

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for August 20, 2013**

Attending:

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

Review and Approval of Agenda. No questions or comments on the revised August 20 agenda; agenda approved.

Review and Approval of Meeting 8 Summary. No questions or comments on the August 6 meeting summary; meeting summary approved.

Review of “Parking Lot” list and status of information items. Melina presented rule of thumb information, and utility tax and tonnage tax information requested by the Panel. Terry Martin’s risk discussion was deferred until next time, since Dave Layton was absent.

Suggestions, observations, questions from Panel:

Q: Why are we still paying the additional 0.5% increase in solid waste rates for public toilets?

A: Could have eliminated the additional tax when public toilets were discontinued; the City chose to retain the tax.

Strategic Framework: E-Team response to August 6 Panel feedback. Nancy presented the revised version of the Strategic Framework, based on feedback from the Panel at the August 6th meeting and earlier meetings.

Suggestions, observations, questions from Panel:

Q: Goal of easy and engaged customer experience – what is internal and external?

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.

A: Internal is internal to SPU and the City; external are ratepayers and community. **Comment:** External customers may find this confusing.

Outreach Update. Sheryl Shapiro and Karen Reed (SPU) presented the Community Advisory Committees input on Strategic Plan issues, and updates to the interim outreach plan. Sheryl gave a brief description of the Community Advisory Committees. Karen described the feedback from the Community Advisory Committees. Karen also provided brief update of the interim outreach plan.

Suggestions, observations, questions from Panel:

Q: Were questions asked open-ended? **A:** Yes, mostly unaided.

Q: Will Panel have a publicity plan? **A:** Meant that SPU should have a publicity plan; also that they want to let people know that the Panel's process is occurring.

Comment: Wanted to ensure that the Community Advisory Committee's comments were reviewed prior to finalizing focus areas and strategic objectives. It appears that everything is in alignment to-date.

Q: Will SPU be bringing back to the Panel the specifics of the interim outreach? And outreach materials won't estimate specific efficiencies? **A:** Yes

Q: Are you looking for groups to outreach to? **A:** Yes, still interested in input here.

Comment: May want some representation from people living on the water (e.g., houseboats).

Q: What is the capacity of staff to conduct outreach meetings? **A:** Looking at 15-17 individual meetings. SPU staff will attend; would also like Panel members to attend. Maybe 3 per week for 5 weeks.

Baseline, Part 2. Karen Reed (facilitator) gave the Panel some context around how to approach the baseline, and strategic plan development steps that will take place following the baseline. She presented a list of issues that the Panel has raised to date that will be part of the deliberations in developing the strategic plan. The Panel raised the following additional issues and comments

Suggestions, observations, questions from Panel:

Comment: Transparency is associated with credibility and understandability

Comment: Important to address bureaucracy, simplify processes, interactions with other City departments – SPU and Citywide.

Comment: We should look historically at capital project experience to learn how we can improve delivery, identify savings.

Q: Are you good at asking your employees how to fix things? **A:** We do this but can do better. E.g., Ray has instituted “Open Door” times for himself and for each Deputy Director. Have gotten good ideas from employees; and have implemented them.

Comment: Go a step further, and reach out to the employees where they are. The big gorilla is labor costs – need to figure out how to address this. **A:** Since 2008, are down about 90 positions. Has obvious employee implications, union implications.

Comment: Low income population has service equity concern; ties in with transparency of bill. Also, this population tends not to be the squeaky wheel. May want to reach out to clients of West Seattle Helpline, and other Helplines.

Karen will add these comments and “employee engagement” to list of bigger issues to be followed up on.

Melina then kicked off the baseline discussion, and Sherri reviewed the assumptions behind the baseline, many of which are still under review. She then described the current draft forecast for 2015-2020, overall and by line of business.

Suggestions, observations, questions from Panel:

Q: Can SPU provide inflationary assumptions for 2013-14 also? And for the years before that as well? **A:** Yes

Comment: There is lots of good work in these inflation assumptions, but the number is wrong – (too high). There are lots of things the utility has no control over. But, Panel should look at this from broad perspective, and give opinion about inflation targets and rate levels.

Q: Any thinking about changing financial policies? **A:** Council reviewed last year; decided keeping the policies as they are.

Q: 1.7 debt coverage on water – if this level is decreased, at what point does interest rate go up? **A:** This issue is facing us currently with the solid waste fund. Rating agencies are looking at coverage requirements differently.

Q: What is your assumption on customer account growth? **A:** Will get back to you on that.

Q: What is you assumption on typical household usage? **A:** 4.7 ccf.

