

Seattle Public Utilities Customer Review Panel

Wednesday, February 26, 2020

1 – 4 pm

Seattle Municipal Tower, 4901 (49th Floor)

Panel Members			
Suzie Burke		Noel Miller	x
Bobby Coleman	x	Thy Pham	x
Dave Layton		Rodney Schauf	x
Laura Lippman	x	Puja Shaw	
Maria McDaniel	x		
Staff and Others			
Keri Burchard-Juarez	x	Andrew Lee	x
Kathleen Baca		Natasha Papsoueva	x
Alex Chen	x	Ellen Pepin-Cato	
Jeff Fowler	x	Dani Purnell	x
Brian Goodnight	x	Karen Reed	x
Mami Hara	x	Rick Scott	
Wylie Harper		Karen Sherry	x
Akshay Iyengar	x	Jonathan Swift	X
Paula Laschober	x		

Underlined text indicates action items. ***Bold Italicized text*** indicates follow up items.

Meeting Summary

Welcome: Mami Hara, General Manager/CEO of Seattle Public Utilities (SPU), welcomed those in attendance and thanked them for their time. She then reviewed the topics the Panel would be hearing about at the meeting.

Standing Items: Karen Reed, Facilitator, asked if there were any corrections or additions to the meeting minutes from January 31, 2020. There was one clarification made on page 3 regarding RV dump stations. The meeting summary for January 31, 2020 was approved as amended.

Karen reviewed the question tracker with the Panel with SPU staff providing follow up on several items.

- Keri Burchard-Juarez, Deputy Director for Project Delivery and Engineering Branch, updated the Panel on the CIP mapping tool. There is still a lot of work to do, but the tool is in development. Anticipated completion is 9 – 12 months out. The Panel can still be involved in user testing when the project is at that stage.
- As follow-up to a past presentation on sanitary sewer capacity, Ben Marre, Drainage and Wastewater Line of Business, showed the Panel quadrant maps of the city showing wastewater capacity risk areas based on simulated flooding.

Q: Is there a plan for new SPU investment in the areas the map indicates might require more stormwater control? A: Yes.

Q: What about backflow preventers? Have any been installed? A: We have piloted those and have a database with their locations.

Q: With the integrated plan, are you looking at where population growth is expected to happen? A: Yes. We are looking at how the maps align with up-zoned areas of the city.

Q: What is the formula for determining the critical v. high v. medium risk areas? A: The map is based on modeling. Many factors are considered.

Comment: I used to live in one of the areas (Lake Washington) and many homes had back flow flooding problems. It's interesting that the map shows this as a medium risk area.

Karen Reed asked the Panel if they had any follow up questions about the email sent out regarding street sweeping.

Q: Is there any additional work for SPU due to bike lanes? Is SDOT doing that work? A: Yes, SDOT does the work and SPU pays them. ***We can provide additional information on the bike lanes.***

Facilities – Investments and Options. Ben Whitley, Logistics Division Director, presented the Panel the 2021-2023 revised action plan for Facility Planning. Ben showed the Panel aerial photos of the North Operations Center and the South Operations Center. He also reminded the Panel about the projects in the previous plan (North Operations Complex, South Operations Complex, Cedar Falls Phase 2 and the Seattle Municipal Tower). SPU plans to continue with these projects in the updated SBP.

North Operations Center (NOC): There is no increase in investment over the current SBP.

Q: Did project costs go up or down since 2018? A: The costs are lower than anticipated.

South Operations Center (SOC): There is a reduction in investment in the 2012-2026 SBP. SPU is going back to look at water issues, drainage issues, fencing, security and a few other issues.

Q: When did SPU move into the SOC. A: At the beginning of 2017.

Q: Will the SOC still be a decent facility for employees despite the cost reduction? A: Yes, we are redoing the floors and updating the facility. It's a good workspace and a valuable operations facility. DWW staff have been engaged in helping plan what is needed for the space to make it a good work environment for employees.

