

# 2018-2023 Strategic Business Plan O&M Baseline

Presentation to the Customer Review Panel  
February 22, 2017



# Purpose of this Presentation

Provide a better understanding of SPU's O&M Baseline

1. General overview of the O&M Baseline
2. Breakout what is in the O&M Baseline

# 2018-2023 Rate Path Options and Rate Math

Starting Point (September 2016) 6.8%

- *Scrubbed base & assumptions*
- *Prioritized & removed investments*
- *Expenditure reductions of \$171M*

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Current baseline operations 5.2%

Plus action plan investments 0.7%

Minus additional savings (0.3%)

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**Option A Average Annual Rate Increase: 5.6%**

**Option B Average Annual Rate Increase: 5.4%**

**Option C Average Annual Rate Increase: 5.3%**

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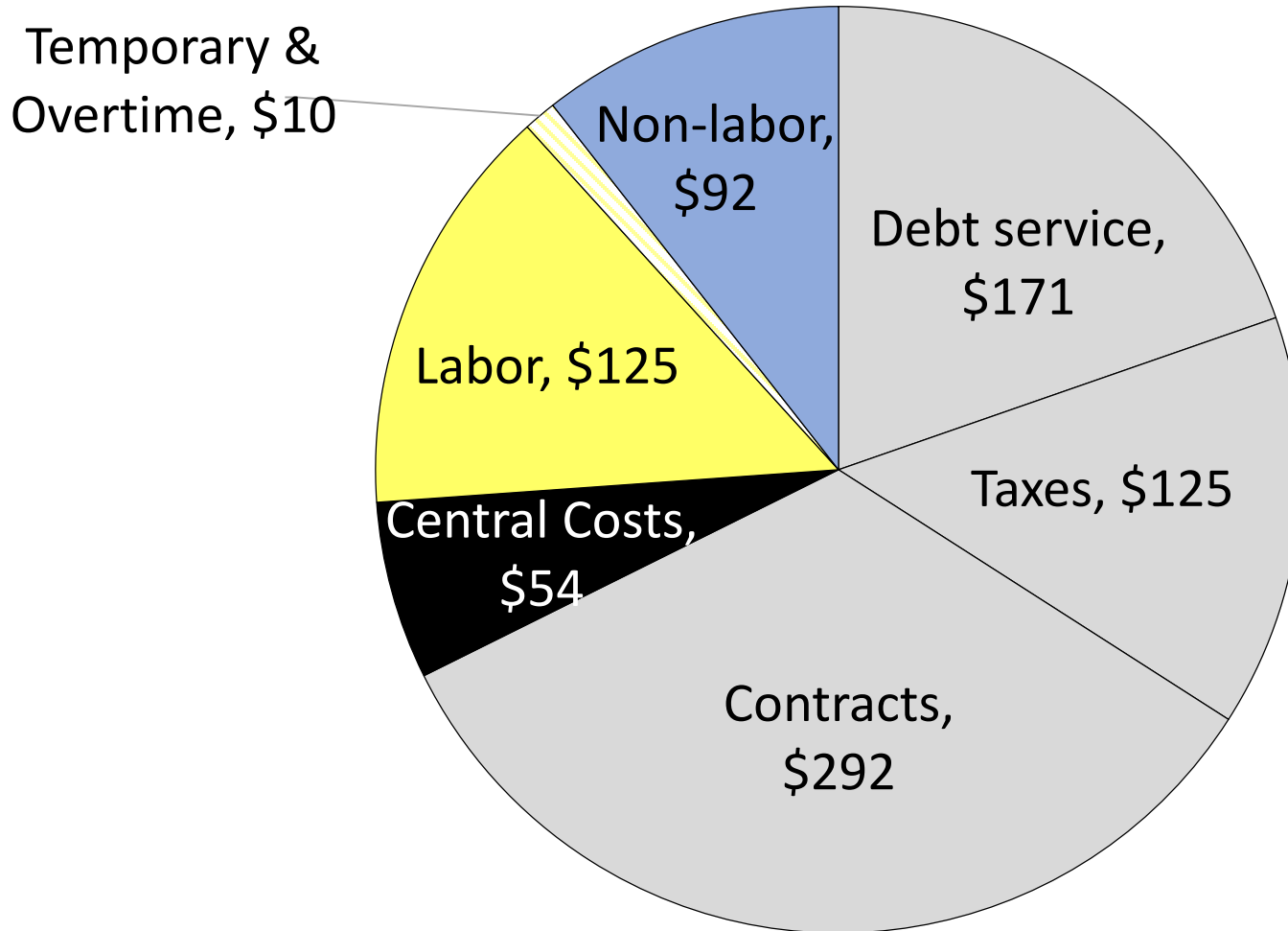
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# General Overview of Baseline

