

SPU Customer Review Panel

October 3, 2018



WELCOME

Suzanne Burke
Bobby Coleman
Dave Layton
Laura Lippman
Maria McDaniel
Noel Miller
Thy Pham
Rodney Schauf
Puja Shaw
Kyle Stetler
Jessa Timmer



Panel's Role

A. Provide oversight of the Strategic Business Plan implementation:

1. Review and provide input on the progress of the action plans and other deliverables related to the adopted Plan; and;
2. Monitor the six-year rate path endorsed by the Plan, gain an understanding of the drivers impacting the revenue requirements that differ from those assumed in the endorsed rate path, and provide input in support of the Plan implementation.

B. Provide input into Strategic Business Plan updates:

1. Gain a knowledge of SPU services, financial policies, costs, and rates;
2. Review the Plan's assumptions, technical evaluations, policy directions, and action alternatives;
3. Work closely with staff designated by the City Council and the Mayor to understand the issues and concerns of the City Council and the Mayor;
4. Provide to the Mayor and City Council comments on the Plan concurrent with delivery of the final proposed Plan to the City Council; and
5. Assist the Mayor and City Council in engaging customers in discussions of the merits and implications of the Plan.

Today's Agenda

- SPU and Strategic Business Plan (5 min.)
- General Manager's Perspective Presentation, Q&A (25 min.)
- Strategic Business Plan 2018 - Performance Update, Q&A (50 min.)

Break (10 min.)

- Panel Expectations Discussion (20 min.)
- Panel Charter and Process (25 min.)
- Panel 2-year Work Plan Outline (5 min.)
- December Meeting (5 min.)

SPU and Strategic Business Plan



Our Customers

- include 1.4 million people living in 19 municipalities
- provide \$1.2 billion dollars per year in rate funding
- recycle 450,000 tons of waste per year



Drinking Water Services

Our Services

Every month SPU's 1400 employees:

- remove 12.5 tons of stormwater pollutants from storm drains and streets
- collect from 1,773,668 solid waste stops
- answer 50,000 customer calls and inquiries



Drainage and Wastewater Services

Our Assets

SPU owns, operates and maintains:

- 102,000 acres of pristine watershed
- 5 major drinking water and solid waste facilities, numerous reservoirs, pump stations...
- over 3,700 miles of utility mains, pipelines and green infrastructure



Solid Waste Services

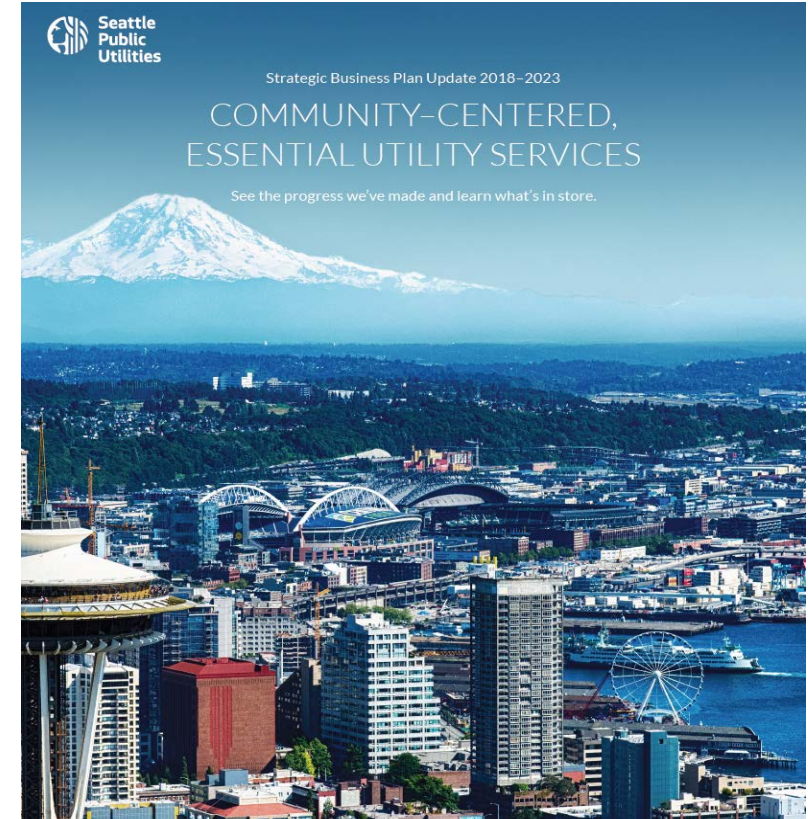
SPU Strategic Business Plan - History

- Created with input from SPU employees and customers, it is intended to provide predictable rates while ensuring long-term sustainability and excellent service.
- First six-year SPU Strategic Business Plan (SBP) adopted in 2015.
- Updates are on a 3 year cycle and cover a six year rate period.
- In November 2017, City Council adopted SPU's Strategic Business Plan 2018-2023.
- A nine-person Customer Review Panel met 15 times (September 2016 - May 2017) to support update.



