

# SPU Customer Review Panel (CRP) December Meeting

Seattle Public Utilities  
December 12, 2022



City of Seattle



**Welcome**

**Alex Chen**

**Deputy Director, Water Line of Business, SPU**



# Public Comment

Andrés Mantilla, BDS Planning



# Committee Business

Andrés Mantilla, BDS Planning



# CRP Member Stipends

- The annual stipend amount is \$1,300 for a member and \$2,000 for a co-chair, paid every 6 months of service.
- Stipends are available to all volunteers if **they are not compensated through their employer for their attendance and participation at CRP meetings.**
- Stipends are optional- if a member is not compensated through their employer for participation in CRP, they may choose to accept, decline, or donate to the SPU Community Donation Fund. The Community Donation fund provides Emergency Assistance support to low-income households. There may be tax implications, in our follow up email we will provide 2 free tax resources for you to consult.
- Will follow up via email with a form for you to sign, and a blank W9 to complete if you chose to accept the stipend.



# City Council + Mayor's Office Updates

Brian Goodnight, Council Central Staff

Akshay Iyengar, Mayor's Central Budget Office





# 2022 Q3

## SBP Performance Summary

CRP Quarterly Meeting  
December 12, 2022



# 2022 Q3 SPU Business Processes Overview

## Continued strong service delivery

- 100% of quarterly targets were met

## Performance on investments

- Solid performance for the majority of investments
- Programs directly benefitting customers and communities showing significant progress towards stated targets

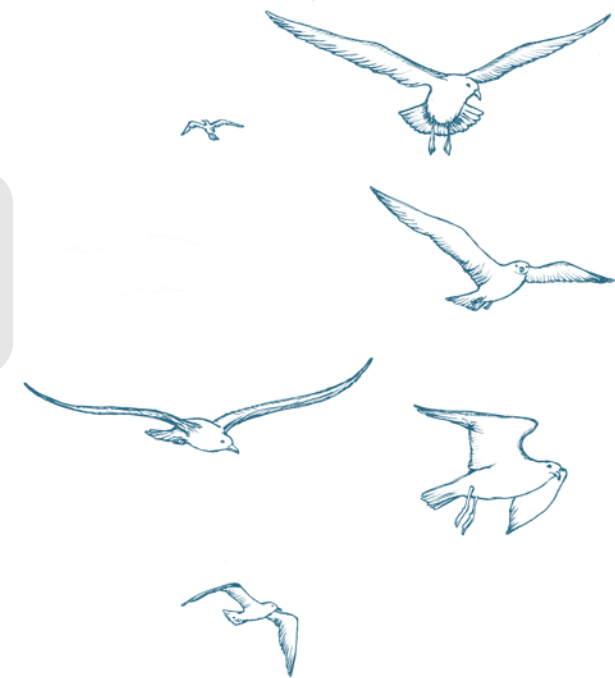
## Drivers affecting investments performance