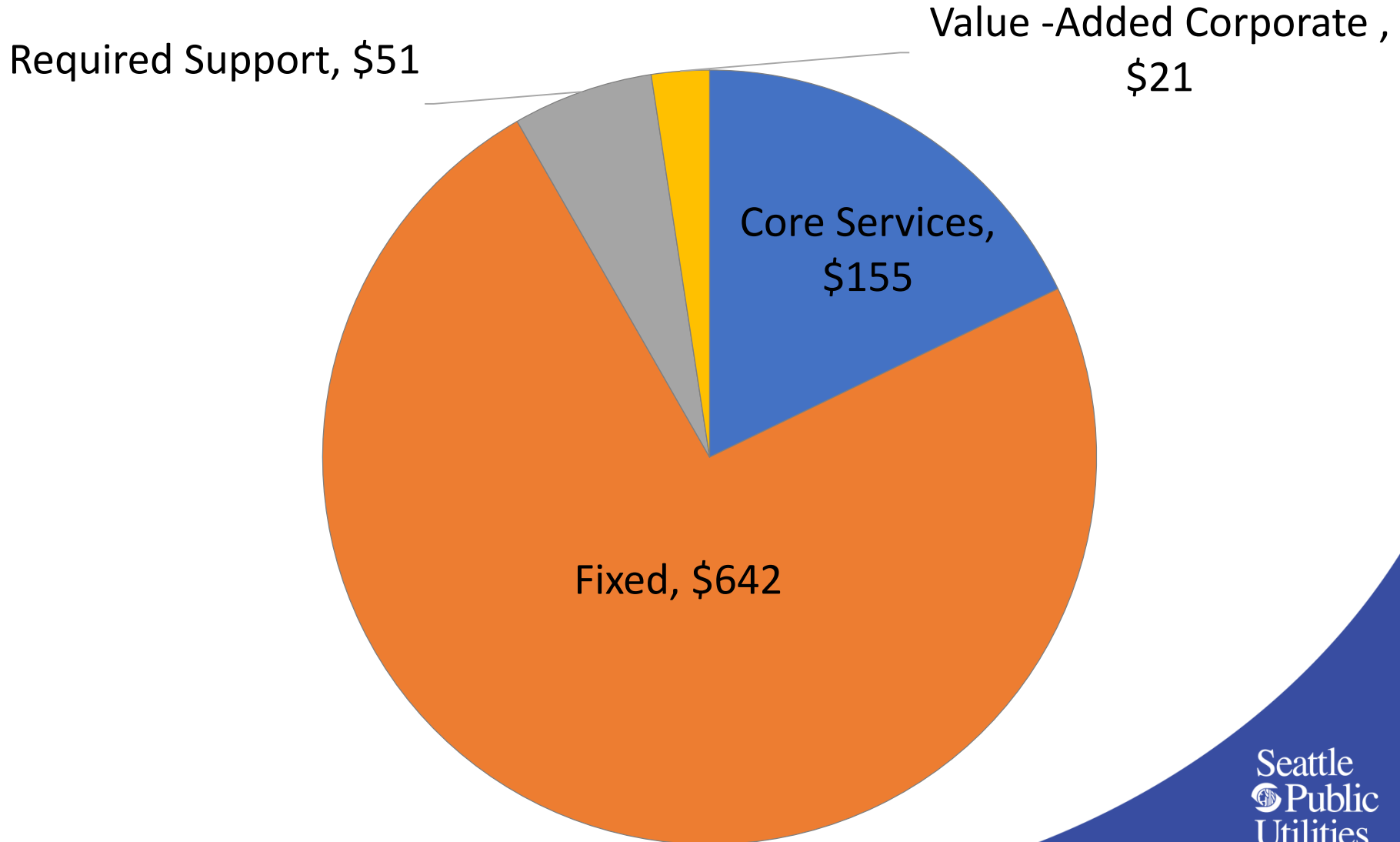
# Overview: What makes up the Baseline?

