

**About this Draft:**

*Text in blue or brackets is instructive and will not be printed in the report. This WORD version of the report is formatted so it is easy to review and hand off to the graphic design team for formatting. Notes are provided regarding 'design direction' throughout the report.*

**COVER**

SPU LOGO

2021-2026 Strategic Business Plan

[INSERT DAY MONTH OF PUBLICATION], 2020

Preliminary Review Draft

INSIDE FRONT COVER

[NOTE: There will also be a brief (2 page), separate executive summary]

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## Your Invitation to Join Us

Thank you for making a difference in our community. Your water stewardship, recycling, and trash reduction helps keep Seattle Public Utilities' (SPU) rates affordable and reflects your commitment to our region's environmental ethic.

This utility, with our community, is a national leader in protecting and sustaining community health and the environment. At SPU, we have long recognized that how we manage water and waste has the power to drive transformative change for people and the planet. Today, this is more important than ever, as new and continuing challenges test our resiliency and resolve.

The challenges of coronavirus have been difficult. There has been tremendous suffering, but also beacons of hope—people supporting others, waters clearing, air pollution decreasing, and innovation and adaptation have taken center stage. Learning from this crisis makes clear that we can take action and build resilience. Together, we have the power to confront challenges such as climate change, water and waste pollution, affordability, the racial inequities of income disparity, and the coronavirus crisis. It is time to rethink how we live and manage our resources, including water and materials that become waste. Imagine a future where together we:

- Transform how we capture and use water and protect our waterways;
- Reconsider what we produce, consume, and waste;
- Reimagine and restore our connections with nature, with each other, and with the most vulnerable in our community;
- Refocus how we invest our resources to be strategic, equitable, and affordable; and
- Stimulate a green economy and jobs.

These imperatives shape our vision for healthy waters, sustainable resource use and a thriving community. We call this vision: One Water—Zero Waste—All People.

We understand this vision can only be achieved through broad partnerships across the community—with residents, businesses, environmental leaders, and others. By advancing our part of the Green New Deal, we can collaboratively prevent waste; prioritize sustainable resource management; facilitate greener and more efficient building; invest in needed utility infrastructure; and partner to create new, green jobs, especially for underserved communities, focused on restoration of our waters and watersheds, prevention of pollution, and recovery of precious material resources.

Our commitment is to work tirelessly to deliver utility services that match your values and, whenever possible, exceed your expectations. We are creating a strong community inside and outside our organization. We want to be a place where equity, affordability, and sustainability guide our daily actions. We encourage continuous learning and improvement. We aim to always respect and understand customer and employee rights and responsibilities.

We ask you to help us achieve this vision. Please lend your imagination, your voice, and your actions to conserve our water resources, reduce waste, restore our environment, and build a stronger Seattle.

Together we can thrive,  
Mami Hara, GM and CEO, Seattle Public Utilities

## About Seattle Public Utilities

We provide essential drinking water, drainage and wastewater, and solid waste services to more than 1.5 million people in the greater Seattle area. 1,400 SPU employees work in partnership with our community to achieve affordable and equitable stewardship of our water and waste resources for future generations.

[USE 10 PHOTOS/VISUALS TO DEMONSTRATE EACH OF THE FOLLOWING]

As a community, we work to:

- Protect our mountain drinking water sources
- Keep our tap water safe and enjoyable
- Educate our residents, businesses, and future generations about our protected watersheds, urban forest, waterways, and resource management stewardship
- Increase waste prevention, recycling and composting
- Keep neighborhoods clean, healthy, and beautiful
- Turn kitchen waste into healthy soil
- Maintain our sewer and drainage systems and reduce urban flooding
- Prevent water pollution and support raingardens
- Safely remove pollutants from streets, sidewalks, and open spaces
- Ensure investments benefit our customer-owners

[PLACE GUIDING PRINCIPLES AS A SIDEBAR]

## Guiding Principles

Our shared values guide all we do. To be community-centered and act in service to our customer-owners, we collaborate to uphold these principles:

- **Prioritize Equity:** Start with and focus on equity principles as a foundation for our work
- **Empower Others to Act:** Lift up community voices and build trusting relationships
- **Advance Affordability:** Be systematic, strategic, and responsive to ability to pay
- **Foster Sustainability:** Work upstream and holistically across systems, and manage adaptatively
- **Grow Opportunity:** Foster equity, advancement, inclusion, learning, and service
- **Partner for Impact and Innovation:** Collaborate to maximize benefits locally, regionally, and nationally
- **Ensure Safety:** Protect people on the job and through our services

## The Challenges Ahead of Us

The profound impact of the coronavirus pandemic revealed, in new ways, our local community's compassion, hardiness, and strength. Most of all, it has shown that working together is a requirement for success. We must apply this sense of partnership, resilience, and resourcefulness to address the challenges that lie ahead.

[DESIGN TEAM WILL LAY OUT THE CHALLENGES BELOW WITH PICTURES AND THESE ILLUSTRATIVE CUT LINES]

*How will we...*

*Make this great place affordable in the face of increasing wage inequity and coronavirus driven economic recovery? (Affordability)*

*Address climate changes, such as extreme storms, rising sea levels, and dry periods? (Climate Change)*

*Change the way we work, behave, and incentivize opportunities so prosperity is enjoyed by all? (Equity)*

*Stop millions of gallons of stormwater pollution and sewer spills that threaten our streams and waterways? (Water Pollution)*

*Save our oceans and earth from overwhelming volumes of plastic and other waste? (Plastic and Packaging Pollution)*

*Eliminate toxins from what we use and consume to lead healthier lives and to prevent land and water pollution and expensive post remediation efforts? (Toxics)*

*Maintain our aging water and sewer infrastructure in ways that support environmental and resiliency goals? (Aging Infrastructure and Seismic Risk)*

*Find creative ways to reduce food waste and increase food security? (Food Waste)*

## Strategic Business Plan Overview

This plan builds on our strengths, focuses our work, and guides essential service delivery and comprehensive business strategy for SPU's drinking water, drainage and wastewater, and solid waste responsibilities. It reflects and responds to values consistently expressed by customers and community: affordability, sustainability, and equity.

[Include graphic illustrating 'affordability, sustainability and equity' and inter-relationship of SPU water, DWW and solid waste lines of business.]

In the pages that follow, we identify SPU's focus areas and describe our long-term goals, near-term objectives, and highlighted initiatives and investments. This plan looks forward to the next six years (2021-2026) and provides our customers with a predictable three-year adopted rate path and projections for the subsequent three years. We will update our plan and adopted rate path on a three-year cycle to allow for future uncertainties and adjustments.

## Our Comprehensive Strategic Approach

As a public utility, it is crucial that we have impact beyond delivery of service, collection and billing. SPU has a responsibility to maximize our investments and long-term outlook for our customers. Our success depends on full collaboration among our entire community to drive down costs strategically and systematically in ways that reduce risks and yield long-term sustainability and well-being. We are all in the water and waste business together, at every home, office, and organization—from our mountain watersheds to Puget Sound.

Our approach maximizes:

- **Environmental and public health benefits** to build long-term restoration and resilience, while ensuring environmental justice in how we manage water and waste resources.
- **Community benefits** to create equity and empowerment for residents and employees, recognizing the impact SPU work can have on economic opportunities, social cohesion, and cultural identity.
- **Economic benefits** to ensure that accountability, affordability, efficiency, and risk management drive how we manage our business, public investments, and bottom line.

## Your Utility, Your Voice

We work in partnership with our customers to keep your water safe, your garbage sorted, and waste disposed of in ways that are good for the environment and our community. Customer voices helped shape this plan and will be vital to our success.

