



# Seattle Public Utilities

## 2015-2020 Strategic Business Plan

### *Planning for a Better Future*

**Council Select Committee**  
**July 14, 2014**

# STRUCTURE OF PRESENTATION

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**1. Introduction: Purpose, Outcome, Process**

**2. Getting Input to the Plan**

**3. The Plan's Building Blocks:**

- framework
- baseline starting point
- cost savings
- investments

**4. Plan Results and Next Steps**



Introduction: Purpose, Outcome, Process

# THE PURPOSE OF THE STRATEGIC BUSINESS PLAN

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## What was the motivation for the Plan?

- Lack of integrated, multi-year, transparent rate projections
- Annual rate increases from past decade of nearly 7%

## Purpose of Plan (from Resolution 31429, adopted March 4, 2013):

- *Create a **transparent, integrated direction** for all of SPU's business lines that reflects customer values, provides rate predictability for utility customers, and results in best value for customer dollars*

# PRIMARY OUTCOME OF COUNCIL SELECT COMMITTEE

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## What is the hoped-for outcome of the Council Select Committee?

### Adopt a Resolution that will:

- Adopt the 2015-2020 Strategic Business Plan
- Endorse the six-year rate path of 4.6% average annual increase
- Direct the Executive to prepare the 2015-16 budget, and upcoming rate studies, in support of the Plan
- Direct SPU to update the Plan in three years

# COUNCIL SELECT MEETING PROCESS

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**Meeting 1 (today): Customer Review Panel Report, and Presentation of Proposed Plan**

**Meeting 2 (July 28): Council Issue Identification**

**Meeting 3 (Aug 4): Council Policy Options & Decisions**

**Meeting 4 (Aug 11): Wrap Up and Vote on Resolution**

# SELECTED TYPICAL 2014 HOUSEHOLD MONTHLY COSTS

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<u>Average Monthly Bill</u>	<u>What you get</u>
\$27	Stormwater conveyed
\$39	Safe drinking water at your tap
\$41	Garbage, recycling, organics hauled away
\$51	Sewage conveyed and treated
\$60	Seattle City Light electricity
\$82	Puget Sound Energy gas
\$86	Cable for one household
\$125	Car insurance for one car
\$290	Cell phone service for family of four
\$600	Food for family of four
\$1,009	Childcare at an infant center in Seattle



# Getting Input to the Plan

# THE CUSTOMER REVIEW PANEL

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## Nine-member panel:

- Members appointed by Mayor and Council
- Represents residential, commercial, industrial customers, and environmental and low-income advocates

## 14 months of intensive work:

- Spent over 80 hours in meetings and multiple hours in preparation for those meetings
- Offered us fresh ideas; held our feet to the fire
- Provided critical help to SPU in our customer outreach efforts
- With the Panel's review, we ended up in a better place

# BROAD CUSTOMER AND EMPLOYEE OUTREACH

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## Heard from 843 customers

- Includes apartment dwellers, homeowners, businesses, low income customers, seniors, youth, African Americans, and in-language meetings with Spanish, Somali, Vietnamese, and Chinese speakers

## Customer Themes

- Be more efficient; keep bills as low as possible
- Make improvements that ensure service quality in the future
- Support the environment and public health
- Ensure equity across all customers
- Partner with customers

# BROAD CUSTOMER AND EMPLOYEE OUTREACH

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## Heard from most SPU employees:

- Three employee surveys in 2013-14 (1,606 responses in total)
- Most important focus areas for employees:
  - Workforce
  - Efficiency
  - Transparency
- 200+ staff participated in efficiency and benchmarking efforts led by HDR Consulting
- Broad staff participation in developing programmatic reduction ideas and action plan investments

# BROAD CUSTOMER AND EMPLOYEE OUTREACH

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## What We Learned:

- Customers and employees support the Plan's focus areas
- Customers and employees believe the Plan's recommended actions are appropriately focused on:
  - service improvements and efficiencies – for current and future ratepayers
  - public health and the environment
- While no one wants a rate increase, about 2/3 of the customers believe the incremental rate increase is worth it if they get more value

# BROAD CUSTOMER AND EMPLOYEE OUTREACH

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## How Our Customers and Employees Shaped the Plan – SPU Will:

- Ensure ongoing efficiency savings
- Address flooding in flood-prone neighborhoods
- Communicate with customers:
  - Equitably address all communities we serve
  - Improve customer support and help customers understand how to work with us
  - Let customers know how we're doing on implementing the Plan
- Invest in employees and employee skills



The Plan's Building Blocks

# STRATEGIC BUSINESS PLAN FRAMEWORK

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## Mission:

**“Providing efficient and forward looking utility services that keep Seattle the best place to live”**

## Focus Areas:

- Better Protecting Your Health and Our Environment
- Improving How We Work to Deliver Consistent, High Quality Services
- Enhancing Our Services by Continuously Updating Employee Skills
- Making it Easier for You to Get Help and Find Answers

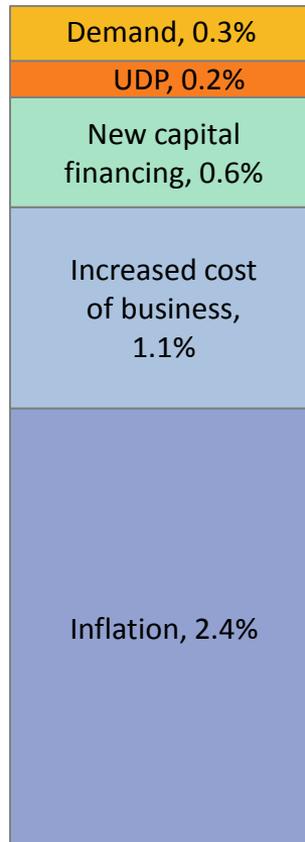
# BASELINE STARTING POINT

4.6% average increase/year\*

**Declining Demand** adds 0.3% to rates →

→ **New capital financing** covers cost of replacing worn out infrastructure and building new infrastructure

