Progress Report to Council: First Quarter, 2016

2015 – 2020 Strategic Business Plan Implementation

At Seattle Public Utilities our mission is to deliver efficient and forward-looking utility services that keep Seattle the best place to live. We pledge to meet community and environmental needs by:

- Maintaining some of the nation's best drinking water
- Preventing sewer backups, flooding, and landslides
- Helping Seattle residents and businesses be recycling leaders
- Protecting local waterways and the Puget Sound from sewage overflows and polluted storm water runoff

We do this while always keeping in mind that we need to spend our customers' money wisely.

2015 – 2020 STRATEGIC BUSINESS PLAN

Seattle Public Utilities (SPU) worked with customers and employees to develop a Strategic Business Plan to guide our work from 2015 through 2020. The Plan grew out of SPU's efforts to provide greater rate predictability, while still making important investments for the future. The Plan will ensure reliable utility services to all neighborhoods and communities in our growing city.

The Strategic Business Plan was adopted by the Seattle City Council on August 11, 2014, via Resolution 31534. This resolution also directs SPU to report to the Council on our progress in achieving the goals of the Plan.

QUARTERLY PROGRESS REPORT

- This document is SPU's first progress report to Council for 2016. SPU is beginning the second year of the six-year plan, and we have many accomplishments to report.
- Service level performance: We are meeting or exceeding most of our service levels, and we are identifying steps to take in the areas needing improvement. Page 3 describe our performance in meeting service levels to our customers and regulators.
- Financial performance: We remain within the 4.6 percent average annual rate increase and can demonstrate efficiency savings. As the City Council directed, this report also provides information on the number of SPU employee positions and on consultant expenditures. Pages 4–5 describe our financial performance.
- Action Item performance: The Action Items are the new tasks we are undertaking to improve our services and increase our efficiency. We are on track for meeting our 2016 goals for most Action Items, and we identify five areas needing special attention. Pages 6–8 provide details on the status of our Action Items.

Service Level Status Report

The Strategic Business Plan includes all of SPU's work. This is represented by the services we provide to our customers and the levels at which we provide these services. Table 1 on the next page summarizes SPU's performance in meeting our service levels. Some highlights are provided below.

MEETING MOST SERVICE LEVEL TARGETS

(Shaded green in Table 1.) Three examples where we are meeting or exceeding our targets are:

- **Customer billing adjustments (#3).** Our goal is that at least 98.5 percent of customer bills do not need an adjustment. We have consistently met this target since we began reporting it in 2015.
- **Emergency response (#4).** Our service target is to respond to water, drainage, and wastewater emergencies within one hour at least 90 percent of the time. In the first quarter of 2016, we responded within one hour 95 percent of the time.
- **Solid waste pickup (#19).** We consistently exceed our goal of less than one missed pickup per 1,000 stops.

AREAS FOR DISCUSSION

(Shaded yellow in Table 1.) Our performance on five service levels requires discussion:

- **First call resolution (#2).** SPU's goal is to resolve customers' questions and issues in the first phone call at least 72 percent of the time. This is in line with the industry-leading practice of 69–88 percent first call resolution. In third quarter 2015, we exceeded this goal slightly with a year-to-date performance of 73 percent. In the 2015 fourth quarter report, performance is noted as "TBD" due to data issues resulting from a software upgrade. Resolution is anticipated in second quarter 2016.
- **Instream water (#7).** One of our five instream flow performance goals is not being met. In February we were unable to keep instream flow within the desired range during a prolonged and heavy rain event (an atmospheric river). This multi-day storm event led to the instream water flow exceeding the "scour" threshold. However, we believe only a small fraction of the salmon redds (spawning nests) were affected by gravel movement in the riverbed, and the impacts on the fishery were minor.
- **No more than four sewer overflows per 100 miles of pipe per year, on a two-year average (#8).** SPU is at risk of exceeding the 2015–2016 target based on the high number of sewer overflows in 2015. To comply with regulations, SPU must have no more than 41 sewer overflows in total in 2016. To achieve this, SPU is proactively cleaning sewers and identifying other corrective measures. If the 2015–2016 target is exceeded, SPU will need to submit a corrective action plan to the Washington State Department of Ecology and the U.S. Environmental Protection Agency for approval.
- **Recycling (#13).** Recycling performance is reported annually. The 2015 recycling data is anticipated in July 2016.
- **WMBE purchasing usage (#23b).** SPU's goal for Women and Minority Business Enterprise (WMBE) firms' purchasing is 17 percent. This is a stretch goal based on higher-than-normal 2014 performance, and is 125% of average WMBE purchasing usage for SPU during the past five years. Our actual WMBE purchases through the first quarter of 2016 were 14 percent of total purchases. This is lower than our 17 percent stretch target, but is an improvement over our 2015 annual performance of 12 percent. SPU is committed to continuing this improved performance throughout 2016.