### We conducted broad research and engagement

- Voice of the Customer Research Review: A comprehensive review of 16 research studies commissioned by SPU and others from 2010-2019 to better understand residential and business customer experiences, opinions, and preferences as well as employee perspectives.
- Community Outreach: Engagement with underrepresented communities through interviews with community leaders and outreach by Department of Neighborhoods community liaisons in multiple languages in specific neighborhoods. A five-question (translated) survey was promoted at community events, on social media, via bill inserts, our website, and other communications.
- Employee Engagement: Input from employees through an online survey and group discussions. A series of workshops and online engagement tools refined our mission, vision, and values.
- Business Interviews: In-depth interviews with a diverse cross-section of large, medium, and small business customers.
- Customer Review Panel: The panel (appointed by the Mayor and City Council) met regularly to provide input on the Strategic Business Plan and SPU's progress in implementing the current Plan.

What we learned:

1. SPU services are essential. We are known for providing safe, high quality drinking water; reliable drainage and sewer service; and effective garbage disposal and waste prevention.
2. People appreciate SPU's thinking about the future. Issues associated with growth, affordability and climate change are recognized challenges for the utility.
3. Many recognize that SPU is doing more to create authentic partnerships in communities that have long been underserved—and there is more to be done.

[POTENTIAL VISUAL w/FACTOIDS. INFO WILL BE UPDATED WHEN FINAL DATA IS AVAILABLE: xxx visits to SPU Strategic Plan website; 944 survey completions; 52 in-depth interviews with community and business leaders; 82,378 reached via Facebook.]

### Seattle Public Utilities Customer Review Panel

The Seattle Public Utilities Customer Review Panel\* provides advice and recommendations to the Mayor and City Council on the utility's strategic plan and rates. The panel includes representatives from private, public and nonprofit sectors, utility experts, business leaders, and community representatives. The panel met with SPU leaders regularly and provided valuable input that shaped this effort.

|                    |                  |             |
|--------------------|------------------|-------------|
| Panel Members:     | Suzanne M. Burke | Dave Layton |
| Noel Miller, Chair | Bobby Coleman    |             |
| Laura Lippman      | Thy Pham         | Puja Shaw   |
| Maria McDaniel     | Rodney Schauf    |             |

\*The Seattle Public Utilities Customer Review Panel was created July 2018 through City Council Resolution 31825.

**Plan Roadmap**

[This page will signal a transition to new/important content. Info below may be better conveyed in a graphic for purposes of flow, but for ease of understanding, we are providing as a table now.]

|                        |  |  |
|------------------------|--|--|
| SPU VISION             | Our purpose and aim for the next 25-50 years   | Our Vision: ONE Water—ZERO Waste—ALL People<br>For healthy waters, sustainable resource use, and a thriving community  |
| SPU MISSION            | What we do   | We protect and enhance our health, environment, and economy by partnering with community and customers to manage water and waste resources now and for future generations. |
| FOCUS AREA GOALS       | Unifying framework for SPU commitments and goals across three separate lines of business. What we seek to accomplish over the next 10 years and beyond | Delivering essential services<br>Stewarding environment and health<br>Empowering our community and employees<br>Strengthening our utility’s business practices             |
| OBJECTIVES             | What we will concentrate on in the next six years to advance our goals   | Identified by focus area goals, pages x-x  |
| HIGHLIGHTED STRATEGIES | Provide examples of initiatives and investments that will advance our goals in the next three years. Highlights do not reflect all that SPU is doing.  | See page x   |

Preliminary



## Our Vision

Looking forward to the next 50 years of service, we aspire to leave a transformative and enduring legacy of environmental, community, and economic vitality by sustainably managing water and waste resources.

[EMPHASIZE VISION STATEMENT BELOW]

### **Our Vision: ONE Water - ZERO Waste - ALL People**

#### **For healthy waters, sustainable resource use, and a thriving community**

**One Water:** The full value of water is realized and stewarded—at all points in its cycle. This helps ensure healthy people, communities, and environment through approaches such as green infrastructure, distributed infrastructure, and watershed restoration.

**Zero Waste:** All materials and resources are valued. This helps prevent pollution and reduces trash in landfills, incinerators, and oceans through practices such as building circular economies, thoughtful product stewardship, waste and toxics prevention, and encouraging product reusability and durability.

**All People:** We are a community-centered utility. This means we must first consider how vulnerable, historically underserved, and inequitably resourced communities are impacted so we can make our services accessible to all. By keeping communities at the heart of our work, we will improve affordability, environmental justice, opportunity, quality-of-life, and sustainability.

## Our Mission

We protect and enhance our health, environment, and economy by partnering with community and customers to manage water and waste resources for future generations.

[SIDEBAR/CALL OUT: SPU IS COMMUNITY-CENTERED]

Our work makes a difference in people’s lives and we work diligently to address challenges and reflect community values through collaboration and partnerships.

[CALL OUT BOX/QUOTE: “My wish is that one day my great, great grandchildren stand on the shoreline and tell their children about how their great, great grandfather and his colleagues had the vision to restore it more than 100 years ago.” —Jerry Waldron, SPU Employee, January 2020]

[If room, put sentence below in a call out box on some key terms.]

**Holistic, sustainable resource management** looks at whole systems and life cycle approaches, ensuring decisions are economically, environmentally, and equitably sound.

**A circular economy** eliminates waste through design, maintenance, repair, reuse, remanufacturing, recycling, and upcycling. In contrast to the ‘take, make, dispose’ model of a linear economy, a circular economy eliminates waste.

### Focusing Our Work

While SPU has three separate lines of business (water, drainage and wastewater, and solid waste), we look across these lines of business to find ways to maximize environmental and public health, and communal and economic benefits.

Across the utility, we are committed to achieving the following:

| Focus Area  | Description  | Goal(s)  |
|---|--|--|
| <b>Delivering Essential Services</b>                | Ensure that our customers receive reliable and responsive services at their homes and businesses.  | <ul style="list-style-type: none"> <li>• Provide high-quality services—from the water at the tap to garbage, recycling, wastewater and stormwater management, and clean cities—every day, all year, in person, by phone, and online.</li> </ul>  |
| <b>Stewarding Environment and Health</b>            | Strive for natural balance and build connection between people and their environment to create a healthy home for all.                     | <ul style="list-style-type: none"> <li>• Develop ecosystem resilience through one water approaches—integrated and equitable water management, efficient and optimal use, healthy watersheds—in the face of a changing climate and economy.</li> <li>• Advance zero waste and a circular economy practices to reduce Seattle garbage and carbon pollution as rapidly as possible.</li> </ul>  |
| <b>Empowering Our Community and Employees</b>       | Support our community, customers, and employees in building an equitable, sustainable, and just future.                                    | <ul style="list-style-type: none"> <li>• Ensure all people have equitable access to SPU information, educational materials and services, and can steward water and waste resources.</li> <li>• Maximize the benefits of SPU investment—economic opportunity, livability, and resiliency.</li> <li>• Build a dynamic and diverse work culture that prioritizes racial equity and that attracts, inspires, and invests in existing and future employees—our most valuable resource.</li> </ul> |
| <b>Strengthening Our Utility Business Practices</b> | Foster SPU’s culture of continuous improvement and make strategic decisions and investments that improve affordability and sustainability. | <ul style="list-style-type: none"> <li>• Build an adaptive organization focused on continuous improvement and deepening our culture of safety, excellence, and innovation.</li> <li>• Ensure financial sustainability and affordability through strategic management of resources.</li> <li>• Invest for effective operations and infrastructure, balancing and managing risks and opportunities for our customers and our community.</li> </ul>   |

**Focus On: Delivering Essential Services**

Essential service delivery represents the day-to-day services our customers expect and are needed by the community to live healthy lives. Front-line service staff work year-round to deliver reliable water, drainage and wastewater, solid waste services and clean city services to homes, businesses, schools, nonprofits, other organizations, and places across our community.

