



Progress Report to Council: Fourth Quarter, 2018

Implementing the 2018-2023 Strategic Business Plan Update

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

- Maintain and deliver some of the nation's best drinking water;
- Help Seattle residents and businesses be recycling leaders; and
- Protect local waterways and Puget Sound from sewage overflows and polluted storm water runoff.

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

The 2018 - 2023 Strategic Business Plan

Seattle Public Utilities (SPU) worked with customers and employees to update its Strategic Business Plan (the Plan) to guide our work from 2018 through 2023. The Plan Update continues to provide greater rate predictability while making important investments for the future.

The Seattle City Council adopted the Strategic Business Plan Update on November 17, 2017, via Resolution 31760.

Quarterly Highlights

The Strategic Business Plan includes all of the work and the services SPU provides to its customers. Table 1 summarizes the utility's performance in 23 service areas. Highlights are provided below.

- **Utility Discount Program (#3).** The Utility Discount Program ended the year with 31,924 enrolled households, achieving 94% of 2018 year-end enrollment goal of 34,000 households. In Q3 and Q4, administrative work to reconcile enrollment numbers between the newly upgraded Utility Assistance Program database and SPU and SCL's customer billing system improved enrollment data accuracy but caused a decrease in enrollment of 3,046 households. Of those households, 97% were determined to have moved out of the program's service territory. An updated UDP Strategic Marketing and Outreach Plan is expected to launch by end of Q1 2019. By end of Q2 2019, SPU, in partnership with SCL, will complete analysis of UDP's eligibility criteria and a tiered discount system as part of the Affordability and Accountability Council Deliverable; a plan will be submitted to Council by June 30, 2019.
- **Collection of Solid Waste Misses (#18).** SPU solid waste contractors had significant challenges during 3Q18 due to high rates of driver absenteeism. We addressed this gap with contractors and reliability significantly improved in Q4 (an average of 94% collected within one business day). However, Q4 improvements could not make up for Q3 issues, finishing the year at 86.4% of missed pickups within one business day (YTD).
- **WMBE spending (#19).** Issues related to the City-wide PeopleSoft upgrade were resolved, and FAS provided 2018 YTD data. We revised SBP targets in Table 1 to match the more aggressive targets stated SPU's 2018 WMBE Plan and Goals; we exceeded the 2018 target of 14% purchasing with WMBE firms and met our target of 21% consulting contracts with WMBE firms. Both 2018 targets were significant increases from 2017's targets of 12% for both purchasing and contracts, as we engaged in efforts in 2018 to increase WMBE utilization. Reporting issues related to the PeopleSoft upgrade prohibited data availability to track progress throughout the year.