Table 1. Service Level Performance Through First Quarter 2016

	SPU Services	#	Service Levels	Data Frequency	Target	YTD Performance
Customer Experience	Effective customer service	1	Customers rank their satisfaction with SPU services at least 5 on a scale of 1–7. Last Updated in 2015. YTD shows 2015 Performance.	Every 4 Years	>5 on 1–7 scale	5.9
		2	% of customer phone calls that do not require subsequent repeat contacts	Monthly	72%	TBD
		3	% of customer bills that do not require adjustment	Monthly	98.5%	98.8%
		4	Respond to 90% of priority drinking water, drainage, and wastewater problems within one hour	Monthly	90%	95%
		5	Increase households enrolled in the Utility Discount Program to 22,400 by year-end 2016 - 2016 increase from 2015 YE actuals of 20,799 - Total enrollees at end of 2016	Monthly	0 22,400	86 20,885
Health & Environment	Mountain-fresh drinking water	6	Maintain 100% compliance with Department of Health regulations	Monthly	100%	Yes
		7	Provide instream water for fish and meet other tribal, regional, state, and federal commitments	Quarterly	Meet commitments	*
	Safe sewage transport to King County treatment plants; drainage that reduces flooding & pollution	8	Limit sewer overflows to no more than four annually per 100 miles of pipe, on a two-year average - Total overflows in the current biennium - Overflows in current biennium that count toward performance threshold - Year-to-date biennial performance per overflows per 100 miles of pipe	Monthly	<114 <4	102 90 3.2
		9	Limit combined sewer overflows to one per outfall per year over a 20-year moving average - Total overflows per total number of outfalls (86 outfalls total) - Of the 45 controlled outfalls, the # that have had > 1 overflow this year	Monthly (1 mo. lag)	1.0 by 2025	1 0
		10	Remove 140 tons of pollutants from roads during 2016	Quarterly	140	35
	Planning for the future	11	To support the citywide goal of 700 million gallons of runoff managed using Green Stormwater Infrastructure by 2025, SPU has a 2016 target of managing 10 million gallons of stormwater via RainWise rain gardens and cisterns	Quarterly	10	9.2
		12	Achieve goals for water conservation	Annually	Achieve goals	Yes
	Effective recycling and composting	13	Increase solid waste recycling to 60% by December 2015 and 70% by 2022	Annually	60% by 2015	TBD
	Efficient graffiti removal	14	Clean up graffiti on SPU property and SDOT structures within targeted times at least 90% of the time (10 business days for SDOT structures; 6 business days for SPU property)	Monthly	>90%	95%
Operational Excellence	Efficient illegal dumping removal	15	Illegal dumping requests for clean-up open 10 days or less at least 80% of the time.	Quarterly	>80%	90%
	Mountain-fresh drinking water	16	Limit yearly drinking water outages of more than four hours to less than 4% of retail customers	Monthly	<4%	0.9%
		17	Meet obligations in wholesale customer contracts for pressure, flow, and unplanned transmission system outages	Quarterly	Meet commitments	Yes
	Drainage that reduces flooding & pollution	18	No critical services (e.g., hospitals) are inaccessible due to flooding, except during extreme storm events (events exceeding a 100-year, 24-hour design storm event)	Monthly	Critical services accessible	Yes
	Dependable solid waste pickup	19	Provide reliable solid waste pickup with only one missed pickup for each 1,000 stops	Monthly	<1	.03
		20	Limit late container deliveries to a maximum of two per 100 deliveries	Monthly	<2	1.7
		21	Collect at least 95% of missed solid waste pickups within one business day following notification by customers	Monthly	>95%	97%
	All services	22	Stay within the overall 4.6% rate path through 2020	Annually	4.6%	4.6%
		23a	Meet the aspirational goal of 8% for WMBE usage in consulting contracts	Monthly	>8%	18%
		23b	Meet the aspirational goal of 17% for WMBE usage in purchasing	Monthly	>17%	14%