2018 O&M Baseline - \$869M



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2018 Baseline \$869M





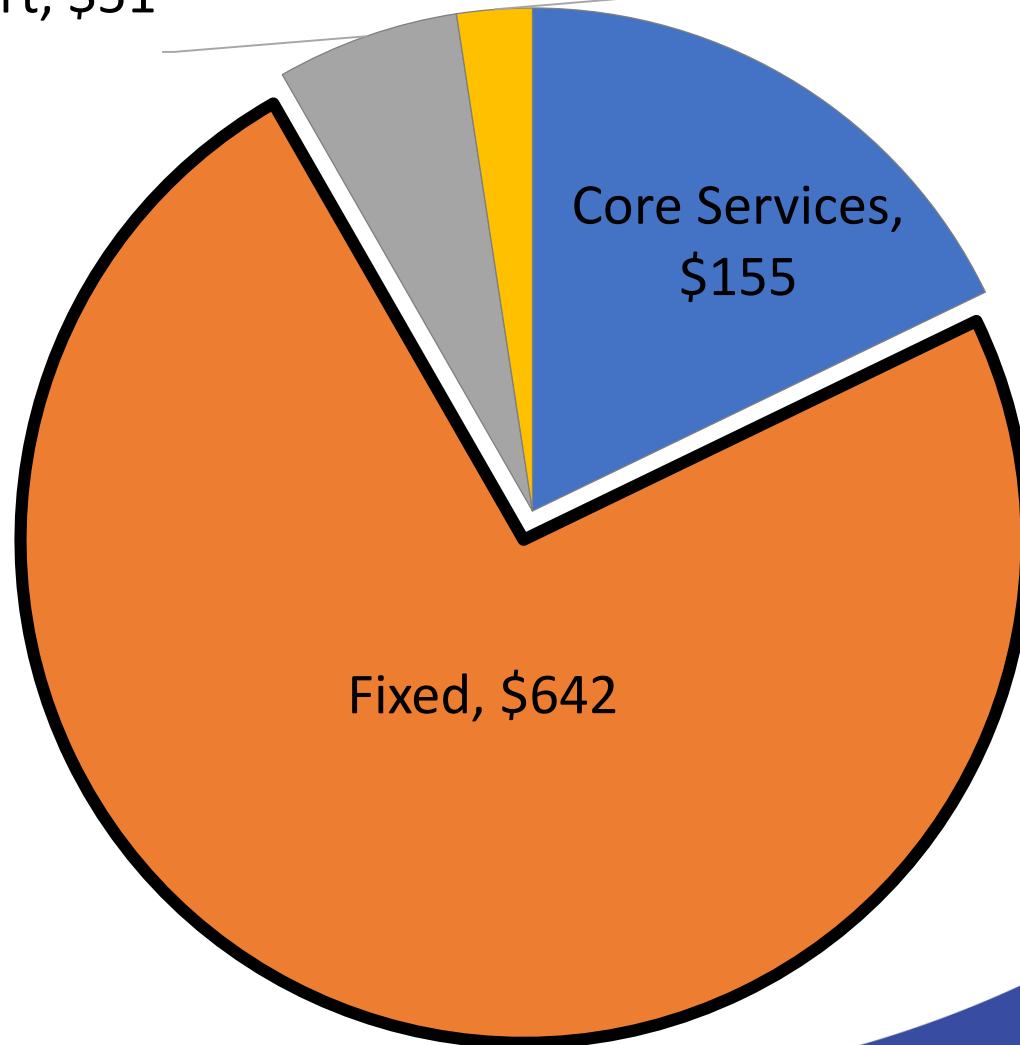
# What is included in the O&M buckets?

