

SPU Customer Review Panel (CRP) Quarterly Meeting

Seattle Public Utilities
March 13, 2023



City of Seattle



Welcome
Andrew Lee
CEO and General Manger, SPU



Public Comment

Andrés Mantilla, BDS Planning



Committee Business

Andrés Mantilla, BDS Planning



Proposed CRP Charter Amendments

Section	Current Language	Proposed Change in Charter
3- Panel Officers	Charter states the panel has a chair and two vice chairs	<u>PANEL OFFICERS.</u> A Chair and up to two Vice-Chairs of the Panel shall be elected by the Members of the Review Panel from the Panel membership. The Chair and Vice-Chairs shall serve for terms of two years, commencing in October, and shall have the duties set forth in Section 6.
4- Compensation	Charter does not allow for stipends for members	<u>COMPENSATION.</u> No compensation shall be paid by SPU for any service as a member of the Panel or as its Chair or Vice-Chairs. Stipends are available to CRP members as a Race and Social Justice best practice to honor volunteer time, expertise, and lived experience. Stipends are optional, available to all volunteers if they are not compensated through their employer for their attendance and participation at CRP meetings. CRP members may choose to accept, decline, or donate to the SPU Community Fund.
5E- Participation by Telephone	Charter states that members may attend via conference call if they cannot attend in person.	<u>VIRTUAL PARTICIPATION</u> PARTICIPATION BY TELEPHONE. Panel members may participate in meetings via telephone or online conference call but are encouraged to attend each meeting in person.



City Council + Mayor's Office Updates

Brian Goodnight, Council Central Staff

Akshay Iyengar, Mayor's Central Budget Office



King County Wastewater Treatment Rate Overview for 3/21 Study Session

Ben Marré and Maria Coe



King County's Regional System

Wastewater transmission and treatment



Overall concerns and discussion

- Cost will continue to rise
- Local agencies can't fund what needs to be funded because of WTD increases
- Better planning is needed
 - Regional Wastewater Services Plan was adopted in 1999, extended through 2030
 - Updated plan is years away from completion
 - No vehicle like SPU's Strategic Business Plan with near term view and rate path commitments
- Little ability to understand or influence choices
- Customer voice missing in process



King County Wastewater Treatment Contract Background

- Contract established in 1961 to treat regional sewage
 - 36 Component Agencies or wholesale customers
 - Amended in 1991 to include capacity charge
 - Expires in 2036
- Treatment rate adopted annually by King County Council
 - 10 year projection included
- Pass through expense to Component Agencies per contract
 - Seattle incorporates the treatment expense into sewer and drainage rates
 - Treatment accounts for approximately 2/3 of sewer rate



2024 Rate Increase and 10 Year Projection from WTD

WTD Staff Proposed 2024 Sewer Rate

The proposed rate for 2024 is \$55.11.

2024 Proposed Sewer Rate and 2025-2033 Rate Projection – Original Cost Depreciation, modified CIP, revised AR, three-step smoothing

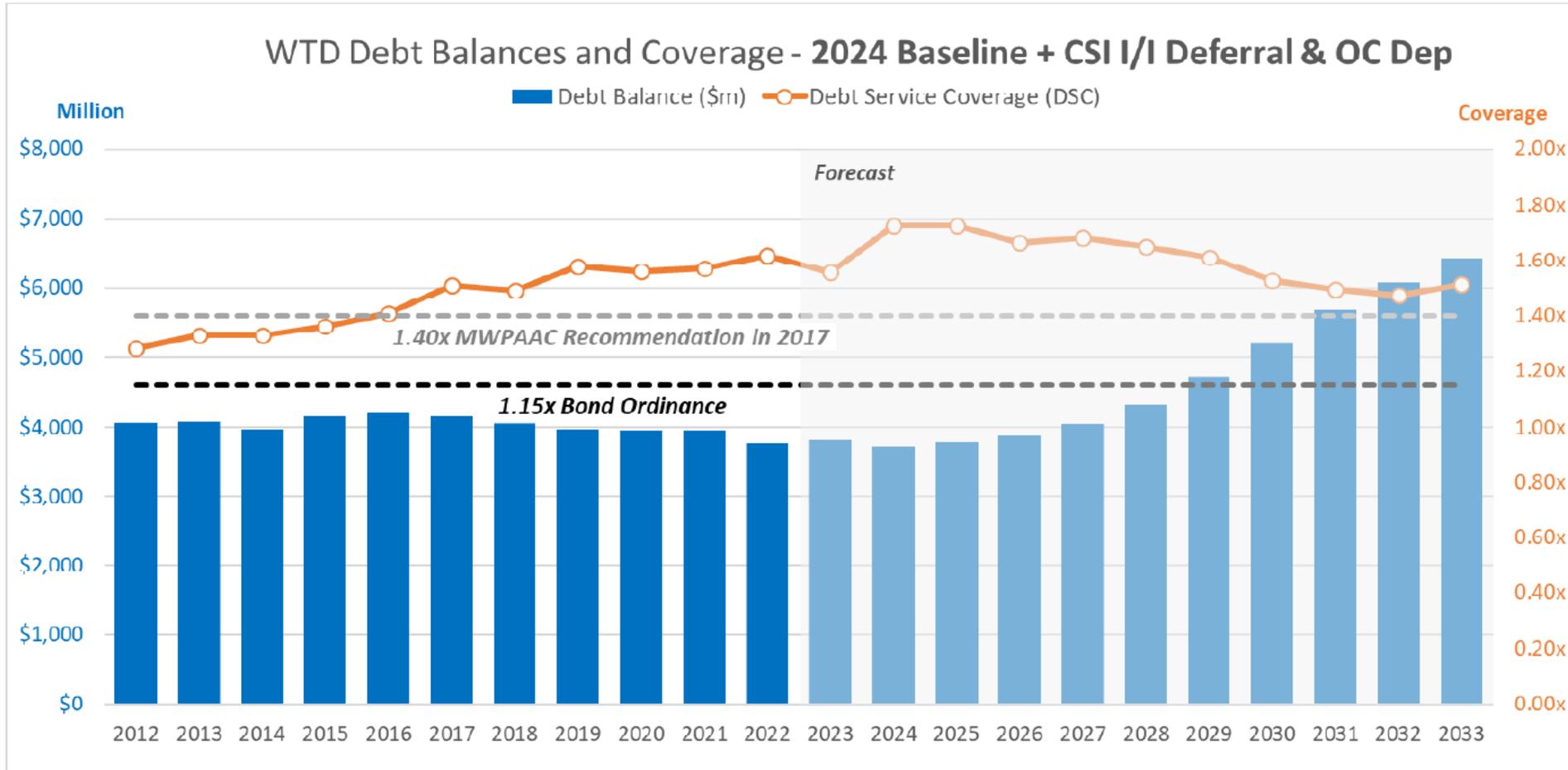
Base + CSI I/I Deferral & OC Dep	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase %	5.75%	5.75%	5.75%	5.75%	6.50%	6.50%	6.50%	7.00%	7.00%	7.00%	7.00%
Monthly Sewer Rate	\$52.11	\$55.11	\$58.28	\$61.64	\$65.65	\$69.92	\$74.47	\$79.69	\$85.27	\$91.24	\$97.63
All-In Debt Service Coverage	1.56x	1.73x	1.73x	1.67x	1.68x	1.65x	1.61x	1.53x	1.50x	1.47x	1.51x

Key WTD Figures

- 2024 rate is 5.75% compared with preliminary rate proposal of 6.75%
- WTD recommends deferring some CSI I/I capital projects and reducing accomplishment rate
- Cash Financing is lowered from 40% to 34%
 - Lower cash financing of capital means increased debt financing
- Additional 74 FTE in 2024 after increasing by 96 in 2023 (24% increase over 2022 staffing levels)



Long-Term Financing - SPU Concerns



- Rapidly increasing debt
- *Extremely high existing leverage*
 - S&P 2021 Rating Review
- Future regulatory requirements



