

Discussion Draft:**Proposed Outline of Panel Letter to Mayor Regarding SPU Strategic Business Plan****Including Some Potential Panel Comments****v. 5.2.14**

The goal of this document is to serve as a discussion guide for the Panel. It is based on Panel input at meetings to date, and is: (a) in rough outline format; and (b) entirely subject to Panel comment/review/adjustment/etc.

Italicized text includes more detailed proposed contents/options for Panel consideration, based on prior Panel comments. These can be rejected, adopted, amended or supplemented, as the Panel wishes.

The goal for May 6 will be to identify to the extent possible the major substantive points the Panel wishes to include in its letter, and to confirm a general outline for the letter.

Process Note: Based on discussion at the Panel's May 6 meeting, a draft letter will be developed for review on May 20, and again on June 3. The letter will not be finalized until after Panel has had opportunity to review the final SPU recommended Plan. Ideally, all Panel members will sign the letter; dissenting positions could be noted in the letter.

I. Introduction:

- Overall message: [*support for / oppose / support with caveats*] the Strategic Plan and the Recommended Rate Path.

II. Panel Process:

- Panel has meet 27 times, twice a month for 3 hours each meeting, to review the work of the Utility and development of the Strategic Business Plan.
- Council and CBO staff at table to offer input, perspective.
- Nature of Panel's review & comment as citizens...
- Utility support for Panel's work, responsiveness, etc....
- Public input process, content...

III. The Plan -- Overview:

- Benefits of having a six year strategic plan and six year rate path for each line of business:...
 - *Accountability to deliver specific projects within certain costs*
 - *Predictability for ratepayers*
 - *Identify rate drivers*
 - *Transparency*
 - *Other?..*

- Core components of Plan:... *[any comments particular to any segment, or the overall Plan?]*
 - *Assessment of Strengths, Weaknesses, Opportunities and Challenges ("SWOC")*
 - *Statement of Priorities looking ahead (Focus Areas, supporting Strategic Objectives)*
 - *Baseline review of ongoing costs (90% + of all costs) ...*
 - *Efficiencies & programmatic reductions*
 - *Proposed Investments to address identified gaps, focus areas.*

- *General assessment of the Strategic Plan:*
 - *The Plan addresses major gaps in operations and services...*
 - *Time intensive, thorough effort...*
 - *Other..?*

IV. Recommended Rate Path; Comments on Affordability:

- *Rationale for [supporting/opposing/supporting with caveats] recommended rate path....*

- *Concerns/thoughts about path being higher than CPI*

- *Affordability: [See **Note 1** on p.6 for more detailed suggestions]*

- *Other?*

V. Efficiencies & Programmatic Reductions:

- *Panel has reviewed and [supports] the proposals for efficiencies & programmatic reductions*

- *Importance of ensuring SPU has an ongoing effort to find more efficiencies and have a system in place to document them.*

- *Importance of benchmarking with other utilities*

- *"Zero net FTE" pledge....*

- *Department Re-organization*
 - *Support effort announced by SPU Director. The current structure is confusing and complex. This will be an opportunity to increase accountability and streamline decision making.*
 - *Retirements offer opportunity to “flatten” overall structure.*
- *Other Efficiency initiatives: [which ones of particular note?]*

VI. Focus Areas—Proposed Investments & Comments:

- *[Support] the 4 Focus Areas & strategic objectives.*
- *Action Plan addresses identified gaps from SWOC analysis.*
- *The Panel [endorses] all Action Plans identified in the Recommended Path, with some additional comments below.*
- Environment & Public Health
 - *City has strong commitment in this area, reflective of customers’ values.*
 - *Panel skeptical of need to invest more to reduce SPU’s carbon emissions, given unacknowledged contribution of forested watersheds, and affordability concerns.*
 - *Increasing investment in street sweeping seems low cost / high benefit effort.*
 - *Other issues to call out?...*
- Operational Excellence
 - *Support major investments to increase level of inspection, repair and maintenance of sewer pipes. Largest investment in Plan. This avoids greater cost impacts later...*
 - *Support major investments proposed to accelerate responses to chronic neighborhood flooding in South Park and Broadview. The severity of recurrent flooding in these areas is not an acceptable level of service and should be corrected sooner than currently scheduled...*
 - *Other issues to call out?...*
- Transforming the Workforce
 - *[Top] priority for Panel. The quality of employees determines the quality of service, ability to innovate and respond to changing circumstances*