# What makes up the fixed costs in the Baseline?

2018 Baseline \$869M

Required Support, \$51

Value -Added Corporate ,  
\$21

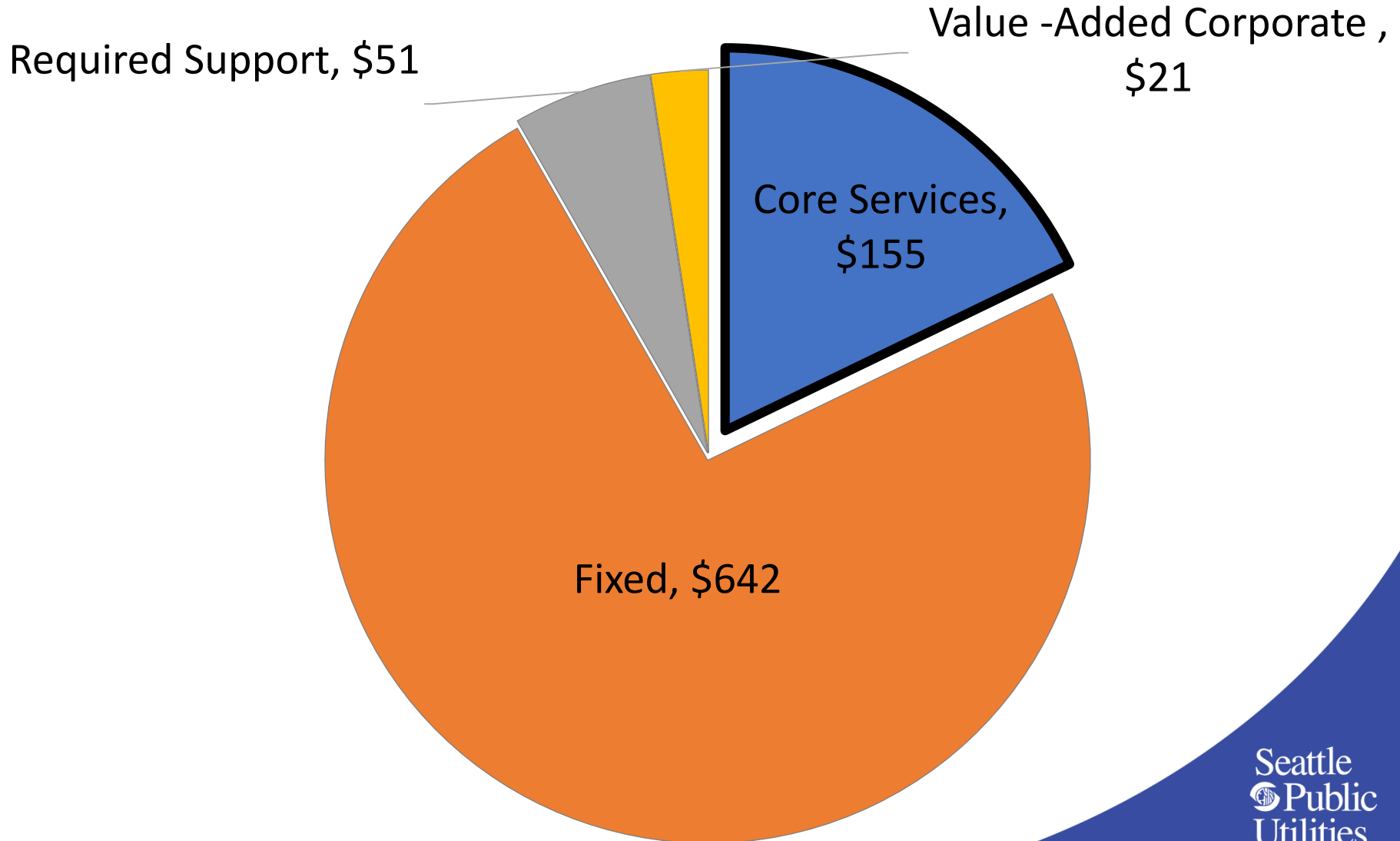


## Fixed Costs - \$642M

- Major contracts - \$292M
- Taxes - \$125M
- Debt service - \$171M
- Central costs - \$54M
- General expense - \$21M
- Administrative offsets – (\$21M)

