

# Overview Detail: Seattle Public Utilities Discussion with Customer Review Panel

**May, 2013**

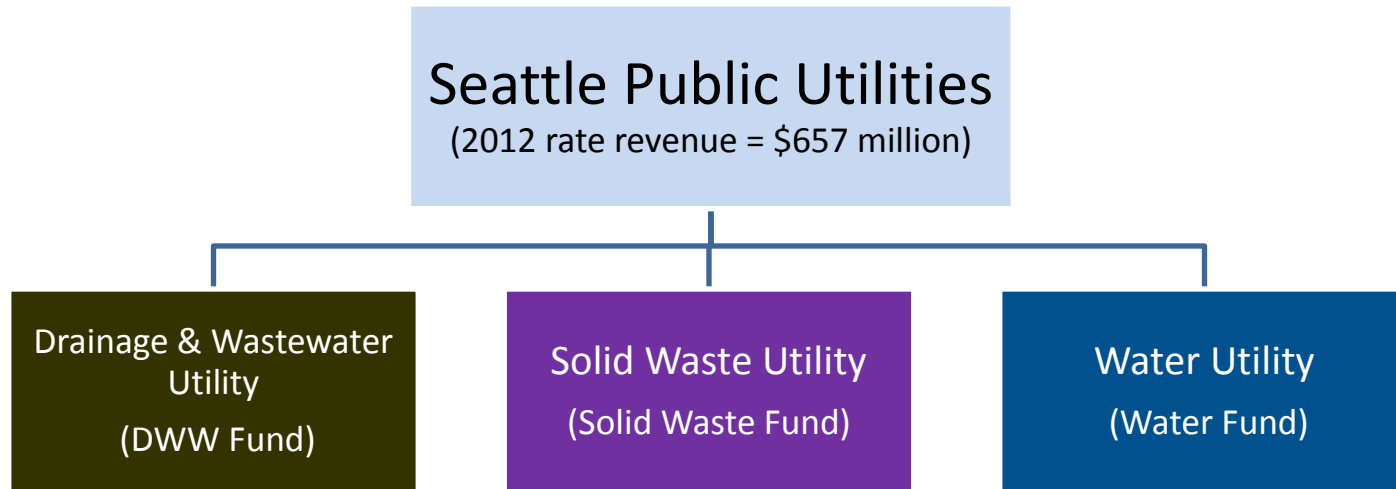


# What You Need to Know

Today we'll cover the basics you need to know around the big picture—how we are financed, what our budget looks like, employee make up and customer consumption patterns.

This is essential background to understand our strategic direction.

Next time, we'll cover more specifics around each line of business, plus corporate functions



SPU has three enterprise funds that are legally required to remain separated:

- Revenues from wastewater rate charges and from drainage rate charges are deposited into the Drainage & Wastewater Fund;
- Revenues from solid waste rate charges are deposited into the Solid Waste Fund, as are General Fund revenues to pay for the Clean City Program (graffiti abatement; litter control; etc.)
- Revenues from wholesale and retail drinking water rate charges are deposited into the Water Fund.

# Rate Revenue Sources

## Drainage

Bill is on Property Tax Statement

- Based on parcel size and impervious surface
- 2012: \$75.5 million
- Rate path set for 2013-2015

## Solid Waste

Bill is on Combined Utility Bill

- Based on container size and type
- Transfer station rates based on weight
- 2012: \$156.9 million
- Rate path set for 2013-2016

## Wastewater

Bill is on Combined Utility Bill

- Based on metered water usage, adjusted for water that does not enter the sewer system
- 2012: \$221.6 million
- Rate path set for 2013-2015