Table 1. Service Level Performance - Fourth Quarter 2018

#	Performance Metrics	Reporting Frequency	Target	2018 Performance
Focus Area: Customer Experience - Making it easier to get help and find answers				
1	Customers rank their satisfaction with SPU services is at least 5 on a scale of 1-7. (Last measured in 2015.)	Every 4 Years	≥5	5.9
2	% of priority drinking water, drainage, and wastewater problems responded to within one hour. (YTD)	Monthly	≥90%	95%
3	# of households enrolled in the Utility Discount Program. - Increase since January 1 - 2018 year end goal: 34,000	Monthly	NA 34,000	-952 31,924
Focus Area: Health and Environment - Protecting your health and our environment				
4	Compliance with all Department of Health regulations.	Monthly	Yes	Yes
5	Meet tribal, regional, state and federal commitments for instream water for fish. This includes implementing a beneficial instream flow regime that provides high quality fish habitat for salmon and steelhead and reduces the risks of stranding juvenile fish or dewatering fish redds (nests).	Quarterly	Meet commitments for the quarter	Yes
6	Limit sewer overflows to no more than 4 annually per 100 miles of pipe, on a two-year average. - # of total sewer overflows in the current biennium - # of sewer overflows that count towards the Consent Decree threshold - # of sewer overflows in the current biennium per 100 miles of sewer pipe	Monthly	NA <114 <4	62 55 1.9
7	Limit CSOs (combined sewer overflows) at each outfall to ≤1 per outfall per year over a 20-yr moving average. - # of CSOs per outfall (85 outfalls total), year-to-date average	Annual 1 month lag	≤1.0 by 2025 No target	3.1 1.7
8	# tons of pollutants removed from roads during 2018. (YTD)	Quarterly	≥140 tons/year	145
9	# gallons of runoff water managed using Green Stormwater Infrastructure. (In millions of gallons) (YTD)	Quarterly	11.3M gallons by year-end	13.8
10	Achieve Water Conservation Partnership regional water conservation goal. (MGD = million gallons/day)	Annual (April)	<105 MGD	96.6
11	% of solid waste being recycled or composted.	Annual (July)	≥70% by 2022	56.9%
12	% of graffiti removed within 10 business day for SDOT structures and 6 business days for SPU property. (YTD)	Monthly	≥90%	97%
13	% of illegal dumping cleaned-up within 10 business days. (YTD)	Monthly	≥80%	98%
Focus Area: Operational Excellence - Improving how we work to deliver consistent, high quality services				
14	Meet obligations in wholesale customer contracts for pressure, flow, and unplanned transmission system outages.	Quarterly	Meet commitments	Yes
15	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	All critical services accessible	Yes
16	Provide reliable solid waste pickup with only one missed pickup for each 1,000 stops. (YTD)	Monthly	≤1	0.7
17	Limit late container deliveries to a maximum of two per 100 deliveries.	Monthly	≤2	0.9
18	Collect at least 95% of missed Residential and Multifamily solid waste pickups within one business day. (YTD)	Monthly	≥95%	86.4%
19	% of purchases and consulting contracts with WMBE firms. (YTD)	Monthly	Consulting ≥21%	21%
		Monthly	Purchasing ≥14%	19%
Focus Area: Financial Health				
20	Stay within the overall 5.2% Endorsed rate path through 2023.	Quarterly	≤5.2%	Yes
21	The Water Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes
22	The Drainage & Wastewater Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes
23	The Solid Waste Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes

Not measured monthly On track Monitor

Action Items and Council Deliverables – Improving Services

This section summarizes the utility's progress on the 12 investment Action Items and ten Council Deliverables that support the 2018-2023 Strategic Business Plan Update. Table 2 and Table 3 present the overall goals of each Action Item and Council Deliverable, as well as our 2018 deliverables for each, and our progress in the Fourth Quarter. Table 4 presents City Council Deliverables completed and closed in 2018.