*Our Essential Front Line Workforce*

[Info below may be better conveyed in a graphic but provide here as a table prior to being designed.]

| FRONT LINE                   | RESPONSIBILITIES   | DESCRIPTION  |
|------------------------------|--|--|
| Drinking Water               | Manages and delivers safe and pure drinking water to Seattle and the King County region.   | Oversees our watersheds, infrastructure and activities related to water supply, treatment, and system-wide monitoring; a transmission system that brings water from the mountain watersheds to communities; a regional Water Quality Lab that is responsible for testing and monitoring drinking water purity and the retail water distribution and metering system within Seattle.  |
| Drainage and Wastewater      | Manages wastewater and stormwater systems, compliance monitoring, and pollution source control, waterway restoration, and spill response within the City of Seattle. | The wastewater system collects and conveys sewage and some city stormwater to King County’s regional wastewater treatment system. The stormwater system is a network of storm drains, ditches, culverts and outfalls, green stormwater infrastructure, as well as structures that control volumes, address water quality and improve habitat for the city’s urban creeks, Puget Sound and Lake Washington waterways.   |
| Solid Waste and Clean Cities | Manages garbage, recycling, and organic waste for residents and businesses, helping to keep Seattle clean and welcoming for all.                                     | Services include overseeing waste collection, processing and landfill disposal contracts, operation of transfer stations, and maintenance of former landfills. In partnership with communities, through regional collaboration and national advocacy, SPU prevents waste, ensures garbage and household hazardous waste are properly managed, and makes recycling easy and efficient. SPU also addresses litter, graffiti, and illegal dumping and assists with trash, needle collection, and hygiene services for Seattle’s unsheltered population.                 |
| Customer Service             | Builds strong customer relationships, listens to input from customers, help customers navigate city services, and improves the customer experience.                  | The Contact Center (which also supports Seattle City Light) and billing teams resolve billing and service inquiries, read customer water meters, and issue accurate and timely utility bills.<br><br>The Operations Response Center dispatches SPU staff to response due to infrastructure breaks, hazards, spills, and emergency conditions.<br><br>The Development Services Office helps developers and homeowners obtain new water utility services and supports staff working within Seattle Department of Construction and Inspection on side sewer permitting. |
| Utility-Wide                 | Provide critical support to front line staff and crews.  | SPU Materials Lab, project delivery, engineering, construction management, survey, and asset and facilities maintenance staff who directly support the front line, ensuring safety and effectiveness. Logistics staff equip SPU’s front-line crews with the supplies they need to do their work.   |

## **Goal**

Provide high-quality services—from your tap water to garbage, recycling, wastewater, stormwater management and clean cities too—every day, all year, in person, by phone, and online.

## **Objectives**

### ***Strive for Best-In-Class***

Stay knowledgeable and operate at the top of our field, work to demonstrate leadership in delivery of cost effective and cutting-edge services, programs, partnerships, tools, and customer community choices.

### ***Provide Reliable and Rewarding Experiences***

Focus on improved customer service interactions and satisfaction with each individual experience.

### ***Meet or Exceed Expectations, Requirements and Commitments***

Deliver excellent service and response for our customers, regulators, and community—through every contact and in all areas of responsibility, whether it is installing water taps, responding to flooding, complying with environmental and public health regulations, or reporting on SPU performance.

## **[ACCOMPLISHMENTS/LEARNING CALL OUT]**

### **Accomplishments and Learning: Delivering Essential Services (2018-2020)**

- Continued uninterrupted essential service delivery during COVID-19.
- Met all regulatory permit requirements and negotiated improved approaches.
- Improved billing practices to keep estimated meter reading to low levels, ensure billing accuracy, eliminate billing backlogs, and reduce call volumes.
- Opened the new North Transfer Station.
- Reduced call wait-times at the Customer Contact Center by an average of eight minutes and used data and lessoned learned to anticipate and respond to predictable spikes in call volume.
- Implemented Utilities Customer Self Service Portal Phase 1 in collaboration with Seattle City Light and Seattle Information Technology Department.

### Performance Targets for Essential Service Delivery

We strive to achieve quarterly performance targets, meet all regulatory and financial commitments and report our progress regularly. This information helps us track progress against priorities and improve our performance.

[NOTE: Placeholder below that will be updated in the FALL. and finalized only after FALL CRP presentations Performance Reporting]

Table 1. Essential Service Delivery - Service Level Reporting - XX Quarter 202X

| #   | Performance Metrics   | Reporting Frequency   | Target                           | 2021 Performance |
|---|---|-----------------------|----------------------------------|------------------|
| <b>Service Satisfaction, Reliability and Responsiveness</b> |   |                       |                                  |                  |
| 1   | Customers rank their satisfaction with SPU services 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)   | Quarterly             | ≥90%                             | 84%              |
| 3   | Meet obligations in wholesale customer contracts for pressure, flow, and unplanned transmission system outages.   | Quarterly             | Meet commitments                 | Yes              |
| 4   | 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).   | Quarterly             | All critical services accessible | Yes              |
| 5   | Provide reliable solid waste pickup with only one missed pickup for each 1,000 stops. (YTD)   | Quarterly             | ≤1                               | 1.1              |
| 6   | Limit late container deliveries to a maximum of two per 100 deliveries.   | Quarterly             | ≤2                               | 1.0              |
| 7   | Collect at least 95% of missed residential and multifamily solid waste pickups within one business day. (YTD)   | Quarterly             | ≥95%                             | 93%              |
| 8   | % of graffiti removed within 10 business day for SDOT structures and 6 business days for SPU property. (YTD)  | Quarterly             | ≥90%                             | 99%              |
| 9   | % of illegal dumping removed within 10 business days from public property. (YTD)  | Quarterly             | ≥95%                             | 99.7%            |
| <b>Regulatory and Conservation Commitments</b>              |   |                       |                                  |                  |
| 10  | Compliance with all Department of Health regulations.   | Quarterly             | Yes                              | Yes              |
| 11  | 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 <del>rocks</del> (nests). | Quarterly             | Meet commitments for the quarter | Yes              |
| 12  | Limit sewer overflows to no more than 4 per 100 miles of pipe annually, on a two-year average.<br>- # of total sewer overflows in the current biennium<br>- # of sewer overflows that count towards the Consent Decree threshold<br>- # of sewer overflows in the current biennium per 100 miles of pipe      | Quarterly             | NA<br><114<br><4                 | 58<br>36<br>1.3  |
| 13  | % of CSO outfalls meeting the CSO control standard.   | Annual (April)        | 100% by 2030                     | 62%              |
| 14  | # tons of pollutants removed from roads during 2019. (YTD)  | Quarterly             | ≥140 tons/year                   | 173              |
| 15  | # gallons of runoff water managed using Green Stormwater Infrastructure. (In millions of gallons) (YTD)   | Annual (February '20) | 270M gallons by year-end         | 263              |
| 16  | Achieve Water Conservation Partnership regional water conservation goal. (MGD = million gallons/day)  | Annual (April)        | <110 MGD                         | 96.5             |
| 17  | % of solid waste recycled or composted.   | Annual (July)         | ≥70% by 2022                     | 56.5%            |
| <b>Financial Health, Equity and Affordability</b>           |   |                       |                                  |                  |
| 18  | Stay within the overall 5.2% endorsed rate path through 2023.   | Quarterly             | ≤5.2%                            | Yes              |
| 19  | The Water Fund is meeting its financial policy guidelines.  | Quarterly             | Yes                              | Yes              |
| 20  | The Drainage & Wastewater Fund is meeting its financial policy guidelines.  | Quarterly             | Yes                              | Yes              |
| 21  | The Solid Waste Fund is meeting its financial policy guidelines.  | Quarterly             | Yes                              | Yes              |
| 22  | # of households enrolled in the Utility Discount Program.<br>- Change since January 1<br>- 2019 year-end goal   | Quarterly             | NA<br>32,924                     | 2,104<br>34,028  |
| 23  | % of purchases and consulting contracts with WMBE firms. (YTD)  | Quarterly             | Annual Consulting ≥22%           | 23%              |
|   |   | Quarterly             | Annual Purchasing ≥15%           | 20%              |