## Drinking Water

Bill is on Combined Utility Bill

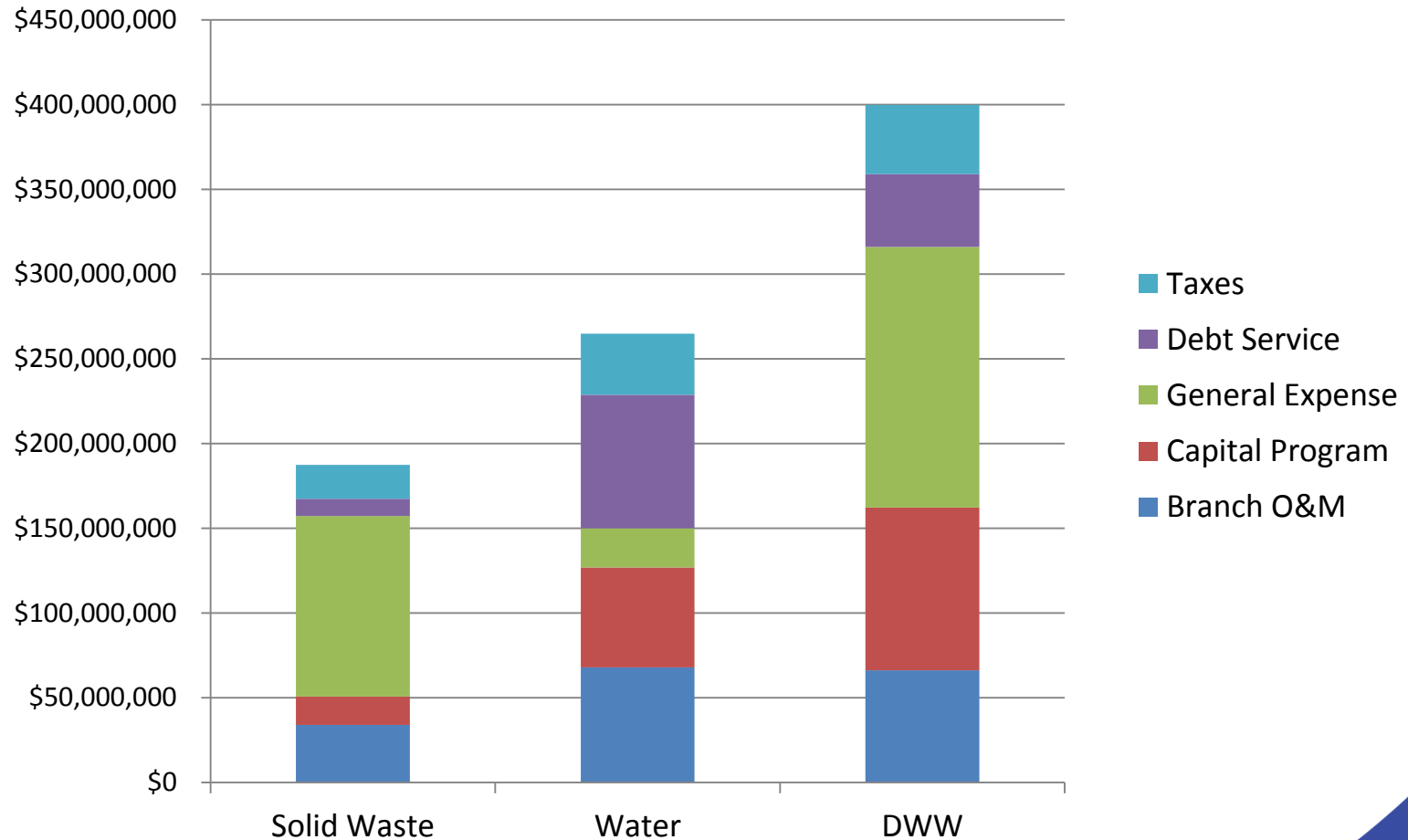
- Based on metered water usage and meter size, with higher seasonal rates in the summer
- Wholesale bills based on contracts and metered water use
- 2012: \$202.6 million
- Rate path set for 2012-2014

# Revenue & Budget Snapshot

	2011 Actual	2012 Adopted	2013 Adopted	2014 Endorsed
<b>General Fund Support</b>	\$1,180,309	\$1,205,360	\$1,139,072	\$1,165,569
<b>Other Operations Funding</b>	\$608,926,466	\$650,245,526	\$678,861,899	\$699,001,245
<b>Total Operations</b>	\$610,106,775	\$651,450,886	\$680,000,961	\$700,167,814
<b>Capital Funding</b>	\$159,944,931	\$167,786,626	\$171,868,429	\$208,219,822
<b>Total Appropriations</b>	\$770,051,706	\$819,237,512	\$851,869,390	\$908,387,636
<b>Staffing – Full Time Equivalents</b>	1,420.75	1,411.05	1,401.05	1,401.05