→ **Inflation** covers increases to payments on large service contracts, and most other O&M costs



← Doubling participation in the **Utility Discount Program** adds 0.2% to overall rates

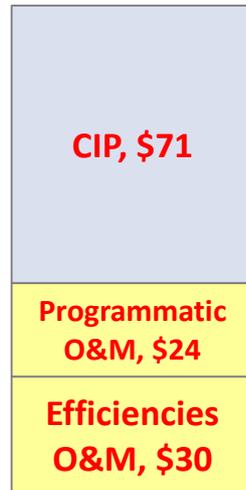
← **Increased cost of business** covers rising employee costs, payments to other City departments, taxes

\* Average is for all four SPU lines of business

# SAVINGS AND INVESTMENTS OVERVIEW

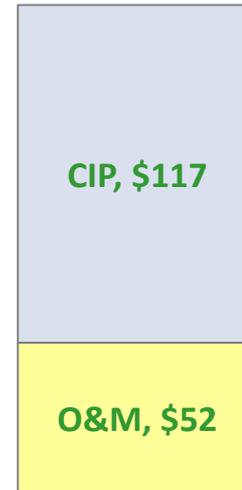
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**Efficiency and Programmatic Savings:  
2015-2020 total of \$125 million**



***Reduce Average Annual  
Rate Path by 0.5%***

**Action Plan Investments:  
2015-2020 total of \$169 million**



***Increase Average Annual  
Rate Path by 0.5%***

**Net Result: Final Rate Path that is No Higher than  
the Baseline Starting Point**

# EFFICIENCY AND PROGRAMMATIC SAVINGS

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**Total 6-year savings = \$54M O&M; \$71M CIP**

## **Highlights of savings:**

- **SPU staffing no larger in 2020 than it is today**
  - Alignment along the lines of business
  - Field and office productivity
  - Project delivery improvements
- **Cross-department service level agreements**
- **Miscellaneous budget reductions**

# ACTION PLAN INVESTMENTS

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- **Total 6-year costs = \$52M O&M; \$117M CIP**
- **27 Action Plans in the four focus areas**
- **3 Action Plans drive nearly 60% of these costs:**
  - Sewer pipe rehabilitation
  - Sewer pipe cleaning
  - Increase efforts to reduce Broadview and South Park flooding; sewer backups



# Plan Results and Next Steps

## PUTTING THE PIECES TOGETHER

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4.6%	Current baseline operations
<b>(0.5%)</b>	<b>Minus Efficiency Savings</b>
<u>0.5%</u>	<u>Plus Action Plan Investments</u>
4.6%	Total Average Annual Rate Increase

# AVERAGE ANNUAL RATE INCREASE AND OTHER OUTCOMES

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## Average annual rate increase of 4.6% from 2015-2020

- Significantly lower than the almost 7% annual increases during the previous decade
- Translates into average rates that are 31% higher in 2020 than they were in 2014

## Other outcomes:

- Realize efficiency savings
- Meet all regulatory requirements
- Continue and improve our services to customers – now and in the future

## ANNUAL RATE INCREASE BY SERVICE TYPE

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	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Average</u>
Water	0.0%	5.2%	5.2%	4.1%	4.4%	2.6%	3.6%
Wastewater	0.8%	3.7%	2.3%	3.8%	6.1%	7.9%	4.1%
Drainage	9.8%	10.2%	8.2%	8.2%	8.1%	8.4%	8.8%
Solid Waste	4.5%	4.7%	5.1%	3.8%	2.9%	2.4%	3.9%
<b>Combined</b>	<b>2.7%</b>	<b>5.3%</b>	<b>4.7%</b>	<b>4.6%</b>	<b>5.1%</b>	<b>5.2%</b>	<b>4.6%</b>

**Rate changes noted above are current projections. Actual changes are subject to approval by the Council via passage of rate ordinances.**

# MONTHLY BILLS FOR A TYPICAL RESIDENTIAL CUSTOMER

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- Average monthly bill increase of \$8.50/year
- 2020 monthly bill roughly:
  - \$50 each for water and solid waste
  - somewhat higher (\$64) for wastewater
  - somewhat lower (\$44) for drainage

<b><u>TYPICAL BILLS</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Water	\$38.93	\$38.93	\$40.97	\$43.09	\$44.86	\$46.83	\$48.05
Wastewater	\$50.53	\$50.93	\$52.81	\$54.02	\$56.07	\$59.49	\$64.19
Drainage	\$26.58	\$29.18	\$32.16	\$34.80	\$37.65	\$40.70	\$44.12
Solid Waste	\$40.54	\$42.49	\$44.61	\$46.98	\$48.76	\$50.15	\$51.35
<b>Combined</b>	<b>\$156.57</b>	<b>\$161.53</b>	<b>\$170.55</b>	<b>\$178.89</b>	<b>\$187.34</b>	<b>\$197.17</b>	<b>\$207.71</b>

## NEXT STEPS

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**Meeting 2 (July 28): Council Issue Identification**

**Meeting 3 (Aug 4): Council Policy Options & Decisions**

**Meeting 4 (Aug 11): Wrap Up and Vote on Resolution**

### **Plan implementation updates**

- SPU commits to regular updates to Council and customers on progress with implementing the Strategic Business Plan