- Supply Chain disruptions
- Staffing challenges
- Permitting





# 2022 Q3 Equitable Essential Services Metrics



**BEST IN CLASS**

<b>5.9%</b> Distribution System Leakage Annual Target: ≤10%	<b>.91lbs</b> Residential Garbage Annual Target: <1lb /pers/day	<b>2.6</b> Sewer Overflows Annual Target: ≤4 per 100 miles	<b>100%</b> Clean City Collection Annual Target: ≥95%	<b>Pending</b> Utility Discount Programs Target: Meets the Need
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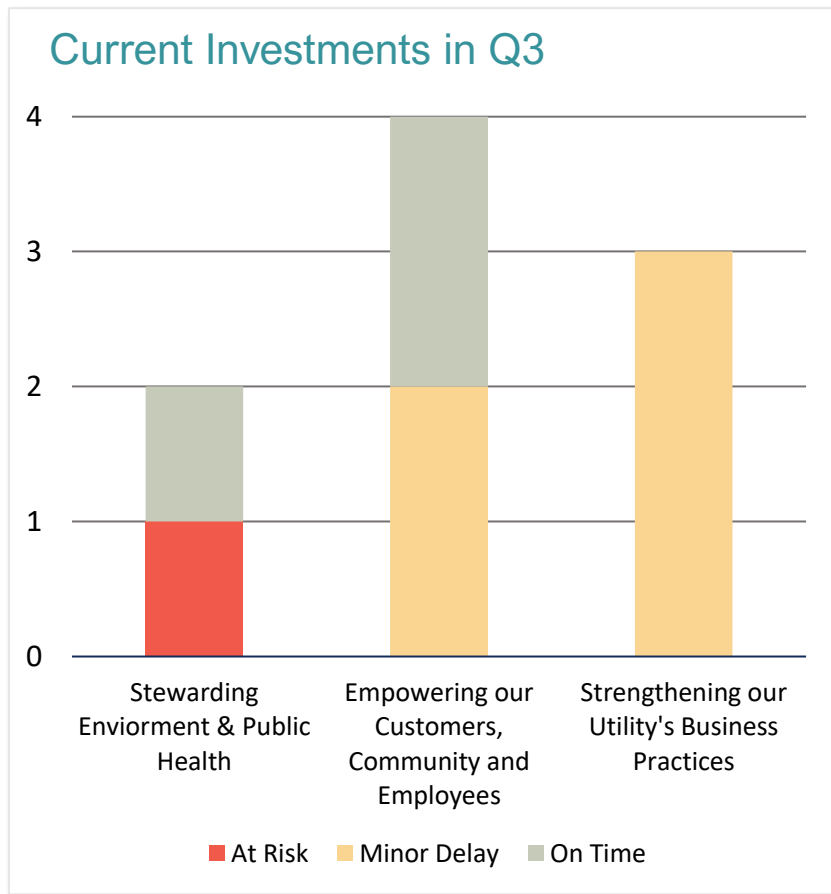
**RELIABLE AND REWARDING EXPERIENCES**

<b>97%</b> Water & DWW Response* Annual Target: ≥90%	<b>96%</b> Customer Call Response Target: ≥ 80% in 3 mins	<b>93%</b> Customer Satisfaction Target: ≥ 90%	<b>0.8</b> Missed Waste Pick-up Target: ≤1 per 1000 stops
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**EXPECTATIONS, REQUIREMENTS, & COMMITMENTS**

<b>63%</b> CSO Outfalls Annual Target: ≥ 62%	<b>2.27 lbs.</b> Garbage, Recycling, Organics** Target: < 2.5 lbs./person/day	<b>20%</b> WMBE Purchasing Target: ≥17%	<b>80%</b> Customer Effort Target: ≥ 80%	<b>34%</b> WMBE Consultants Target: ≥ 22%
	<b>Met</b> Drinking Water Quality Target: Regulation met	<b>Met</b> NPDES Target: Regulation met		

# Focus Area Progress



## Empowering our Customers, Community & Employees Highlights

- Side Sewer Assistance Pilot program is successfully developing customer referral partnerships, building relationships with communities in hot spot neighborhoods, and reaching customers through newsletters.
- SPU support services for the unsheltered exceeded its Q3 targets for RV remediation and geographic cleans.
- RV Wastewater program added needed staffing resources in Q3 to increase capacity for wastewater collections.



# SPU Content Briefings

1. **Strategic Business Plan (SBP) Overview + Update Preview**
2. **SBP Update Foundation #1 - Finances, Rates, Bills, and Affordability**



# SPU Strategic Business Plan (SBP) Overview and Update Preview

Danielle Purnell, SPU Corporate Policy and Planning Director

# SPU's Six Year Overarching Strategy



## Aspirations *(pp. 1-13)*

- Vision, Mission, CARES Principles



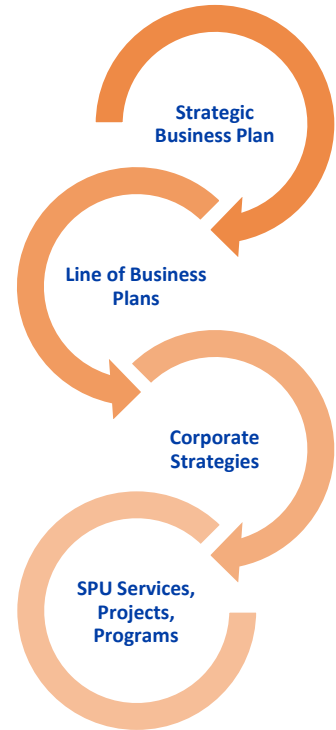
## Top Priorities and Focus Areas *(pp. 14-29)*