Q: Will the life of the facility be dictated by the tide levels of the Duwamish? A: ***We'll get back to you with additional information.*** The lifespan of the facility is expected to be 20 -50 years.

Cedar Falls Phase 2: There is a reduction in investment in the 2012-2026 SBP. A master plan needs to be created for the campus. The Plan is expected to fit into current financing or cost less.

Seattle Municipal Tower (SMT): 2012-2026 SBP will propose an increase in investment from the current plan. The increase is to accommodate redoing the 48th and 49th floors. SPU is evaluating whether or not it makes sense to do both floors.

Q: What was the cost savings realized after bringing staff to SMT and not leasing outside office space? A: ***We'll get back to you with that information.***

Clean Cities & Homelessness Response: Idris Beauregard, Clean Cities Program Division Director with the Solid Waste Line of Business, presented a Clean Cities and homelessness response update.

The Clean Cities Programs include Illegal Dumping, Litter Collection, Community Clean Up, SHARPs program, Graffiti clean up and Unsheltered Services. Clean Cities programs are funded by the General Fund. The program budget is \$10.5 M and 8% of this goes to unsheltered services.

The Encampment Trash Program delivers options for garbage collection at unsanctioned homeless encampments (UHEs). SPU selects UHEs for service based on:

- Safe traffic and pedestrian conditions
- Safe conditions for encampment residents
- Safe conditions for outreach
- Trash collection location at least 20 feet away
- Site not immediately rescheduled for removal

In 2019, the Clean Cities Program continually served 10 UHEs. Activities in each UHE include:

- Disposal of garbage in designated collection areas
- Disposal of bulky items encountered
- Disposal of hazardous waste materials encountered
- Coordination with local outreach non-profit groups (Hepatitis Education Project)
- Distribution of authorized trash pick-up bags (purple bags)
- On-call trash pick-up for items 20ft from active camp

Q: Is this still a priority? Will it be in the next SBP? A: This will be in SPU's mission/scope of work. It will not be in the SBP because it doesn't impact revenue and is funded by the General Fund.

Q: Do taxes on utility bills go to funding this program? A: Yes, the tonnage tax helps fund the clean city programs.

Q: Who decides what sites are scheduled for removal? A: The Human Services Department (HSD) and the Navigation Team determine what sites will be cleaned. Clean Cities coordinates

so a service isn't started at a site that is about to be removed. SPU does not make the decision on how and when an encampment will be removed.

Q: How often do people keep their trash 20 feet away? A: Quite often.

Idris presented the Panel with some program statistics on garbage collection, purple bag collection/pick-up, and sharps collection.

Q: How does the education component of the program work? A: Staff show up to let people know about the services that are available to them.

Q: Why did the amount of garbage collected go down, but the distribution of bags went up? A: The debris is larger. Only 10% of the bags distributed are being used. The migratory pattern of the population makes this data hard to collect.

Q: How much of the garbage collected is recyclable? A: We don't know because it is considered hazardous waste.

The next step in the Clean City program include:

- Explore paying homeless individuals to collect and dispose of garbage
- Expand existing consultant contracts with non-profits
- Expand garbage collection service site
- Explore options for improved sharps collection

Q: Is there a program to make sure garbage/needle collectors are trained on safety? A: Yes, training is provided and volunteers sign a waiver.

Q: What about human waste in encampments? A: It's an issue. HSD is exploring honey buckets. Sometimes human waste is reported as illegal dumping.

Comment: I saw an article that mentions 5 mobile toilets. A: HSD is in charge of that program.

Q: What about access to showers? A: We are looking at a model from Brazil where surplus food is provided to those that bring in litter. The program is being expanded to include transit and housing vouchers.