Strategic Business Plan 2018 - Overview

- Four Focus Areas:
 - *Improving Customer Experience*
 - *Protecting Public Health & Environment*
 - *Operational Excellence*
 - *Transforming the Workforce*
- 6-Year average annual rate path increase of 5.2%
- Initiated 12 Investment Action Plans
- 10 Council Amendment Deliverables (*many Panel recommended*)



2017 Panel Letter - Interests and Concerns

1. Focus on affordability and reduction of rate increases (vs shifting costs between rate classes)
2. Provide vigilant oversight of Ship Canal Water Quality Project
3. Review cost of Move Seattle transportation and other ballot measures before adoption
4. Review cost of City Initiatives – IT, Office Space, Green Fleets, etc. before adoption
5. Evaluate rate smoothing, design and subsidies (self haulers)
6. Assess rate impacts on small business
7. Develop comprehensive cost comparison data for all lines of business with other utilities
8. Find, implement and track new savings, efficiencies and programmatic reductions
9. Provide utility tax transparency, limitation and indexing
10. Support the Utility Discount Program



2017 Panel Letter - cont.

11. Expand developer revenues (system development/connection charge fees)
12. Repair and replace aging sewer and water infrastructure (with opportunity projects too)
13. Develop specific plan for transforming the work place (culture, succession)
14. Evaluate climate and resiliency investments in 2021 update
15. Comply with Federal regulations
16. Review expanded green infrastructure pilot proposals
17. Convene the Panel to review Plan Implementation Progress
18. Improved business customer input
19. Plan for unanticipated events (eg King County Wastewater Treatment Plan)
20. Defer pet waste and diaper recycling





General Manager's Perspective





SPU provides essential services
that are
foundational to our community.



...the visible



...the visible



...the visible

How do the plants and soil in these railes help to clean rainwater?



...the invisible



...the invisible



...the invisible



...the invisible

4 Major Utilities



Mountain-Fresh
Drinking Water



Industry-Leading,
Planet-Focused Solid
Waste Management



Wastewater Collection
and Conveyance



Sustainable
Stormwater
Management

Critical Utilities and Services Under SPU Umbrella

Resource Protection and Enhancement

Watershed Management

Wildfire Management

Urban Forestry

Waterway Restoration and
Management

Hatchery Management

Dams and Reservoir
Management

Supporting a Changing Community

Litter Collection

Needle Collection and Pickup

Encampment Trash Pickup

Business District Support

Physical Location Services

State GPS Network System
(ID and WA)

Survey

Testing

Materials Testing

Water Quality Testing

Education

Watershed Education

Industry Education

Youth, Schools, Apprentice,
and Intern Education

Resource Recovery

Compost

Recycling

Durable Goods Reuse

SW Infiltration and Aquifer
Recharge

Food Recovery
Coordination

Professional Services

Engineering Services



A community-centered utility





What we
invest in
matters.





