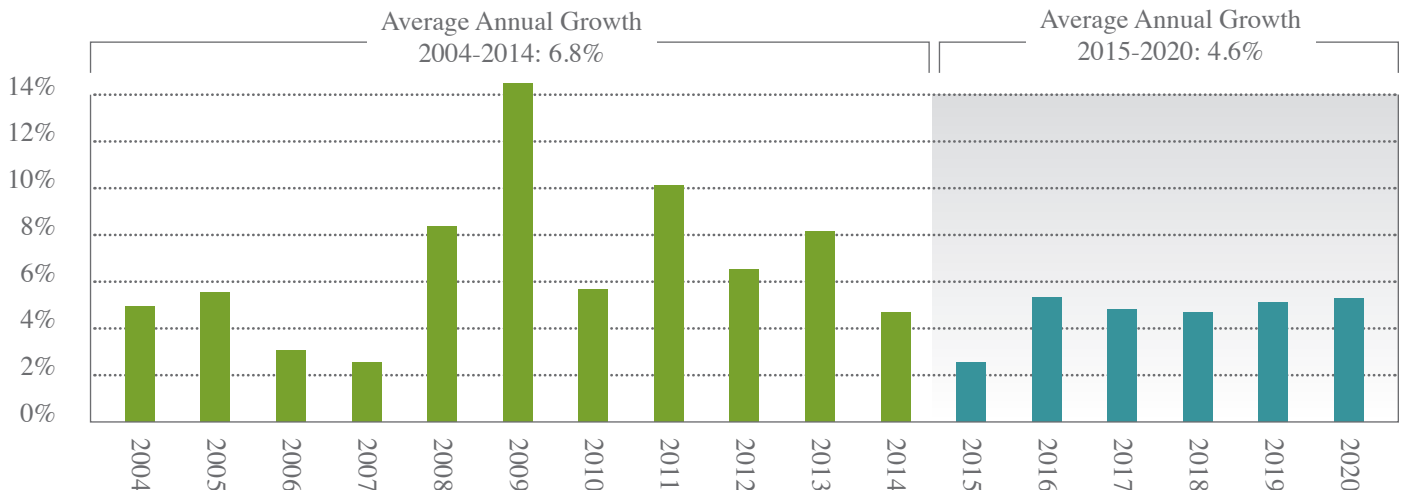
Finally, we identified action plans that will cost \$169 million to improve services and maintain our systems for future generations.

The final, average annual billing rate looks like this:

4.6%	Current baseline operations
(0.5%)	Minus efficiency savings
0.5%	Plus action plans
<hr/>	
4.6%	Total Average Annual Rate Increase

The rates are 31% higher in 2020 than they are in 2014 with greater than 50% of that increase resulting from inflation. This average annual increase is significantly lower than the almost 7% per year average increase during the previous

Average Annual Rate Growth in the Past Decade and in the Six-Year Planning Period



The Plan is projected to create more predictable, lower rate increases than during the previous 10-year period.

decade. See Total Project Investments 1995–2020 on page 18 for detail on what projects helped drive these higher rates.

How the recommended rate path affects billing

Table A shows how the rate increases affect the bill of a typical residential customer in a single family house for each service type.

We can't provide a commercial customer rate table because there is no such thing as a "typical" commercial customer. However, you can get a good idea of the impact of these rate increases on commercial bills by using the projected annual percentage changes in Table B, below.

Improvements are necessary for a growing, world-class city.

Seattle Residential Customer



Releasing salmon fry in Lake Washington.

Table A*

Typical Monthly Residential Bill for a Single Family House	2015	2016	2017	2018	2019	2020
Drinking water	\$38.92	\$40.96	\$43.08	\$44.85	\$46.82	\$48.04
Sewer	\$50.93	\$52.92	\$53.87	\$55.38	\$59.36	\$64.17
Drainage	\$29.18	\$32.13	\$34.73	\$37.44	\$40.47	\$43.71
Garbage and recycling	\$42.36	\$43.93	\$46.65	\$48.50	\$49.88	\$51.09
Combined	\$161.39	\$169.94	\$178.33	\$186.16	\$196.54	\$207.02

The table shows typical residential bills expressed as monthly charges. Actual SPU bills are bi-monthly for drinking water, sewer, garbage and recycling, and twice yearly for drainage fees paid with property taxes.

Table B

Projected 6-Year Rate Path	2015	2016	2017	2018	2019	2020	2015-2020 Average
Drinking Water	0.0%	5.2%	5.2%	4.1%	4.4%	2.6%	3.6%
Sewer	0.8%	3.9%	1.8%	2.8%	7.2%	8.1%	4.1%
Drainage	9.8%	10.1%	8.1%	7.8%	8.1%	8.0%	8.6%
Garbage and Recycling	4.2%	3.5%	6.0%	4.0%	2.9%	2.4%	3.8%
Combined	2.7%	5.0%	4.7%	4.2%	5.5%	5.2%	4.6%

**The solid waste rate path represents average annual increases assuming new rates are effective April 1st of each year. Actual rate changes for each of Seattle Public Utilities' lines of business are subject to approval by the Council via passage of a rates ordinance. The blended rate increase for each year is based on the relative cost of each service.*

The Result: High Quality, Reliable Services

The Strategic Business Plan will ensure the future reliability and quality of your Utility services.

