



**Legislative Department  
Seattle City Council**

August 11, 2014

TO: Select Committee on Utility Strategic Planning

FM: Meg Moorehead and Patricia Lee, Council Central Staff

RE: Seattle Public Utilities (SPU) 2015-2020 Strategic Plan

**EXECUTIVE PROPOSAL**

The Mayor has proposed a Strategic Plan (the Plan) that will guide SPU water, wastewater, drainage and solid waste services and rates from 2015 through 2020. The Plan includes a financial “baseline,” which covers the cost of continuing 2014 services and the cost of service expansions to meet firm regulatory requirements. On top of the baseline, the Plan adds new and expanded services at a cost of \$169 million over the six-year period. As a reduction from the baseline, the Plan includes \$125 million over the six-year period in savings from efficiencies and reductions in lower priority programs. As an indicator of efficiency savings, SPU proposes to have no more positions in 2020 than the 1,432 positions it has in 2014. To kick-start plan implementation, 18 new SPU positions will be proposed in the 2015-2016 budget, with an equal number of positions phased out by 2020.

By adopting the Plan, Council will be endorsing over \$6 billion in SPU spending and a 31% rate increase over the six-year period. Budgets will increase from \$925 million in 2014 to over \$1 billion/year from 2015-2020. Average annual combined rates will increase 4.6%/year, which is lower than the approximately 7%/year increases since 2004. By 2020, typical single-family monthly bills will be about \$51 higher, rising from \$156.99 in 2014 to \$207.71. The Plan’s spending and rate increases will be implemented through future budgets (starting with the 2015-2016 budget) and future rate ordinances (starting with solid waste rates delivered this fall).

**COMMITTEE DECISIONS SO FAR**

The Select Committee on Utility Strategic Planning (Select Committee) amended the SPU Strategic Plan Adoption Resolution 31534 at its August 4, 2014 meeting. The amendments are reflected in the attached version 2 of the resolution, which is the version now before the Committee. The amendments in version 2 include:

- **Labor Efficiencies**. Agree to the Plan’s \$6.4 million/year in labor efficiencies by 2020, but remove a cap on number of positions from the Plan. To measure progress toward labor efficiencies, track the number of positions and spending on consultants and contracts for outside labor.

- **Carbon Neutrality**. Require Energy Efficiency and Carbon Neutrality Action Plan spending to be limited to emission-reduction actions or offsets in the City of Seattle if possible, or King County first and Washington State second, if no options are available within the City limits. Remove the 2015 deadline for becoming carbon neutral.
- **Human Resource (HR) Positions**. Require the SPU Director, before reallocating any more positions to SPU HR functions in 2018, to consult with the Personnel Department Director and consider any changes made to HR functions citywide in assessing the need for additional SPU HR positions. Address the consultation and assessment in the 3-year Plan update.
- **Bond Interest Savings**. Remove \$1.5 million/year from the Plan's spending and rate path to reflect the lower interest from the 2014 solid waste and drainage/wastewater bond sales and bond refunding.
- **Rate Path Cap**. Amend the resolution to state that budgets and the average annual rate for 2015-2020 should be no higher than the rate path in the adopted Plan absent justifiable circumstances.

## REMAINING DECISIONS

### 1. **Low-Income Assistance**.

The Plan assumes a doubling of enrollment for low-income utility assistance by 2018. The doubling shifts up to \$2.9 million/year to regular-income ratepayers who will experience a 0.2% higher average annual rate increase. The Mayor recently released a promising plan to increase enrollment, but past experience suggests a rapid increase will be difficult. The City has tried to expand enrollment by providing new types of assistance (such as emergency bill payment assistance), increasing the number of people eligible, extending enrollment periods for seniors, and increasing outreach efforts. Yet enrollment is less than 20% of those eligible and has risen very slowly from 10,300 in 2000 to 11,963 in July 2014. To reduce the financial impact on regular-income ratepayers while striving to double enrollment, the Council could incorporate into the rate path a more conservative schedule for meeting the goal. For example if the goal is achieved by 2022, average annual rate increases for regular-income ratepayers would be cut by 0.1%, reducing typical single-family bills by about \$16/year in 2020 (see Attachment 2).

#### **Option A: Assume low-income assistance enrollment will double by 2022**

Assume that low-income assistance enrollment will double by 2022, but if data show faster enrollment, allow rate studies to exceed the approved rate path to cover the costs of increased enrollment.

#### **Option B: SPU's Proposal**

Approve the Plan as proposed by SPU, which assumes a doubling of enrollment by 2018.

## **2. Firm Cap vs. Flexible Road Map**

At its August 4 meeting, the Select Committee amended the resolution to state that absent justifiable circumstances, budgets and rate proposals should be no higher than the Plan's 4.6% average annual rate increase for 2015-2020. The amendment created some uncertainty for rate payers because it removed the original resolution's policy direction for near-term water, drainage, wastewater and solid waste rates. That policy direction could be restored.

### **Option A: Restore the Original Resolution's Near-Term Rate Path Policy**

Restore the policy direction for near-term water, drainage, wastewater, and solid waste rates in Sections 4, 5, and 6 of the introduced resolution.

### **Option B: Approve the August 4 Select Committee Rate Path Amendments**

Approve version 2 language regarding justifiable circumstances and budgets and rate proposals being no higher than the Plan's 4.6% average annual rate for 2015-2020.

## **3. Call Center**

SPU's Call Center provides customer service for City Light and SPU, including answering questions, taking requests for service connections and shut-offs, and recording billing and service problems. Call Center staff also answer questions about the City utility low-income assistance programs and there is interest in having staff offer low-income assistance information even if a caller does not request it. A request could be made for SPU to evaluate this issue during Plan implementation.

### **Option A. Call Center Role in Low-Income Assistance Enrollment**

Amend Section 1 of the resolution to request that SPU assess the Call Center's role in promoting utility low-income assistance programs and identify related staffing needs.

### **Option B. SPU Proposal**

## **4. Other Potential Amendments**

There has been interest in two additional amendments:

- Shifting 8 FTEs from the Plan's human resources action plans to the Call Center (Attachment 3).
- Using Employee Involvement Committees to screen labor efficiencies (Attachment 4).
- Adding Council expectations regarding employee involvement in labor efficiencies (Attachment 5).

## **5. Technical Corrections to Rate Path**

Select Committee amendments make a small difference in the resolution's rate path numbers. The resolution needs to be amended to reflect the rate path associated with the Committee's final decision. The title of the Personnel Department also should be corrected.

## **NEXT STEPS**

A Select Committee vote on the amended resolution is scheduled for today. The resolution could be considered in today's Full Council meeting if the Select Committee approves a motion to do so.

Attachment 1: Resolution 31534 Version 2

Attachment 2: Rate path with a 2022 low-income enrollment schedule

Attachment 3: Potential amendment regarding human resources and the Call Center

Attachment 4: Potential amendment regarding Employee Involvement Committees

Attachment 5: Potential amendment regarding employee involvement in labor efficiencies