Financial and Manufactured Capital



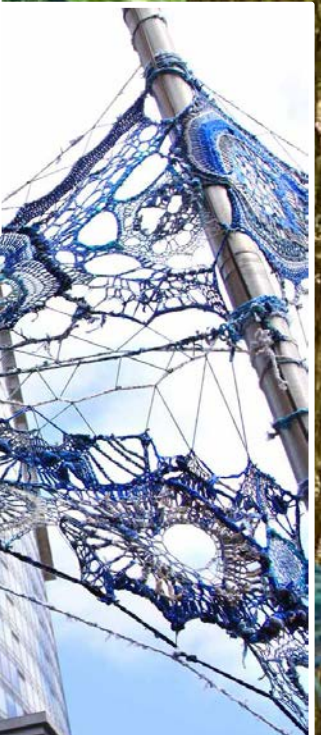
Natural Capital



Human Capital



Social Capital



Cultural Capital

"Mater Matrix Mother and Medium" funded by SPU 1% for art



Bhutanese community visits Cedar River Watershed
Photo: International Examiner



TRAIL & FIELD

Operation Sack Lunch

Food Rescue

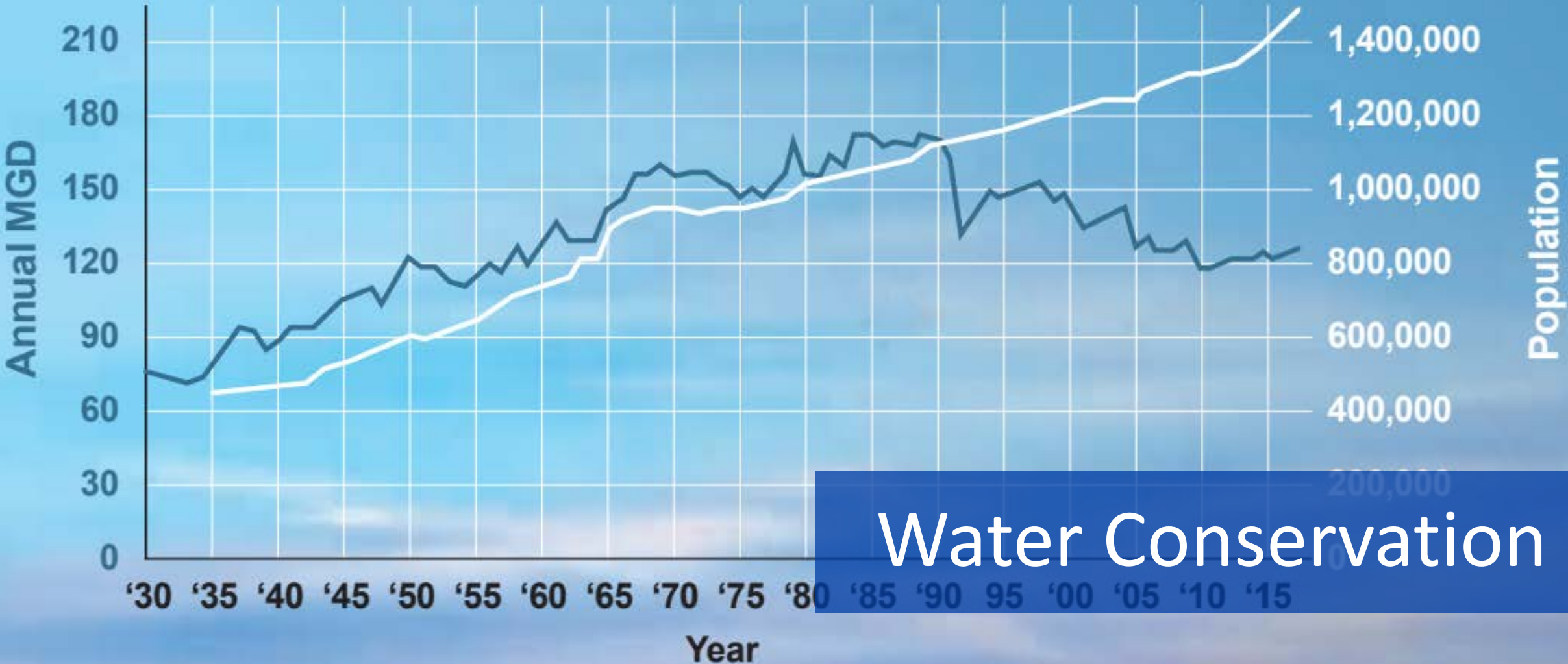


Plastic Straw Ban

GREENBEAR

Total Seattle Regional Water System Annual Demand in Millions of Gallons Per Day: 1930-2017

— Annual Consumption in MGD — Seattle Population



Water Conservation



RainWise, Green Infrastructure



Can it



Fats, Oils, and Grease



60 X
Wise
Putting Iron Hoops
around Stave Pipe at Sta
Jan 26, 1900

Questions & Answers



Strategic Business Plan 2018 – Performance Update



Three Part Overview

1. Q2 Performance Levels and Action Plan Status
2. Rate Path and Financial Indicators
3. Council Amendment Updates
 - Affordability & Accountability Framework
 - Risk and Resiliency Framework
 - Expanded Revenue (i.e. Water Connection Charge, Water Tap Fees)
 - System Development Charges (SDCs)
 - Efficiency Savings
 - Utility Tax



