

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for December 11, 2013**

Attending:

Panel Members:			
Suzie Burke	✓	Tara Luckie	✓
Bruce Lorig	✓	Noel Miller	✓
Dave Layton	✓	Carl Pierce	✓
Laura Lippman	✓	Walter Reese	✓
David Gault	✓		
Staff and Others¹:			
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	✓	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓
Ray Hoffman	✓	Karen Reed (SPU)	✓
Craig Stampher	X	Vladimir Khazak	✓
Susan Sanchez	✓	Sherri Crawford	✓

Review and Approval of Agenda. Added a discussion of schedule to the agenda. No additional questions or comments on the December 11 agenda; *agenda approved.*

Review and Approval of Meeting 15 Summary. No questions or comments on the November 25 meeting summary; *meeting summary approved.*

Schedule. A July deadline for the Strategic Business Plan is very ambitious; we will develop a firm schedule for 2014 and bring it back to the Panel by the end of January.

Suggestions, observations, questions from Panel:

Comment: Want a commitment from the Council to act in a timely manner, once the plan is delivered.

Question: Council vote on One Less Truck – is this typical of Council action, which is really not an action? **Response:** Didn't hold up a decision – enabled a future opportunity.

Comment: Noel would like the Panel to have an opportunity to comment on One Less Truck proposal. A Panel discussion will be scheduled for January; staff will seek questions in advance from the Panel.

Presentation of Action Plans. Ray started the discussion by noting that the Utility has identified where we are and where we want to get to by 2020, and the Action Plans are ways to fill the gaps between now and then. All of the Action Plans together, if implemented, would increase the annual rate path by roughly a half of a percentage point. Susan Sanchez described the customer experience Action Plans; Nancy Ahern described the environment & public health Action Plans;

¹ Only those individuals sitting at the head table or give presentations to the Panel are included on this list. A number of other staff and consultants attended the meeting.

Ray and Melina Thung described the operational excellence Action Plans; and Melina describe the workforce Action Plans.

Suggestions, observations, questions from Panel:

Q: Will SPU get external assessment of web services delivery before doing the proposed web action plan? **A:** Yes. Want to have industry expert identify where we are doing well; where we need to improve to meet customer expectations. Strategic shift is to approach it from a customer perspective, not from a line of business perspective.

Q: Surprised that the efficiency consulting firm, HDR, did not identify the environmental Action Plans as “need to have.” Seems like City policy requires these? **A:** Consultant looked at this from more of an operational; efficiency perspective, not from a strategic, City policy perspective.

Q: How do you measure carbon neutrality? **A:** There is a certified process and accredited models that convert everything to carbon measurements. We identify our footprint; then do one of three things to get to carbon neutrality: (1) become more efficient in our operations; (2) invest in renewables; (3) buy carbon offsets. Paul Fleming is the lead staff person on this at SPU and can provide more information for those interested.

Q: How do you rehabilitate sewer pipe? Replace segments? Put in coating? **A:** Both – we do point repair for small problems; rehabilitation (putting in new infrastructure rather than patching up old pipe) for larger problems. Rehabilitation can be replacing pipe, or putting in a slip lining, or coating the pipe – we evaluate and do whatever is most cost effective.

Q: What is TV'ing of the pipe? **A:** Video of pipe; not continuous – series of snapshots.

Q: Is the Drainage and Waste Water (DWW) planning Action Plan tied in with Seattle Department of Transportation (SDOT) projects? **A:** Yes; the goal is to increase our capacity to be ready when SDOT is opening up the right of way.

Comment: Consider categorizing the DWW priority capital projects as a “service equity” item.

Comment: The Action Plan on absences and disability management could actually save some money. **Response:** Yes, this is anticipated.

Improving Capital Project Delivery. Vladimir Khazak presented the work underway improving capital project delivery.