On track      Monitor

## **Focus On: Stewarding Environment and Health**

Community wellbeing depends on a healthy environment which requires stewardship of water and waste resources. Without focused attention we will continue to experience increasing costs and degradation created by pollution, disease, our climate-change crisis, over-consumption, and waste. Stresses and shocks on our region's natural systems also threaten the sustainability and affordability of our utility services and our local economy. As the local utility responsible for management of most forms of pollution, waste, litter, illegal dumping, spills, graffiti, and other downstream impacts of poor resource management, our costs and the costs of the City are directly tied to our community's actions and stewardship. The interactions and impacts of our and our community's investments and actions are inextricably linked. Therefore, we embrace nature-based, whole systems management of water and waste resources to build regenerative, healthy ecosystems and circular economies that improve quality of life for and engage everyone in our community.

As a part of Seattle's Green New Deal Executive Order, we will work with our partners and community to incentivize green technology and innovations to ensure equity in human and environmental health outcomes regardless of race or neighborhood. We will restore and maintain a healthy community with clean and safe water, greater contact with nature, and efforts towards zero carbon and waste pollution. And we will do this work in beneficial, fair, and low-cost ways.

### **Goals**

- Develop ecosystem resilience through One Water approaches—integrated and equitable water management, efficient and optimal use, healthy watersheds—in the face of a changing climate and economy.
- Advance Zero Waste and a circular economy to reduce Seattle garbage and carbon pollution towards zero as rapidly as possible.

### **Objectives**

#### ***Adopt 'One Water' approaches***

Making adaptive changes to water management will yield the highest resilience benefits at the lowest cost. Integrated water systems approaches will be prioritized such as SPU's Drainage and Wastewater Integrated System Plan that optimizes use of water; proactive water systems operations, adaptations and investments; and fosters the South Park Resilience District.

*Highlighted Strategy: Fostering Climate Resilience and Environmental Justice in South Park. SPU is working with city departments and the Duwamish River Clean Up Coalition (DRCC) to build partnerships to inform SPU's drainage and wastewater investments in South Park and prevent displacement pressure on current residential and business communities. The collaboration led to the development of a resilience district concept, which would guide public investments that build community capacity through economic opportunity and affordable housing while addressing adaptation to the challenges posed by rising sea-levels. [Climate Resilience Strategies]*

#### ***Invest in nature-based, community-led solutions***

Restoring connections between people and nature improves the health of our waterways, watersheds and neighborhoods. When communities take the lead, we benefit through improved innovation and sustainability in the places that matter most. In partnership, we will focus on green stormwater

infrastructure, trees and watershed and ecosystem restoration practices and partnerships. We will also incentivize the creation of jobs that support responsible stewardship of our water resources and the environment (blue-green jobs) and utility-relevant innovations in building, industry, and nature-based technologies.

**Highlighted Strategy: Increasing Green Infrastructure Partnerships and Incentives.** SPU is growing green infrastructure through innovative partnerships that improve water quality and reduce regulatory costs. Stephen C. Grey and Associates approached SPU with a proposal to voluntarily divert dirty stormwater from the Aurora bridge into a park-like green space built by the developer to improve water quality in Lake Union. Together, SPU and Grey agreed to divert and clean 160,000 gallons of stormwater per year. [Green Infrastructure Investment]

### ***Reduce materials and carbon pollution***

Pursuing changes that reduce the city's pollution impacts from waste and toxins is a top objective. Efforts include waste prevention and increased waste diversion; product and source control partnerships; and SPU carbon reduction, offset, and lead-by-example practices.

**Highlighted Strategy: Partnering to Rescue Food and Reduce Hunger.** SPU is building and expanding partnerships with the Pacific Coast Collaborative, Mary's Place, Food Banks and other private, community and philanthropic organization serving families experiencing homelessness to explore ways to prevent food waste, reduce landfill costs and rescue surplus food to feed people in need. [Increase Waste Diversion]

## **[ACCOMPLISHMENTS/LEARNING CALL OUT]**

### **Accomplishments and Learning: Stewarding Environment and Health (2018-2020)**

- Completed 10-year SPU Water System Plan and set a new regional water conservation goal of **xxxx.**
- Captured 29 million gallons of roof runoff through the RainWise program and learning to improve effectiveness of incentive approaches.
- Recognized as the U.S. solid waste industry's greenest fleet—200 fossil-fuel free vehicles by 2020.
- Reduced residential per capita waste generation rate to approximately half the national average.
- Became the first US city to widely promote a ban on plastic straws and inspired others to do the same through partnership with the Lonely Whale Foundation—an incubator for impactful initiatives that benefit our oceans.
- Removed and disposed of 2,245 tons of illegally dumped materials in 2018 and 2019 and working to improve response times and cost-effectiveness.

## **Focus On: Empowering Our Community and Employees**

To address the needs of our customers, employees, and city, SPU prioritizes equity and affordability, engages with community members and organizations, and fosters economic advancement and inclusion.

Collaborative and empowering relationships that advance equity are at the heart of SPU's successes. By investing in the community and our employees, we strengthen our impact in making our city more just, livable, and resilient.

We work to ensure that our customers are heard and have equitable access to SPU services, obtain maximum benefit from SPU's activities, and empowered to advocate for protecting water and reducing waste. We work with partners—community-based organizations, governments, schools, and businesses—to leverage our impact, engage hard-to-reach communities, and stretch beyond funding limitations. We are also strengthening the diversity of our workforce and our workplace appeal to attract the next generation who can help SPU meet its future services and challenges.

### **Goals**

- Ensure all people have equitable access to SPU information, educational materials, and services and are able to act as stewards of water and waste resources.
- Maximize the benefits of SPU investments: economic opportunity, livability, resilience.
- Build a dynamic and diverse work culture that prioritizes racial equity and attracts, inspires, and invests in existing and future employees.

### **Objectives**

#### ***Assistance that makes a difference***

Better understanding and responding to customer needs is good for business and the right thing to do. We are improving financial and basic service assistance including for unsheltered persons and those with low or fixed incomes; coordinating home, business, and industrial sustainability assistance, and education; and providing customer self-service and smart utility and information technologies.

