Strategic Business Plan

Discussion with Council’s Libraries, Utilities, and Center Committee

September 17, 2013
Today’s Work

- Review workplan/schedule
- Hear from Strategic Business Plan Customer Review Panel Chair and Vice-Chair on Work to Date
- Review Strategic Framework
- Review Draft Baseline Rate Path
- Discuss Plan for Interim Outreach
- Describe the Next Steps
Setting the Course
Seattle Public Utilities: 2015-2020 Strategic Business Plan

Guiding Principles

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, Innovation, Inclusion, Safety, Value for Money

Define where SPU is now
Describe the path to the future: framework and analysis
Set course for 2015-2020

The Analysis:

Prioritization -- of current and potential new projects
Benchmarking -- best practice analysis to identify cost savings and efficiency initiatives
Action Plans -- tasks, timelines, staffing, costs for each prioritized project and initiative
Alternative Paths -- different project mixes, costs, priorities

SWOC:
- Identify Strengths, Weaknesses, Opportunities, Challenges

Baseline:
- Identify the rate revenue path for status quo services from 2015-2020

The Framework:
- Focus Areas
- Strategic Objectives
- Service Levels and Key Performance Indicators (KPIs)

Focus Areas, Strategic Objectives, Service Levels
Preferred Path and Supporting Action Plans
2015-2020 Rate Revenue Path

Interim Outreach on SWOC, Baseline, Framework
January-February 2014

Final Outreach on alternatives & associated revenue paths
A Note About the Timeline

• Initially, had planned for an October/November timeframe for the interim outreach

• Have now pushed this back to January/February of next year:
  o Baseline figures will be firmed up
  o Allows SPU and Customer Panel to begin discussion of efficiencies, prioritization, initiatives prior to outreach

• Expect this change to result in a delay to late in the summer in the final Executive-proposed Strategic Business Plan to Council

• Will be providing Council with frequent status updates
Customer Review Panel: Structure of Process

• Scope and Composition of Panel established per Resolution 31429
• 9 customers, selected by Council and Mayor
• Began meeting in April
• Meeting 2x per month (3 hours each)
• Collaborate with SPU staff, Council staff, CBO staff
• Independent facilitator guides meetings, with support from Chair and Vice-Chair
Customer Review Panel: Work to Date

• Started with gaining a working knowledge of SPU service, financial policies, costs and rates

• Reviewed and provided extensive feedback on the SPU’s proposed Strategic Plan Framework
  o “Strengths, Weaknesses, Opportunities, Challenges”
  o Framework: 4 focus areas and 17 supporting “strategic objectives”

• Now reviewing Draft Baseline, Interim Outreach plan

• Hearing the ideas and concerns of the Mayor and Council via Council and CBO staff at the table
Customer Review Panel: Assessment To-Date

- Scope of effort is very broad: 3 lines of business, 4 different sets of rates
- Significant time commitment; Panel very engaged with diverse perspectives
- On schedule to complete by next June
- SPU leadership has been responsive to our questions and suggestions
- Process structured to ensure we hear Council concerns, Mayors’ concerns, as well as getting the input from employees and customers
Customer Review Panel: Assessment to Date, cont’d.

• Benchmarking, efficiencies and affordability are topics of great interest for future meetings.
The SPU promise was designed to be actionable and measureable. It creates accountability to customers and clarity for what employees, departments and branches need to deliver.

It’s designed to focus SPU on providing essential services effectively, efficiently and transparently; protecting quality of life; and proactively addressing anticipated and unanticipated demands that the future will hold.
Strategic Framework: The SPU Promise

The promise describes our approach and what we deliver to our customers and stakeholders:

**Mission (What SPU delivers):**
Providing efficient and forward looking utility services that keep Seattle the best place to live.

**Vision (The big goal by 2020):**
Our customers will see how their utility dollars sustain and improve their quality of life.

**Strategic Role (SPU’s primary strategic approach):**
Solving problems at the source.
Strategic Framework: SPU’s Strategic Position

- *Strengths, Weaknesses, Opportunities and Challenges* are a tool for understanding SPU’s current strategic position.

- Some example SWOC’s:
  - Strength: customer pride in conservation/recycling efforts
  - Weakness: Inadequate succession planning
  - Opportunity: Discovering and implementing efficiency opportunities
  - Challenge: Keeping up with evolving regulatory mandates
Strategic Framework: Focus Areas & Strategic Objectives

Strategic focus areas are the four categories that we’ve prioritized as most important through 2020

- Help SPU meet its mission or vision?
- Does it solve problems at the source?