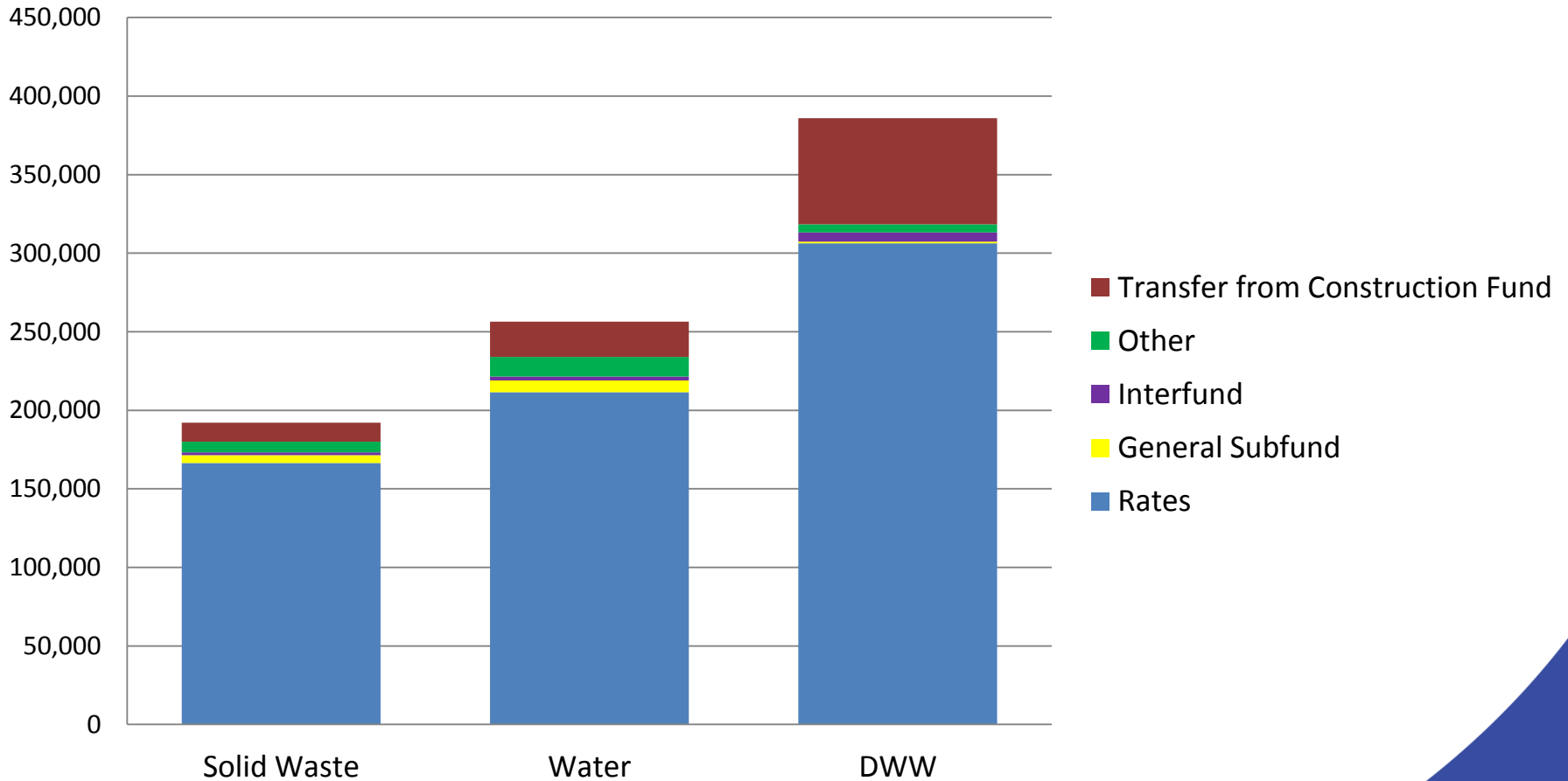
# 2013 Adopted Budget Appropriations

## 2013 Adopted Budget Appropriations



# 2013 Adopted Budget Revenues

2013 Adopted Budget Revenues  
(Figures in \$000's)

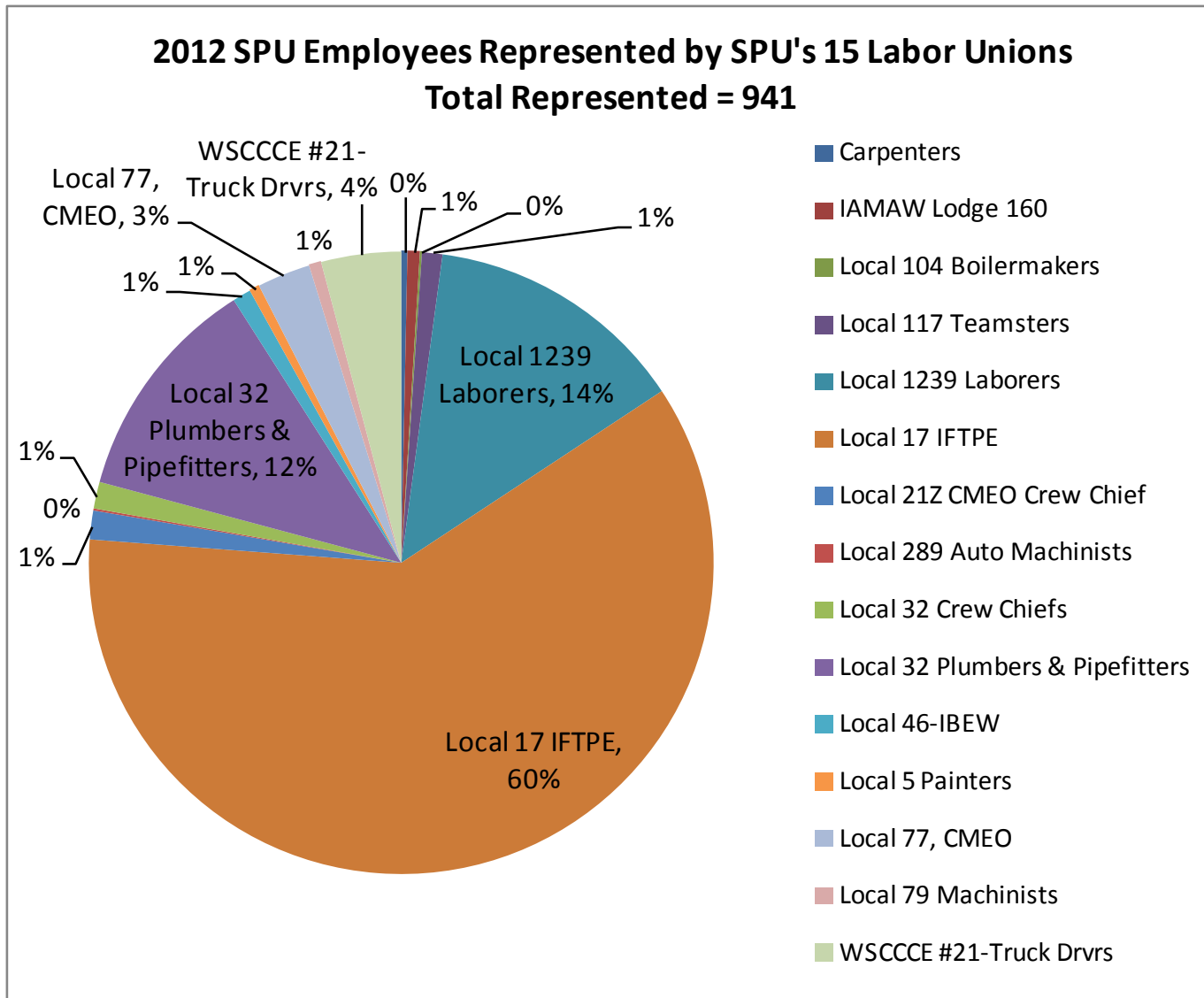


# Workforce Demographics

<b>SPU Workforce at a Glance</b>					
<b>SPU</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Total Workforce Headcounts</b>					
# Employees	1389	1415	1375	1337	1315
% change, year over year		1.9%	-2.8%	-2.8%	-1.6%
<b>Workforce Headcount Covered by Collective Bargaining</b>					
# Employees	970	993	962	943	941
% Total Employees	70%	70%	70%	71%	70%
<b>Succession Planning Considerations</b>					
% of Emp Eligible to Retire	37%	38%	37%	40%	41%
% over Age 50	45%	45%	46%	47%	46%
<b>Workforce Diversity</b>					
City of Seattle POC Workforce	35.6%	35.8%	36.1%	34.7%	37.1%
City of Seattle White Workforce	64.4%	64.2%	63.9%	65.3%	62.9%
SPU POC Workforce	40%	40%	40%	40%	40%
SPU White Workforce	60%	60%	60%	60%	60%
<b>Workforce Safety</b>					
# time loss days associated with OTJ injury	1,101	1,567	2,981	4,158	4,479
% change, year over year		42.3%	90.3%	39.5%	7.7%