Q2 Performance Levels and Action Plan Status



SBP - Q2 Performance Levels

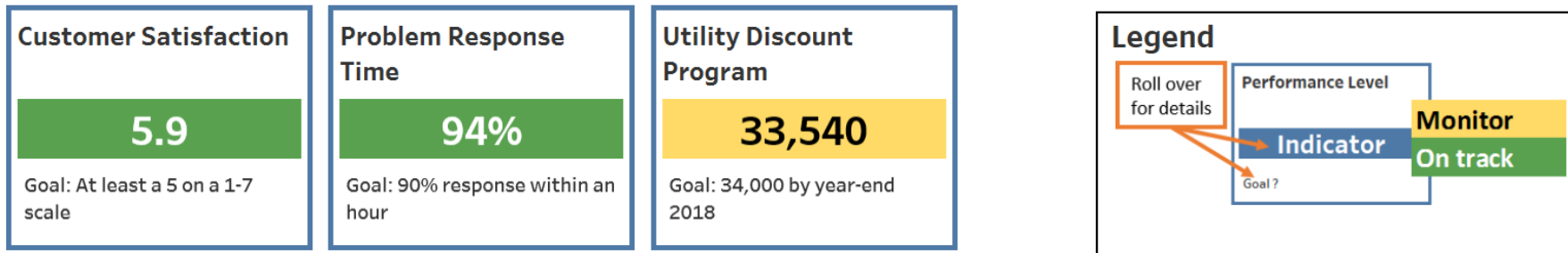
Performance Levels

Action Plans

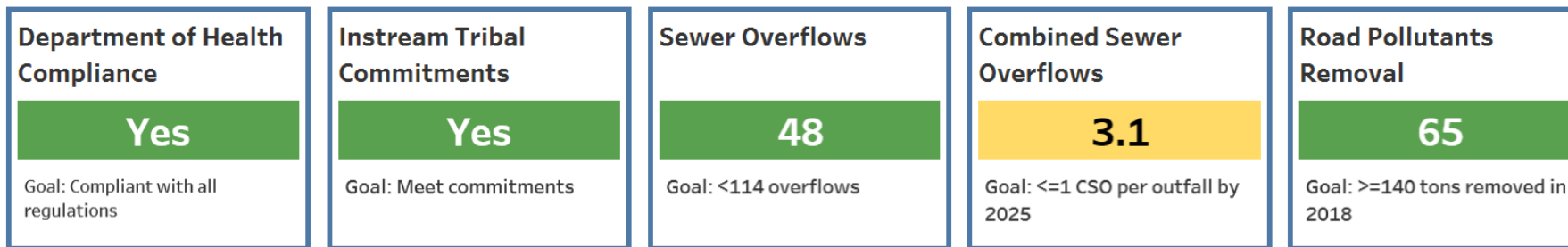
Council Deliverables

Performance Levels - Second Quarter 2018

Customer Experience



Health and Environment



<https://reporting.seattle.gov/t/Citywideinforshowcase/views/SPUQuarterlyReporttoCouncil/PerformanceLevels>



SBP - Action Plan Status

Performance Levels

Action Plans

Council Deliverables

Corporate

DWW

Solid Waste

Water

(select LOB to filter actions)

Action Plans (click on each item for details)

Apprenticeship Program	■
Diaper & Pet Waste Feasibility Study	■
Facilities Improvements	■
Green Fleet	■
Green Stormwater Infrastructure Pilot	■
Pump Stations, FMs, and CSO Outfalls	■
Security Monitoring	■
Sewer Rehabilitation	■
Sewer Repairs	■
Technology Portfolio Management	■
Water and Drainage & Wastewater Oppor..	■
Water Distribution System Maintenance	■

<https://reporting.seattle.gov/#/site/Citywideinforshowcase/views/SPUQuarterlyReporttoCouncil/ActionItems>



Rate Path and Financial Indicators



Rate Path and Financial Indicators

Changes that provide opportunities

- Improved 2017 results – lower spending and higher revenues
- Favorable Drainage and Wastewater bond issue in 2017
- Increased use of cash balances
- Lower-than-expected King County wastewater treatment rates
- Updated cost assumptions and reductions or project delays

Changes that are challenges

- Higher CIP on CSOs as well as a shifting CIP on transportation and facilities projects
- Lower consumption forecast



Rate Path and Financial Indicators

What does this mean for the rate path?

Passed	2018	2019	2020	2021	2022	2023	2018-23
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	8.1%	9.9%	8.9%	1.3%	2.6%	5.8%
Drainage	10.7%	9.2%	9.7%	9.9%	7.9%	4.7%	8.7%
Solid Waste	3.1%	3.3%	4.0%	3.0%	3.8%	2.8%	3.4%
Combined	4.3%	5.7%	7.0%	6.8%	3.7%	3.6%	5.2%

Updated	2018	2019	2020	2021	2022	2023	2018-23
Water	2.0%	2.5%	3.7%	5.0%	4.1%	5.0%	3.7%
Wastewater	4.1%	7.5%	7.4%	7.3%	4.5%	2.4%	5.5%
Drainage	10.7%	8.0%	8.0%	8.0%	8.0%	9.0%	8.6%
Solid Waste	3.1%	3.3%	4.0%	3.0%	3.8%	2.8%	3.4%
Combined	4.3%	5.3%	5.8%	5.9%	4.9%	4.3%	5.1%



Council Amendments Update

- 1. Affordability + Accountability Strategy – Dani Purnell**
- 2. Risk and Resiliency Strategy – Kyle Raymond**
- 3. Expanded Revenue (Tap Fees and Connection Charges) – Julie Vorhes**
- 4. System Development Charges (SDCs) – Cameron Findlay**
- 5. Efficiency Study – Cameron Findlay**
- 6. Utility Tax Transparency – Cameron Findlay**





Affordability + Accountability Strategy

Origin: Council requirement in Strategic Business Plan 2018 approval.