# What makes up core services in the Baseline?

2018 Baseline \$869M



## Core Services - \$155M

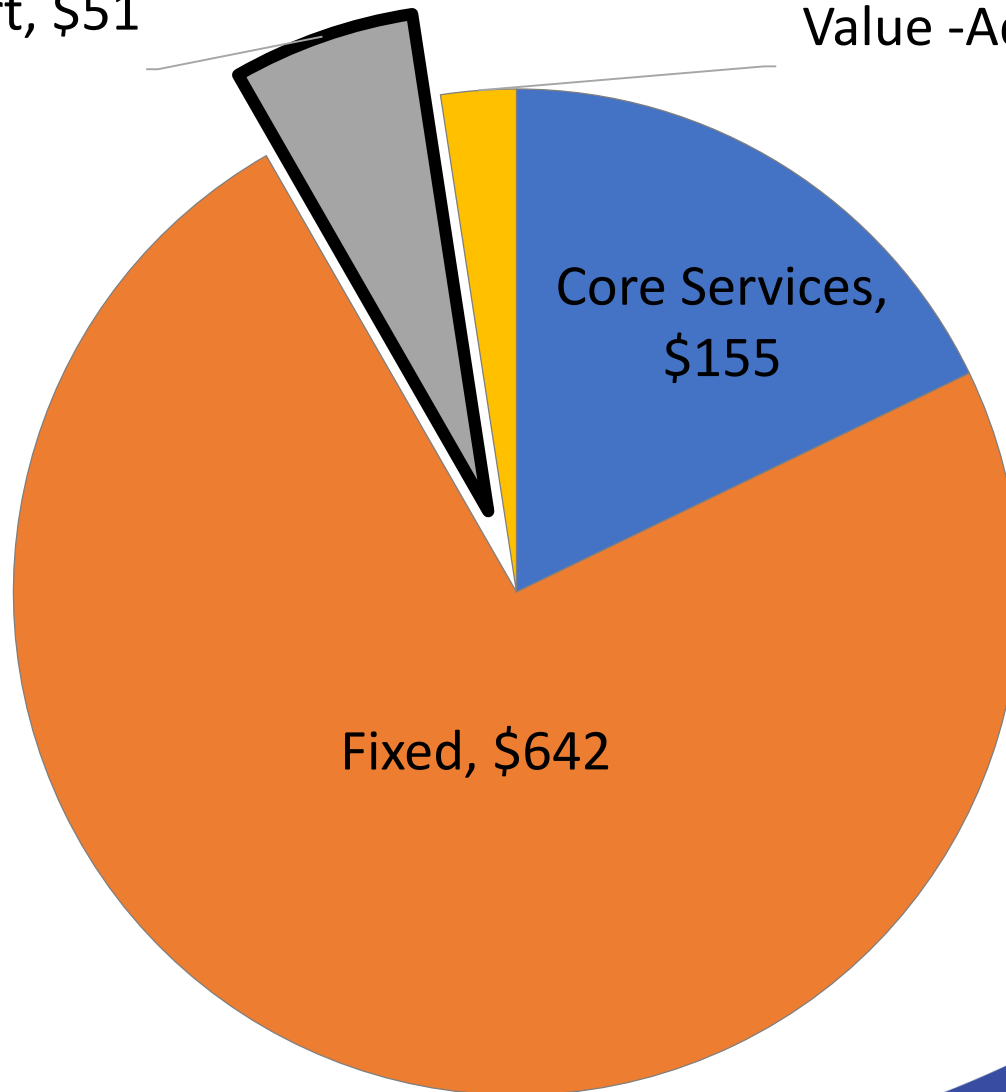
- Water Line of Business - \$64M
- Drainage and Wastewater Line of Business - \$46M
- Solid Waste Line of Business - \$24M
- Project Delivery and Engineering - \$16M
- Pre-Capital Planning - \$5M