- 18 Investments + Initiatives
- Service + Performance Targets



## Funding *(pp. 30-36)*

- 3-year rate path + 3-year rate forecast
- Financials, Bills, Assistance





# SBP Study Session Opportunities

## PROPOSAL

WHY: Opportunity to Explore/Discuss SPU Topics In-Depth at CRP request

WHAT: Sample SPU Topics: More about Ship Canal Water Quality Project, Rates, King County Wastewater Rates, Climate Change, RSJI Initiatives, HR Strategies, CIP Projects, Performance Metrics,

## WHEN:

- Day: 1<sup>st</sup> and/or 3<sup>rd</sup> Wednesday (*or similar*) of every month
- Time Commitment: 1 Hour; *after work?*

WHERE: In-person/possibly hybrid

WHO: SPU staff, Special guests, CRP attendance optional



# SBP Update Foundational Overview #1

## SPU Finances, Rates, Bills, and Affordability

Maria Coe, SPU Rates Manager



# Seattle Public Utilities

**More than 1.5 million** customers

**\$1.35 billion/year** revenue

**\$125 million/year** utility taxes to General Fund

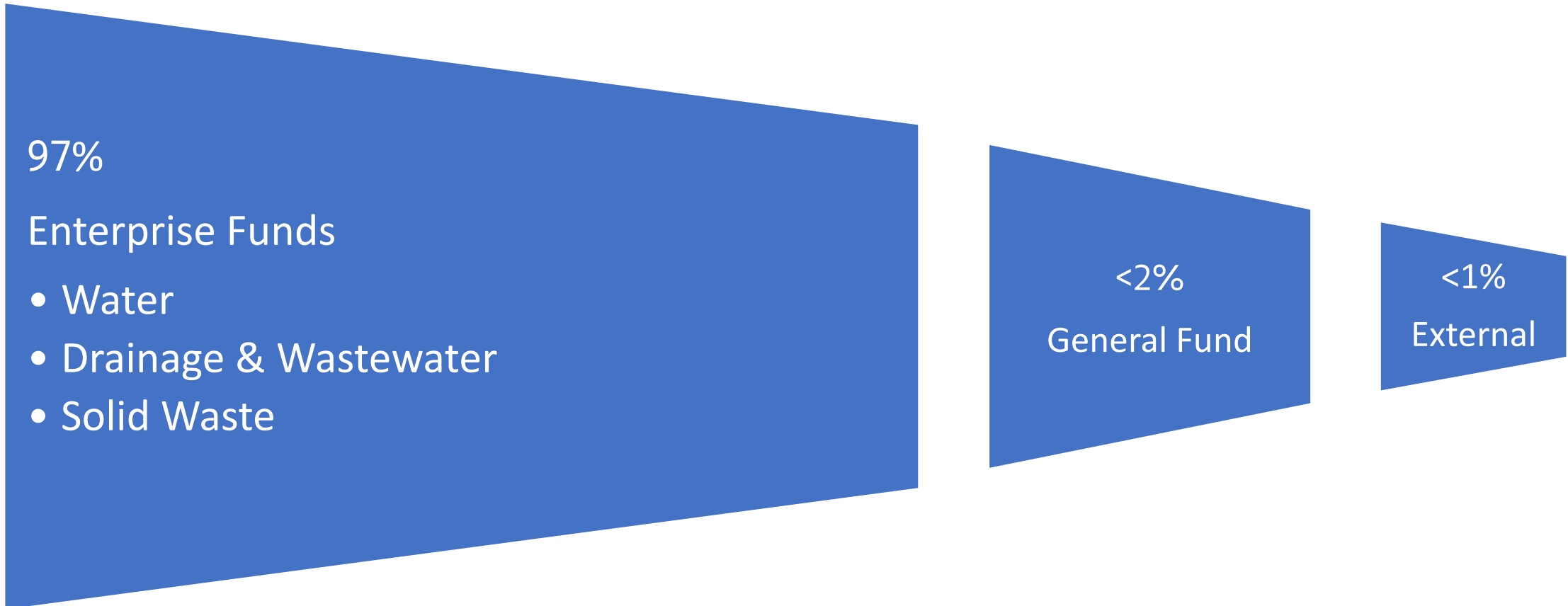
**\$294 million/year** capital budget

**1500+** employees

Employee demographics: **50% white; 17% Asian; 15% Black; 6% Hispanic; 13% other**



