

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary
Wednesday, March 28, 2014**

Attendance:

Panel Members			
Suzie Burke	x	Tara Luckie	x
David Gault		Noel Miller	x
Dave Layton		Carl Pierce	x
Laura Lippman	x	Walter Reese	x
Bruce Lorig	x		
Staff and Others¹			
Ray Hoffman, SPU		Brian Surratt, Mayor's Office	x
Nancy Ahern, SPU		Meg Moorehead, City Council Central Staff	x
Martin Baker, SPU	x	Saroja Reddy, City Budget Office	x
Melina Thung, SPU	x	Karen Reed (facilitator)	x
Councilmember Bagshaw	x	Diane Clausen, SPU	x
	x	Helge Ferchert, SPU	x
	x		x

Review and Approval of Agenda.

- March 28 agenda approved without discussion or changes.

Comment: Need a meeting to help better understand justification for rate increase. **Response:** Can set up individual meeting. Note that this issues is what the baseline elevator speech is all about.

Review and Approval of Meeting 21 Summary.

- Approved without changes.

Council Communications.

Debrief on March 25 status update to SPUN Committee. Noel suggested the Panel watch the Council committee status update online. Suzie noted that the Drainage and Wastewater 101 Presentation is an interesting discussion. A councilmember raised a question about what other cities' costs are for consent decrees. SPU staff are finding some comparables. Also, Council committee members had some questions on the "rivers" chart. The next status update to the Council is in April will be focused on baseline and public outreach results.

Review of Panel's baseline elevator speech. The Facilitator described the next iteration of the Panel's baseline elevator speech. This will be the focus for the April SPUN Committee's Strategic Business Plan update.

Q: Is low income rate assistance connected to food stamps? **A:** There is some effort to do some cross-marketing in low income assistance programs.

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

Q: When can SPU fill in the blanks in the Panel’s elevator speech? **A:** Next week.

Q: Do we want to include in the baseline speech the impact of a minimum wage increase? **A:** Will be a small impact, unless it causes wage compression and bumps up other salaries. But, so small that it doesn’t cause SPU concern.

Comment: Interested in trends in costs/rates of other utilities. **Response:** SPU will pull something together.

Comment: Will begin working on PPT to present to Council, and present at the next Panel meeting.

Panel Requests: Utility Tax Information

Diane went over the responses to the Panel request for utility tax information.

Q to Council staff: Is this information accurate? **A:** Yes, it appears to be accurate.

Comments: IF Panel recommends lowering utility tax rates, then we need to say what the General Fund will not do given the decrease in revenues. On the other hand, the Panel’s job is to focus on utility rates, not the General Fund. The utility tax is not very transparent—a stealth tax--ratepayers don’t understand that a large part of their bill is a city tax to support the general fund, and that there’s a big difference here as compared to utility taxes on City Light (capped at 6% by statute, unless voters approve a higher rate).

Panel Next Steps. Noel, Bruce, and Suzie will form a subcommittee to develop some options for the Panel’s consideration on what the Panel could potentially recommend around utility taxes.

Action Plans/Investment Proposals

Helge Ferchert presented the street sweeping action plan.

Comment: Are we paying the General Fund twice, then for this service? Once via utility taxes, and once for direct payments to SDOT for street sweeping activities that improve water quality?

Response: SPU pays SDOT to do street sweeping on roadways whose runoff drains to water bodies; SPU also pays utility tax to the General Fund, and some of those revenues could go toward SDOT’s general fund purposes (as well as other general fund purposes).

Q: Do we get credits for this in the consent decree? **A:** Yes, also the NPDES permits. For consent decree, can plug into consent decree if we can show it is more beneficial than a standard CSO project.

Q: what proportion of total storm water pollutants does street sweeping reduce? **A:** Probably 1-2% of total pollutants; overall we get 3-4% of pollutants from our water quality program, so street sweeping is half of that.