# Labor Unions



# Financial Policies

Financial Parameter	Adopted Financial Policies/Preliminary 2012 Performance		
	Drainage & Wastewater Fund	Solid Waste Fund	Water Fund

## Current Revenues Vs Current Expenses

Net Income	Generally positive (\$0.8M in 2012)	Generally positive (\$7.7M in 2012)	Generally positive (\$20.7M in 2012)
Debt Service Coverage	1.8 times (3.4 times in 2012)	1.7 times (3.9 times in 2012)	1.7 times (1.7 times in 2012)

## Cash Parameters

Year-End Cash Balance	One month wastewater treatment expense (\$60.0M in 2012)	20 days contract expense (\$21.1M in 2012)	1/12 <sup>th</sup> of current year's operating expense (\$12.4M in 2012)
Cash Financing of Capital Projects	25% minimum over 4 yr rolling average (27% in 2012)	\$2.5 million per year (\$3.1M in 2012)	15% minimum in any year; 20% over rate period (49.5% in 2012)

## Other

Debt-to-Asset Ratio	No more than 70% (57% in 2012)	N/A	N/A
Variable Rate Debt	<15% total debt (0 in 2012)	< 15% total debt (0 in 2012)	< 15% total debt (0 in 2012)
Revenue Stabilization Fund	N/A	N/A	\$9 million minimum (\$12.4 in 2012)

# Bond Ratings

High bond ratings result in low interest rates on borrowings.