On Target *Needs Discussion* *Significant Variance from Target*

**Note: See page 2 for dicussion of this service level.*

Tracking Finance in More Detail

The 2015–2020 rate path, efficiency savings, and consultant expenditures

RATE PATH

The Strategic Business Plan commits SPU to an average annual rate increase of not more than 4.6 percent through 2020. Since the Strategic Business Plan was finalized in August 2014, the Council adopted rate increases for each of SPU's four lines of business. The current rates differ somewhat from the rate paths assumed in the Strategic Business Plan. However, SPU remains on target with the 4.6 percent average annual increase in the overall rate path, as shown in Table 2 below.

Table 2. Projected Rate Paths for Each Line of Business Through 2020

	2015	2016	2017	2018	2019	2020	Average 2015-20
Water	**0.0%**	**1.7%**	**2.7%**	4.5%	4.6%	5.2%	**3.1%**
Wastewater	**0.8%**	**3.6%**	**4.6%**	2.0%	7.5%	6.0%	**4.1%**
Drainage	**9.8%**	**9.9%**	**10.0%**	**7.6%**	10.8%	8.2%	**9.4%**
Solid Waste	**5.1%**	**3.8%**	3.0%	3.6%	5.0%	2.7%	**3.9%**
Combined	**2.9%**	**4.1%**	**4.5%**	**3.9%**	**6.7%**	**5.4%**	**4.6%**

Notes to Table: Solid Waste rate path represents average increase assuming new rates are effective April 1 of each year. Drainage and Wastewater rate paths include the assumed increases in the King County sewer treatment charges.

EFFICIENCY & PROGRAMMATIC SAVINGS

The Strategic Business Plan commits SPU to a set of efficiency and programmatic savings. These savings reduce baseline costs while preserving service levels and provide funding capacity for new investments. The dollars associated with the savings have already been removed from SPU's budget and rates.

SPU's 2016 efficiency savings target is $2.4 million in salary savings. To date we have achieved $1.96 million of the target amount.

One way SPU is meeting the savings target is by reallocating staffing resources. To date, SPU has reallocated eight vacant positions to work on Action Items that address service gaps. We also reallocated three vacant positions to higher priority baseline work. By reallocating positions, SPU avoided requesting new positions and $1.24 million in budget authority.

Another way SPU is being efficient is through business process improvements. We are getting more work done with the same number of staffing resources. An example is in drainage and wastewater field operations. In the past, eight two-person crews could typically clean 4,773 lineal feet of sewer pipe per day. Today, these same crews clean a daily average of 7,223 lineal feet of pipe. This 50 percent increase in productivity resulted from improved scheduling of the work, setting clear goals and expectations for the crews, and improved quality assurance and quality control. This translates into a savings equivalent of eight employees and $720,000. Together with vacancy reallocations, the combined savings to date are an estimated $1.96 million.

