

Risk Management and Resilience

Customer Review Panel

12/17/2019

Seattle Public Utilities



City of Seattle

Overview

- Integration into Strategic Business Plan
- Respond to questions about risk and resilience
 - October exercise
- Rate path and financial impact



Defining Risk and Resilience

- What is risk?
- What is resilience?
- How do risk and resilience impact our customers?



Risk Management Framework

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Risk Management Evolution

Traditional

- React to events
- Focused on hazards/operations
- Silo approach
- Risk Manager is insurance buyer

Advanced Risk Management

- More proactive about reducing risk
- Integrates claims, audit, loss control, risk transfer techniques
- More collaboration
- Risk Manager provides oversight

Comprehensive Risk Management

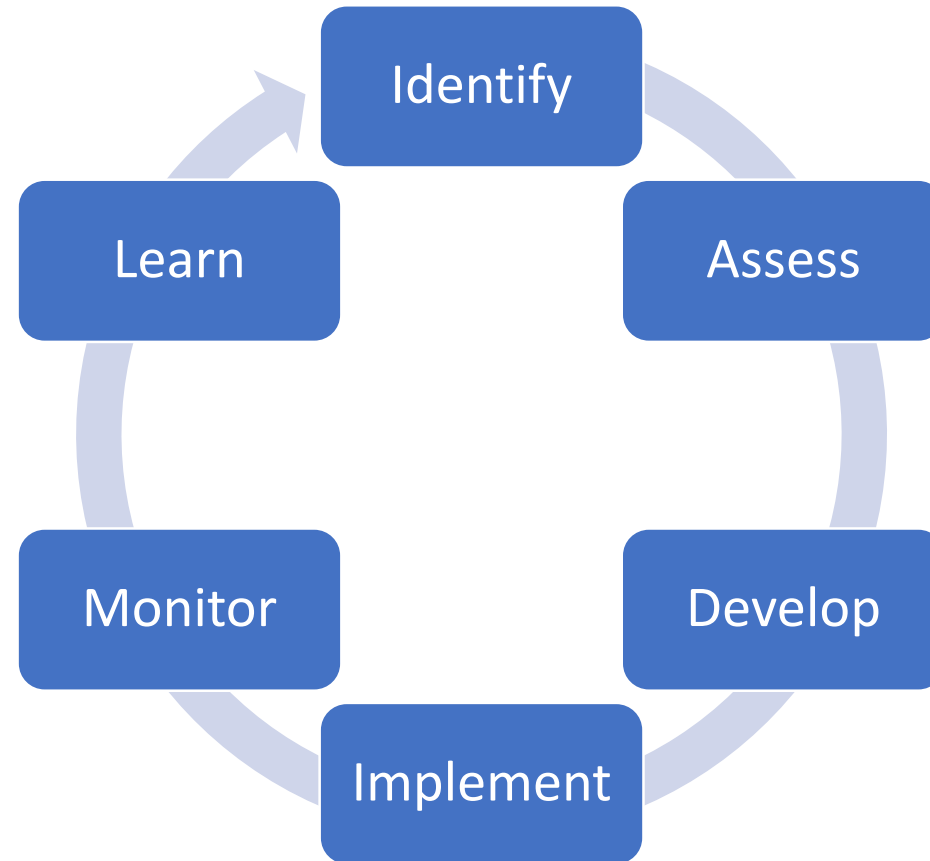
- Aligned with mission and values
- Integrated with resilience, forward-looking
- Wide range of risks covered (reputational, strategic, compliance)
- Includes “upside risks” (opportunities)
- Risks are owned by all
- Risk appetite and tolerance are specifically addressed

Risk is bad - transfer

Risk is an expense – reduce cost of risk

Risk and resilience optimized to increase value and achieve goals

Risk Management Steps



Assessing Risk Levels

Likelihood	Impact				
	Minimal	Minor	Moderate	Major	Extreme
Almost Certain	M	M	H	C	C
Likely	M	M	H	C	C
Possible	L	M	M	H	H
Unlikely	L	L	M	H	H
Rare	L	L	M	M	M

L	Low
M	Medium
H	High
C	Critical

Risk Response Options

- Pursue Opportunities
- Transfer
- Avoid
- Remove
- Reduce
- Accept
- Ignore



Interactive Exercise

Instructions:

- Break into 3 groups
- You have 10 minutes for this exercise
- Each group will report back for 2 minutes
- Focus on 6-year timeframe (the “now”)
- Think about balancing short, medium, long term risk



Critical SPU Risks

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SPU Risk Table- Major Risks

Natural and Human caused Hazards		Financial	Operations
Earthquake Loss of services Broken infrastructure Damaged facilities Public health impacts	Climate Change Drought Extreme downpours Sea level rise Wildfires in watershed	Infrastructure Aging / Substandard Regulatory requirements Projects by other agencies New capacity for growth	Workforce Retirements
Cyberattack IT systems disabled Stolen information	Extreme Weather Floods Snow	Economy / Markets Affordability Siting facilities Claims and lawsuits	Technology Emerging
<i>Integrating Race and Social Justice into <u>all</u> of the above categories</i>			

Technology

Cyber Security

- Assessments
- Penetration testing
- Cyber insurance

Risk Level: High

Financial Impact: Minimal

Technological Change

- Trenchless slurry removal
- UAS survey in watersheds
- Robotic inspections
- Envision the Future Workshop Q1 2020

Financial Impact: Positive



Legal Risk: Claims and Lawsuits

Damage and recovery claims

- Recovery Program: \$1.3 million in 2019
- Claims Investigation Team
- Risk Reduction Program

Risk Level: Low-medium

Financial impact: Positive



Workforce

Impacts

- Retirement and succession planning
- Attracting talented staff
- Retaining skilled workforce

Progress:

- Succession planning
- Skills and knowledge transfer
- Apprenticeship programs
- Recruitment strategy + youth engagement

Risk Level: High



Progress and Resilience

- Risk Register: Identified top risks
- June report to City Council
- Create risk tools to help teams assess risks and develop solutions.
- Integrate risk into planning
- Stay ahead of regulatory requirements and find innovation opportunities.
- Increase communication inside and outside SPU.

Examples of Resiliency in Action

DWW Integrated Plan

Solid Waste Comprehensive Plan

Water Seismic Planning

Emergency Management Plans

Facilities Master Plan

Security Master Plan

Feedback and Questions

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