WTD's Capital Program

Capital Improvement Program and Accomplishment Rate (2023-2033)¹

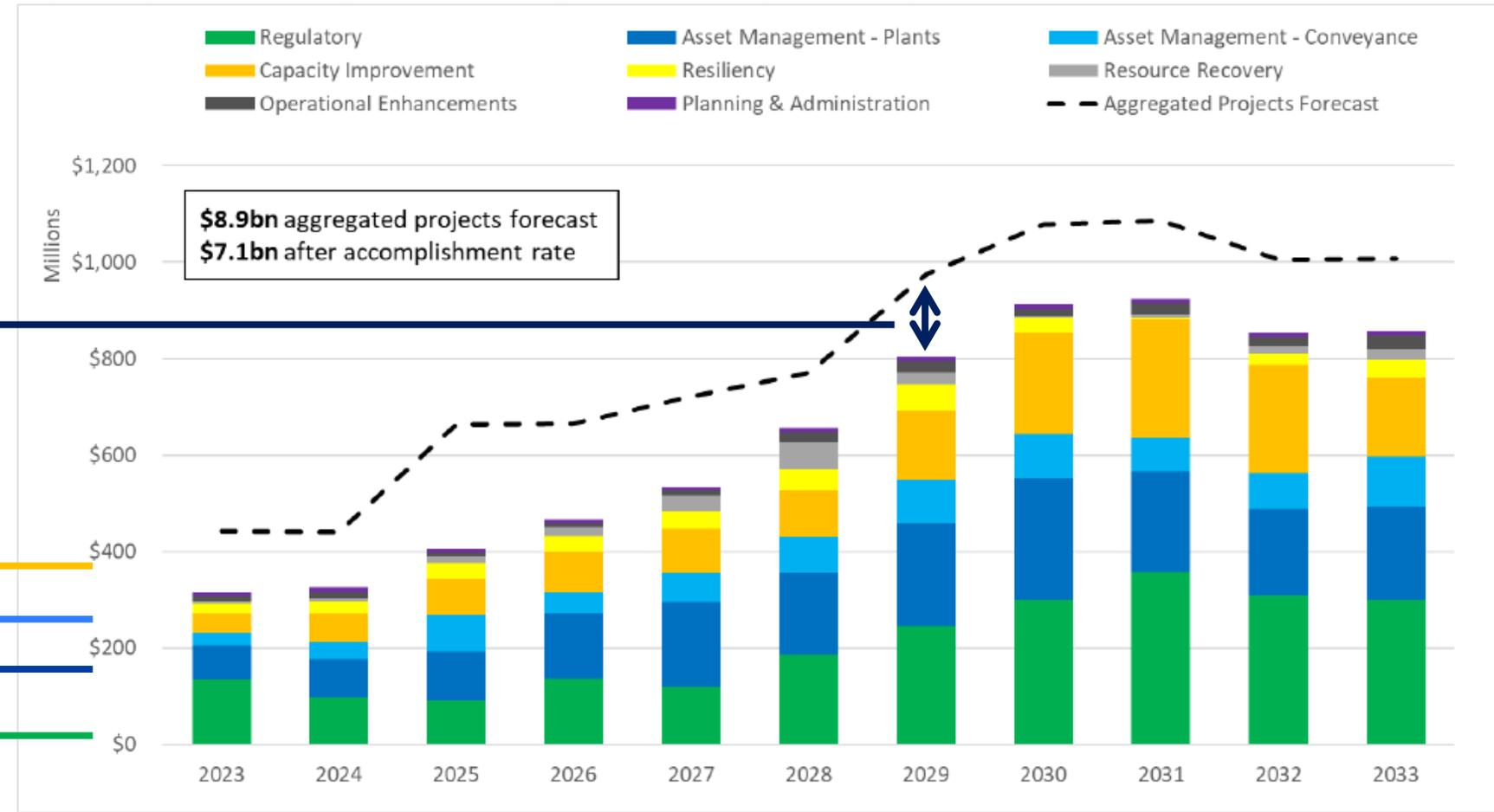
Accomplishment

Capacity Improvement

Asset Management (Pipes)

Asset Management (Plants)

Regulatory (CSO)



Accomplishment

2024 Baseline + CSI I/I Deferral	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2023-2033
Aggregated CIP Project Forecasts	\$443	\$440	\$663	\$666	\$721	\$772	\$975	\$1,079	\$1,087	\$1,005	\$1,007	\$8,858
Accomplishment Rate (AR)	71%	74%	61%	70%	74%	85%	83%	84%	85%	85%	85%	80%
Capital Spending after AR	\$316	\$328	\$406	\$469	\$534	\$656	\$805	\$912	\$924	\$854	\$856	\$7,060

¹ The average accomplishment rate assumption was reduced from 85% to 80% to account for economic conditions and staffing levels

WTD's Capital Financial Projections

SPU's Concerns

- Buckets and levels of definition
- Quality of planning, planning in silos
- No portfolio management – strategic management of priorities, budget reserves
- Staffing, hiring, strategic use of consultants
- Only includes \$50M for nutrients regulation



How we are involved

- Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC)
 - Vice Chair – Maria
 - Engineering & Planning Vice Chair – Ben
- Regional Water Quality Committee (RWQC)
 - Councilmember Alex Pedersen
 - Councilmember Kshama Sawant
- Governance study
 - Key/research question: Is there a viable governance structure for regional wastewater services that would be better than the current one?



SPU Corporate Foundational Overview #2

Resiliency and Risk Management Approach
Climate Action
Facilities Planning

Resiliency and Risk Management at SPU

Chris Hilton, Chad Buechler, & Dan Ward

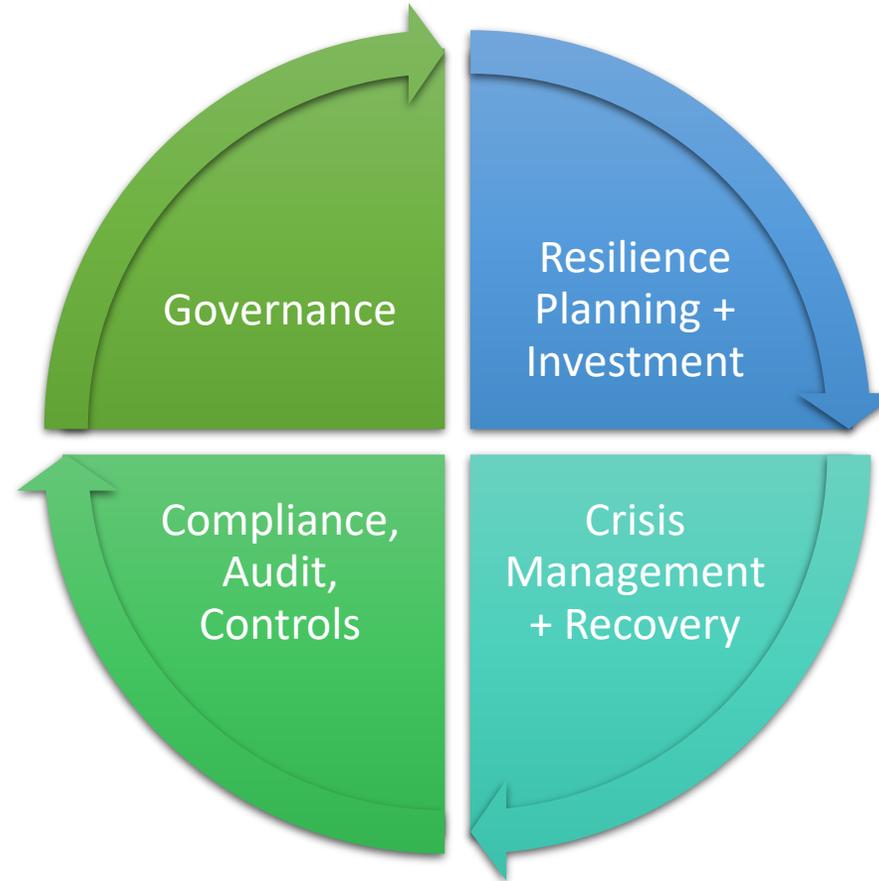
SPU Resilience + Risk Management Approach

Governance:

- Policy + RQA Board oversight
- Enterprise Risk Management (ERM) decisions
- Quarterly Law Meeting

Regulatory and Controls Focus:

- Legal Compliance
- Ethics
- Claims
- Litigation
- Hearing Examiner
- Rules and Procedures
- Insurance
- Financial + Internal Controls
- Audit review and implementation



Holistic, Mid-Long Range Focus:

- Biz trends and drivers and best practice monitoring
- Biz Resilience + Risk framework, strategy, policy and community of practice coordination
- Corporate risk profile (assessment + register), risk appetite, tolerance, and indicators
- Biz impact and vulnerability assessment, scenario forecasting, opportunities and tradeoffs
- Adaption and mitigation planning and investment

Acute Threat, Near-Term Focus and Security:

- OEM coordination
- Threat response plans, playbooks, communications
- Situational simulations
- Disaster/crisis/security response and recovery
- ICS activation, structure, training/drills, certification
- Supply chain, contract, mutual aid, IT, critical infrastructure preparedness
- Acute SWOT assessments and lessons learned
- Emergency preparedness (threat, community)



SPU Utility Resiliency is

...the ability to address changing business conditions, anticipate risk, limit impact, and bounce back and forward rapidly through flexibility, adaptability, evolution, and growth in the face of turbulent and uncertain change...

SPU's Vision Statement:

As a forward-looking utility, SPU evaluates possible futures and plans accordingly so that we are prepared to recover from sudden or gradual impacts that affect our ability to serve the community.

Evolving SPU's Approach From Risk Management to Resiliency

Traditional

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

Risk is bad - transfer

Advanced Risk Management

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

Risk is an expense - reduce cost of risk

Comprehensive Resilience + 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 and resilience optimized to increase value and achieve goals

Utility Specific Risk Identification

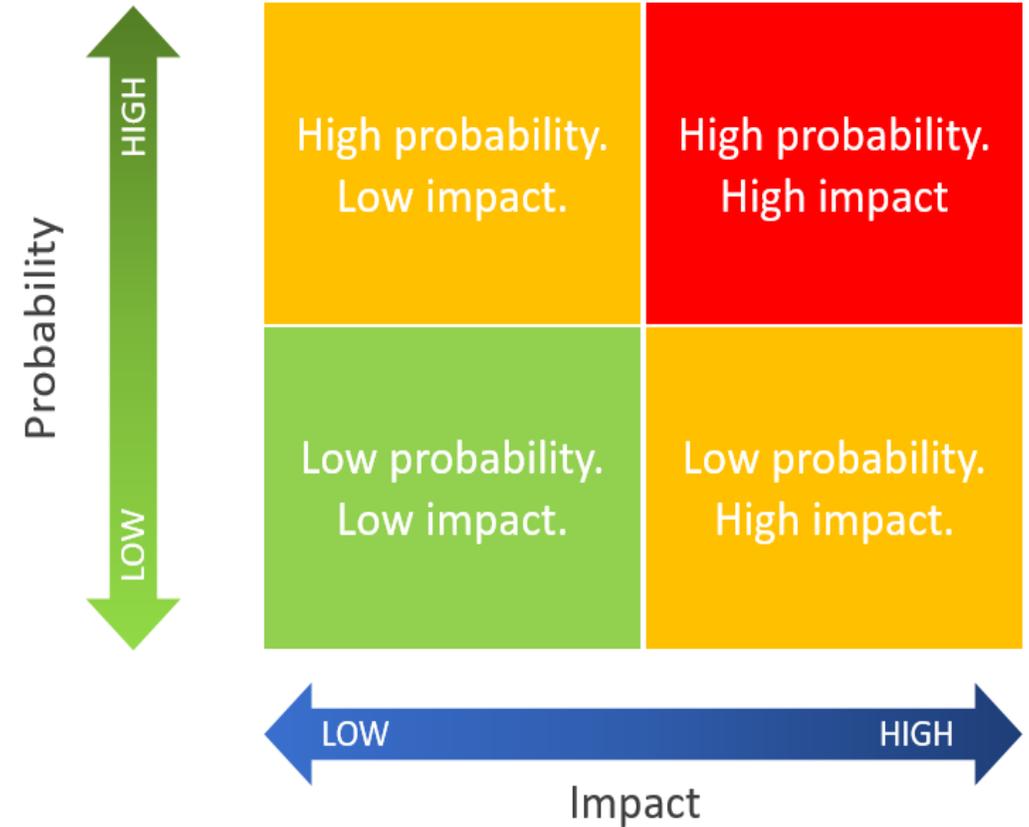
Natural/Environmental

- a. Climate / Extreme Weather
- b. Seismic
- c. Wildfire
- d. Pandemic**

Human Systems

- a. Economic/Financial
- b. Infrastructure/Operations Failure
- c. Technology
- d. Workforce
- e. Social Disparities/Inequities**