Idris continued with a briefing on the RV Remediation Pilot. SPU leads the interdepartmental team that selects hot spots to clean based on health and safety risks and occupancy. When an area is identified for clean-up, SDOT posts signs in the area. The Seattle Police Department (SPD) posts a 72-hour notification and animal control and the spill response team comes out to offer services. 24-hours prior to clean up staff return to confirm a clean up is happening. After an RV has been removed, the area is pressure washed. SPU has been working with the Department of Health to determine what is an inoperable vehicle. There has been a reduction in RVs that have been towed because more are being labeled as junk and are destroyed.

Comment: If I were not a member of this Panel, I wouldn't know about any of this. People feel overwhelmed and don't realize what is being done regarding the RV situation. What can we do to get the word out about the actions being taken?

In order to keep on schedule, it was decided the remainder of this presentation covering the RV Wastewater Pilot program will be moved to the March 20 meeting.

Rate Path Update: Paula Laschober, CFO, updated the Panel on the 2021-2026 rate path. Paula began by reminding the Panel about the 2018-2023 SBP rate path which was set at 5.2%. Due to rate changes in Drainage and Wastewater and Solid Waste projections, the current rate path is 5.0%. For the next SBP period (2021-2026) the projected rate path range is between 4 – 4.9%.

Q: Does this include all initiatives that have been presented? A: Yes.

Q: What is the spike in 2025 on the 2021-2026 Rate Path Projection graph? A: In 2025 we come to the end of the SBP period, we will have to issue more debt. SPU is working to smooth this out.

Q: What are the major differences between the high path and low path shown on the graph?

A: The difference is based on what we decide to do with the cash. Timing and size of capital projects also play a role.

Paula described the major rate assumptions for 2012-2026 by fund.

Water Fund

- Slightly declining demand
- Low tap revenue growth
- Updated wholesale revenues

Drainage and Wastewater Fund

- Slightly declining demand
- Treatment costs +4.0-4.5% per year

Solid Waste Fund

- Contract costs +4.0% per year
- No bond issuances

All Funds

- Lower bond interest rates
- Utility Discount Program is 3% of retail revenue
- No changes to the regulatory environment

SPU is assuming annual inflation of 3.6% for non-labor and 5.3% for labor costs. SPU also assumes increased annual wages per collective bargaining agreements and has taken into account increased health care costs and the potential for increased pension obligations.

Q: Are interdepartmental expenses included? A: Yes, however we won't know the exact amounts until August. Historically these costs have gone up higher than inflation.

Paula described two key rate drivers: CIP accomplishment rate and higher than anticipated cash balances.

The CIP accomplishment rate was projected higher in the previous Strategic Business Plan (SBP). Spending has trended down and assumptions for transportation projects have been adjusted. SPU began 2020 with cash balances in excess of internal financial targets. SPU is exploring ways to use the cash balances. Two options are to pay for CIP instead of issuing debt or maintaining higher cash balances in the event of an emergency.

Q: What are Council policies about cash? A: They are advisory.

Q: What are the existing reserve policies? A: We don't have a set aside reserve. We have a city cash pool of \$2.5B. About 1/3 of that money is SPU funds. The cash pool is like a big bank where the money sits. It is managed by the City's Department of Finance and Administrative Services (FAS). The General Fund can't take money from the utility portion. In addition, SPU has a rate stabilization fund and a bond reserve fund.

Q: What are the pros and cons of the different options on the rate path? A: SPU is looking at this now. We are looking at issues, such as the coronavirus, and asking if we need more cash for different situations. Questions SPU is asking now are how many days of cash should we have set aside? What is a reasonable time frame for growing that cash? We have done well with our existing financial policies.

Q: Can you make starting salaries higher to attract employees? A: No, human resources sets salary bands.

Regarding emergency reserves, SPU thinks of this in days or months. Each fund has financial policies that require a certain amount of operating cash. Thirty days to 6 months is a normal range. We are discussing what our range should be, where do we start and should each fund have a different time amount. ***We will come back to the Panel with additional information about these conversations, the pros and cons of various rate path options and what the Utility is recommending and why.***

Q: Are there examples of emergency spending from utilities who have had to do this? A: We don't have good information because each situation is unique.