Intention: Foundational element of Strategic Business Plan 2021.

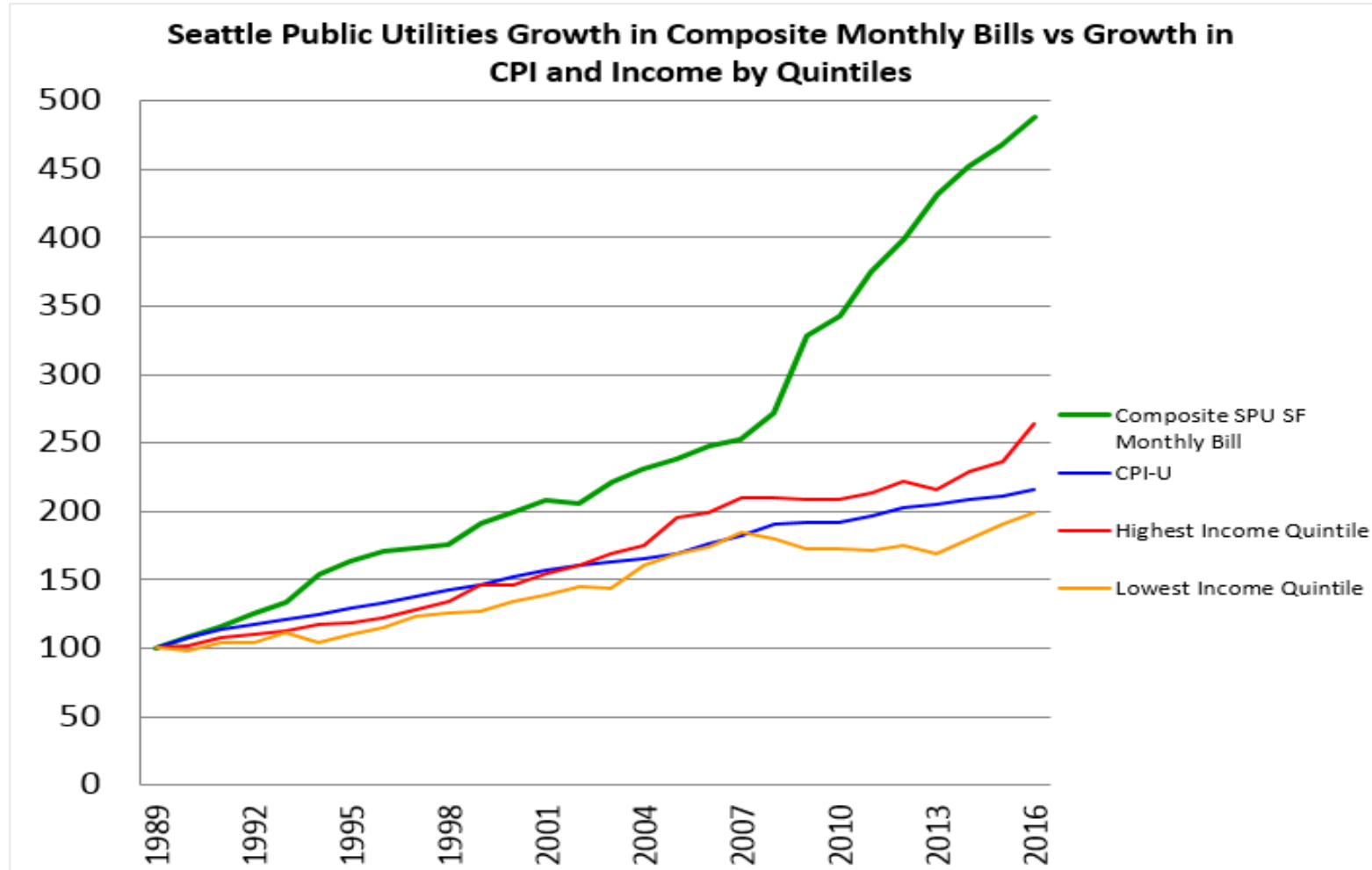
Key Elements:

Reasonable Rates	Assistance	Responsible Investment	Performance
Keeping rates as low as possible for as long as possible.	Ensuring customers can access utility services without risk of shutoff.	Calibrating service levels and investments with needs, risks, and maximum value for least cost.	Bringing transparency to how ratepayer money is spent and the value of those investments.