Another example of business process improvements is source control. SPU's Source Control team conducts inspections and investigations to keep pollution from reaching our drainage system and our receiving waters, including creeks, Puget Sound and Lake Washington. In January 2016, the team streamlined the Business Inspection and the Stormwater Facility Inspection programs. The goal was to reduce the number of days it takes to complete an inspection "case," from the initial inspection to bringing the facility into compliance.

Early findings show the average overall length of time for a Business Inspection case has shortened by 45 percent, from 72 days to 40 days. The Stormwater Facility Inspection program increased inspection productivity by 20 percent. SPU anticipates additional efficiencies as mobile technology streamlines the collection of inspection information.

POSITION COUNT AND CONSULTANT EXPENDITURES

Resolution 31534 directs SPU to track and report on the number of SPU positions and consultant expenditures. The intent of this request is to ensure SPU is not supplanting staff work with consultants.

Position count. During the Strategic Business Plan's development in 2014, SPU's position count was 1,432. In 2016, SPU's position count is now 1,340. This includes 32 positions added by the Council via the 2015 and 2016 budget processes, 107 positions transferred to Seattle IT, and 17 positions transferred out of SPU.

Consultant expenditures. To meet our business needs, SPU frequently hires consultants for an assortment of purposes. In developing consultant contracts, one standard procedure SPU staff must follow is to verify there are not in-house resources available to do this work. SPU typically hires consultants if there is either a lack of in-house expertise, or insufficient in-house resources and production capacity.

The majority of SPU's consultant contracts are for architectural and engineering services. This includes designers for major infrastructure projects, technical support for project controls, and specialized expertise for technical studies.

Table 4 below compares SPU's 2014 and 2015 consultant expenditures with consultant expenditures from the first quarter of 2016.

Table 3. 2014 and 2015 Positions Counts

2014 position count	1,432
2015 position count	1,425
Plus: New positions approved by the Council via the 2016 budget	22
Less: Seattle IT transfers	-107
2015 position count	**1,340**

Note to Table: The 2015 fourth quarter report shows the 2015 position count as 1,426. One of the 2015 position transfers was inadvertently omitted from the report. The revised number is 1,425.

Table 4. Consultant Expenditures by Lines of Business

	2014			2015			2016 – First Quarter		
Funds	CIP	O&M	Total	CIP	O&M	Total	CIP	O&M	Total
Drainage and Wastewater	$15,529,156	$4,362,982	$19,892,137	$12,814,803	$3,618,000	$16,432,803	$1,501,849	$408,811	$1,910,660
Solid Waste	$3,116,067	$1,546,830	$4,662,898	$2,817,482	$1,413,035	$4,230,518	$331,546	$81,938	$413,483
Water Fund	$5,661,526	$1,481,223	$7,142,749	$3,901,983	$1,963,235	$5,865,218	$474,123	$364,007	$838,131
Grand Total	**$24,306,749**	**$7,391,035**	**$31,697,784**	**$19,534,268**	**$6,994,271**	**$26,528,539**	**$2,307,517**	**$854,756**	**$3,162,273**

Notes to Table: Expenditures are based on postings in the Summit financial system. 2014 data adjusted to remove payments for water treatment plant operations, which are not consultant expenditures. 2015 expenditures are lower than 2014 expenditures, largely due to several capital projects moving into their construction phase.

Action Items Status Report

How are we doing on the tasks to improve service and efficiency?

The remaining pages of this report summarize our year-to-date progress on the Action Item commitments in the Strategic Business Plan.

In 2016, we added three items: master planning for the Drainage and Wastewater line of business, policy development for the Drainage and Wastewater line of business, and performance metrics.

We also removed six items from this report. Three are slowing down or deferred: decentralized green systems, valves, and system development charges. Three others are part of broader citywide efforts led by other departments: absence and disability management, employee performance management, and web presence.

SPU has overall accomplishment goals as well as annual goals for each Action Item. Table 5 shows details on the overall and first quarter accomplishments for 17 key Action Items. Below are some highlights.