- *Points of concern:*
 - *Survey of employees noted lack of accountability, need to increase efficiency.*
 - *Half the workforce can retire w/in __ years.*
 - *Existing HR systems in the department require a major overhaul.*
 - *Appreciate the transparency about the challenges, and support funding for improving these systems and practices.*
- *Supervisor training is a particular priority.*
- *The utility should be more aggressive in reducing employ injury and rates. Employee safety should be a high priority.*
 - *Shifting employees to different positions if they are unable to perform the required skills as they age.*
- *Support initiatives to increase field and office productivity.*
- *Encourage consideration “broadbanding” of some employee job classifications.*
- *Other?....*
- Easy & Engaged Customer Experience
 - *Support improving SPU websites for customers.*
 - *Outreach to low income communities should be coordinated across city departments.*
 - *This is an important focus area, but efficiencies here are as important as elsewhere.*
 - *Other?...*

VII. Other Issues:

- Action Plan Costs and Benefits:

Concern that the benefits of, and efficiencies resulting from, the various Action Plans are not well quantified, although the costs have been quantified. There could be greater savings than projected. The Utility should make a greater effort to do this analysis with respect to each Action Plan, perhaps through metrics developed as part of Strategic Plan implementation.

- Rate Design & Connection Charges

We encourage the City to undertake a review of rate design for each line of business.

The Plan includes one important rate design concept: imposing connection charges. This is common practice in the industry. We think this should be pursued. There are several approaches to implementation, use of revenues. More work must be done to select a specific path.

- Every other week garbage collection

Majority of Panel agree it was not appropriate to implement at this time. However, City should reconsider this at the next contract renewal. If pursued the program must be funded to include public education outreach and address equity issues, based on results of the pilot program.

- Tracking Delivery on the Commitments of the Strategic Plan

- *Important to track implementation of Plan and hold utility accountable as appropriate.*

- *Support 3 year update cycles.*

- *Would Panel be interested in reconvening in a year?*

- *Other ideas?*

- Other Topics?

Note 1: AFFORDABILITY

Affordability of utility services has been a major concern for the Panel since its first meeting. Utility service is a basic necessity. While the rate path in the plan projects rate increases much lower than those experienced in the last decade, the average annual rate increase of 4.6% is well over the projected rate of inflation.

- *Panel supports the expansion of the low income rate assistance program, while noting this shifts additional costs to customers not participating in the program.*
- *Labor costs are biggest controllable cost for Utility (though only 16% of total budget). Appreciate the careful assessment in baseline of these costs. Labor costs (including salaries, pensions, benefits) continue to grow at rates well in excess of inflation.*
- *Consider ways to scale back city-imposed utility taxes to promote affordability.*
 - *Seattle collected \$73.6M in 2012 from utility rate payers to support General Fund programs (police, fire, human services, etc.) We acknowledge the importance of this revenue source to the General Fund and the importance of General Fund programs.*
 - *The level of utility taxes imposed is at least 50% higher than the medium imposed by other cities statewide.*
 - *Perhaps rates can be gradually rolled back to pre-2005 levels over the next 6 years, or revenues from this source capped at the general rate of inflation year-to-year.*
 - *At a minimum, we encourage the City to increase transparency on utility bills so that customers know this is an add-on to their bills supporting general city operations.*
- *In all, the Utility should continue to explore all reasonable avenues to maintain services while driving rate increases down over time to be closer to the rate of inflation.*