Q: Do the estimated residential bills reflect decreasing demand? **A:** The rates do, which results in rate increases that are higher than what would be needed with constant demand. However, the example customer bills do not assume any reductions in demand for the example customers, thus overstating (on average) the percentage increases in customer bills. There is an important decision to be made about whether to show the *revenue* impacts or the *rate* impacts in our baseline figures – we will develop our analysis and proposal, and bring it back to the Panel.

Q: Why is water consumption falling? **A:** Wide variety of reasons: price of water; plumbing codes; conservation programs; etc. Both winter use and peak have also declined substantially.

Q: Are wastewater and drainage rates showing a substantial impact from regulatory requirements? **A:** Yes

Comment: Hotel numbers got reversed? Seems like wastewater should be higher than water. **A:** Will double check that and correct if necessary.

Q: Are contracts costs with King County negotiated or fixed? **A:** Formulas and contracts fixed through 2036; the rates are adjusted periodically under the contract terms.

Q: Is reallocation of costs between drainage and wastewater completed in current rate period? **A:** Yes [NOTE: this refers to the shift of a share of the costs of the combined sewer/stormwater system from wastewater (which had been paying 100% of the costs) to drainage. This shift occurred over a multi-year period, and will be complete before the 2015-2020 timeframe.]

Comment: Most customers don't see the drainage cost, since it is on the property tax bill. But, most large industrial and commercial users do see the cost.

Q: How does the downtown hotel pay for drainage? **A:** Property tax fee.

Q: How do you know your assumptions are correct on drainage fees? **A:** We do ortho-photography periodically – last updated in 2008. Set drainage fees based on footprint and degree of imperviousness. Update approximately every 10 years.

Q: Do the assumptions need to be looked at again in regards water and wastewater charges? **A:** Sewer bills are recalibrated each year based on most recent Winter water usage for each customer. Could review what we've assumed about these relationships and how things may have changed over time.

Q: What are residential bill estimates for solid waste based upon? **A:** 32-gallon charge and yard waste pickup. **Comment:** Should note this.

Q: When is the hauling contract up? **A:** SPU can end the waste collection contract with CleanScapes in March 2017, 2019, or 2021, at our discretion. SPU can end the collection contract with Waste management in March 2019 or 2021, at our discretion. [NOTE: this answer is more detailed than what was provided at the August 20th meeting.]

Q: What are current recycling levels and target? **A:** Currently, we're at 55.7%; want to get to 60% by 2015; 70% by 2022.

Q: Is 70% recycling realistic? **A:** We would likely need to expand what can be diverted – e.g., pet waste and diapers.

Q: Do solid waste rates give residential customers credit for recycling? **A:** Yes, via lower rates for lower can sizes.

Q: Any thought of incentivizing sustainability projects, other than through rates? **A:** Mostly focused on rate and bill incentives.

Panel “Take-aways” from draft baseline:

- It will be important to tighten up to see where costs can be reduced.
- Everything seems to make sense, but it’s a big increase for customers.
- Can you develop a scenario of rate increases at inflation only – what would that be? How would you prioritize which projects and programs not to pursue and which to fund?
- How does this compare to historic inflation rates? That may be informative.
- Use benchmarking as a tool to help right-size current expenditures.
- Private businesses have saved money by decreasing middle management.

Proposed Agenda for Meeting 10:

- Prep for Council LUC briefing on September 17
- LOB service levels, continued from August 6 meeting
- Baseline-continued discussion (including affordability & rate path vs rate revenue path)
- Interim outreach – continued discussion on approach, messages, audiences
- Risk approach
- Regulatory world

The meeting was adjourned at 4:35.

Follow up Items for Staff:

1. Strategic Framework comment. Consider clarifying language on “easy and engaged customer experience” goal to be clear about what we mean by “*internal and external customers.*”
2. Interim Outreach comment. May want some representation from people living on the water (e.g., houseboats). May want to reach out to clients of West Seattle Helpline, and/or other Helpline agencies.
3. Adds to overall issues Panel is interested in exploring. Bureaucracy (simplify processes, interactions with other City departments); employee engagement.
4. For baseline assumptions (cost inflation, non-rate revenue inflation, etc.) provide historical actuals.
5. Demand. What is your assumption on customer account growth?
6. Rate path vs revenue requirement path. Describe differences, and pros/cons. Present a proposal to the Panel.
7. At some point (maybe after efficiencies discussion?), describe the service implications of an “inflation only” rate revenue path.

8. Check the example customer charges information – did the wastewater and the water charges get reversed on the downtown hotel numbers (seems like wastewater charges should be higher than water)?
9. Describe the assumptions behind the relationships between water demand and wastewater demand; make sure that projections have kept pace with changes to actual.
10. In future materials, note the assumptions behind the typical residential charges.