Bond Rating Categories	Standard & Poors		Moody's	
Prime Maximum Safety	AAA	Unlimited General Obligation Bonds	Aaa	Unlimited General Obligation Bonds
High Grade, High Quality	AA+	DWW Fund Water Fund	Aa1	DWW Fund Water Fund
	AA	Solid Waste Fund	Aa2	
	AA-		Aa3	Solid Waste Fund
Upper Medium Grade	A+		A1	
	A		A2	
	A-		A3	
Lower Medium Grade	BBB+		Baa1	
	BBB		Baa2	
	BBB-		Baa3	
Non-Investment Grade	BB+		Ba1	

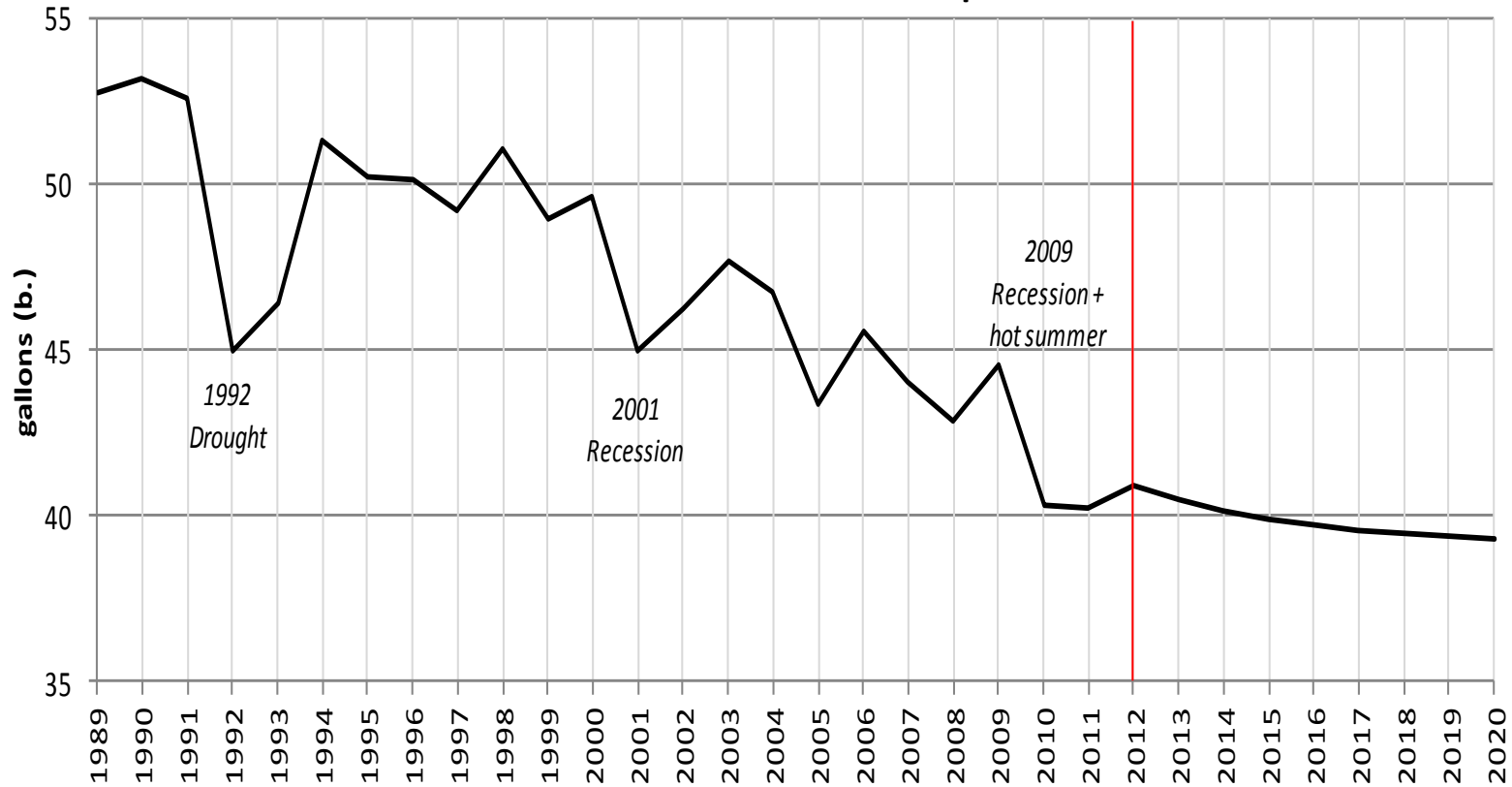
# Conservation, Waste Reduction and Recycling