HDR Study and Accountability & Affordability Plan Update: Keri Burchard-Juarez, Deputy Director of the Project Delivery and Engineering Branch, and Jonathan Swift, Corporate Policy, provided an update on the report commissioned by SPU from HDR, a private consulting firm, and a status update on the Accountability and Affordability (A&A) plan.

Keri reminded the Panel the HDR report was completed in 2014 in advance of the first SBP. It focused on looking for efficiencies, revenue enhancements and benchmarking. The report resulted in 45 recommendations ranging from easy to implement to some that SPU felt were truly not feasible. The report looked at nine areas, several of these overlap with A&A focus areas. Many of these recommendations have been implemented and some are underway. The

report attempted to estimate the hours saved from the 45 efficiency recommendations. SPU found that not all of those assumptions made sense. For example, the report suggests we'd gain 1000 hours of efficiency by requiring that every project manager be certified. SPU has not found this to be true.

Comment: Project management is an underappreciated field. When things go wrong, a good project manager can be very valuable.

Comment: My experience with project management has been that certification doesn't equate to competence.

Examples of recommendations that have been implemented:

- Set up a project management information system
- Get rid of Solid Waste "billing in advance"
- Improve operations in the Customer Contact center
- Align SPU around the three lines of business
- Entry level staff apprentice training programs

Recommendations being implemented:

- Update and formalize the Enterprise Asset Management Program
- Improve the utilization of management reserve funds
- Optimize SPU procurement

Examples of recommendations found to not be feasible:

- Workforce – procure a new HR management system
- New Performance Review Process
- Develop an Enterprise Content Management Strategy

Jonathan Swift continued the presentation with an update on the SPU Accountability & Affordability Plan updates. Jonathan reminded the Panel of the six plan focus areas and the number of actions taken so far. Today's presentation will focus on five areas. Customer Service will be covered at the next meeting on March 20.

Focus area: Capital Project Planning and Delivery – Increase the speed and delivery of capital planning and delivery. SPU has identified 16 actions that can be taken to improve the speed and reduce the cost of our capital program. These actions range from very specific issues around how we pool our management reserves to the way we coordinate our projects geographically.

Focus Area: Efficiency and Improvement – Build capacity for continuous improvement. SPU is working to develop a culture of continuous improvement to enhance value to our customers and improve efficiency and performance. One way we are doing this is to train staff across all lines of business in lean problem solving.

Focus Area: Partnership Opportunities – SPU will be spending over \$100M in the South Park community over the next decade. We will be investing in our drainage system by partnering with other city departments, community organizations and the philanthropic community.

Focus Area: Regulatory Alignment – SPU’s Drainage and Wastewater branch has been working with the federal EPA to change the way stormwater facilities are inspected. Using data and analysis SPU was able to show the current method of compliance did not improve outcomes and that resources could be shifted to other areas for greater benefit.

Focus Area: Budget and Financial Management – SPU has been working bring down the rate path. Since the adoption of the SBP, we have reduced the rate path from 5.2 to 5.0%. Currently the A&A plan has 28 action in progress with four actions completed. Completed actions include:

- Transition to the use of portfolio reserves and/or pooled risk to reduce the total dollar amount of management reserves.
- Pilot the development of a flexible rate model that integrates affordability criteria into rate development.
- Explore income eligibility alignment with other City of Seattle assistance programs.
- Expanding Access to Emergency Assistance

We will bring back additional draft focus areas for discussion at the March 20 meeting.

Customer Outreach Update. Dani Purnell, Director of Corporate Policy, presented. SPU has received over 500 survey responses to the “5 questions” survey. 141 responses are from employees. The Department of Neighborhoods community liaisons are helping SPU reach communities in different languages. Outreach efforts are designed to reach groups we don’t typically hear from. An update will be provided at the next Panel meeting on March 20.

Karen Reed reviewed the items that will be coming to the Panel in March, include a visit from Councilmember Pedersen.

Meeting was adjourned at 4 pm.