We are on track to meet most of our 2016 accomplishment goals. Three examples include:

- **Flooding and sewer backup prevention.** Work continues on flooding and sewer backup prevention projects for the Broadview and South Park neighborhoods. We are developing a funding request for the design and construction of infrastructure in Broadview's highly impacted areas. For South Park, we're preparing more detailed topographic and utility maps to inform drainage conveyance options. We are also working to receive $4 million in grants from King County and to partner with the Army Corps of Engineers to conduct a sea level study.
- **Performance metrics.** We are making steady progress to establish an SPU-wide tracking system to help us assess how well we are meeting our service delivery goals. Each division is developing key performance metrics. We are also developing an internal "dashboard" to display the measures and performance data.
- **Seismic vulnerability.** We're making significant inroads toward having a fully developed plan to protect the drinking water system from earthquake damage. We have nearly completed the seismic hazard assessment. This is key to completing an overall study and making capital and operational recommendations.

Two Action Items are tentatively on schedule to meet 2016 accomplishment goals:

- **Sewer rehabilitation.** Several sewer infrastructure improvements are under way, including rehabilitation of existing pipes. We are also developing a comprehensive strategy for increasing the miles completed each year and the efficiency of that work. So far this year, we've spent $3.8 million of our $14.0 million annual budget for rehabilitating pipes.
- **Climate change adaptation and resiliency.** SPU is reviewing historic precipitation patterns and modeling the future's anticipated weather patterns. So far this year, we've nearly completed the update of the observed "Intensity, Duration, Frequency" (IDF) curves. In addition, we completed a draft task plan to analyze climate impacts on water supply.

Our efforts to centralize our water meter management functions and improve billing meter replacement and repair is behind schedule. The Action Item requires work unit reorganization, staffing resources, and business process improvements to provide a higher level of customer service. This staffing work is underway but is proceeding more slowly than anticipated.

Table 5. Progress on Key Action Items by Strategic Focus Area

SPU Service	2015-2020 Overall Accomplishment	2016 Goal & First Quarter Progress	On Track for 2016	% 2015–2020 Work Complete
Focus Area: Customer Experience				
Effective customer service	**1. Development Services** Centralize and streamline the Utility's permit, service, and sales functions for customers undertaking property-development work.	**Goal:** DSO customers understand the Utility's process and recommend improvements; they receive better customer service. **To date**, we've learned about our water tap customers' experiences; produced a "research map" to help customers understand our work; and integrated key data systems to improve access to customer and project information.	Yes	0–25%
	2. Service Equity Ensure all communities and customer groups have equitable access to—and ability to use—the Utility's services.	**Goal:** Establish Equity Teams in each of the Utility's branches and partner with three community organizations. **To date**, we rolled out the branch team strategy and are identifying community organizations partners.	Yes	0–25%
Focus Area: Operational Excellence				
Safe sewage transportation to King County treatment plants; flooding & pollution reduction	**3. Broadview Drainage & Wastewater** Accelerate flooding and sewer backup prevention projects in the Broadview neighborhood.	**Goal:** Request project funding for design and construction in the highly impacted areas. **To date**, the funding request is being developed.	Yes	0–25%
	4. Sewer Inspection Implement a sewer pipe assessment and inspect all pipes by 2026. This will guide future pipe replacement and repair work.	**Goal:** Develop a condition assessment strategy and inspect 190 miles of pipe. **To date**, we've inspected 44 miles of pipe.	Yes	0–25%
	5. Sewer Rehabilitation Centralize meter management within the Utility and improve replacement and repair services.	**Goal:** Invest $14 million in rehabilitation projects and update the sewer renewal strategy. **To date**, we have spent $3.8 million on rehabilitation projects.	Needs Discussion	0–25%
	6. Sewer Pipe Cleaning Complete system-wide sewer pipe cleaning by 2022.	**Goal:** Clean 300 miles of pipe. **To date**, we've cleaned 170 miles of pipe.	Yes	25–50%
	7. DWW Master Plan Complete City-wide master plans for the drainage and wastewater systems.	**Goal:** Complete project management plans for both systems and begin developing the Wastewater Master Plan. **To date**, the planning process is on schedule.	Yes	0–25%
	8. South Park Drainage & Wastewater Plan drainage improvements and construct them as financially feasible to reduce chronic flooding in the South Park neighborhood.	**Goal:** Complete development of drainage conveyance system options. **To date**, we are ready to accept $4 million in King County funding, we've requested the Corps of Engineers' help with a sea level study, and more detailed topographic and utility mapping is underway.	Yes	0–25%
	9. DWW Policy Development Complete formal policy recommendations on critical drainage and wastewater issues	**Goal:** Finalize policy work from 2015 and develop policies on eight additional issues. **To date**, we approved two policies (industrial discharges and groundwater seeping into the right-of-way); and we've started work on backflow prevention and addressing inflow and infiltration conditions.	Yes	0–25%
Mountain-fresh drinking water	**10. Seismic Vulnerability** Develop a plan to protect the drinking water system from earthquake damage.	**Goal:** Substantially complete the study and develop recommendations for capital and operational implementation. **To date**, the assessment of seismic hazard "types" is ~90% complete. Additional assessments are planned.	Yes	25–50%
Effective customer service	**11. Billing Meters** Centralize the Utility's water meter management functions and improve replacement and repair services.	**Goal:** Centralize meter management and increase the amount of testing of large retail meters. **To date**, we're addressing staffing issues that will increase efficiencies and provide a higher level of customer service.	No	0–25%