Q: Are the downstream water bodies that are impacted by street sweeping currently meeting water quality standards? **A:** No; this program and all other programs are not getting us to “delisting” of

any water bodies. The biggest issue is non-point sources of pollution. However, we can demonstrate and document in these programs the amount of pollutants and solids that we have removed that would have entered the receiving water bodies.

Q: Can we demonstrate measurable improvements to water quality in the receiving water bodies from street sweeping activities? **A:** Not really; too many other inputs that we do not control and cannot even identify.

Q: Does street sweeping replace Combined Sewer Overflow (CSO) program costs, or just defer them? **A:** Defers CSO costs, but possibly we can later convince regulators that the more expensive programs are not cost effective in comparison to other actions.

Q: How much can prevention help with this – like pesticide reduction, etc.? **A:** Do have an education program; also work with state on product substitution.

General Reactions from the Panel. Seems reasonable. Very impressive. Good bang for the buck.

Councilmember Bagshaw joined the Panel meeting at this point, and thanked the Panel for all their hard work.

Q: How will Council engage with the Panel during their deliberations over the summer with the Panel? **A:** Leave this open for now; if Panel members are available during the summer, would like them involved and available to answer questions, etc. Panel is being the eyes and ears of the customers.

Q: What will Council say if Panel says utility taxes too high? **A:** Helpful if you suggest where the General Fund would reduce expenditures, not just recommend reductions in utility taxes.

Kim Collier and Laura Southard presented the Transform the Workforce Action Plans

Q: Do you talk with staff about cross-training? **A:** Need to build this into our culture and our pathways. Done in little pockets, but need more comprehensive approach. **Follow up offered by Councilmember Bagshaw:** In the City Parks Department, they reached agreement with their unions to create a “jack of all trades” positions; maybe this could be something SPU could explore too?

Q: What’s the size of HR staff? **A:** SPU has 32 HR staff (1400 staff total); for comparison purposes, Seattle City Light (SCL) has 56, including safety staff (1800 staff). SPU has 7 Full-Time Equivalent employees (FTEs) for safety; SCL has 16 FTEs for safety.

Q: \$175k for leadership development – is this in-house? **A:** Yes. We would like to be able to sustain this internally, and rely less on external resources. In the baseline, we will reallocate a position for a new leadership development person that we will hire this year. The \$175k is for additional resources for an ongoing leadership development program. As an example, it cost SPU nearly \$150k to deliver a single instructor-led course using a consultant.

Q: Have you looked at reductions in State Labor and Industries (L&I) costs resulting from the absence and disability management programs? The action plan might pay for itself in savings. **A:**

Believe these expenditures will pay for themselves; have not included L&I claims reductions in the baseline rate path.

Q: How many new HR FTEs are in the baseline via redirecting existing staff resources? **A:** Three; the positions that were denied in the 2014 budget process. SPU will reallocate three existing vacancies aligned to lower priority work in other parts of the utility to meet these needs instead of adding them to the 2015-2020 new FTE requests.

Comment: In the Seattle Housing Authority we have found programs like this really work to save costs. Probably increases productivity as well.

Q: What about retention? Maybe you train someone up well, and they leave to someplace that pays more. Are you also looking at wage compensation? **A:** Yes. City HR is leading a Customer Salary Survey for the city and SPU will participate. We also have compensation analysis as a part of the action plans.

Q: Job descriptions – you don't have job descriptions? How do employees know what they are supposed to do? **A:** We have job *classification* descriptions, and detailed position descriptions, but not individual job descriptions.

Q: How can you give employees performance reviews without job descriptions? **A:** Staff have documented work programs, generic classification descriptions, and detailed position descriptions, but not individual job descriptions.

Q: Are union negotiations necessary for developing job descriptions? **A:** Will inform and work with unions; but this is really putting on paper what staff already does. We need more specificity in the job descriptions than we can get through job classifications-- more measurable goals, more measurable skills and competencies.

Comment: Should have in the job description something about the ability to physically do the job; fitness for the job. **Response:** Yes. We have to work on wellness as well as skills and competencies. Job classifications include some physical requirements.

Q: Will you address the issue of layoffs by seniority? **A:** No, this is a Citywide constraint. City policy dictates orders of layoff.