Our core services include drinking water, sewage, drainage, garbage and recycling. The consequences of missing a service goal could have a significant negative impact on our customers, public health and the environment. Our action plans will help us limit this risk.

The Utility needs to educate the public about what you do so people can better understand your services.

Seattle Residential Customer



Seattle single-family home customers recycle and compost over 70% of their waste—the highest rate in the nation.

Services	Your Benefit	Measure	2013 Performance
Dependable solid waste pickup	Solid waste collected on time week-in and week-out.	One missed pick-up every 10 years for all customers (less than one per 1,000 stops).	Met goal. Reported 0.16 missed pickups per 1,000 stops.
Effective recycling and composting	Less garbage in landfills, saving costs and reducing water and land pollution.	Recycling 70% of all solid waste citywide by 2022.	Recycled 56.2% of all solid waste in 2013.
Mountain-fresh drinking water	Tap water that's better than bottled water, reliably delivered with enough supply for all conditions, other than severe drought.	100% compliance with Department of Health regulations.	Met goal.
Drainage that reduces flooding and pollution	Better protection of your health, safety, home and our environment through regular system maintenance.	40% increase in pollutant removal from roadways via street sweeping for water quality.	100 tons of pollutants removed by street sweeping per year.
Safe sewage transport to King County treatment plants	Reduce sewer backups onto customer properties and public spaces.	No more than four sewer backups per 100 pipe miles.	Met goal. 3.3 sewer backups per 100 miles of pipe.
Efficient and safe garbage and recycling transfer stations	Convenient way to dispose of garbage and recycle a variety of items.	Transfer stations cleared of garbage within 24 hours 90% or more of days in operation.	Met goal.
Effective customer service	Timely responses to customer problems and questions.	Respond to 90% of water, sewer, and drainage priority calls within one hour.	Met goal. Responded to priority calls within one hour 98% of the time.
Ready for emergencies	24/7 emergency response for water and drainage.	Assess Utility's Emergency Response Plans and update as needed.	Response plans developed for system disruptions, seismic events and shortages.
Planning for the future	Utility systems that are climate resilient and environmentally friendly.	Manage 700 million gallons of runoff annually with green stormwater infrastructure by 2025.	100 million gallons managed with green stormwater infrastructure.
Providing educational opportunities to all customers	Customers and communities have access to education programs for utility services.	Assess participation rates and accessibility for key customer programs and set targets for improvement.	N/A – new goal.
Efficient graffiti removal	Graffiti removed from Utility public spaces.	90% removal within six days/10 days for roadway structures.	Met goal. 94% removal within six days.

The Plan Moving Forward

We believe this Strategic Business Plan will meet the needs of our customers for high quality, reliable services while controlling costs. We'll periodically update you on:

- Action plans and efficiency savings.
- Current baseline operations.
- Recommended rate plan increase assumption changes.
- Other changes to the Strategic Business Plan.
- Service performance.

Check out our publication, At Your Service, atyourservice.seattle.gov/ for Plan updates, tips, advice, rebates and information on ways to partner with us.

Partnering with customers to protect public health and the environment

The work of keeping Seattle a great place to live and work takes everyone's support. Every day, our customers participate in activities that contribute to the quality of life in our city:

- Recycling paper and plastics and compost food waste at home and work.
- Practicing wise water usage through everything from using low-flow toilets to turning off the water while shaving.
- Keeping storm drains clear to prevent flooding during heavy storms.

Our customers have created one of the highest recycling rates in the country. They conserve water to the point where we're using as much water as we did in the late 1950s, with twice the population.

We're committed to giving you the information and support you need to make more good things happen.

The Utility also partners with businesses, communities, not-for-profits, schools and other governments through its environmental stewardship programs. These include Adopt A Street, Spring Clean, Take Winter by Storm, Friend of Recycling/Composting, Salmon in the Classroom, graffiti paint-out programs and others.

For more details on how you can help see www.seattle.gov/util.

It's important to plan for climate change, rising water, and sewage issues that could affect this area.

Seattle Business Customer



Seattle Public Utilities' Graffiti Rangers paint out the equivalent of 11 football fields each year.

Appendix

Customer Review Panel Letter

Answers to Frequently Asked Customer Questions

Seattle Public Utilities Financial Forecast Overview and 2015-2020 Financial Baseline

Action Plans

Seattle Public Utilities Benchmarking and Workplace Efficiency Study

Efficiency Savings From Efficiency Initiatives and Programmatic Reductions

Customer Outreach Report

Seattle Public Utilities Promise



Pouring the foundation for a 2-million-gallon storage tank to keep pollution from reaching Lake Washington.

**Seattle
Public
Utilities**

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P.O. Box 34018
Seattle, WA 98124-4018

For interpretation services please call 206-684-3000.

如需要口譯服務，請撥電話號碼 206-684-3000。

통역 서비스를 원하시면 206-684-3000 으로 전화하세요.

Wixii turjubaan afka ah ku saabsan, Fadlan la soo xariir taleefoonka: 206-684-3000.

Para servicios de interpretación por favor llame al 206-684-3000.

Para sa serbisyo ng tagapagpaliwanag, tumawag sa 206-684-3000.

Về dịch vụ phiên dịch xin gọi 206-684-3000.