

**SPU Strategic Business Plan Customer Review Panel
REVISED Draft Meeting Summary for January 29, 2014**

Attending:

Panel Members:			
Suzie Burke	✓	Tara Luckie	X
Bruce Lorig	✓	Noel Miller	✓
Dave Layton	X	Carl Pierce	X
Laura Lippman	✓	Walter Reese	X
David Gault	X		
Staff and Others¹:			
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	✓	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓
Ray Hoffman	✓	Scott Bash, HDR	✓
Saroja Reddy	✓	Elizabeth Lowell, HDR	✓

Others Observing: Bill Dennis (Union 1121 Rep); Marty Yellam (Local 32); Josh Warner (Local 32)

Review and Approval of Agenda. No questions or comments on the January 29 agenda; *agenda approved.*

Review and Approval of Meeting 17 Summary. Lacking a quorum, action on this item will be postponed until the next meeting.

Housekeeping. Karen Reed (facilitator) reviewed the Panel ground rules. Karen also shared the lists of Panel questions to-date and Panel issues to-date.

Suggestions, observations, questions from Panel:

Comment: Panel issue #1 (City taxes) – why is it TBD? **Response:** At a meeting with the Deputy Mayor on Friday, will raise this issue. Ray can relay the Panel’s concern and ask them how they see this being addressed in the 2015-2020 timeframe.

Comments: If tax revenue to the General Fund is lessened, then needs to be found elsewhere. But there is a distinction between ratepayers and taxpayers, and a nexus issue with utility rates. Up to the Panel to raise this issue. Not a policy call for SPU. Will get direction from Mayor; will relay this direction to the Panel and to the Council.

Outreach & Media Update. Noel kicked off this discussion. The public needs to understand why the baseline is going up at the rate it is. Need to give more concrete examples of the problems being addressed (e.g., additional CSO expenditures).

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.

Suggestions, observations, questions from Panel:

Q: What ideas does the Panel have to help the utility tell the baseline story?

Panel answers/ideas:

1. CSO outfall happen whenever it rains—we need to fix this.
2. Brightwater surcharge/metro contract cost pass throughs (what has been the rate of increase, historically, and projected)
3. Emergent regulations
4. Where are we now, add inflation, then talk about other major things that need to get added, then present an aggregated list of efficiencies, then things we would like to do
5. Explain that debt service represents decisions already made.
 - a. Short list of items included in existing debt service—what projects were built?
 - b. What new projects are proposed that will add to the debt service burden?
6. Explain surface water management challenges – give concrete examples, e.g.,
 - a. Duwamish clean-up costs
 - b. South Park/Meridian/Broadview flood control
7. Show pictures demonstrating the age/condition of infrastructure
8. Roots destroying pipes—pictures and statistics about how often a year this happens
9. Increased recycling goals—explain the costs/effort associated with this
10. Seismic readiness --important action that costs money
11. Climate change
12. Aging pipes
13. North city annexation—pipe conditions/drainage issues in that part of town
14. Can we feed follow-up stories on these infrastructure challenges?
15. Present these issues to the Council soon to explain the baseline
16. Take credit for cost savings realized from working with regulators. (quantify)
17. Increasing participation in low income rate assistance program is one baseline factor

Q: Can we feed press releases to keep an ongoing discussion about the system, what is entailed in operating and maintaining it. **A:** Working with neighborhood blogs to tell our story; get people to the meetings.

Q: What are the inflationary amounts for wastewater treatment costs? **A:** We will get you this.

Comment on the video: Shows that SPU does a great job; great stewards of the environment. Inferences in the video that we have a number of challenges, does not say anything about needing more money.

Ending comment: Maybe at the next opportunity in front of Council committee, bring some of these items up.

Schedule. Two items here: (1) Asking the Panel for availability in April through June. (2) Presenting an Option for a schedule to complete the Plan in 2014 (full, rich outreach in January-February; develop rate and service path recommendation from Executive to transmit to the Council at the end of June).

Suggestions, observations, questions from Panel:

Comment: New proposal sounds great; maybe even an improvement over what City Light did.

Q: Take outreach; summarize; take back to Panel; then what? **A:** Then develop recommended rate and service path; transmit Plan to Council; let customers know that the Executive has transmitted Plan and the Council is considering it; also let them know their opportunities to comment to the Council.

Q: Is it then more like a draft EIS process? **A:** Council can change the proposal after it is submitted; from a customer perspective, it is still at draft when it is transmitted to Council.

Programmatic Reductions. Melina described the Programmatic Reductions, and provided the detail requested at the last Panel meeting on the Tier 3 reductions.

Suggestions, observations, questions from Panel:

Comment: All budgets are like that – stuff that you can control; stuff you cannot.