Comment: Think you're trying to do the right things; but what you're doing is creating another bureaucracy that won't go away. When you look at this objectively, your organization has done a terrible job, and it's in middle management. Your goal needs to be zero FTE growth in HR by 2020, as opposed for an increase of 4 FTE. It is the responsibility of supervisors/management to get the right person for the job and make sure the person does the right thing. **Response/some additional context:** While SPU is high performing utility, this is a big potential area for improvement. SPU has only been in existence since 1997, a relatively short time to integrate four separate lines of business into a single department with unified practices and systems. If Ray were here, he would likely say that the things that keep him up at night are (1) injuries on the job; (2) potential retirement rates over the next several years. The fact of the matter is we have to change something. And remember this whole discussion is in the context of no net FTE increase by 2020.

Q: How are you working with Citywide Personnel in developing this proposal? **A:** Believe there will be opportunities to collaborate with Citywide Human Resources; it has not been our experience that general funded departments dedicate their limited resources and funds to focus on solving issues and problems specific to the SPU or the rate funded utilities.

Q: What is SCL doing? **A:** SCL O&M ask was \$27M for workforce items over the 6-year strategic plan period (more than three times SPU's ask).

General Reactions from the Panel: This is the key initiative – it all starts with people. Culture comes from leadership (supervisors, managers, the top) – this needs to help support this. One Panel member supports net zero FTE for the Workforce initiatives in total by 2020; other Panel member says to preserve flexibility here and to remain forward thinking—there will be new problems ahead. There is a huge gap here relative to what's going on in the private sector – private sector is light years ahead of this. Strong support to do the work in-house rather than use outside consultants.

Baseline Assumptions Status Report

Melina pointed out two items on the status report – (1) updated salary inflation assumptions; (2) solid waste policy issues.

Q: Is out-of-class higher wages cost only for when the employee is out-of-class? **A:** Yes.

Q: Are we saying salaries are not competitive? What about all those employees who can't find jobs in this economy? **A:** We do have difficulty hiring and then retaining certain employee classification types. For example, SPU and SCL require much higher level of ability for their accountants than general fund accountants for the City.

Q: What is the impact of the solid waste proposed change on the overall 6-year rate path? **A:** Will need to get that.

Q: What is the change in demand at the transfer stations? **A:** 28% drop in self haul tonnage when North Transfer Station was closed.

Council staff comment: Could be less conservative on technical consumptions, since we haven't assumed any savings resulting from the Action Plans.

HDR Report; Efficiency Next Steps

Efficiencies: SPU will bring to the Panel the total efficiency savings, the path to getting these savings, and the specific HDR recommendations we will undertake to get there

Next Meeting – Friday, April 11

- Review outreach results
- Distribute baseline report; finalize baseline decisions
- Review remaining action plans; decide approach to rating
- Programmatic efficiencies recap

Action Plan next steps homework in advance of April 11 meeting: Read the ones we haven't talked about, including the ones Diane will email you next week. Then next time will discuss how to vote/assess these.

Q to Council staff: Do you have a sense on where you are looking at trimming the baseline? Can we work toward Council involvement in the issues and assumptions now, with the Panel, as opposed to later? **Response:** Have a sense now of what the issues are between Council staff and SPU; hope to bring back to the next meeting the areas of consensus and any remaining issues. However, Council will hold its deliberative process and may make changes after the Plan is officially sent to them.

The meeting was adjourned at 3:10.

Follow up Items for Staff:

1. SPU to provide Panel with comparables on costs to other utilities of consent decrees.
2. SPU to fill in the blanks in the Panel's elevator speech next week.
3. Develop a draft PPT for the April SPUN Committee status report.
4. SPU to develop information on costs and rates of other comparable utilities.
5. Explore the "jack of all trades" positions that were created for the Parks Department. Maybe SPU could pursue something like this?
6. SPU to respond to comment regarding being conservative in its assumptions, especially by not assuming any efficiency savings from the action plans that are not also in the HDR recommendations.