SPU Bills vs. Inflation and Income (1989-2016)

- SPU Bills
- Inflation (CPI)
- Highest Income Quintile
- Lowest Income Quintile



Affordability - Progress Report

- **Initial Conditions Assessment: January-June 2018**
- **Council Status Report: Delivered August 1, 2018 (in Panel binder)**
- **Evaluate Major Focus Areas: October 2018 – April 2019**



- **Executive's Proposal Due to Council: June 30, 2019**

Risk & Resiliency Framework

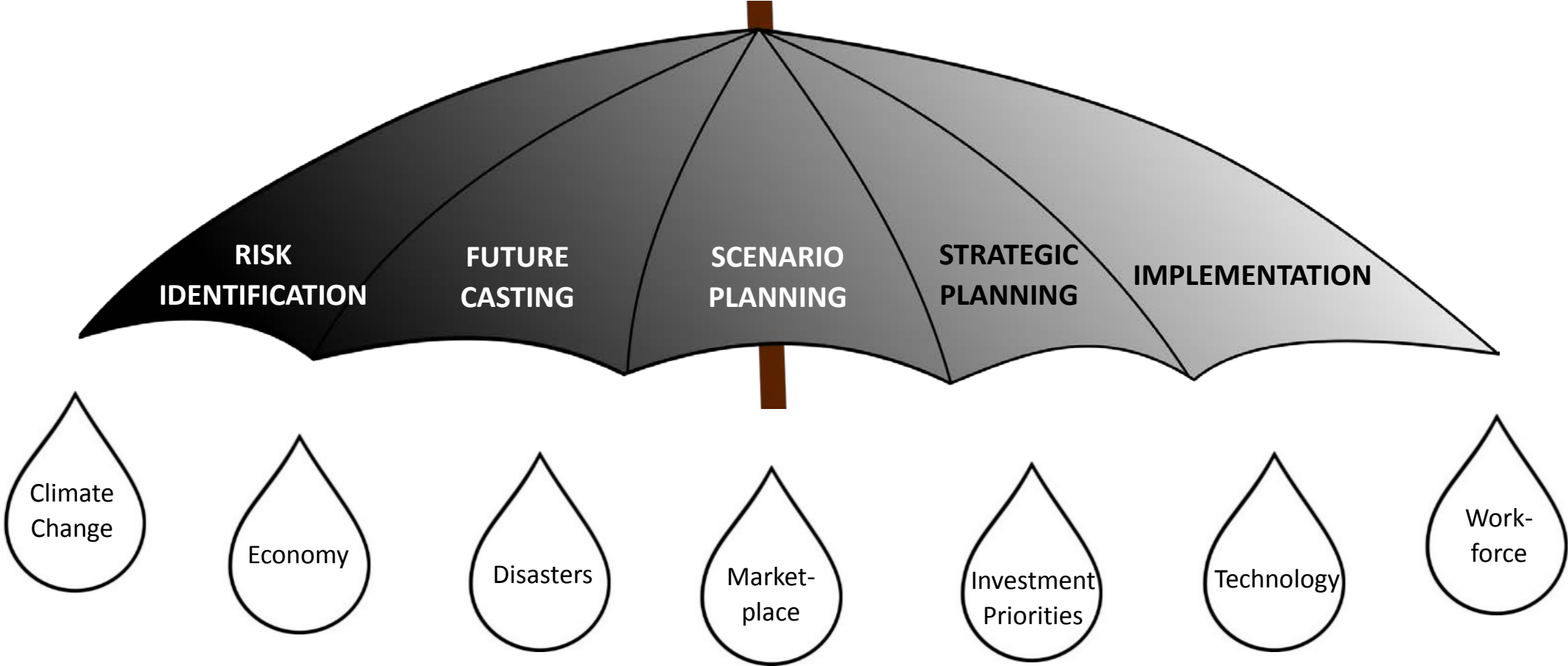
Resilience is the ability to recover from setbacks, adapt well to change, and keep going in the face of adversity.

- Flexible
- Redundant
- Agile
- Collaborative
- Robust

- Diverse
- Equitable
- Resourceful
- Community-Centered
- Evolving



Risk & Resiliency Framework





Risk & Resiliency Framework: Accomplishments

- Submitted Status Report to Council
- Drafted Resiliency Framework
- Completed broad-based risk assessment
- Established program “Maturity Model”
- Prioritized risk by Line of Business (LOB)
- Identified LOB dependencies
- Assessing and developing futuring models

Examples of Resiliency in Action

Water System Seismic Plan

Water Supply Plan

Sea Level Rise Policy

Emergency Management Plans

Facilities Master Plan

Continuing planning and investment

Risk & Resiliency Framework: By June 2019

- Completed report to City Council
- Finalized Framework and Assessment
- Conducted stakeholder outreach
- Integrated resiliency in to various SPU plans and investments
- Recognized the disparate impacts to communities



Expanded Revenue - Directive

- SBP Customer Review Panel *(June 2017)*
 - Reduce pressure on rates
 - Expand existing water connection charge
 - Fully recover costs of connections
- Council *(November 2017)*
 - Adjust water taps or service installation fees to recover costs
 - Update water connection fees so consistent with City Code
 - Assumed in rates