Table 2. Progress on Action Items

2018-2023 Action Items Overall Goals	2018 Deliverables and Fourth Quarter Progress	On track?
<p>1. Apprenticeship Program Expand and enhance SPU's apprenticeship program to recruit and retain the best and most diverse talent by providing more training and creating career pathways into and up in the organization.</p>	<p>2018 Deliverables: Begin the process to hire approximately 15 water pipe worker apprentices. Develop instructional lesson plans for both Water and Drainage and Waste Water (DWW). In the Fourth Quarter, the Water Advisor was hired, lesson plan development continued, and the South Seattle College development contract is now in place. To support affordability of the rate path, we have postponed filling the DWW Advisor position until Q3 2019.</p>	No
<p>2. Diaper & Pet Waste Feasibility Study Evaluate the feasibility of composting diapers and pet waste.</p>	<p>2018 Deliverables: Confirm final program options. In the Fourth Quarter, funding for the feasibility study was removed from 2018 Spending Plan and 2019 Budget as SPU continues its efforts to maintain a projected rate path. We are evaluating the options to support this action item in future years.</p>	No
<p>3. Facilities Improvements Purchase property, reconstruct existing facilities, and construct new facilities to address deficient work space conditions for field crews, equipment, and administrative staff: North Operations Complex; South Operations Complex; Cedar Falls; and Seattle Municipal Tower.</p>	<p>2018 Deliverables: 1. Design & permit South Operations Center (SOC) 2018 2. Construct SOC 2019-2021 3. Commission & relocate DWW SOC 4. Haller Lake Yard facilities plan with FAS in 2018 5. Haller Lake Yard property agreement with FAS in 2019 6. Start design & permit for the North Operations Complex (NOC) facilities & site improvements 2020 7. Start relocation & construction of NOC in phased sequence. In the Fourth Quarter, Cedar Falls headquarters was substantially completed in December 2018. The Haller Lake Phase 1 improvements were also completed. We have formed an Interdepartmental Team with our partner departments, SDOT and FAS, and are jointly exploring options for Haller Lake Yard facilities development that will meet mutual needs. Due to concerns about the increasing costs of a new facility (\$62.3 million at last estimate), growing emphasis on resiliency, and changing facility needs and opportunities, the project scope for the SOC changed in mid-2018. Instead of a complete building renovation with capacity for 145 staff, the scope now includes a building refresh with capacity for 45 staff. Initial improvements were completed in Q4, and DWW All City crews are now occupying the building; future improvements are being pursued to extend site functionality. Based on the new scope of work, this project is on track for 2018.</p>	Yes
<p>4. Green Fleet Fund the infrastructure needed to implement a fleet of electric vehicles to reduce SPU's use of fossil fuels and support the City's Drive Clean Seattle Fleet initiative.</p>	<p>2018 Deliverables: 1. Hire Green Fleet Project Manager by end of Q1 2018 2. Align and finalize Green Fleet Action Plan by end of Q2 2018 3. Complete short term (2 year) plan tasks aligned with fleet, electricians budget and others by end of Q3 2018 4. Complete (remaining 5 years) long term plan by end of Q4 2018 In the Fourth Quarter, we installed 32 electric vehicle charging stations at the Operations Control Center and assessed opportunities at the SOC and Lake Youngs. We also completed the 10-year assessment for electric vehicle opportunities at all SPU facilities and continued developing SPU's Vehicle Reduction Plan. As the City Fleet Reduction Executive Order took priority over the long-term plan, this deliverable was not completed in 2018 as planned (it was 75% complete at the end of Q4).</p>	No