# Overview: What makes up the Baseline?

2018 Baseline \$869M

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## Required Support - \$51M

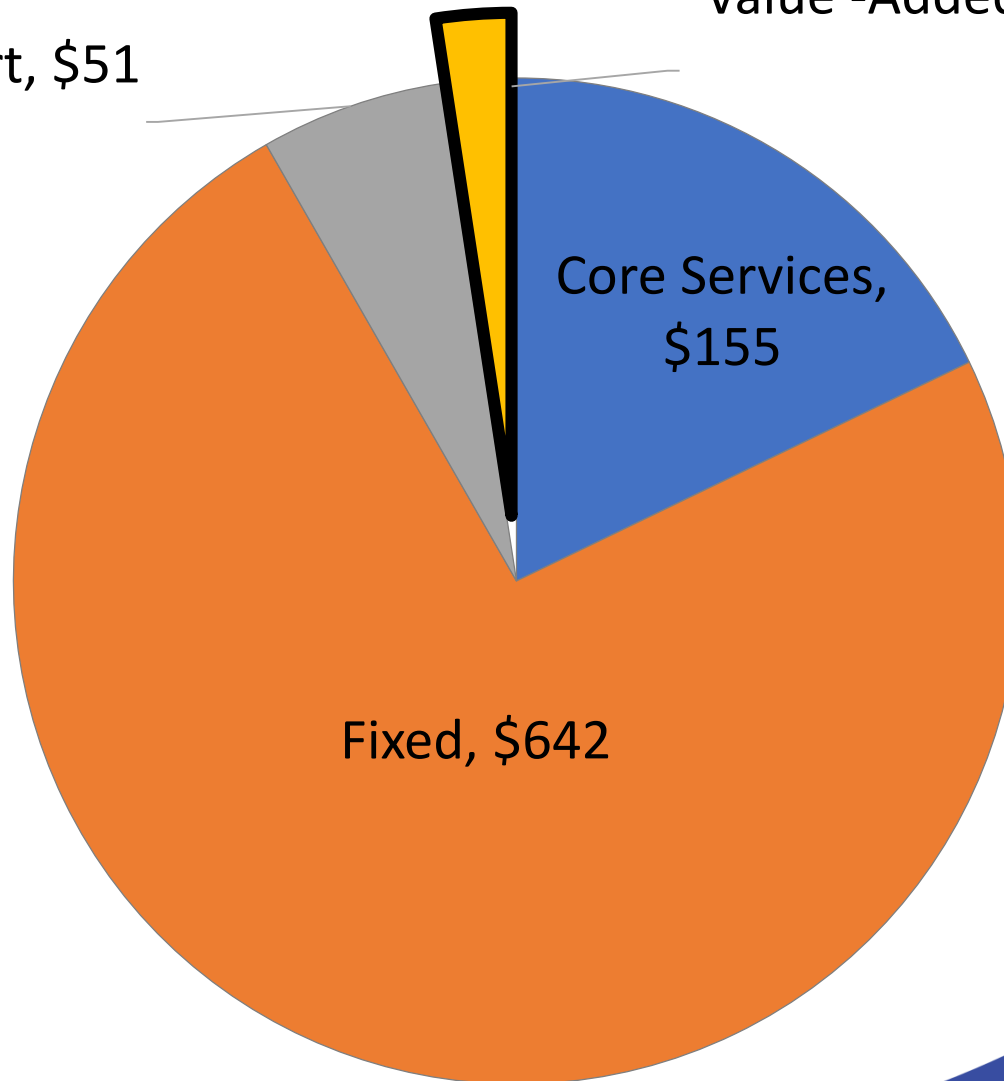
- Customer Service - \$22M
- Finance, Contracts, Facilities, Fleets & Warehouse - \$16M
- Human Resources, General Manager's Office, Safety - \$8M
- Capital Project Services & Development Services - \$5M

# Overview: What makes up the Baseline?

2018 Baseline \$869M

Value -Added Corporate , \$21

Required Support, \$51





## Value-Added Corporate- \$21M

**Value-added corporate functions** are activities that enable us to operate effectively, efficiently and sustainably, and/or add greater value to the organization and/or our customers.

- Customer programs and business support - \$12M
- Economic services, asset management, & climate resiliency - \$3M
- Environmental justice and service equity - \$2M
- Communications - \$2M
- Corporate policy and support - \$2M

# Why Value Added Corporate?

- Proactively meet customer needs and be positioned to meet future utility needs
- Foster partnerships with key stakeholders within and outside the City of Seattle to leverage our ability to meet our strategic objectives
- Provide equitable services to all customers
- Support SPU in continually improve SPU's efficiency and effectiveness in providing quality services to all customers, both externally and internally

# QUESTIONS?