Expanded Revenue - Water: Taps v. Connection Charge



Water Taps or Service Installations



Water Connection Charge

Expanded Revenue - Status

- Adjustments
 - Water taps or service installations
 - Result from rigorous assessments
 - Recover actual costs
 - Water connection charge
 - Calculated per SMC
- Established by Director's Rule
- Fully implemented October 1, 2018



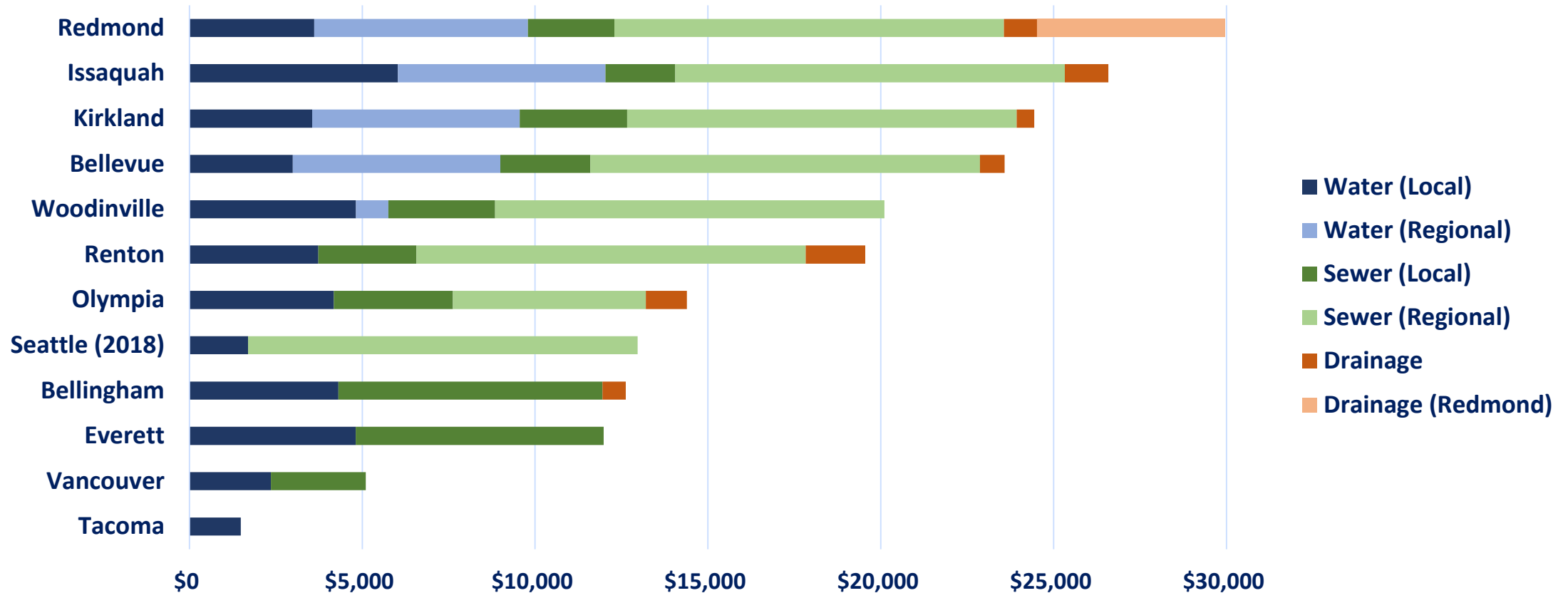
System Development Charges (SDCs)

- One-time charge on new growth to access the utility system or on existing services with expanded system impacts
- SPU's water SDC excludes several costs, and is among the lowest in the region
- Council asked SPU to update the water SDC calculation and create SDCs for sewer and drainage



SDC Comparisons

Local and Regional SDCs per Equivalent Residential Unit (ERU)



SDCs Status

- 6/30/18: submitted issue paper to Council
- Analyzing, applying the equity lens and making recommendations on:
 - SDC calculations
 - Use of revenue
 - Latecomer agreements
 - Mitigating impacts on affordable housing projects
- Starting customer engagement in the fall
- Coordinating with other City departments
- Executive's proposal due to Council 3/31/19



Efficiency Savings

What is the ask?

Council reduced SPU's rate path by 0.1% for the six – years, the equivalent of \$15M in O&M.

What have we done?

- Gathered ideas from SPU Leadership team
- Launching a deeper dive into the most likely beneficial ideas

Efficiency Savings - Where are we?

Any challenges?

- Many efficiencies will decrease the growth of costs and allow SPU to do more with the same amount of resources, but may not result in budget reductions.

What are we doing to overcome?

- Working to continue to find other ways to maintain the rate path commitment AND implement long term commitments.

Utility Tax Transparency

What was the ask?