Suggestions, observations, questions from Panel:

Q: About how many projects are you (Vladimir) overseeing now? **A:** 26 largest projects; probably 75%+ of total capital expenditures.

Q: What do you think about consultant usage in SPU? Seems like there are a lot of consultants. With organization of this size, is it the correct amount of consultant use? **A:** Talking just about the Project Delivery Branch (PDB), we have substantial usage of consultants. When we select them,

we do not always have a clear plan and direction, which results in higher costs than necessary. We need consultants, but we also need to get in front of the mirror and realize we are good too – and we need to manage them properly.

Q: Isn't some consultant usage sometimes for QA/QC and/or independent analysis? **A:** Yes, this is one reason we hire consultant. Lots of consultant procurement is to augment existing staff; or to hire for resources we don't have in-house.

Q: What about design build – is that a cheaper way to go? **A:** Regarding South Transfer Station, don't know if design-build was most efficient way to deliver project. Do know that City got very good product at reasonable price and reasonable amount of time. Square foot price was a good price.

Q: Sense of in-house staffing levels in PDB? Consultant usage? **A:** Convinced that present level of staffing can produce 5%-15% more capital project work by next year. Currently have as many consultants as we can handle.

Q: Are we moving away from SPU's asset management process? **A:** No. Stage Gate process, for example, has been and continues to be an important management tool.

Follow Up on Panel Requests Regarding the Baseline. Melina and Sherri presented various follow up items on the baseline, including (a) an inflation only rate path; (b) low income rate assistance; (c) interest rate assumptions

Suggestions, observations, questions from Panel:

Comments: Some things you don't have control over – e.g., King County wastewater treatment costs. On the other hand, Seattle has a voice and can make a difference in what King County chooses to do.

Comment: 5% annual inflation rate on labor is way too high. **Response:** Not yet ready to go through the assumptions in detail here. We assume Cost of Living Allowance (COLA), "step" increases, re-classifications, shift differentials. 5% is probably on the high side; we will continue review and come back with detail and recommended final numbers.

Comment: Need to keep separate two different questions: (1) is 5% a good estimate, based on historical information and what we expect in the future? (2) is 5% reasonable for staff to get?

Q: Are the pie charts a 2015 picture, or a 2020 picture? **A:** Need to check and get back to Panel.

Q: What about other rate drivers such as new capital projects? **A:** Yes, these are drivers as well.

Q: Why does SPU expect the % change in low income rate assistance participation will mirror what Seattle City Light (SCL) is projecting? **A:** When SCL signs people up, they are also signed up for SPU rate assistance.

Q: How do you calculate the size of the low income rate assistance credit? **A:** Will have to get back with this.

Q: How much revenue does this cost the utility—what impact will increased participating have on rates? **A:** Will have to get back with this.

Q: What are our recent interest rates on debt? **A:** Discussed last time; can get you (Dave L) the materials distributed by the City’s financial advisor.

Financial Policy Questions. Sherri described the policy choices around what to do with the excess cash in the water fund.

Suggestions, observations, questions from Panel:

Comments. Seems like a good idea to use excess cash for capital purposes. There may also be some interest in the other option of placing it in the revenue stabilization fund in order to lower future rates. Elected officials generally like to kick the can down the road, and buy some near-term rate savings. By putting it toward capital expenditures, can maybe defer a debt issuance in 2014 and lower near-term rates in that way.

Proposed Agenda for Meeting 17:

- Programmatic baseline reductions
- Benchmarking report back

The meeting was adjourned at 4:25.

Follow up Items for Staff:

1. Follow up in January with detail behind the labor inflator, and a final recommendation for the inflation factor to use through 2020.
2. Verify what year the “inflation only” pie charts represent.
3. Low income rate assistance: (a) explain how the credit is calculated for customers living in apartment buildings; (b) calculate the revenue impact of the assumed increases in customer participation in the credit program.
4. Send out the chart of interest rates on recent debt issuances that was provided by the City’s financial advisor.