*Highlighted Strategy: Side Sewer Repair Pilot Program. Side sewers are pipes on private property that connect wastewater and stormwater to public utility mains. When not properly maintained, side sewers create risks to public health and can cause significant and costly property damage. Replacing these pipes is very expensive and is often unaffordable for homeowners with fixed or low incomes. SPU is piloting a program to help address this issue. Several concepts are being tested including lowering the costs of fixing failed lines and providing financing tools to help property-owners. [Side Sewer Assistance]*

#### ***Deeper engagement and connections***

Building more equitable, trusted, and mutually beneficial internal and external relationships will diversify our perspective and change how decisions are made. Our efforts are aligned with the City's Race and Social Justice goals, prioritize outreach to traditionally hard to reach communities, improve connections with and between employees (especially those on the front lines of service delivery), and enhance regional partnerships and collaboration.



Highlighted Strategy: Race and Social Justice Plan. [Work in Progress/Description Forthcoming]

***More awesome, equitable, and attractive workplace and work opportunities***

Investing in changes that strengthen the diversity and appeal of working for SPU will reap rewards today and tomorrow. We cannot fully deliver on our service or policy priorities without investments in our people and the places they work. This includes investments in workforce attraction and recruitment, learning and development, and retention. It also means improving facilities and workspaces.

Highlighted Strategy: Investing in SPU Facilities. Some of our most important facilities are in desperate need of renovation, repair, and reconstruction to improve safety, functionality, customer service and efficiency. These projects include rehabilitating our Drainage and Wastewater South Operations complex, renovating and building the North Operations Complex, stabilizing Cedar Falls buildings, and reducing and optimizing office space in the Seattle Municipal Tower. [Workforce Facilities Plan]

**[ACCOMPLISHMENTS/KEY LEARNINGS CALL OUT]**

**Accomplishments and Key Learnings: Empowering Our Community and Employees (2018-2020)**

- Applied learnings from customer assistance pilot work and customer feedback to improve notification and assistance to low-income households and small businesses.
- Filled all 20 SPU water pipe apprenticeship positions from a pool of over 680 applicants.
- Sponsored over 60 youth in three years for City summer youth employment programs.
- Leveraged SPU South Park investments by helping to secure \$22 million in outside grants and partnerships. Using the experience of COVID-19 to honor and continue to improve support and connection to our employees who are on the front-line ensuring uninterrupted service.

## **Focus On: Strengthening Our Utility Business Practices**

How we manage utility business practices matters. Our customers expect their faucets to flow, toilets to flush, and garbage to be picked up. These services are delivered under increasingly complex and costly regulations and aging infrastructure that must be resilient in the face of challenges such as seismic and climate change risks. These needs must reflect what our community can afford. The utility must also examine its business practices and assess ways to improve service, be more efficient, and provide value.

We are committed to providing utility pricing and assistance to customers that ensures everyone has the service they need. While the cost of our service is often constrained by the need to maintain infrastructure, encourage conservation, protect the environment, and protect public health, we are taking action on affordability strategies for reducing costs, increasing productivity and efficiency, investing in assets that have multiple benefits, and removing barriers to service access.

SPU's commitment to affordability is comprehensive and extends beyond rates to include capital project delivery and implementation of utility business processes and practices. Our infrastructure asset management approach is systematic and balances short- and long-term risk with cost and public benefit and requires constant improvements and reevaluation to ensure our assets are in a state of good repair.

### **Goals**

- Build an adaptive organization focused on continuous improvement and deepening our culture of safety, excellence, and innovation.
- Ensure financial sustainability and affordability through strategic management of resources.
- Invest for resilient and effective operations and infrastructure, balancing and managing risks and opportunities for our customers and our community.

### **Objectives**

#### ***Continuous improvement culture***

When all employees practice 'continuous improvement' we can improve services, create efficiencies, and learn from each other. Our objectives are to train and develop a culture of constant improvement focused on experimenting and streamlining processes, employ a 'plan-do-check-adjust' approach, streamline processes, and reduce waste.

**Highlighted Strategy: Using Data to Quantify Street Sweeping Water Quality Benefits.** In partnership with the Seattle Department of Transportation, SPU regularly sweeps streets to keep waterways clean, business districts healthy, and Seattle moving safely. Street sweeping provides a cost-effective way to improve water quality and is a critical part of meeting regulatory stormwater quality requirements. Through data analysis and monitoring, we know that about 11% of the load picked up by street sweeping reduces about four percent of the total pollutants, like copper and zinc, from entering our drainage system and discharging to local waterways. Further data suggests that street sweeping's water quality benefits may be four times more than what we are currently credited with at no additional cost and, ultimately, may lead to more cost-effective ways of keeping our waterways clean. [Accountability + Affordability Strategy – Efficiency and Improvement Community of Practice]

***Continued focus on accountability and affordability***

Affordability and accountability are top priorities for our customers and SPU. We will make changes that reduce SPU's rate increases and improve investment transparency. We will align and adapt our environmental regulatory work; improve the speed and efficiency of capital planning and delivery; streamline budget and financial planning practices; and build partnerships that decrease costs.

Highlighted Strategy: Increasing Affordability Thru Regional Drinking Water Seismic Resilience Partnership. Actions and infrastructure investments are needed to prepare for and minimize drinking water service disruptions resulting from major seismic events. This effort is building partnerships with regional water asset owners such as the Cities of Tacoma and Everett to advocate for State and Federal funding support, reducing the burden on our ratepayers. [Seismic Resilience Planning]

***Transforming to strategic asset management***

Upgrading how we manage our assets will enable us to be opportunistic, reduce risk, and improve resilience. Our focus is on strengthening overall strategic asset management investment and performance; addressing high risk infrastructure; and work that offers multiple benefits for partnerships.

Highlighted Strategy: Maintaining Our Utility Infrastructure by Optimizing Investments. SPU manages and maintains thousands of miles of hidden pipe, pump stations, hydrants, culverts and many other capital facilities that ensure that our water, sewer and drainage systems are always working. By keeping these assets in good condition now, we will reduce the need for costly repairs in the future. Further efficiencies will be achieved through coordinating our work with planned transportation projects. [DWW and Water Asset and Opportunity Work]

**[ACCOMPLISHMENTS/KEY LEARNINGS CALL OUT]**

**Accomplishments and Key Learnings: Strengthening Our Utility Business Practices (2018-2020)**

- Reduced SPU's adopted rate path by 0.2% and paved the way for greater reductions in the coming years through adoption of our Accountability and Affordability Strategy plan.
- Saved \$66 million by securing a \$192.2 million low-interest EPA Water Infrastructure Finance and Innovation Act loan for the Ship Canal Water Quality Project and broke ground on its delivery.
- Negotiated new solid waste collection contracts, lowering costs.
- Launched a DWW pipe lining crew to increase life of our assets.
- Completed a water system assessment of seismic vulnerabilities and priority investments.
- Worked closely with our Customer Review Panel to evaluate performance and adjust expenditures for facilities projects and asset management needs and investments.

### Highlighted Strategies: Initiatives and Investments

The initiative and investment strategies we concentrate on from 2021-2026 will be instrumental to our ability to safeguard public health and the environment, protect and maintain our infrastructure, and invest in our employees for the future.

Over the course of this plan, SPU will evaluate progress on these key initiatives and investments as summarized in the table below.

**[Sidebar or call out with definitions]**

**Initiatives** are reported semi-annually and reflect important policy, strategy, planning, and program work. These generally involve less significant expenditures than our investment areas and can be accomplished through reprioritizing work and within our base budget assumptions.

**Investments** (highlighted in blue) are reported quarterly and result in tangible infrastructure, asset, asset repair or service, significant expenditure (over \$5M) and significant existing or new spending or additional spending increment.