** Not in SPU's 2019 Assessment



Utility Business Trends and Drivers

2 Years		10 Years	
1	Cost of living crisis	1	Failure to mitigate climate change
2	Natural disaster and extreme weather	2	Failure of climate change adaptation
3	Geoeconomic confrontation	3	Natural disaster and extreme weather
4	Failure to mitigate climate change	4	Biodiversity loss and ecosystem collapse
5	Erosion of social cohesion	5	Large-scale involuntary migration
6	Large-scale environmental incidents	6	Natural resource crisis
7	Failure of climate change adaptation	7	Erosion of social cohesion
8	Widespread cybercrime	8	Widespread cybercrime
9	Natural resource crisis	9	Geopolitical confrontation
10	Large-scale involuntary migration	10	Large-scale environmental damage incidents

* Adapted from World Economic Forum Global Risks Report, 2023



SPU Resilience Planning and Investment

Annual review of trends and drivers:

*What trends, risks and opportunities should we be paying more attention to?
How are these changing? What can we influence and how?*

Major Initiatives

- Climate Action
- Wildfire Risk Assessment and Planning
- Technology Innovations - Onsite Non-Potable Water Reuse, In-line Hydro
- Cyber Security
- Seismic Investment



SPU Crisis Management and Recovery



SPU Emergency Management's mission is to leverage the talent, resources, and commitment of the organization to be there when our customers need us most, during emergencies and disasters.

Key Elements:

- **Prepare:** Hazard Planning and Preparedness
- **Respond and Recover:** Emergency Incident Command Structure, Operation, Logistics
- **Learn and Improve:** After Actions

Recent: South Park Flooding/King Tides, Covid-19

Emergency Coordination and Preparedness

Citywide Coordination

- Disaster Management Committee, Strategic Work Group, Seattle EOC

County Coordination

- SPU Facilities outside the city limits like Dams
- King County Critical Infrastructure Working Group

Emergency Management Planning

- Utility-wide Plans like the Continuity of Operations Plan
- Hazard-Specific Plans like Wet Weather, Seismic, Dam Safety

Training and Exercise

- Incident Management and Scenario-based

Logistics

- Mutual Aid, Emergency Supplies

Outreach

- Coordinated with City Partners, Drinking Water/Sanitation/Debris



Emergency Management - 2022 Key Facts

Incident Management Continuous Improvement

- 12 After-Action Reviews

Training and Exercise

- Annually scheduled for some programs like Damage Assessment, Water Main Break and Wet Weather, others are federally regulated like dams (5 years)
- 600 SPU Staff trained in Incident Command System

Alerts

- Approx 250,000 messages sent through AlertSeattle primarily Solid Waste and RV Pump out pilot.

Puget Sound Emergency Radio Network

- Transition Completed in 2022, over 600 radios now on digital system.

What's Next?

- Building on COVID-19, South Park, Seismic Improvements, Department Operations Center Update



Compliance Program

Claims: Damage claim investigation, report writing, and loss prevention. Recovery Claims

Payment Card Industry: annual review of compliance with data security standards for credit card payments

Privacy: privacy impact assessments related to data sharing agreements, vendor contracts and new and existing business applications that contain sensitive or personally identifiable customer data

Environmental: Manage environmental compliance, corporate sustainability and stewardship programs at SPU operations facilities and field projects.

Public Disclosure: manage disclosure requests, subpoenas, and legal

Hearing Office: conduct independent hearings on highly complex escalated utility billing disputes

Ethics/Compliance Reviews: Support all lines of business to review compliance with Seattle Municipal Code and Ethics rules.



SPU Resiliency + Risk Governance

Executive Level Policy and Risk Management Board

- Internal Audit Planning and Response
- Policy and Procedure Development
 - Gift Cards
 - Community Compensation



Climate Action at SPU

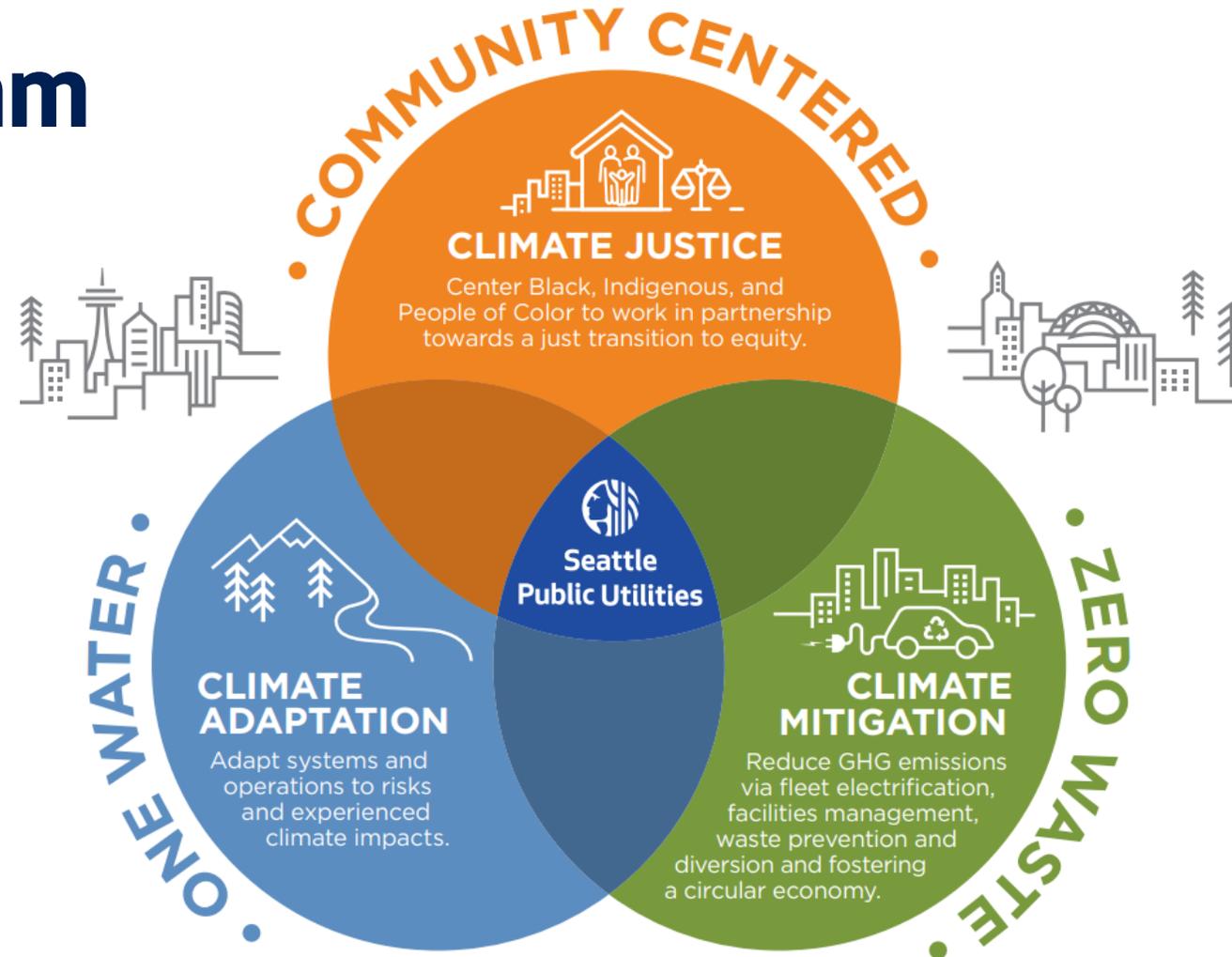
Ann Grodnik-Nagle, Ashima Sukhdev



SPU's Climate Program

Working across SPU on:

- Climate Justice
- Climate Mitigation
- Climate Adaptation

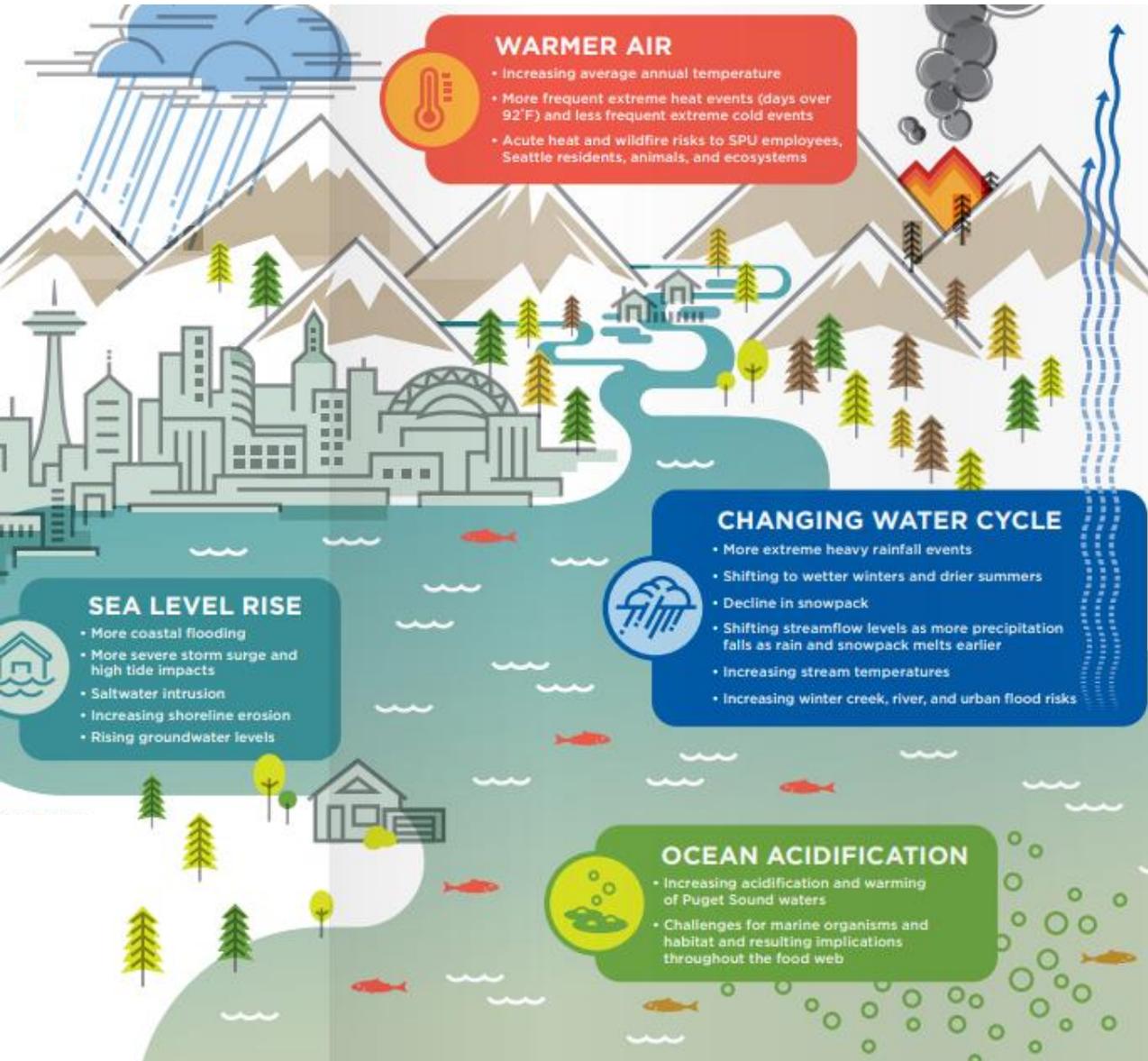


SPU and Climate Action

- We're working to **justly** center our actions in ways that address impacts and create opportunities for communities most burdened
- We're focused on **mitigating** and reducing emissions in our operations, and also community-wide
- We're focused on **adapting**, future-proofing, and making our operations resilient, and our initiatives and programs support broader utility and city-wide resilience



Climate Change Is An Impact Amplifier



More Flooding, Extreme Storms
Rising Sea Levels

Stress on Water Supplies

Climate Refugees-Population Growth

Wildfire Risks

Ecosystem/Habitat Stressors

Hotter Neighborhoods...

***Greater Injustice, Greater Inequity,
Greater Disparity, Greater Harm***



City of Seattle

Climate Justice at SPU

Seeds of Resilience

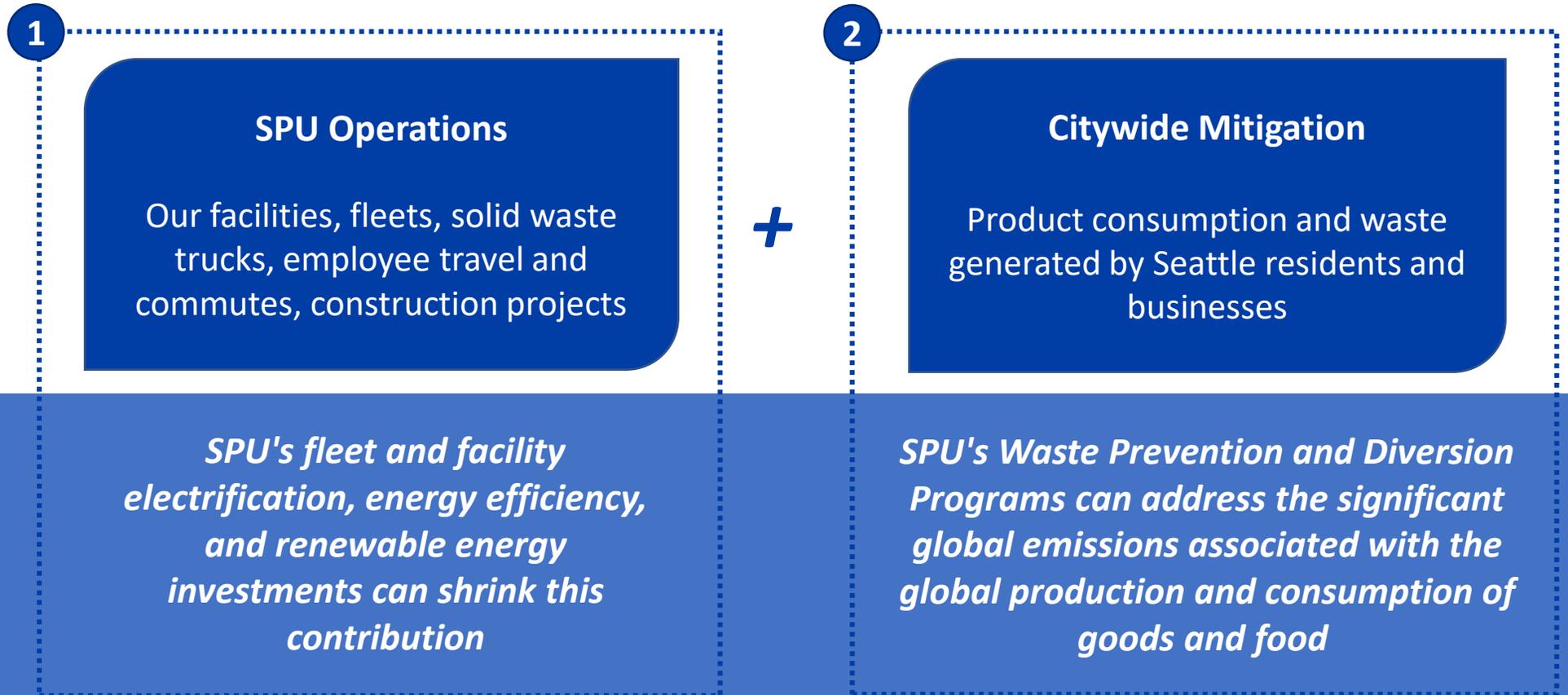
- SPU funding to foster water resiliency, encourage a circular economy, and grow blue-green job opportunities with an emphasis on supporting BIPOC communities through an innovative investment program
- \$600k pilot program in 2023

Duwamish Valley Resilience District

- Grant-funded approach to support community resilience and sea level rise adaptation in South Park and Georgetown.
- Includes organizational, physical, and financial infrastructure



What is SPU's role in reducing emissions?



SPU Climate Mitigation Actions

SPU Operations



Carbon Neutrality by 2030



An Energy Efficient & Energy Aware Utility



Generating Renewable Energy

Citywide



Prevent Waste & Circulate Materials

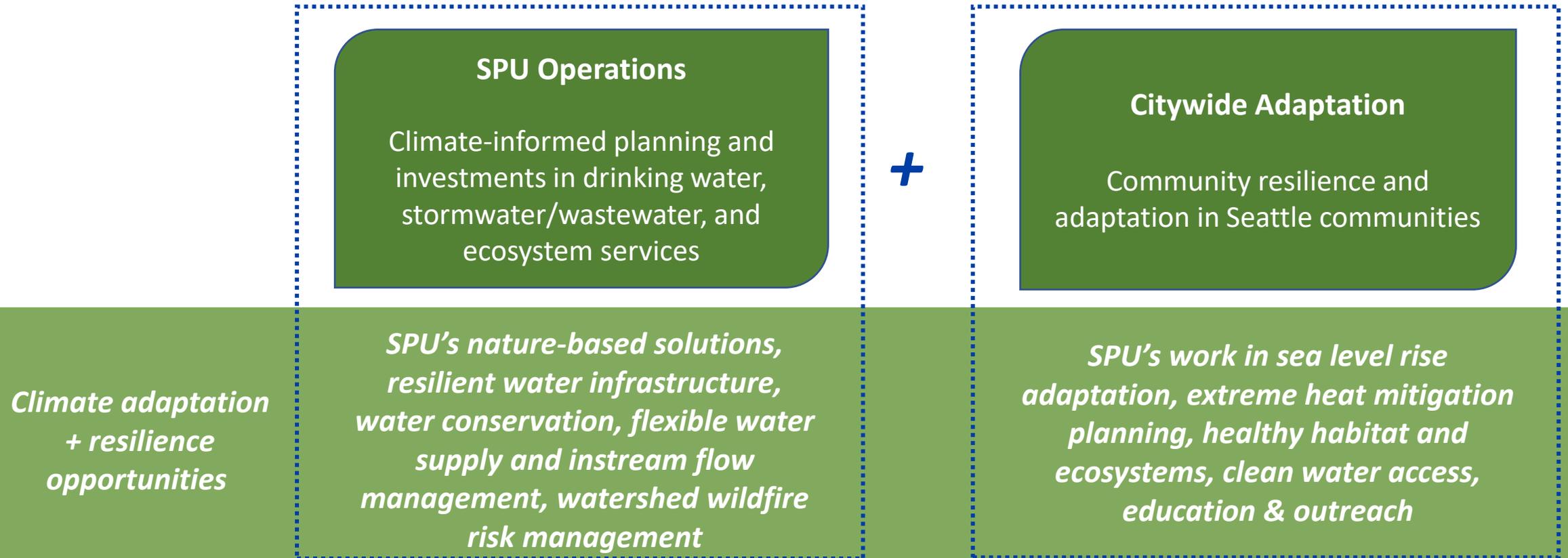


Sequester (absorb) Carbon



Prevent & Manage Methane Release

What is SPU's role in climate adaptation?