On Target *Needs Discussion* *Significant Variance from Target*

SPU Service	2015–2020 Overall Accomplishment	2016 Goal & First Quarter Progress	On Track for 2016	% 2015–2020 Work Complete
All	**12. Revenue Recovery** Establish clear and predictable charges for customers requesting a range of services, such as meter testing, new water tap installation, and turning water service on or off.	**Goal:** Revise pricing methods and charges for developer and water-related services. **To date**, we're assessing our pricing methods and actual project and service costs.	Yes	50–75%
	13. Performance Metrics Establish a Utility-wide performance metrics tracking system to help us assess how well we meet our service delivery goals and to help us continuously improve business processes.	**Goal:** Build the framework and dashboards based on three representative metrics from each division that provide insight into the Utility's business and opportunities for continuous improvement. **To date**, divisions are developing their measures, and we're designing a "dashboard" display for reporting.	Yes	0–25%
	14. Service Equity Toolkit Ensure all communities and customer groups have equal access, service delivery, and ability to use the Utility's services.	**Goal:** Apply the Racial Equity Toolkit to four Utility activities. **To date**, we're ready to act once issues are identified as described in Action Item #2, above.	Yes	0–25%
Ready for emergencies	**15. Emergencies & Disasters** Create and implement a comprehensive plan for maintaining and restoring essential services during an emergency.	**Goal:** Complete a draft outline of the plan and begin gathering data. **To date**, the Hazard Identification & Vulnerability Assessment (HIVA) is in final review; completion is expected in April.	Yes	50–75%
Focus Area: Health and Environment				
Planning for the future	**16. Climate Change Adaptation & Resiliency** Make the Utility business-ready to anticipate and effectively respond to climate change.	**Goal:** Complete climate modeling analyses and historic precipitation studies; begin incorporating future precipitation patterns, and develop drainage and wastewater adaptation strategy. **To date**, we're finishing up historic precipitation analysis and now identifying methods to generate climate-perturbed precipitation patterns.	Needs Discussion	0–25%
	17. Energy Management & Carbon Neutrality Implement a strategy to reduce or offset greenhouse gases produced by the Utility's business practices.	**Goal:** Complete the 2014 and 2015 greenhouse gas (GHG) inventories and the carbon neutrality portfolio. **To date**, a staff request for the GHG inventory has been submitted, and the carbon neutrality portfolio is in development.	Yes	0–25%

On Target *Needs Discussion* *Significant Variance from Target*