2018-2023 Action Items Overall Goals	2018 Deliverables and Fourth Quarter Progress	On track?
<p>5. Green Stormwater Infrastructure Pilot Expand green stormwater infrastructure projects with a focus on urban villages to support livability while addressing stormwater management needs.</p>	<p>2018 Deliverables: Conduct spatial analysis across a range of variables to identify six high priority urban villages for possible year 1 project sites. In each site, identify key DWW issues that may be solved with green infrastructure, and complete high-level problem definition and opportunities assessments. Select final 1-2 urban villages for 1st year of program and begin concept development.</p> <p>In the Fourth Quarter, we approved program and 2019 funding allocation. We began design on a water quality and flood prevention project in South Park and explored project opportunities in other neighborhoods, including Lake City and Crown Hill.</p>	Yes
<p>6. Pump Stations, Force Mains, and Combined Sewer Overflow Outfalls Rehabilitate or replace assets at SPU's 68 sewer pump stations and their associated for mains to help prevent sewer overflows and backups. Rehabilitate and replace SPU's 86 CSO outfalls to help prevent sewer backups.</p>	<p>2018 Deliverables: Begin construction of pump station ventilation upgrades and other improvements (pump stations 2, 72, and 73); begin construction of Force Main 43 emergency replacement; start design of next pump station improvement packages and design of two airlift pump stations.</p> <p>In the Fourth Quarter, Pump Station 72, 73, 2 rehabilitation projects, the Pump Station ventilation project, and the Force Main 43 emergency replacement project are now in construction. We are now at 30% design for three pump station projects and initiated for two others.</p>	Yes
<p>7. Security Monitoring Add a dedicated security monitoring center to provide SPU with real-time monitoring of security video and add a security position to respond to an increasing number of incidents, improve response time to alarms, and perform more security checks.</p>	<p>2018 Deliverables: Program to initiate following the hiring of a security program specialist.</p> <p>In the Fourth Quarter, the security position was reclassified by SDHR, and the monitoring center location was finalized. We are now beginning the final step of setting up the position and the employee into the role.</p>	Yes
<p>8. Sewer Rehabilitation Increase repair, rehabilitation, and replacement of SPU's aging wastewater and drainage pipes, based on criticality and condition assessments, to support SPU's goals of preventing sewer overflows and meeting regulatory requirements.</p>	<p>2018 Deliverables: Invest \$27.2 million in sewer rehabilitation.</p> <p>In the Fourth Quarter, we invested \$21.4 million through the end of December; this resulted in the rehabilitation of 12 miles of sewer pipes. Construction has been delayed due to long SDOT permit review periods, and design has been impacted by delayed contract approvals. We were approximately 20% underspent for 2018.</p>	No
<p>9. Sewer Repairs Increase sewer spot repairs utilizing trenchless technology, an efficient and cost-effect approach to address certain sewer system problems, to support meeting SPU's regulatory requirements, and reduce the likelihood of structural failures and sewer backups.</p>	<p>2018 Deliverables: Be ready to begin field work in 2019 by hiring and training staff in 2018 and buying the needed equipment.</p> <p>In the Fourth Quarter, the crew hiring process was completed, and crews started training on rental equipment. Consultant began work on the SOP. Cross-training with City of Tacoma will begin Q1 2019. Equipment is expected in Q3 2019.</p>	No
<p>10. Technology Portfolio Management Add a position to manage SPU's information technology portfolio and governance system to enable SPU to better partner with the Information Technology Department to develop, manage, and track SPU's suite of technology projects.</p>	<p>2018 Deliverables: Develop a multi-year plan to ensure that Seattle IT services align with SPU's business priorities. This includes creating service level agreements and/or service expectations and metrics for critical services; ensuring the Technology CIP portfolio reflects SPU's priorities; and developing asset management plans for systems that are unique to SPU.</p> <p>In the Fourth Quarter, we developed a portfolio of 2019 technology CIP projects to reflect SPU's business priorities and began partnering with SCL to align decision-making processes for joint projects. The IT Liaison position has been deferred for 2 years to support rate path.</p>	No
<p>11. Water Distribution System Maintenance Expand maintenance of approximately 60,000 water valves and 19,000 fire hydrants to better ensure that valves and hydrants operate reliably when needed, particularly during emergencies.</p>	<p>2018 Deliverables: Continue to complete deferred minor maintenance work orders. Document backlogged work orders as part of monthly reporting.</p> <p>In the Fourth Quarter, we continued to track backlogged work orders and completed work orders as staff time allowed. We also began analyzing the backlog to set priorities for 2019. Hiring additional FTEs was postponed in Q3 to help sustain the affordability of our rate path.</p>	No

2018-2023 Action Items Overall Goals	2018 Deliverables and Fourth Quarter Progress	On track?
<p>12. Water and Drainage & Wastewater Opportunity Projects Take advantage of street openings driven by transportation projects by initiating water infrastructure projects to improve service levels, reduce risk, reduce future costs, and provide service where there currently is none.</p>	<p>2018 Deliverables: Address each potential opportunity project through Stage Gates options analysis (triple-bottom-line cost-benefit analysis) to determine recommended course of action. In the Fourth Quarter, we continued to track and analyze upcoming projects for potential water infrastructure replacement opportunities through regular communications with SDOT. We reviewed 29 projects in 2018, nine of which were reviewed in Q4.</p>	Yes