Our customers have consistently responded to our requests to conserve water, reduce waste and recycle. In fact, they have even asked us to help them find more and better ways to be sustainable.

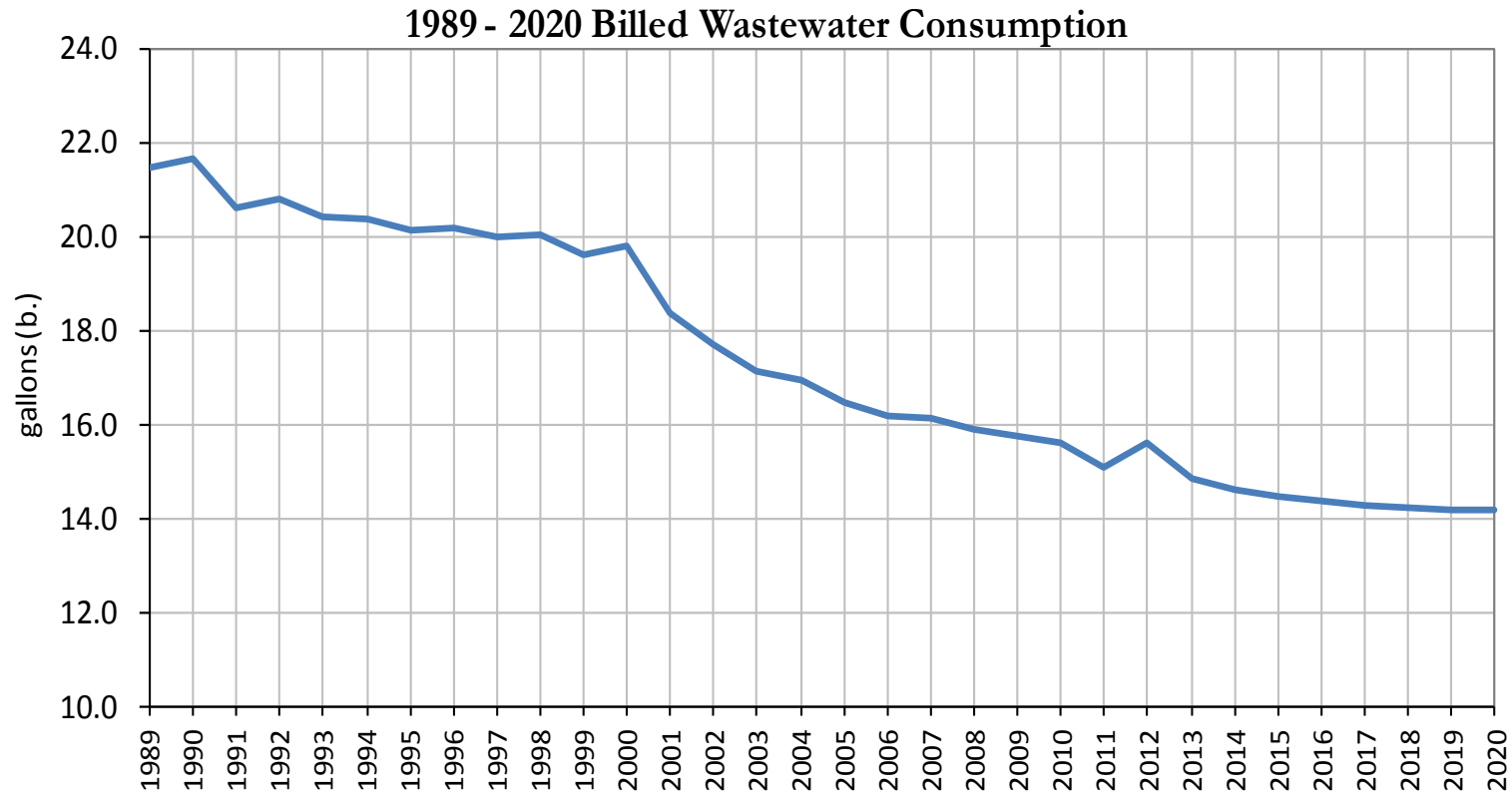
The result? Less utility use across the board.