Comment: Maybe have line item in the bill for City taxes?

Q: In the education program, are they paid or volunteers? **A:** Use both paid staff and volunteers.

Comment: Maybe could do more volunteer programs.

Comment: Council staff is interested in receiving more detail about the financial context of these Tier 3 reductions.

Comment: Panel would like to reserve final judgment on these Tier 3 reductions until all the pieces of the puzzle are known.

Benchmarking Results and Efficiency Recommendations. Scott Bash and Elizabeth Lowell of HDR Consulting presenting their benchmarking and efficiency findings.

Suggestions, observations, questions from Panel:

Q: Confusion with the pie charts on best practice and benchmarking. **A:** Best Practice = Responses to particular areas of analysis. Benchmarking = comparing with other identified utilities.

Q: What does “align the organization” mean? Does that mean there are duplicative functions that can be eliminated? **A:** SPU organized under the “specifier-provider” model, the value of which was premised on being able to compete for the best providers, but that doesn’t happen here. Have also gotten away from the Line of Business (LOB) approach; planning occurs at different levels throughout the organization. SPU needs to be able to clearly identify cost associated with service levels; to do this, need to align more by LOB.

Q: Do other utilities have similar organizational structures and LOBs? **A:** Not exactly as SPU is. Most utilities with multiple LOBs are more siloed. Don’t necessarily have to organize by water

business, DWW business, solid waste business, but do have to know the costs and services by LOB and the share of corporate costs to each LOBs.

Q: Are the investments annual costs or one-time costs? **A:** One-time costs.

Q: Reduce field crews but increase HR staff? **A:** No. Field crews would be more efficient and increase ability to do additional work.

Q: Do you do an assessment of how your recommendations have helped the various utilities you have benchmarked? **A:** Yes. In terms of track record, an example is Cincinnati – was a low performing utility; now a high performing utility. King County and Anchorage are two other examples of utilities implementing efficiency recommendations and making solid improvements. On the other side, the City of Atlanta did not fully implement. HDR has lots of confidence in SPU – expects SPU will implement well.

Q: What's the difference between the five different efficiency type "cost buckets"? **A:** "Avoided Costs" = items to be pushed out in time, or not do at all. "Actual Cost Savings" = real identified savings to budgeted costs. "Productivity & Efficiency Gains" = redeploy staff to other things, build capacity to respond to growing service demand within existing staffing.

Comment: Might be hard to adjust the baseline for Avoided Costs or Productivity savings.

Q: So are these savings at all? **A:** Yes they are. But hard to say that there would be a direct budget savings.

Comment: In a Panel member's work in the medical field, new IT systems always took more time and incurred more cost. Eventually it worked; but took more time because everyone wants the cool new data. Each one was more costly than the one before. **Response:** High % of mission critical info systems fail (70%) – primary reason is it gets thrown to the IT department, who doesn't understand the customer's needs. Have to think carefully about the business process needs when building new IT systems.

Ray observations on HDR's analysis: SBP has multiple objectives: lower bottom line; but also become more productive. Need to prioritize and sequence. Moving immediately on low-hanging fruit helps get energy and momentum. Initial ideas on likely focus areas:

- Transform the workforce: performance management; talent management
- Technology investments: move cautiously here; but need to pursue
- Asset management: asset infrastructure data and other areas
- Systemically constrained items: tee these up with elected official officials

Ray explained one concept under consideration: By 2020, no net increase in FTE. This would be a major change for the department and enforce some real discipline in how they do business as things change.

Q: Do we have strong strategy to take employee ideas for how to do O&M jobs better? E.g., "if I only have XX to do my job, I could be more efficient." **A:** The strategy is not as strong or as consistent as Ray would like, but we do pay attention and many good ideas come from line staff.

Q: How engaged are the unions in this work? **A:** We discuss it at the monthly Joint Labor Management meetings.

Next Steps: Sometime this spring, SPU will come back with a more formal response to the HDR recommendations. May need special session for Panel members missing from today's meeting to cover this presentation from HDR; Karen will follow-up with members not in attendance.

Action Plans/Investment Proposals. Karen and Diane presented the list of Action Plans, sample Template, and suggestions for where the Panel spend its time in the next several meetings, in terms of which of the many Action Plans to focus discussion on.

Suggestions, observations, questions from Panel:

Comment: Give this a try; see how it goes.

Proposed Agenda for Meeting 19:

- Complete Baseline Review
- Review initial set of investment proposals
- Follow up on Panel information requests

The meeting was adjourned at 4:15.

Follow up Items for Staff: Provide Panel with assumed wastewater treatment cost inflation. At the next Council committee SBP discussion, describe the baseline along the lines outlined on page 2 of these notes.