**[Note: The table that appears on the following pages will be formatted as a two-page layout with commitments included and finalized only after FALL CRP presentations on Race and Social Justice Strategic Plan, Blue-Green Jobs Incentive Strategy and Performance Reporting]**

|   |
|---|
| Key: Red Font = Item Still Requiring Some Level of CRP Vetting<br>+++ = Funded as a part of the City Clean City's Program<br>*** = Multi-part investment strategy |
|---|

Seattle Public Utilities: Strategic Business Plan Draft (Text Only)  
 Full Panel Draft | 5.12.20

| Focus  | Name                             | Description   | 2021- 2023 SPU SBP Commitments  | Initiative or Investment |
|--|----------------------------------|---|---|--------------------------|
| Stewarding the Environment and Public Health | Climate Resilience Strategies    | Climate changed water cycles - extreme storms, less snow, drier summers - directly impact SPU watershed, water supply, and stormwater management operations. GHG emissions associated with SPU operations and solid waste business also drive this change. Continue to implement efforts that transform SPU Water, DWW and Solid Waste response to climate change. Efforts may include but not be limited to the South Park Resilience District, Water Supply Operations Climate Adaptation, and SPU Consumption Based Carbon Footprint Calculation.  | Complete a study on water supply climate impacts and begin implementing recommended adaptation strategies.<br><br>Work with King County to establish a consumption-based carbon footprint for Seattle solid waste generation.<br><br>Implement City Climate Executive Orders.       | Initiative               |
|  | DWW Plan for the Future          | Given future uncertainty related to climate change, growth, and increasingly stringent regulations, SPU is developing an integrated system plan (ISP) called Shape Our Water. Shape Our Water will include both a long-term vision and a short-term implementation plan and will guide investments, policies, programs and projects that will improve the performance and resilience of our drainage and wastewater systems while optimizing social and environmental benefits for the City.  | 2021: Collaboratively develop a vision, goals and objectives, identify and prioritize drainage and wastewater challenges and opportunities, and develop a toolbox of innovative solutions<br>2022: Develop and evaluate alternatives<br>2023: Draft an adaptive implementation plan | Initiative               |
|  | Grow Green Infrastructure        | Green Stormwater Infrastructure (GSI) uses nature-based processes to lower the impact of polluted runoff on our environment, reduce flooding, and build resilience in our system while maximizing community benefits and value for our customers. We are expanding the use of green infrastructure in Seattle by building innovative cross-sector GSI partnerships, leveraging our investments to support a broader set of community outcomes, expanding the GSI toolbox to mainstream new and innovative green approaches to stormwater management, and removing barriers to GSI implementation throughout the city. | Lead Seattle in achieving our community-wide implementation target to manage 360 million gallons of runoff annually with GSI.   | Investment               |
|  | Ship Canal Water Quality Project | Deliver the Ship Canal Water Quality Project (SCWQP), the largest capital project SPU has implemented, on-time and within budget. The SCWQP will improve water quality regionally by keeping more than 75 million gallons of polluted stormwater (from rain) and sewage from flowing into Lake Washington Ship Canal, Salmon Bay and Lake Union on average each year.   | Complete final design of the pump station and Wallingford and Ballard conveyance projects.<br><br>Complete tunneling of the 2.7 mile storage tunnel (all facility components will be complete and placed into operations by 2026)   | Investment               |
|  | Waste Diversion                  | Waste Diversion work aims to reduce the amount of food waste created and support statewide food waste reduction goal of cutting food waste by 50% by 2030. Our extended producer responsibility efforts engage producers in developing environmentally sound and socially responsible solutions for the end-of-life management of their products. SPU will continue efforts to divert waste with the focus on food rescue, extended producer responsibility, and improving quality of recycling and composting streams.   | Work with state and regional partners to finalize a state-wide extended producer responsibility framework.  | Initiative               |
|  | Waste Prevention                 | Waste prevention addresses the root cause of waste to reduce its impact. Consumption accounts for a large proportion (~42%) of U.S. greenhouse gas emissions. Waste prevention works by directly targeting consumption and consumer behavior. SPU will lead waste prevention planning and programs that leverage partnerships, respond to changing recycling markets, and reduce the volume of single-use plastics.   | Develop and adopt Waste Prevention Strategic Plan.  | Initiative               |

Seattle Public Utilities: Strategic Business Plan Draft (Text Only)  
 Full Panel Draft | 5.12.20

| Focus  | Name  | Description  | 2021- 2023 SPU SBP Commitments  | Initiative or Investment |
|--|---|--|---|--------------------------|
| Empowering Our Community and Our Employees     | Blue-Green Jobs Strategy                        | Increase economic opportunities and jobs associated with SPU water and waste work through implementation of a blue-green jobs incentive strategy. The strategy should seek to facilitate community led economic and job growth opportunities that advance regional one water and zero waste retooling and equity-based outcomes for disadvantaged populations. Efforts may include but not be limited to apprenticeship program, summer youth employment, incentive grants, and green jobs corps support   | Develop a strategy and initial 3-year implementation plan.<br>Pursue 2 pilot innovation projects.<br><b>Work In Progress</b>  | Investment               |
|  | Customer Assistance Programs (UDP/EAP)          | Improve effectiveness of financial assistance programs for customers in need through coordinated programmatic management of several customer service initiatives including shut off prevention, leak assistance, UDP enrollment, billing and payment plans.  | XXX additional households in need will be served by our programs, ensuring that essential services are available.   | Initiative               |
|  | Race and Social Justice Strategic Plan          | <b>Work in Progress</b>  | Complete the Race and Social Justice Strategic Plan.<br><b>Work in Progress.</b>  | Initiative               |
|  | Side Sewer Assistance                           | Implement a pilot program to help alleviate side sewer repair costs to customers.  | Program incentives available to customers in the form of grants, loans, rebates or repairs  | Investment               |
|  | SPU Support Services for the Unsheltered +++    | Work towards the provision of cost-effective sanitation and disposal service solutions for Seattle's unsheltered populations including trash, sharps and RV services.  | Pilot and evaluate cost-effective RV service approaches by 2021.<br>Pilot and evaluate alternative approaches to effectively deliver garbage and sharps collection services for the unsheltered population  | Investment               |
|  | Workforce Facilities Plan ***                   | The workforce facilities planning program includes efforts to improve working conditions for frontline employees at South Operations Center (SOC), North Operations Complex (NOC), Cedar Falls Phase 2 as well as improved space utilization efficiencies at the Seattle Municipal Tower. The NOC and the Cedar Falls Phase 2 projects involve substantial improvements to those in-town and watershed facilities to support O&M staff and activities. The SOC project will address maintenance issues and prioritize facility improvements that support operational efficiencies. | Water NOC and Cedar Falls Phase 2: Complete planning and design and begin construction.<br>DWW SOC:<br>2021 – Complete options analysis and initiate design<br>2022 - complete design<br>2023 – begin construction.   | Investment               |
| Strengthening Our Utility's Business Practices | Accountability and Affordability Strategy       | Continue implementation of the adopted plan that includes actions to improve how SPU works across six practice areas such as capital planning and delivery, continuous improvement and financial management.   | Continue to flatten rate increases over time through implementation of plan.  | Initiative               |
|  | DWW Asset Management and Opportunity Work ***   | This program focuses on asset management and enhanced investment in SPU's aging DWW infrastructure and deferred maintenance in order to reduce long term system costs. This work includes expansion of sewer rehabilitation work, drainage work; pump station, force main rehabilitation capital programs, combined sewer overflow outfall rehabilitation program. This work includes infrastructure opportunity work that support transportation projects and other City capital investments and leverages cost savings from reducing paving restoration costs.                   | Sewer Rehab:<br>2023: Complete x number of spot rehab work orders by crews, Complete x miles of sewer rehab by contract<br>Pump Station and Force Main:<br>2023: Complete rehab of x number of pump stations, Complete assessment of x number of force mains<br>CSO Outfall Rehab:<br>2023: Clean 4 outfalls and replace/rehab 1 outfall<br>Drainage Program:<br>Increase spending by \$.5M in 2022 and \$1.0M in 2023 for rehabilitation of drainage assets. | Investment               |
|  | Seismic Resilience Planning                     | SPU's recent study estimated a catastrophic earthquake would result in total water pressure loss within approximately 20 hours and 10 to 25 days to restore 50% of service, but that seismic upgrades could significantly cut down service restoration time. This effort aims to improve the seismic resiliency of the water system to mitigate the impact of earthquakes.   | Implement short-term recommendations of the SPU Seismic Study, with the focus on emergency preparedness and response planning, as well as isolation and control strategies  | Investment               |
|  | Water Asset Management and Opportunity Work *** | This program focuses on asset management and enhanced investment in SPU's aging infrastructure and deferred maintenance in order to reduce long term system costs. This work includes infrastructure opportunity work that supports transportation projects and other City capital investments and leverages cost savings from reduction of paving restoration costs.  | <b>Work in Progress.</b>  | Investment               |