SPU Climate Adaptation Actions



Nature-based, multi-benefit solutions



Future-proofed buildings and facilities



Resilient water infrastructure design and operations



Healthy habitat and ecosystems



Flexible water supply and instream flow management



Water conservation

South Park Flooding: Response, Recover, Resilience

Customer Review Panel Discussion

Tracy Tackett & Maria Stevens

Today's Briefing

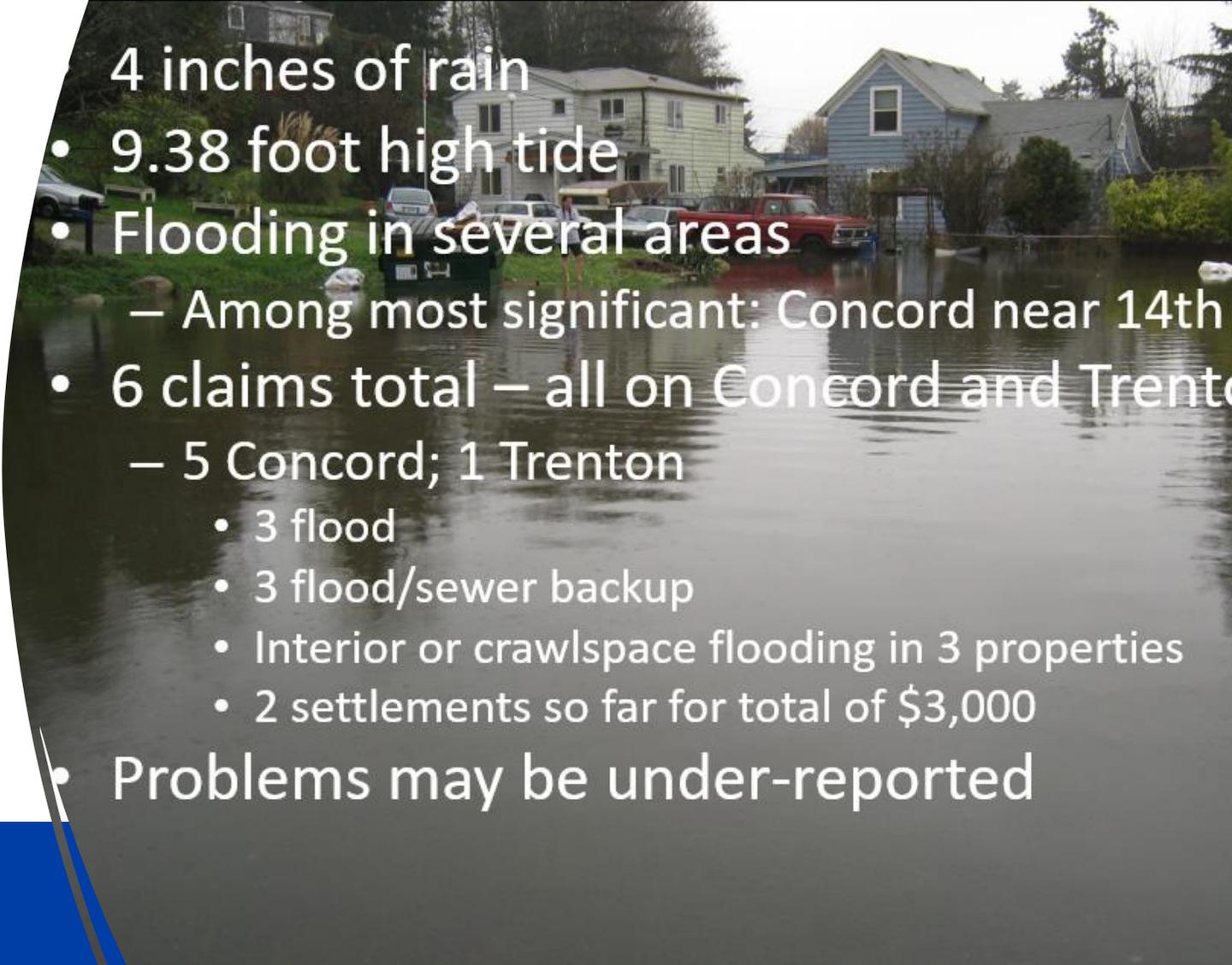
- What we planned for, what happened
- Response
- Recovery – What's next



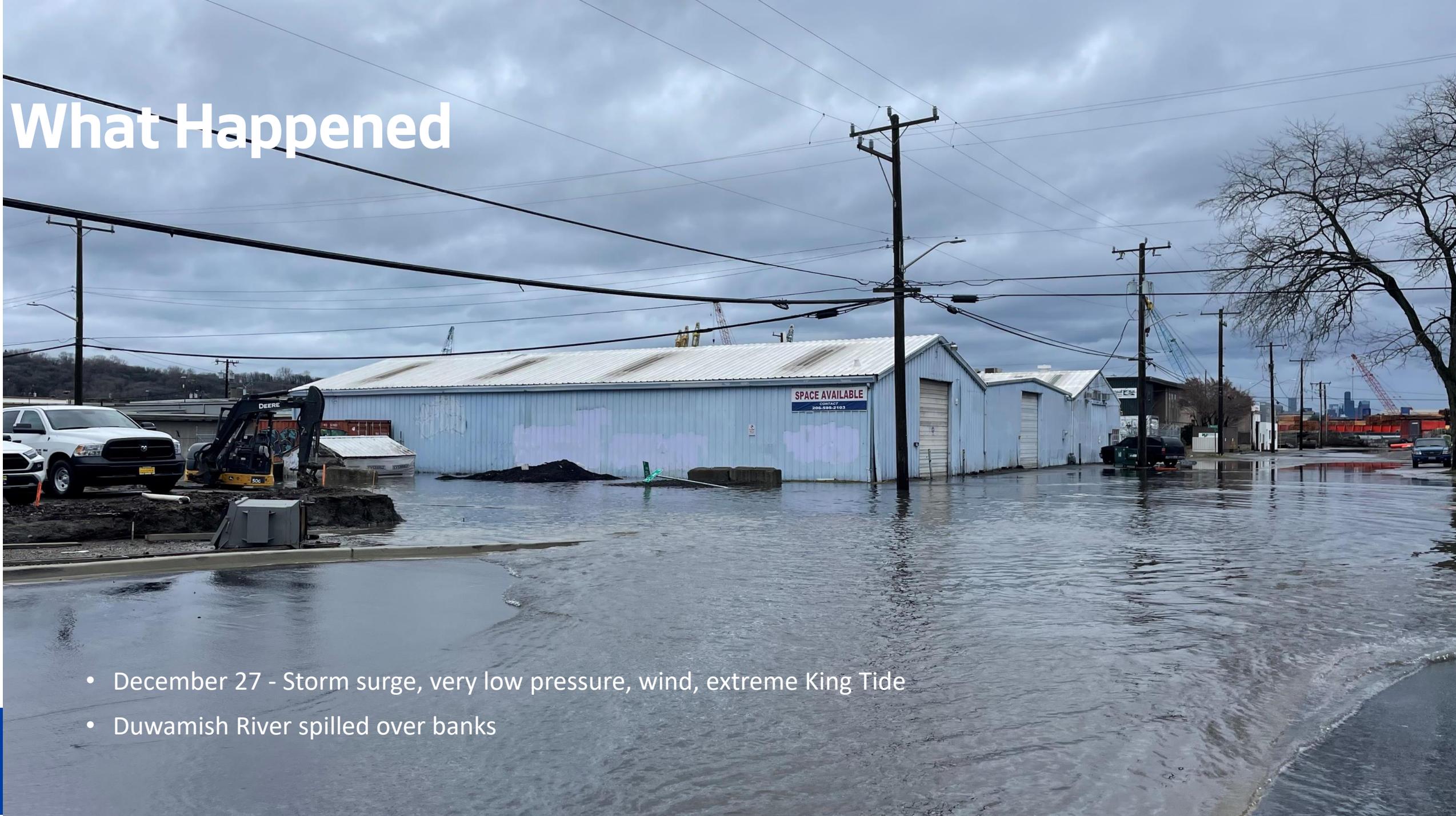
South Park Drainage & Wastewater History

- A long history of flooding & sewer backups
- January 2022 King Tide and Storm Event ignited the need for change
- After Action launched steps for SPU to take
- These actions were deployed in December 2022

12-12-10 Storm in South P

- 
- 4 inches of rain
 - 9.38 foot high tide
 - Flooding in several areas
 - Among most significant: Concord near 14th
 - 6 claims total – all on Concord and Trenton
 - 5 Concord; 1 Trenton
 - 3 flood
 - 3 flood/sewer backup
 - Interior or crawlspace flooding in 3 properties
 - 2 settlements so far for total of \$3,000
 - Problems may be under-reported

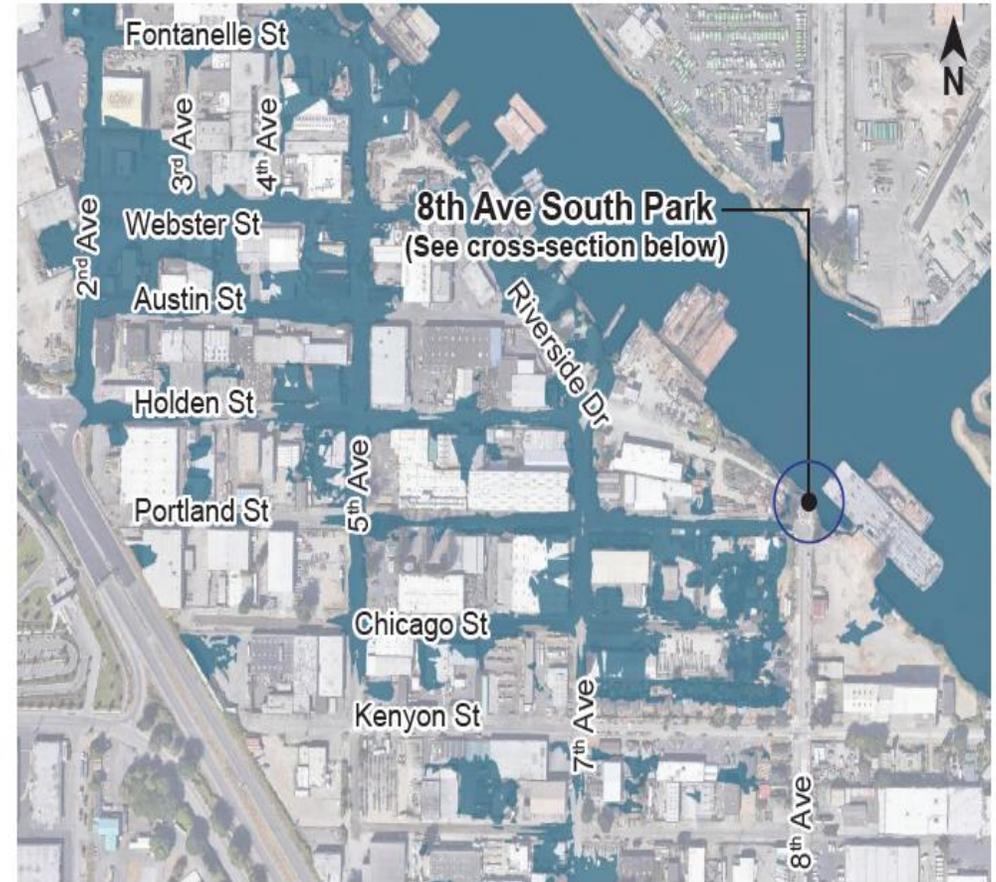
What Happened



- December 27 - Storm surge, very low pressure, wind, extreme King Tide
- Duwamish River spilled over banks