- Improve bill transparency on the utility taxes customers pay
- Consider limiting the utility tax

A little background

- 2018 City utility tax is estimated to be \$107M
- SPU receives about \$16M in General Fund for non-utility related work, such as, hydrants and clean city work

City Utility Tax Rates

15.54% - Water

11.5% - Drainage

12% - Wastewater

14.2% - Solid Waste

Utility Tax - What were the results?

- Adding information to bills to provide greater transparency
 - *x% of water bills are paid to city taxes and x% to state taxes*
 - *x% of sewer bills are paid to city taxes and x% to state taxes*
 - *x% of solid waste bills are paid to city taxes and x% to state taxes*
- *For every \$x of utility bill (combined Water, Sewer, & Solid Waste) customers pay \$x in taxes (city and state combined).*



Utility Tax - What were the results?

- Leave the utility taxes as they are until broader and fundamental changes can be made to the overall City tax structure.
- Once these structural changes are in place, we propose exploring limiting the utility taxes.



Questions & Answers



Panel Expectations Discussion

Questions

1. Strategic Business Plan 2018 (Existing)

What information is most helpful to track?

2. Strategic Business Plan 2021 Update (Future)

What is important to Panel members in terms of information provided, how Panel is engaged in Plan development?

Panel Charter and Process



Ground Rules

How we will work together:

- Respect the right to be heard—only one person talk at a time and raise your hand to comment.
- Stay on topic and task consistent with the Customer Review Panel’s role.
- Monitor your airtime. Be concise so we can hear from everyone.
- Be constructive and solutions oriented.
- Be respectful of differing points of view.
- We will operate by consensus wherever possible. We will take votes if necessary.
- Focus on interests, not positions; treat people as individuals.
- Be here: if you need to take a call or email/text, please go out into the hall.
- If you need to take a break at any time, please do.
- Don’t let the perfect be the enemy of the good.
- Keep a sense of humor.
- Use your “red salmon” flag to help us stay on track with these rules.
- New ground rules can be added by the Panel at any time.



Ground Rules cont.

The Process:

- Meetings will start on time.
- Meetings will end on time, unless there is agreement to extend for a specific amount of time.
- The facilitator will keep track of requests for information from Panelists; we will confirm together staff's capacity to respond, and whether the answers are of general interest to the Panel or simply need individual follow up.
- At each meeting we will discuss plans for the next agenda. Agendas and materials will be circulated by email to the Panel members in advance, consistent with the Panel Charter.
- A summary of each meeting will be prepared by staff and the facilitator and submitted for approval by the Panel at the next meeting.
- The facilitator will keep us on schedule during meetings.



Draft Charter

1. Duties of the Review Panel
2. Membership
3. Panel Officers
4. Compensation
5. Meetings of the Review Panel
6. Chair and Vice-Chair of the Review Panel
7. Staffing
8. Amendments



Housekeeping

- Binders
- Contact Info
- Chair and Vice-Chair
- Other



Representing Stakeholder Interests

*The Panel shall consist of eleven (11) members drawn from among SPU's customers, and selected by the Mayor and City Council to ensure a balance of viewpoints regarding services and rates that are **representative of the views within SPU's customer base as a whole.***



Panel 2-Year Work Plan Outline

Panel Work Plan – Initial Outline

		2018		2019					2020								
Meeting Schedule	Major Elements	Q4		Q1	Q2	Q3	Q4		Q1			Q2			Q3	Q4	
		Oct	Dec	Mar	Jun	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Sep	Dec
Onboarding																	
SBP 2018 Implementation	<u>Performance Reporting</u>																
SBP 2021 Development	<u>Aspirations + Base Conditions</u> • <i>vision, values</i> • <i>trends, challenges, opportunities</i>																
	<u>Framing</u> • <i>plans, policy, priorities</i>																
	<u>Mayor/Council Early Guidance</u> • <i>rates, priorities</i>																
	<u>Portfolio + Performance Review</u> • <i>existing, future</i> • <i>water, <u>dww</u>, solid waste, corporate</i>																
	<u>Rate Path Review</u>																
	<u>Draft/Final Plan Review</u>																
	<u>Panel Letter</u>																
SBP 2021 Engagement	<u>Engagement – Internal + External</u>																

Monthly Meetings

December Meeting



Date and Draft Agenda

- Tentative Times: December 5, 10 or 12
- Draft Agenda:
 - Strategic Business Plan 2018 – Q3 Reporting
 - Framework for Strategic Business Plan 2021 Update
 - SPU Current State and Trends
 - Major Project Updates – Ship Canal Water Quality Project, Move Seattle
- Invitation to Attend: ***ALL Community Advisory Committee Meeting Oct. 24, 5:30-8:30***



THANK YOU FOR YOUR TIME!

- Mami, Dani, Jonathan, Natasha, Karen, Ellen, Kathleen, Cameron, Brian, Melina, Julie, Kyle