Table 3. Progress on City Council Deliverables

2018-2023 Council Amendment Scope	2018 Deliverables and Fourth Quarter Progress	On track?
<p>1. Customer Review Panel Maintain continuous stakeholder engagement. Submit legislation to formally establish the Review Panel with details for composition, appointment and confirmation rules, and other procedural requirements.</p>	<p>2018 Deliverables: Submit Review Panel legislation by year-end 2017. Have Panel meet twice a year. In the Fourth Quarter, the Customer Review Panel met on December 5, 2018 and elected a Chair and Co-Vice Chairs. Members heard a presentation called "Centering on Race & Advancing Equity as a Community Centered Utility."</p>	Yes
<p>2. CIP Accomplishment Rate Adjust the baseline capital improvement program accomplishment rate from 100% to 97.5%.</p>	<p>2018 Deliverables: Create a plan to monitor, report and maintain CIP spending at 97.5% of the CIP endorsed in the Strategic Business Plan. In the Fourth Quarter, we continued to monitor the accomplishment rate to ensure spending is within the endorsed rate path. All funds are on track.</p>	Yes
<p>3. System Development Charges Develop a formal policy proposal to establish new sewer and drainage connection charges and change the method of calculating the water connection charge. Submit the policy proposal to City Council by June 1, 2018.</p>	<p>2018 Deliverables: Develop policy to establish new sewer and drainage connection charges and submit to Council by June 1, 2018. Develop a policy to change the method for calculating the water connection charge and submit to Council by June 1, 2018. In the Fourth Quarter, we continued to analyze policy issues and presented four more issues to the E-Team. We held a customer workshop to receive feedback on issues under analysis. The 2018 deliverable is complete; an issue paper was submitted to Council in June.</p>	Yes
<p>4. Accountability & Affordability Prepare a strategic plan for affordability and accountability.</p>	<p>2018 Deliverables: Prepare an affordability and accountability strategic plan and submit a status report to Council by August 1, 2018. In the Fourth Quarter, a full project plan was developed and focus areas were further developed and narrowed to six areas. An extended core team was formed, and initial workshops were conducted.</p>	Yes
<p>5. Risk & Resilience Prepare a risk and resiliency management assessment to identify and evaluate potential impact and disruption to SPU's business and investment strategies. The assessment may include the following: climate change; disaster preparedness; economic growth and cost of living trends, market trends for utility services, regional and City investment priorities, and workforce availability and capabilities. Submit a status report on the assessment by August 1, 2018. Submit the final draft to Council by June 30, 2019.</p>	<p>2018 Deliverables: Form committee to evaluate SPU's current work and identify gaps and then develop a draft plan for the Resiliency framework. In the Fourth Quarter, we completed the risk assessment stage and are now gathering information on accomplishments to date. We have also began preparing the report for the final Council delivery on June 30, 2019.</p>	Yes
<p>6. Efficiency Report Conduct a thorough review of utility business practices identifying changes in operation and project delivery processes that result in at least 0.1 percentage point decrease to the 5.2 percent combined average annual rate increase.</p>	<p>2018 Deliverables: Review business practices identifying 0.1 percentage point decrease to the 5.2 rate increase, by Dec 30, 2018. In the Fourth Quarter, we provided Council with a status report of the work and moved the deliverable due date to June 30th to coincide with the Affordability and Accountability deliverable deadline.</p>	Yes

Table 4. Completed and Closed City Council Deliverables

2018-2023 Council Amendment Scope	2018 Deliverables and Completion Date
<p>Water Tap Fees Adjust water tap fees to reflect current costs of service. Updated fees shall be implemented by SPU via Director’s Rule no later than April 1, 2018.</p>	<p>2018 Deliverables: Adjust water tap charge to recover costs and have an updated Directors Rule by April 1, 2018. This Council Deliverable was completed and closed in the Third Quarter.</p>
<p>Water Connection Charges Update the water connection charge to ensure that SPU is charging the appropriate amount related to connecting to the water system and consistent with the SMC. Updated charges shall be implemented by SPU via Director’s Rule no later than April 1, 2018.</p>	<p>2018 Deliverables: Adjust water connection charge to recover costs and have updated Director’s Rule by April 1, 2018. This Council Deliverable was completed and closed in the Third Quarter.</p>
<p>Utility Taxes Evaluate the transparency of utility billing information including the portion of a customer’s bill attributable to state and local utility taxes, and specific state and local tax rates. Provide recommendations to the City Council addressing the Customer Review Panel’s letter no later than April 15, 2018.</p>	<p>2018 Deliverables: Recommendations to the City Council by April 15, 2018. This Council Deliverable was completed and closed in the Third Quarter.</p>
<p>CIP Cost Review Report to the Council Committee with scoping recommendations, timelines, and an estimate of the cost to engage one or more consultants to do an independent cost estimate for all discrete non-relocation-related CIP projects with an estimated total cost of no less than \$60 million.</p>	<p>2018 Deliverables: Finalize the report for the City Council in the second quarter. This Council Deliverable was completed and closed in the Second Quarter. We will continue to conduct independent cost estimates for all discrete non-relocation-related CIP projects with an estimated total cost of no less than \$60 million; there are no additional projects of this size during this planning period.</p>