Flooding Overview

- December 27 @ 8am - Storm surge, very low pressure, wind, extreme King Tide
- Duwamish River spilled over banks – 2nd time in 2022 (Jan 7, 2022)
- Peak reached estimated 12.7-12.9' (NAVD88) the highest water level in the Puget Sound Basin in 125 years
- Flooding is illustrative of sea level rise projections



NAVD 12' contour shown inundated

Annual High Tide ~ 2050

Monthly High Tide mid- to late-century (2056-2095)

Daily High Tide Inundation ~ 2100



12/27/2023 Flooding





SPU Emergency Response

- Infrastructure assessment, sandbags
- Emergency housing for 20 families
- Requested OEM/MO engagement
- Significant coordination with City depts, community partners
- Set up coordination trailer in South Park
- Portable toilets, sinks, shower, laundry (enroute)
- Clean City ROW solid waste/debris collection/sharps collection kits
- In-home clean-up
- Reactive on-site & offsite media work



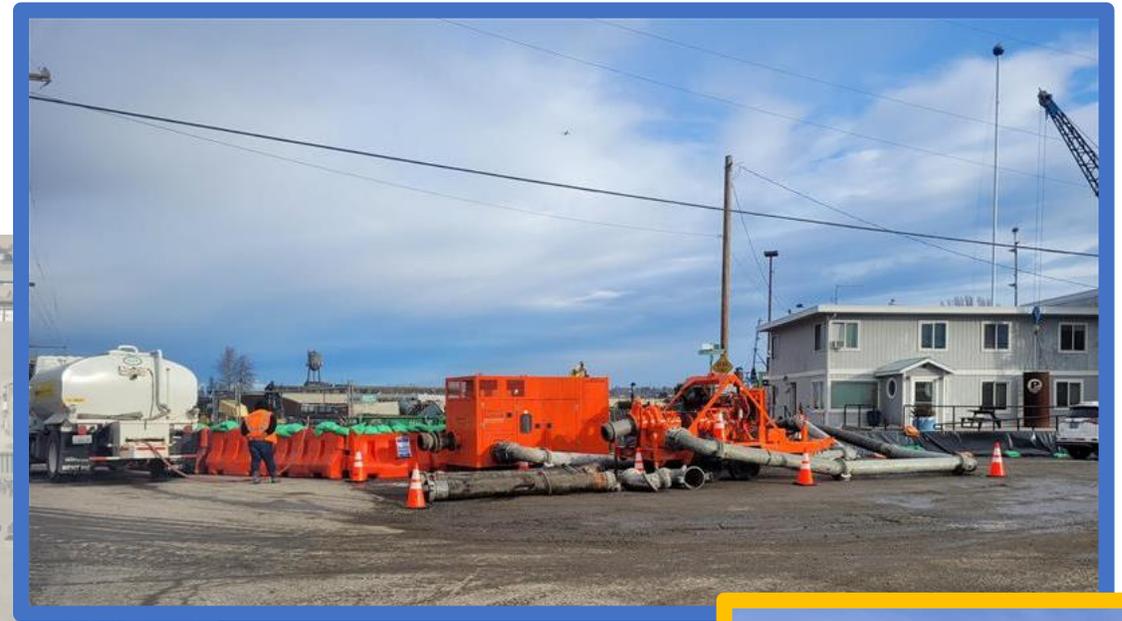
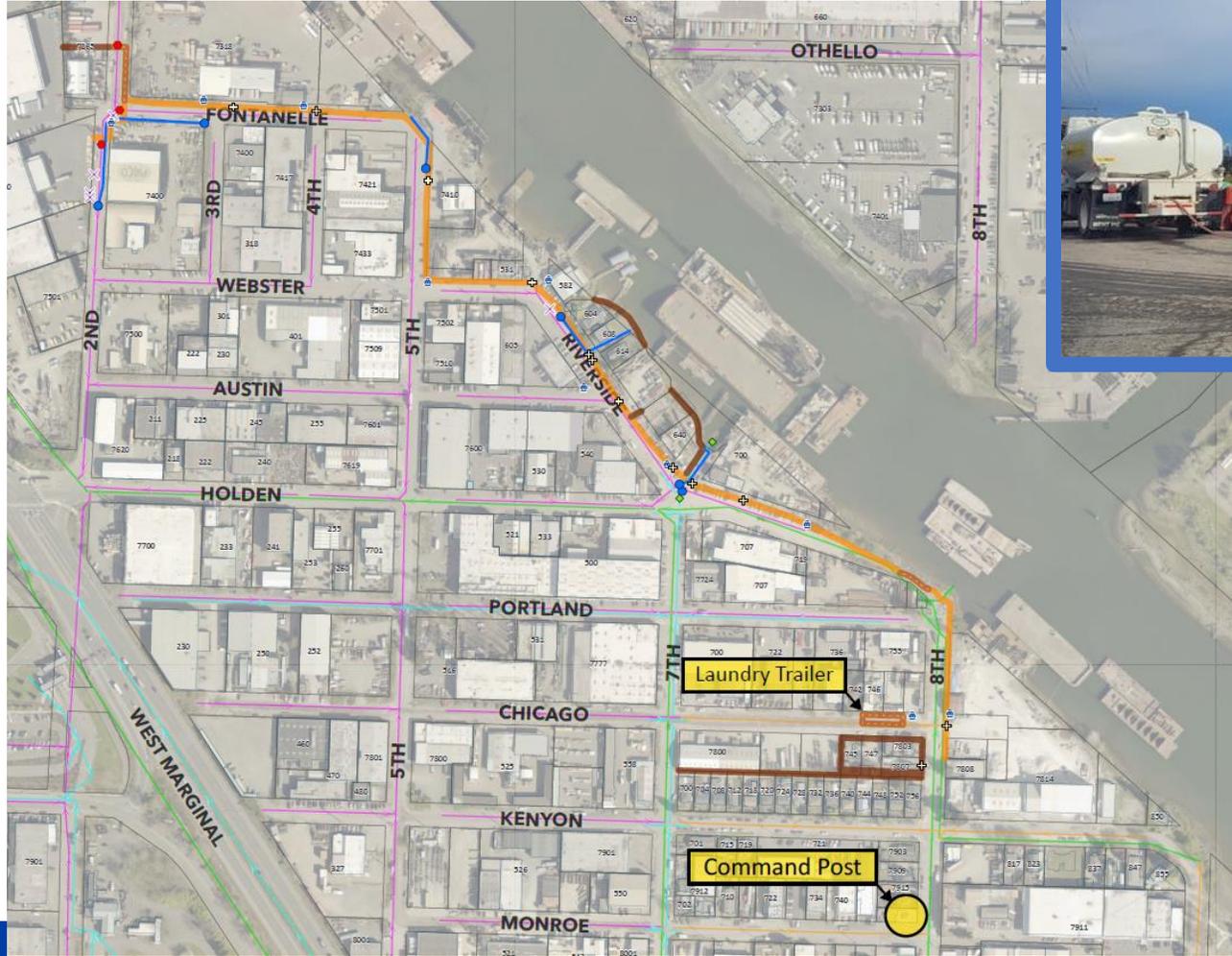


Response Challenges

- Responsibility for River flooding
- Overall Response Strategy
- After Action Meetings Occurring Now

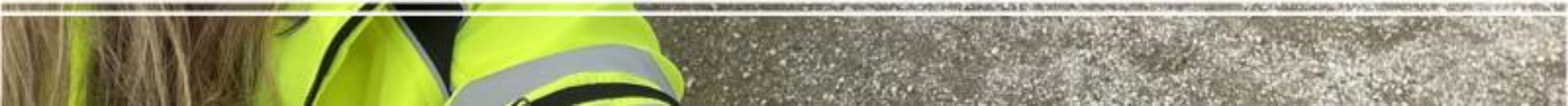


King Tide event preparedness





Collectively worked as a whole



Recovery – What's next?