## Keeping Rates Predictable and Affordable

*[Note: This rate projection and customer impact is preliminary and does not fully consider the unknown impacts of COVID-19. This section will be fully updated in the fourth quarter of 2020. Additional details on this uncertainty below]*

A key element of a utility Strategic Business Plan is to balance forward-looking improvements with the thoughtful use of ratepayer revenue. The previous sections of the plan describe the vision and long-term goals and highlight future initiatives and investments for SPU. This section explains how Seattle Public Utilities' rates are structured to collect only the amount of revenue needed to support current business operations, while responding to regulatory requirements and preparing for future challenges.

Ratepayers pay for essential services, infrastructure and day-to-day operations through their utility bills. This ensures our services are there when needed. These utility rates assume that the current level of operations will continue, and that SPU is responding to the needs of the future.

To deliver value, enhance affordability, and demonstrate accountability; SPU develops rates by evaluating: operating costs, capital investment needs, long-term risks, debt repayment, service demands, financial policies, and anticipated revenue associated with delivering services across three lines of business—water, drainage and wastewater, and solid waste.

### Factors Impacting Rates

SPU has been working to flatten rate increases over time. While a consistent growth in rates is expected due to inflationary factors, SPU's growth in cost to provide services for 2021-2026 period is projected to be lower than in the 2018-2023 period.

Factors lowering the growth in the cost of services include:

- Better matching our capital investment plan with historical experience,
- Reassessing cash balances and spending down large balances to smooth rate changes,
- Continuing dividends from negotiating lower solid waste contract rates, and
- Taking advantage of lower interest rates, alternative funding sources such as low-interest loans, and reducing the cost of borrowing.

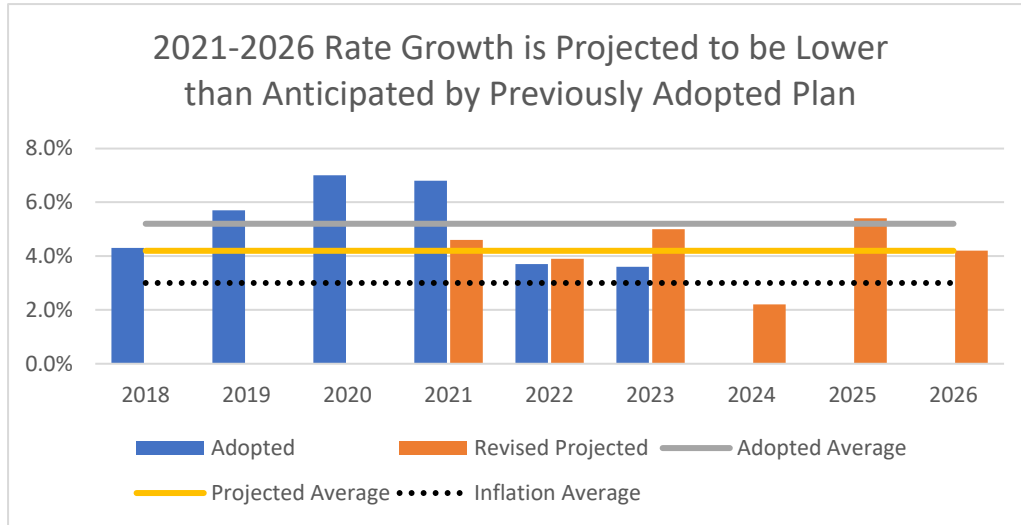
At the same time, there are also factors that are increasing costs (and offsetting cost savings). These include:

- Much higher projected increases in King County wastewater charges to cities,
- Funding for large capital projects required for state and federal regulatory compliance, and
- Targeted funding increases to address deferred maintenance of capital assets.

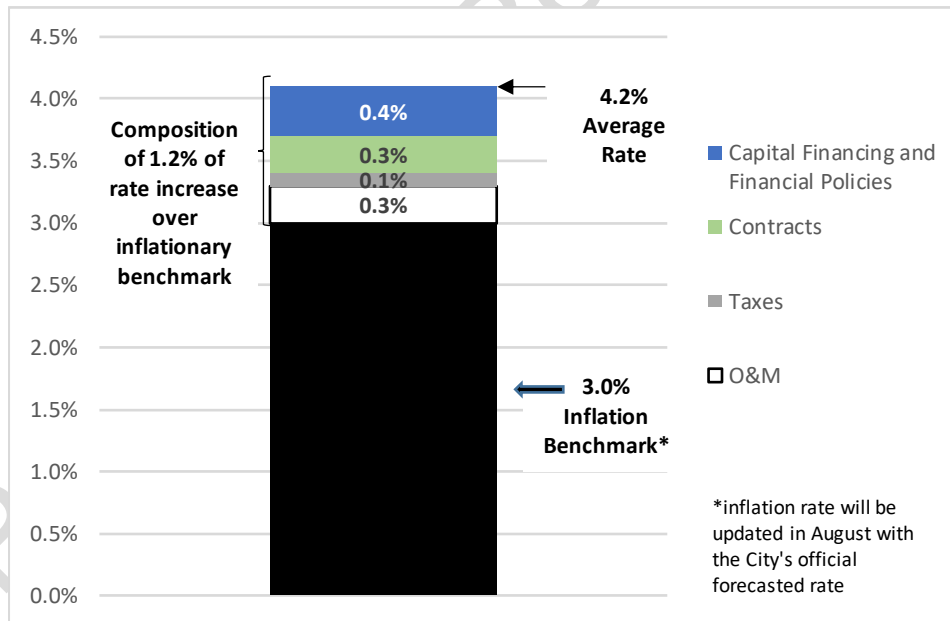
### Three-Year Rate Path and Additional Three-Year Projection

Seattle Public Utilities' projected rate path is provided below. This six-year planning horizon is updated every three years. Forecasted rates increase an average of 4.2 percent per year through 2026.

The projected 2021-2026 average rate increase is projected to be lower than the adopted 2018-2023 rate increase. The following graph illustrates that updated growth rates are expected to average 4.2 percent (lower line) and 1 percent lower than the last adopted Strategic Business Plan.



The following graph illustrates that these changes are resulting in a projected average increase of 4.2 percent from 2021-2026. This is 1.2 percent above the anticipated average rate of inflation of 3 percent. More than two-thirds of the increase is driven by inflation. The rest of the increase is driven by higher costs for capital financing, major contracts (such as King County Wastewater), taxes on the utility, operations.





