

ATTACHMENT 1 TO SELECT COMMITTEE ON UTILITY STRATEGIC PLANNING AUG 4, 2014 MEMORANDUM
POTENTIAL AMENDMENTS TO RESOLUTION 31534, THE SEATTLE PUBLIC UTILITIES 2015-2020
STRATEGIC PLAN ADOPTION RESOLUTION
(except for Amendment A, amendments are additive and can be adopted individually or as a package)
Revised August 4, 2014

Amendment A: Labor Efficiencies (choose Option A or B or no amendment)

Option A: Dollar labor efficiency target, with positions and consultant spending as measures of progress
Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

The Plan's labor efficiency target will be \$6.4 million per year in savings by 2020. No labor efficiency target for number of positions will be set. SPU is requested to establish the 2014 baseline of funding spent on consultants and contracts for outside labor and establish a means of tracking these expenditures during the course of the Plan. Both the number of positions and consultant spending will be tracked and reported to evaluate progress toward the labor efficiency goal.

Option B: Dollar and position labor efficiency targets, with consultant spending as an evaluation tool
Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

The Plan's labor efficiency targets will be \$6.4 million per year in savings and no-net increase in positions by 2020. SPU is requested to establish the 2014 baseline of funding spent on consultants and contracts for outside labor and establish a means of tracking these expenditures during the course of the Plan. Both the number of positions and consultant spending will be tracked and reported to evaluate progress toward the labor efficiency goal.

Amendment B: Energy Efficiency and Carbon Neutrality

Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

Spending in the Plan's Energy Management & Carbon Neutrality Action Plan will be for emission-reduction measures and offsets in the City of Seattle if possible or King County if no options are available within the City limits, instead of carbon offsets outside County boundaries. A deadline for achieving carbon neutrality should be removed from the Plan.

Amendment C: Human Resources

Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

The SPU Director, before reallocating any more positions to SPU human resource functions in 2018, is requested to consult with the Seattle Department of Human Resources Director and consider any changes made to human resource functions citywide in assessing the need for additional SPU human resource positions. This consultant and assessment should be addressed in the 3-year Plan update. It is the Council's expectation that the departments will work together to ensure efficient and effective human resource functions.

Amendment E: Bond Interest

Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

The Plan's rate revenue requirement and rate path will be reduced by \$1.5 million per year to reflect the lower interest associated with 2014 solid waste and drainage/wastewater bond sales and bond refunding.

Amendment F: Health Care Inflation

Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

The Plan's health care cost inflation will be reduced from 7% per year to 6.9% per year, with the resulting savings subtracted from the Plan's rate revenue requirement and rate path.

Amendment G: Low-Income Assistance Enrollment Schedule

Amend Section 1 of Resolution 31534 as follows (subsection numbers to be added later):

Section 1. The City Council adopts Seattle Public Utilities' proposed 2015-2020 Strategic Business Plan (the Plan), a copy of which is attached as Attachment A and incorporated by reference, with the following amendments:

To reduce impact on non-low income ratepayers until enrollment success is demonstrated, the schedule for doubling enrollment for low-income utility assistance will be extended to 2022. The Council will consider rate increases above the adopted Plan rate path if a rate study can document that the enrollment target is being met more quickly.

*****NOTE THAT THE AVERAGE ANNUAL RATE INCREASE IN SECTION 2 MAY CHANGE BASED ON THE SECTION 1 AMENDMENTS*****

Amendment H: Firm Cap on Rate Path

Amend Sections 3 through 9 of Resolution 31534 as follows (note that the Section 4 rate path table may change based on Section 1 amendments):

Section 3. The City Council requests that absent extraordinary circumstances, the Executive submit ~~the 2015-2016 Proposed Budgets~~ for 2015 through 2020 that are in support of, and consistent with, the Plan and do not result in rates higher than the Plan's rate path as amended by this resolution.

Section 4. The City Council requests that the Executive submit rates for 2015 through 2020 ~~that are the 2015-2017 Water Rate Study~~ in support of, and consistent with, the Plan and no higher than the Plan's rate path as amended by this resolution and shown below ~~the Plan's 2015-2017 projected water rate path increase of 0.0 percent, 5.2 percent, and 5.2 percent, respectively.~~

<u>Projected 6-year Rate Path</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2015-20 Average</u>
<u>Drinking Water</u>	<u>0.0%</u>	<u>5.2%</u>	<u>5.2%</u>	<u>4.1%</u>	<u>4.4%</u>	<u>2.6%</u>	<u>3.6%</u>
<u>Sewer</u>	<u>0.8%</u>	<u>3.7%</u>	<u>2.3%</u>	<u>3.8%</u>	<u>6.1%</u>	<u>7.9%</u>	<u>4.1%</u>
<u>Drainage</u>	<u>9.8%</u>	<u>10.2%</u>	<u>8.2%</u>	<u>8.2%</u>	<u>8.1%</u>	<u>8.4%</u>	<u>8.8%</u>
<u>Garbage and Recycling</u>	<u>4.5%</u>	<u>4.7%</u>	<u>5.1%</u>	<u>3.8%</u>	<u>2.9%</u>	<u>2.4%</u>	<u>3.9%</u>
<u>Combined</u>	<u>2.7%</u>	<u>5.3%</u>	<u>4.7%</u>	<u>4.6%</u>	<u>5.1%</u>	<u>5.2%</u>	<u>4.6%</u>

~~Section 5. The City Council requests that the Executive submit the 2016-2018 Drainage and Wastewater Rate Study in support of, and consistent with, the Plan and the Plan's 2016-2018~~

~~projected drainage rate path increase of 10.2 percent, 8.2 percent, and 8.2 percent, respectively, and the projected wastewater rate path increase of 3.7 percent, 2.3 percent, and 3.8 percent, respectively.~~

~~Section 6. The City Council requests the Executive submit the 2017-2019 Solid Waste Rate Study in support of, and consistent with, the Plan and the Plan's 2017-2019 projected solid waste rate path increase of 5.1 percent, 3.8 percent, and 2.9 percent, respectively.~~

Section 75. Actual rate changes for each of Seattle Public Utilities' lines of business are subject to approval by the Council via passage of rate ordinances.

Section 86. Seattle Public Utilities will complete an overall review and update the Strategic Business Plan every three years, adding three years to the Strategic Business Plan and re-evaluating the subsequent six-year rate path. The next complete review and adjustment of the Strategic Plan will be finalized in 2017 and will encompass the years 2018-2023.

Section 97. By March 31, 2015, Seattle Public Utilities will propose a reporting framework to the Council to track progress in achieving the goals of the Plan, including efficiency initiatives, programmatic reductions, and action plan goals. The proposal should include milestones and deliverables.