- Short term
 - Flooded homes recovery
 - Completion of current SPU CIP projects.
 - Incident preparedness and response
- Mid and term – holistic Climate + Community Resilience



What's Next: Flooded Homes Recovery



What's next: Complete Existing City Projects

Pump Station

SPU
Complete 2023



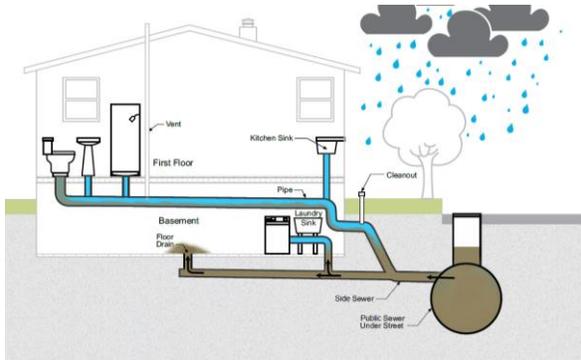
Conveyance and Street Improvements

SPU & SDOT – Phase I
Complete 2023



Grinder Pumps

Phase 2/3: 13-20 sites



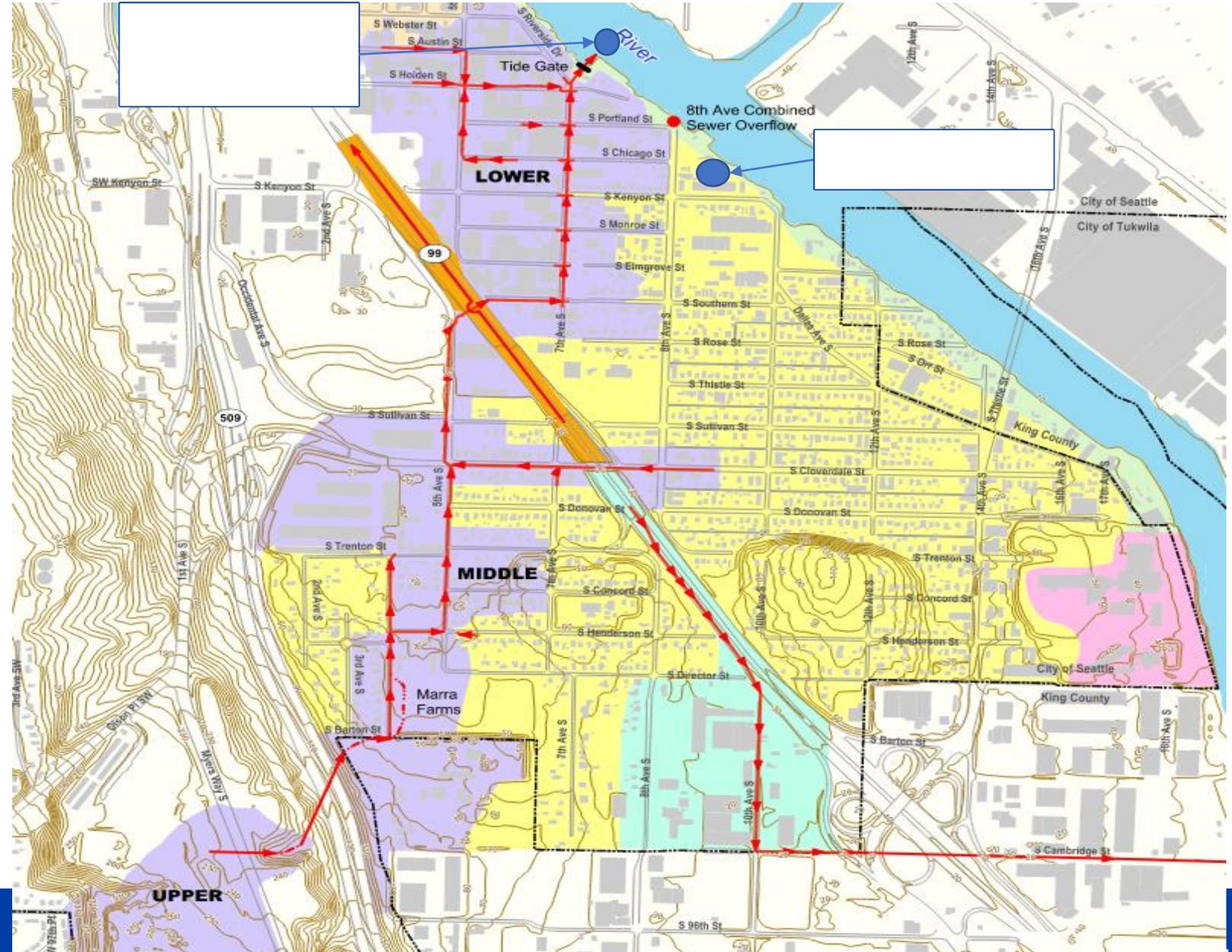
South Park Pump Station



Stormwater Story

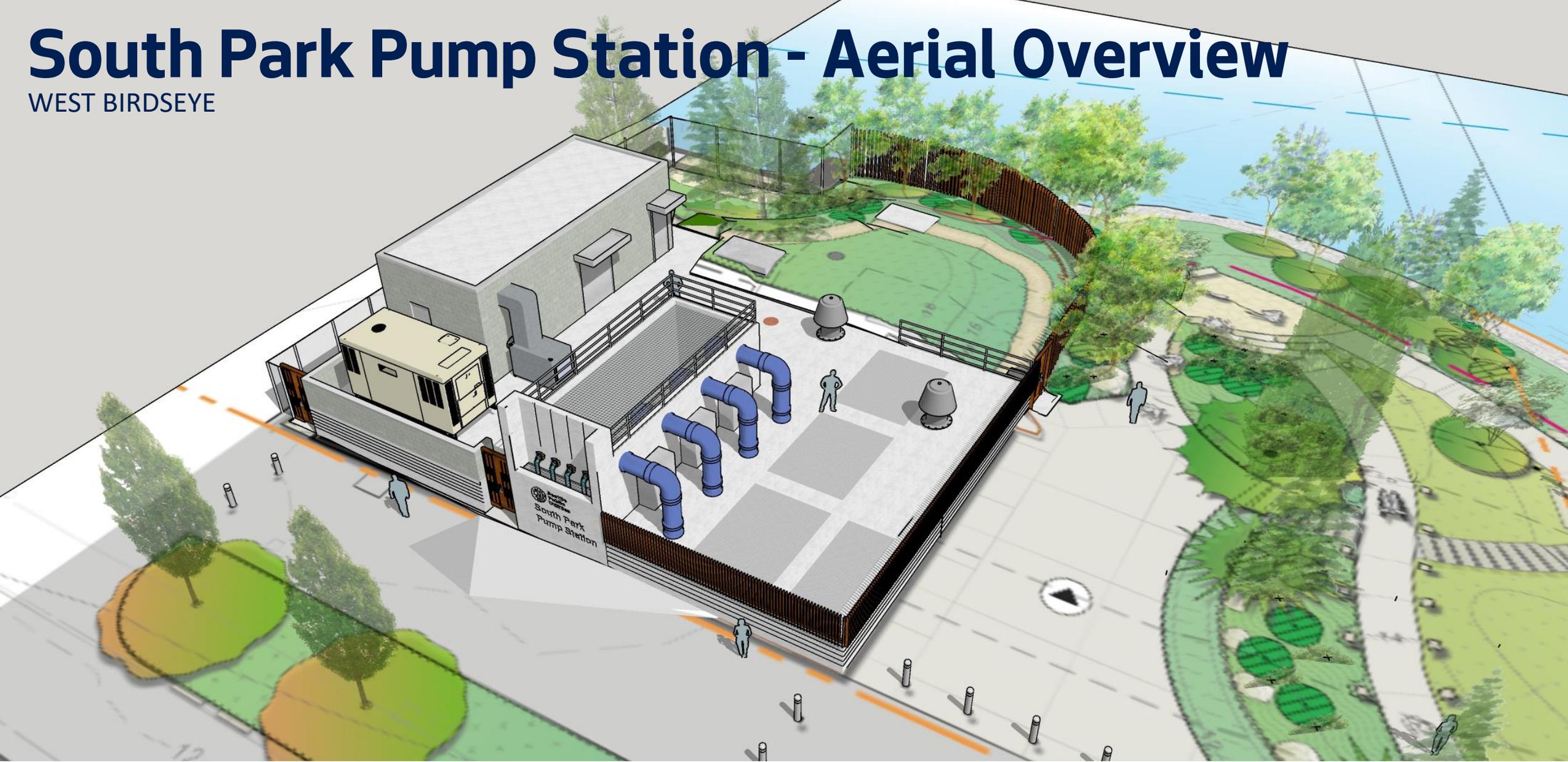
When any of the (4) pumps are on, the fountain is on

South Park Stormwater Basins and Combined Sewage Basin



South Park Pump Station - Aerial Overview

WEST BIRDSEYE

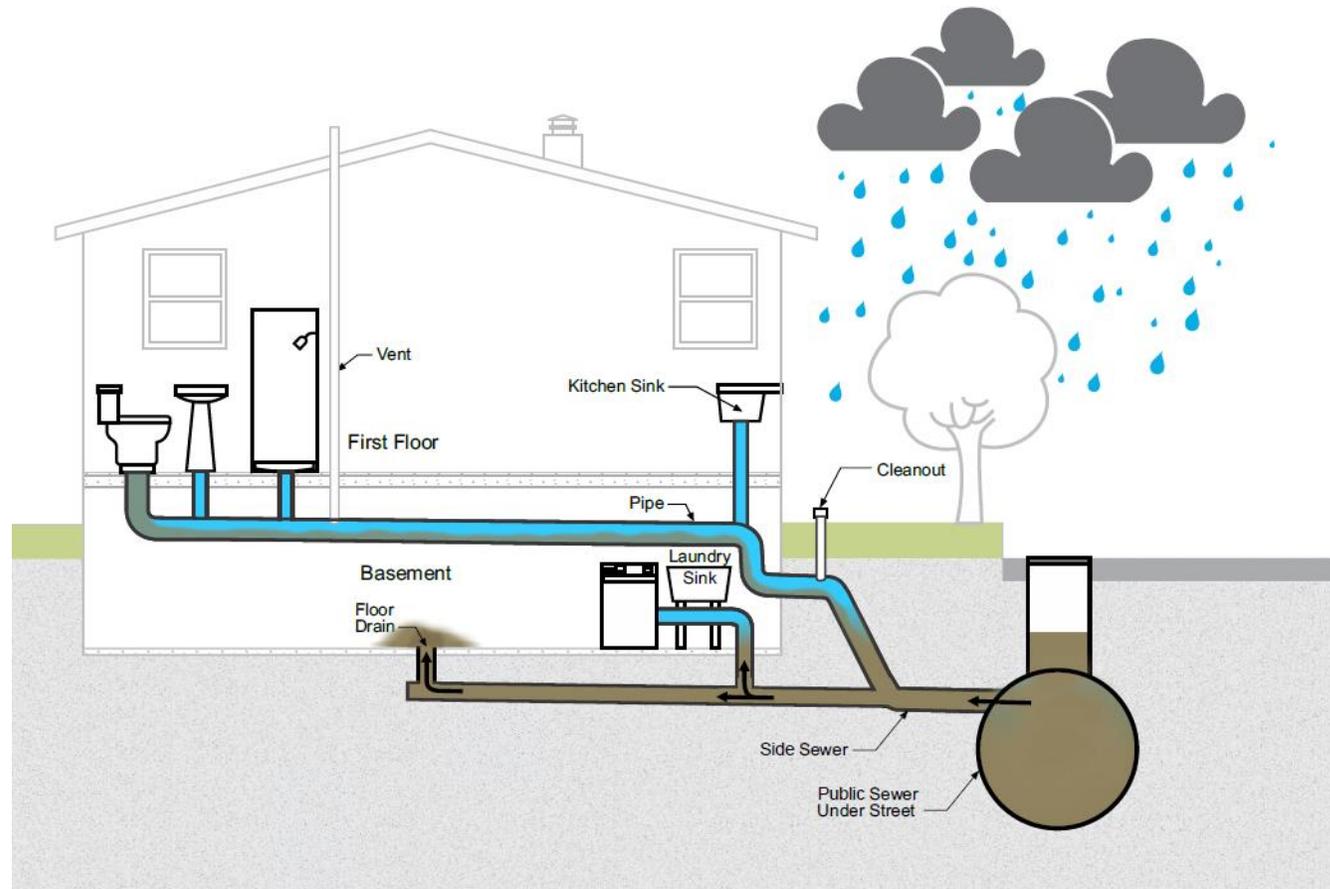


SPU South Park Project Locations

-  Pump Station
-  Roadway and Drainage
-  Drainage Only
-  Grinder Pumps
-  WQEF Facility