# Water Consumption

## 1989-2020 Billed Water Consumption

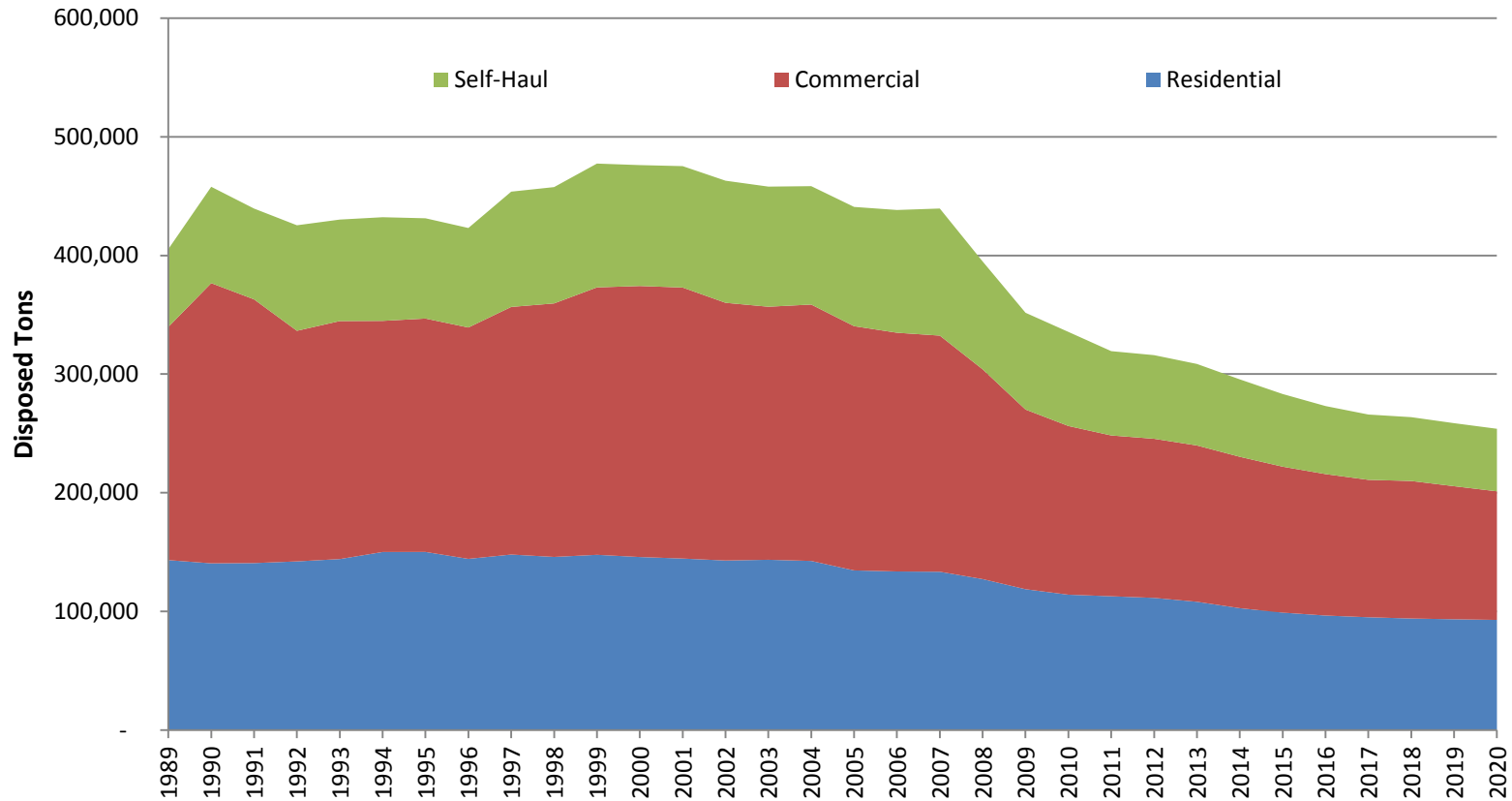


# Wastewater Use



# Garbage Tons Disposed

## 1989-2020 Garbage Tons Disposed



# The Challenge of Fixed Costs

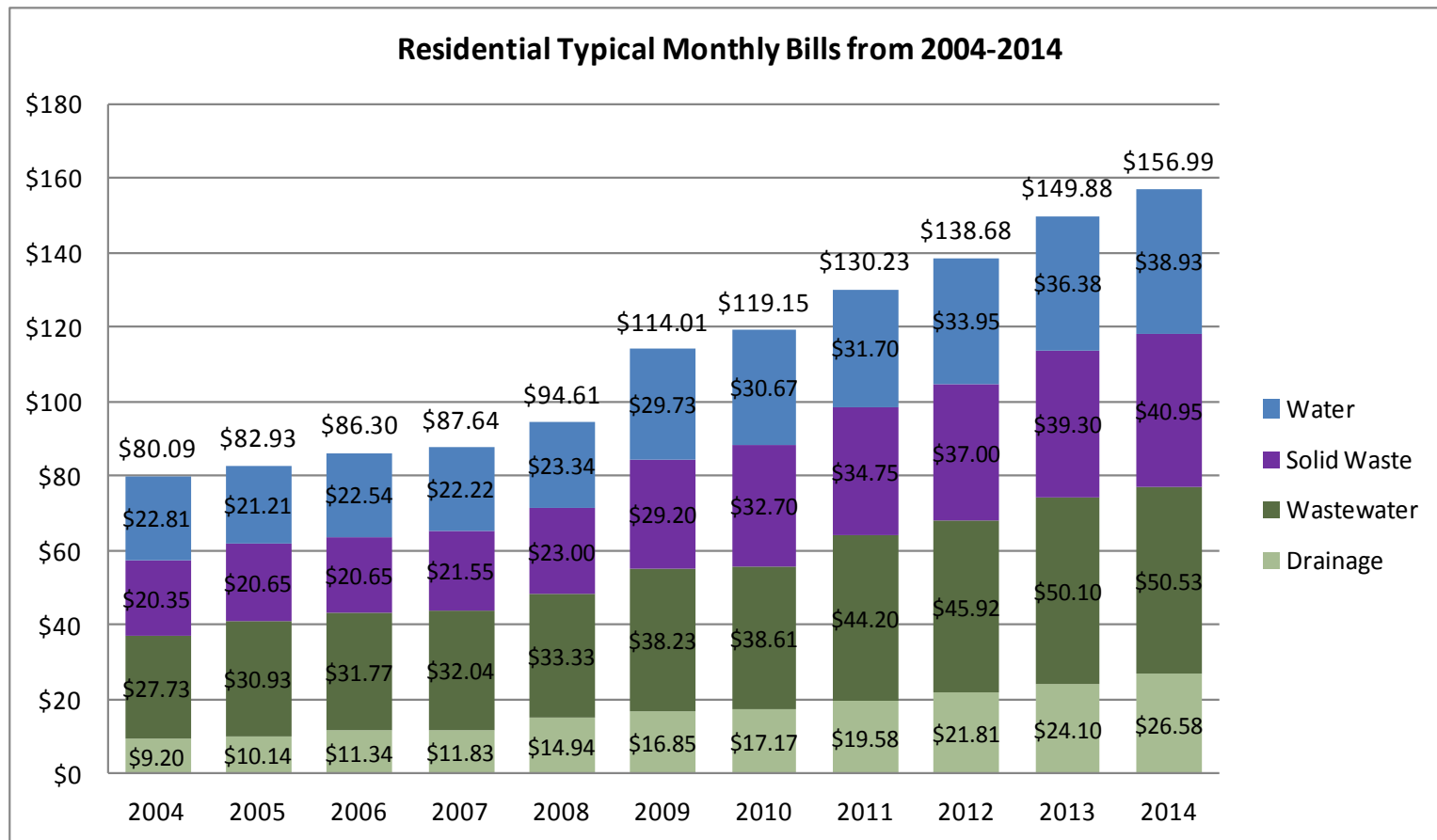
While customer use reduction is good for the environment and increases our ability to meet growth demands, it's also a contributing factor to upward rate pressure due to our fixed costs and increasing regulatory demands.

It's hard for customers to understand that decreasing consumption doesn't result in lower rates.



# Monthly Bills: Residential

Average annual increase of 7% over this period.



# Regional Comparisons

Our bills are higher than some other peers in part because we have made more of the investments required to meet mandated regulatory requirements sooner than others.

Utility Type	Seattle	Kirkland	Bellevue	Tacoma	Portland
Drainage	\$21.81	\$18.13	\$18.26	\$17.82	\$23.90
Wastewater	\$45.92	\$68.79	\$53.06	\$42.94	\$42.00
Solid Waste	\$37.00	\$22.02	\$19.24	\$36.55	\$32.40
Water	\$33.95	\$42.55	\$36.01	\$28.27	\$26.65
Total	\$138.68	\$151.49	\$126.57	\$125.58	\$124.95