Each of the Focus Areas have 4-5 associated Strategic Objectives
## Strategic Framework: Focus Areas

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve Operational Excellence</td>
<td>We will increase value delivered to the customer</td>
</tr>
<tr>
<td>Transform the Workforce</td>
<td>We will have a high performing, engaged workforce focused on business outcomes</td>
</tr>
<tr>
<td>Protect Environmental &amp; Public Health</td>
<td>We will provide utility services in a way that makes Seattle cleaner, greener, and more healthful</td>
</tr>
<tr>
<td>Create an Easy &amp; Engaged Customer Experience</td>
<td>We will meet internal and external expectations</td>
</tr>
</tbody>
</table>
Strategic Framework: Example Strategic Objectives within Focus Areas

Achieve Operational Excellence: *Service quality.* Provide reliable, high quality utility services to all customers

Transform the Workforce: *People.* Attract, develop and retain capable and motivated people

Achieve Environmental Compliance & Stewardship: *Environment & Health mandates.* Efficiently meet or exceed environmental and public health mandates

Create an Easy & Engaged Customer Experience: *Easy customer experience.* Minimize customer efforts required to interact with SPU
Baseline Rate Path: Definition

*Definition*: The change in annual rates needed to maintain existing service levels, plus meet firm regulatory requirements.

- What does “maintain existing service levels” mean? Actual service quality (as opposed to targeted service quality) neither degrades nor improves.

Does NOT include any efficiencies, any reductions to existing programs, any adds to fill gaps.
DRAFT Baseline Forecast:
% Rate Changes 2015-2020

Average Annual Change over 6-year period = 4.5%

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Retail Rates</td>
<td>2.9%</td>
<td>3.6%</td>
<td>5.4%</td>
<td>3.5%</td>
<td>6.3%</td>
<td>4.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Wastewater Rates</td>
<td>1.2%</td>
<td>1.1%</td>
<td>0.7%</td>
<td>8.3%</td>
<td>6.2%</td>
<td>2.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Drainage Rates</td>
<td>9.8%</td>
<td>6.3%</td>
<td>8.9%</td>
<td>9.2%</td>
<td>9.8%</td>
<td>9.6%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Solid Waste Rates</td>
<td>4.3%</td>
<td>3.4%</td>
<td>5.9%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>2.8%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Average Overall</td>
<td>3.6%</td>
<td>3.1%</td>
<td>4.5%</td>
<td>5.7%</td>
<td>5.9%</td>
<td>4.1%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

General rate of inflation over period estimated at 2.4% (CPI-U for Seattle)
DRAFT Baseline Forecast: Combined Monthly Charge for Typical Residential Customer for all Lines of Business Major Reasons for Increases 2015-2020

What does the increase pay for?

Total combined monthly charge increase from $156.95 in 2014 to $206.50 in 2020.
DRAFT Baseline Forecast:
Total Monthly Charges for Example Customers

Chart below shows total monthly charges for example customers. Average annual changes range from 3.8% for a downtown hotel (with most charges on water and solid waste) to 4.7% for a typical residential customer.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$163</td>
<td>$168</td>
<td>$176</td>
<td>$187</td>
<td>$198</td>
<td>$207</td>
<td>4.7%</td>
</tr>
<tr>
<td>Convenience Store</td>
<td>$657</td>
<td>$680</td>
<td>$718</td>
<td>$750</td>
<td>$784</td>
<td>$814</td>
<td>4.4%</td>
</tr>
<tr>
<td>Downtown Hotel</td>
<td>$47,307</td>
<td>$48,340</td>
<td>$49,701</td>
<td>$52,842</td>
<td>$56,026</td>
<td>$57,772</td>
<td>3.8%</td>
</tr>
<tr>
<td>Large Industrial</td>
<td>$152,343</td>
<td>$156,755</td>
<td>$163,031</td>
<td>$172,484</td>
<td>$183,719</td>
<td>$191,066</td>
<td>4.3%</td>
</tr>
</tbody>
</table>
Interim Outreach: Objective and Content

- **Objective** of interim outreach is to get information from customers that will help the Customer Review Panel, Seattle’s elected officials, and SU staff with our strategic planning work – specifically, decisions that affect customer bills.

- **Content** of Outreach is under development, but will likely include SPU’s baseline rate path, major focus areas through 2020, and thoughts on efficiencies and investments.
Interim Outreach: Who We Will Reach

Expect to reach out to multiple audiences, including:

• Chambers of Commerce

• Geographically-based meetings that would coordinate with community councils

• Geographically-based meetings targeting non-English speaking groups

• Developer/Contractor stakeholders
# Next Steps: Putting the Pieces Together

## Baseline Prioritization
Teams develop Action Plans describing impacts of reallocating dollars from the baseline to funding initiatives.

## Benchmarking/Efficiencies
Teams prioritize efficiency recommendations and develop Action Plans for each recommendation.

## Action Plans
Teams present integrated set of prioritized Action Plans to E-Team.

---

### Overall Rate Paths and Service Alternatives

E-Team and Team Leads review/discuss prioritized baseline budgets, prioritized Action Plans, prioritized efficiency recommendations.

Identify initial, possible alternative packages of what is in/what is out of rate path(s).

*Handoff to F&A staff to identify rate implications of alternative packages; additional rounds as needed*
This Is a Big Ask!

Our focus is on finding out how to get from here to there in 2020.

We are asking a lot of many – the Panel, SPU employees, Mayor/Council and their staff, our customers.

But we haven’t had such an opportunity since SPU’s formation in 1997.

We will be solving problems and creating our future.