Grinder Pumps



What's next: Resilience Building Efforts



What does **holistic Climate + Community Resilience** look like?

1. Incident Preparedness and Response
short term + ongoing

2. Flood Protection & DWW Infrastructure Systems Backbone Investments
mid + long term

3. Community and Environmental Resilience Investments (habitat, open space, housing, jobs)
mid + long term



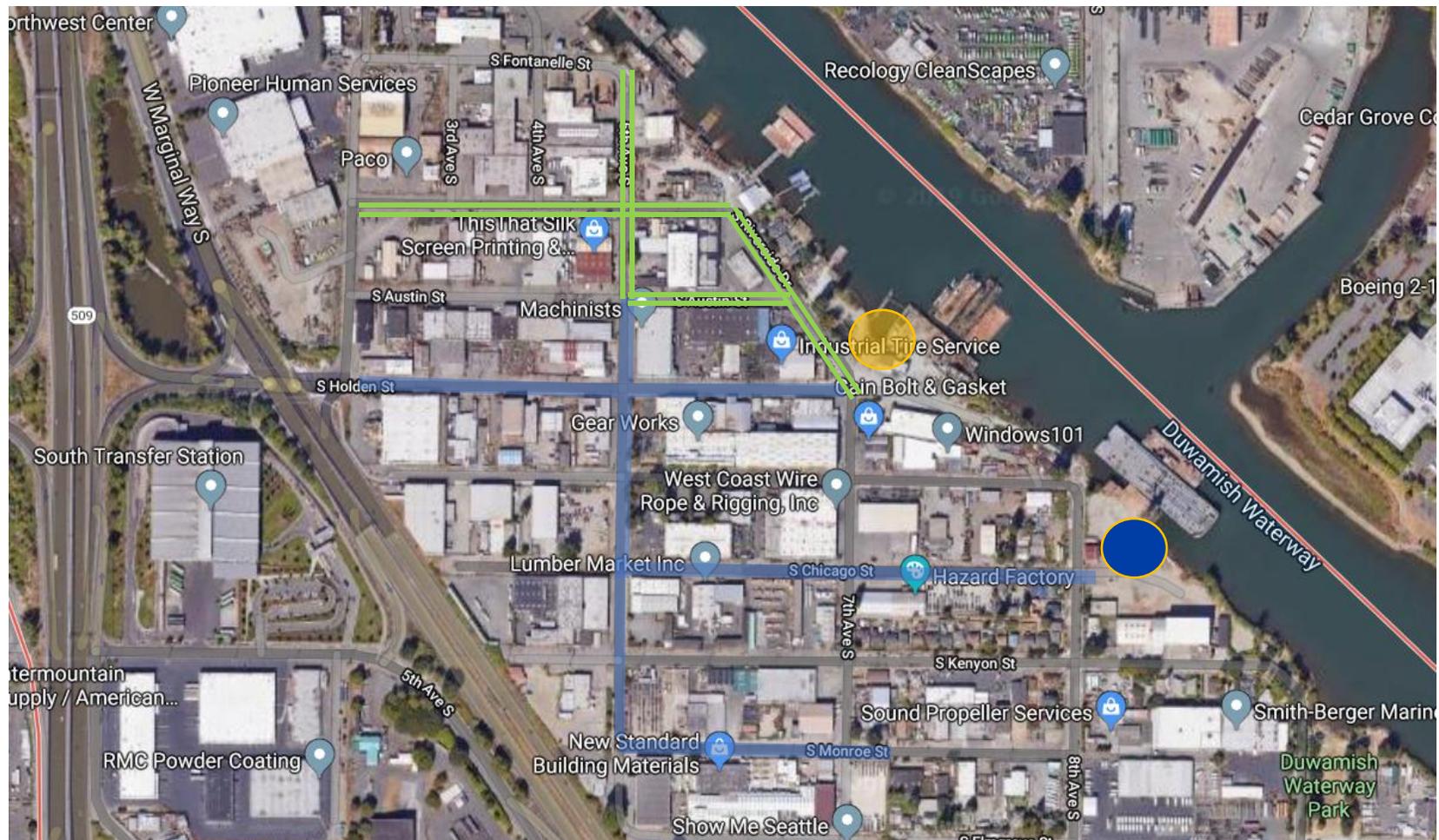


Resilience: Incident Preparedness and Response Next Steps

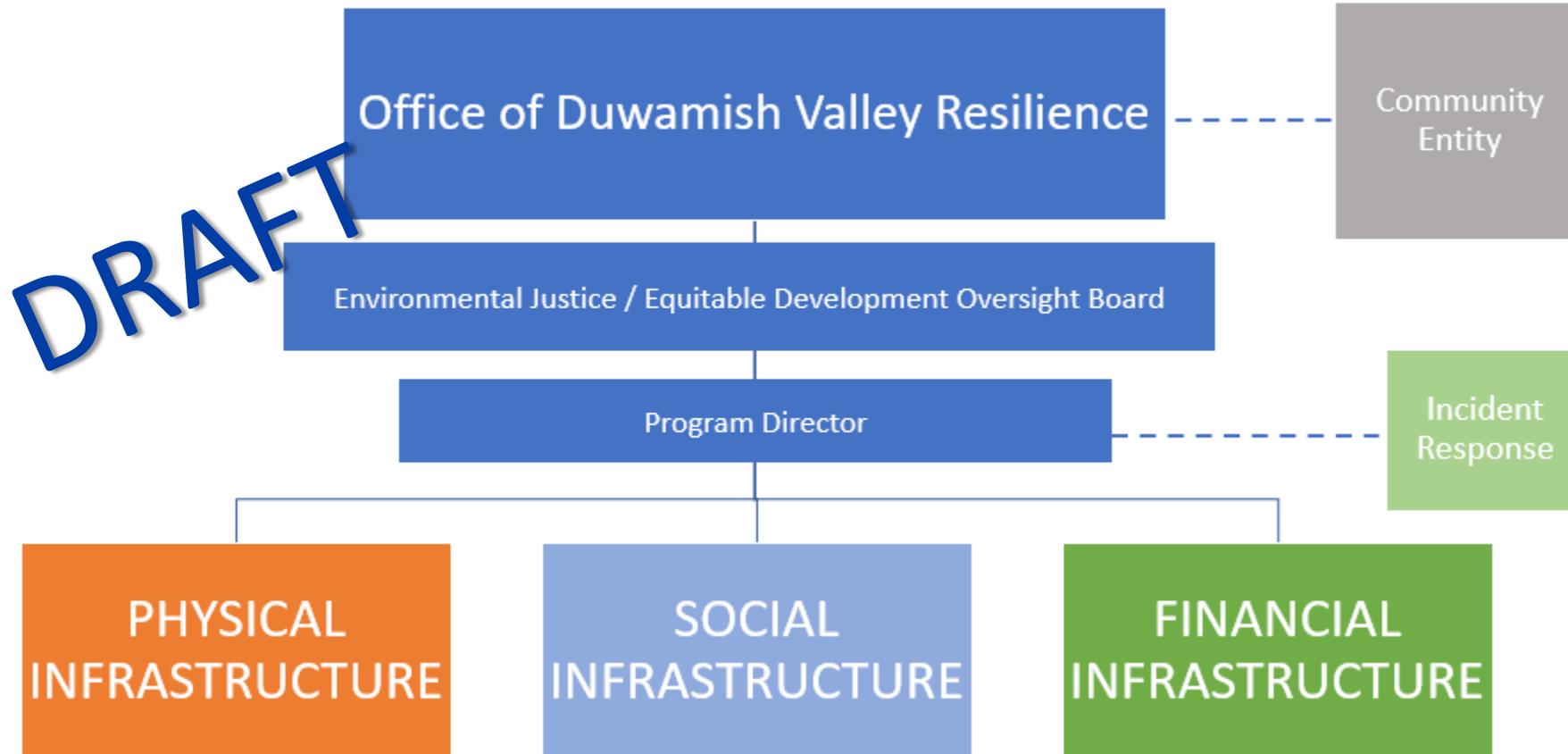
- After Action Incident Debrief
- Implement priority recommendations as feasible by October 2023

Conveyance Phase 2 Locations

WQ Facility (2030)



Resilience: City Family Organized + Aligned with Community



A group of people in a traditional wooden canoe on a body of water, with industrial buildings and a large barge in the background. The scene is set in a harbor or bay area with a mix of natural and man-made elements.

A resilient Duwamish Valley for local people and businesses

Thank you!

Maria.Stevens@seattle.gov

Tracy.Tackett@seattle.gov

CRP Discussion

Andrés Mantilla, BDS Planning



Closing Remarks

SEATTLE
CITY HALL



City of Seattle