The following table describes the rate path over the six-year period, by line of business.

| Projected 2021-2026 Rate Path |      |      |      |      |      |      |             |
|-------------------------------|------|------|------|------|------|------|-------------|
|                               | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | Average     |
| Water                         | 0.0% | 2.7% | 4.7% | 3.6% | 4.2% | 5.5% | 3.4%        |
| Sewer                         | 7.3% | 3.1% | 5.9% | 0.5% | 7.8% | 3.6% | 4.7%        |
| Drainage                      | 8.0% | 8.6% | 7.2% | 3.9% | 6.5% | 6.7% | 6.8%        |
| Solid Waste                   | 2.9% | 2.9% | 2.2% | 2.3% | 2.1% | 2.1% | 2.4%        |
| Combined                      | 4.6% | 3.9% | 5.0% | 2.2% | 5.4% | 4.2% | <b>4.2%</b> |

April 2020, Preliminary Rate Projection

### Our Financial Position is Strong

SPU takes a fiscally balanced approach to its financial policies and reserves. By maintaining sufficient reserves, the utility is better able to weather fluctuations in revenues and expenses and navigate financial uncertainty. These prudent practices protect our asset investments and benefit customers through the avoidance of extraordinary rate increases and volatility.

[This section to be removed with SBP submittal]

### The COVID-19 Pandemic Increases the Uncertainty of the Rate Projection

The COVID-19 pandemic is having a profound impact on the economy and creating risks for SPU’s financial position. As the situation evolves, we are carefully analyzing and evaluating our position, risks and opportunities to recover. This work is ongoing.

To date (as of April 2020), the utility has not experienced a substantive change in demand for services or significant changes in the number of households who need assistance to pay their bills.

Over the coming months, SPU will closely monitor and evaluate several risks including:

- Significant changes in consumption across all three lines of business,
- Variations in anticipated applications for bill relief such as the utility discount program, and
- Additional programmatic needs required to address the pandemic.

If SPU needs to recover lost revenue, there are several options that could be considered other than increasing rates. These include:

- Additional use of cash or reserves,
- Reductions or deferrals in near term expenditures,
- Additional use of long-term debt, and/or
- Potential federal or state relief funds.

While developing the following baseline rate projection, SPU considered several scenarios and financial stress tests including significant decreases in demand, losses non-rate revenue, and large increases in financial assistance. **Combined, these initial scenarios increased the six-year average projected rate path to 4.3 percent.** This 0.1% increase may not be necessary and we will continue to try to further flatten rate increases, as we have over the last three years.

### Rate Impact to Customers

Tables below help explain the projected rate path by showing typical monthly bills for several different types of customers.

Customers who decrease their service consumption through conservation will experience smaller bill impacts. For instance, customers might reduce their cost by conserving water and switching to smaller garbage bins through recycling and composting more. We also offer incentives to divert and keep rainwater on private property through rain gardens and cisterns.

| Typical Monthly Bill for a Single Family House |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2021         | 2022         | 2023         | 2024         | 2025         | 2026         |
| Water  | \$46         | \$47         | \$49         | \$51         | \$53         | \$56         |
| Sewer  | \$70         | \$72         | \$76         | \$77         | \$83         | \$86         |
| Drainage                                       | \$50         | \$54         | \$59         | \$64         | \$70         | \$76         |
| Solid Waste                                    | \$55         | \$56         | \$58         | \$59         | \$60         | \$61         |
| <b>Combined</b>                                | <b>\$220</b> | <b>\$229</b> | <b>\$242</b> | <b>\$251</b> | <b>\$266</b> | <b>\$279</b> |
| % increase                                     | 3.9%         | 4.1%         | 5.5%         | 3.6%         | 6.0%         | 5.1%         |

Totals may vary due to rounding.

| Typical Monthly Bill for Multifamily Unit (Apartment Building) |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
|  | 2021         | 2022         | 2023         | 2024         | 2025         | 2026         |
| Water  | \$25         | \$26         | \$27         | \$28         | \$29         | \$31         |
| Wastewater   | \$65         | \$67         | \$71         | \$71         | \$77         | \$80         |
| Drainage   | \$9          | \$10         | \$11         | \$12         | \$13         | \$14         |
| Solid Waste  | \$28         | \$29         | \$30         | \$30         | \$31         | \$32         |
| <b>Combined</b>  | <b>\$127</b> | <b>\$132</b> | <b>\$138</b> | <b>\$141</b> | <b>\$150</b> | <b>\$156</b> |
| % increase   | 3.5%         | 3.3%         | 5.1%         | 2.2%         | 6.0%         | 4.1%         |

Totals may vary due to rounding.

| Typical Monthly Bill for a Small Business (Convenience Store) |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 2021           | 2022           | 2023           | 2024           | 2025           | 2026           |
| Water   | \$107          | \$110          | \$115          | \$120          | \$125          | \$131          |
| Sewer   | \$325          | \$335          | \$355          | \$357          | \$385          | \$399          |
| Drainage  | \$121          | \$130          | \$142          | \$155          | \$169          | \$184          |
| Solid Waste   | \$556          | \$573          | \$585          | \$599          | \$611          | \$623          |
| <b>Combined</b>   | <b>\$1,109</b> | <b>\$1,149</b> | <b>\$1,198</b> | <b>\$1,230</b> | <b>\$1,289</b> | <b>\$1,337</b> |
| % increase  | 3.6%           | 3.5%           | 4.3%           | 2.7%           | 4.8%           | 3.8%           |

Totals may vary due to rounding.

Residential and commercial customers each account for approximately 45% of the rate revenue across all three utilities and the remaining 10% coming from wholesale customers including other cities and districts.

### **Customer Assistance for Those with Lower Incomes**

SPU's approach to assist customers with keeping services more affordable rests on three key pillars:

1. Conservation programs which help customers to lower their usage and bills through more efficient appliances;
2. The Utility Discount Program which provides ongoing bill assistance to the lowest income families; and
3. The Emergency Assistance Program, which provides a credit of up to \$448 dollars toward one bill per year for lower-income households (or two bills per year, for households with children).

These core programs are supplemented by more targeted policy tools tailored to address more specific needs such as payment arrangements, which help customers with spreading payment over time and our leak adjustment policy, which helps customers who experience an unforeseen leak.

Over the past three years and into the next three, SPU is taking action to improve these programs and help make rates more affordable for low-income customers. This work has included increasing Utility Discount Enrollment through a self-certification pilot, improvements to emergency assistance programs and shut-off prevention and notification improvements. During the COVID-19 pandemic, SPU also worked proactively with low-income customers and small businesses to create more flexible payment arrangements and eliminate interest charges on late bills. In addition, SPU eliminated interest charges on late bills during that time.

[CALL OUT]

We are pleased to present this plan for further consideration by the Seattle City Council. We look forward to additional engagement on this plan with the Council as we use it to guide our success in the years ahead.

## **Appendices and Supporting Documents**

[We will refer readers to the SBP website here to learn more, and highlight the appendices, etc.]

- Strategic Business Plan Executive Summary
- SPU Customer Review Panel Strategic Business Plan Letter
- 2021-2026 Performance Reporting Documents
  
- 2021-2026 Initiative and Investment Description Appendix
- Community Research and Outreach Summary Appendix
- Financial Forecast Appendix

## **BACK COVER (TBD)**

[Content forthcoming, expect to include Jourdan Keith poem]

[Add boilerplate re: contacting SPU and translation services info.]

Preliminary Review Draft