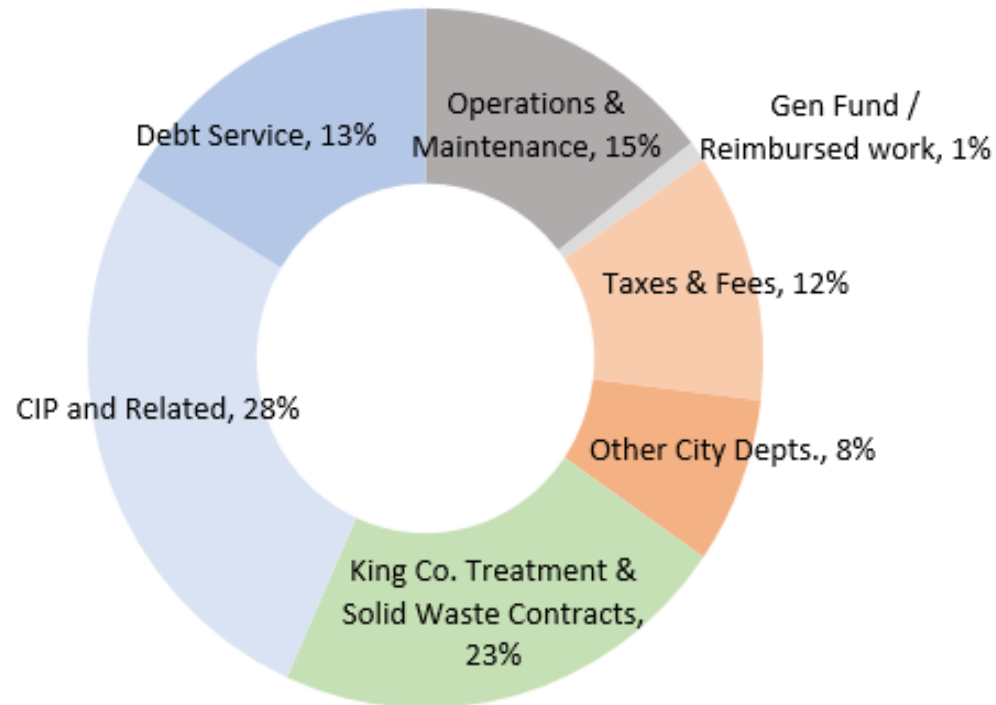
# SPU Revenues & Budget



# 2022 SPU Expenses by Category

## Costs Summary

Capital/Debt Service: 41%  
Major Service Contracts: 23%  
Taxes/Fees/Other City Depts.: 20%  
Operations & Maintenance: 16%



SPU costs are still largely fixed or with little discretionary control. Factors that are increasing costs include:

- Higher than expected increases in King County wastewater treatment charges to cities
- Funding for large capital projects required for state and federal regulatory compliance
- Targeted funding increases to address deferred maintenance of aging capital assets
- Increased commitment to keep pollutants out of our natural waters



# SPU Budget Process - 2023 Timeline



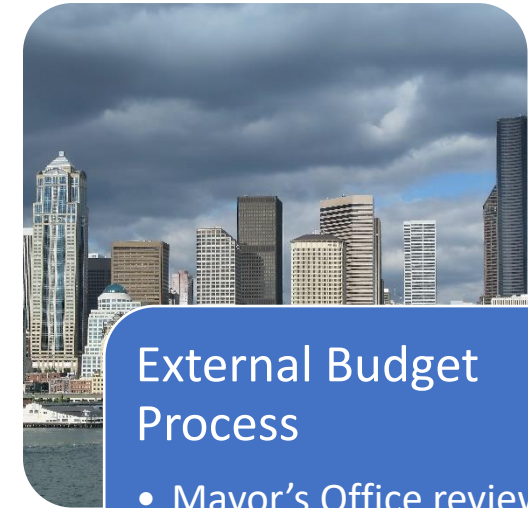
## Internal Budget Process, Phase 1

- SPU Lines of Business develop budget proposals
- CRP budget process update
- January - March



## Internal Budget Process, Phase 2

- Executive Team review and approval
- CRP budget status report
- April - May

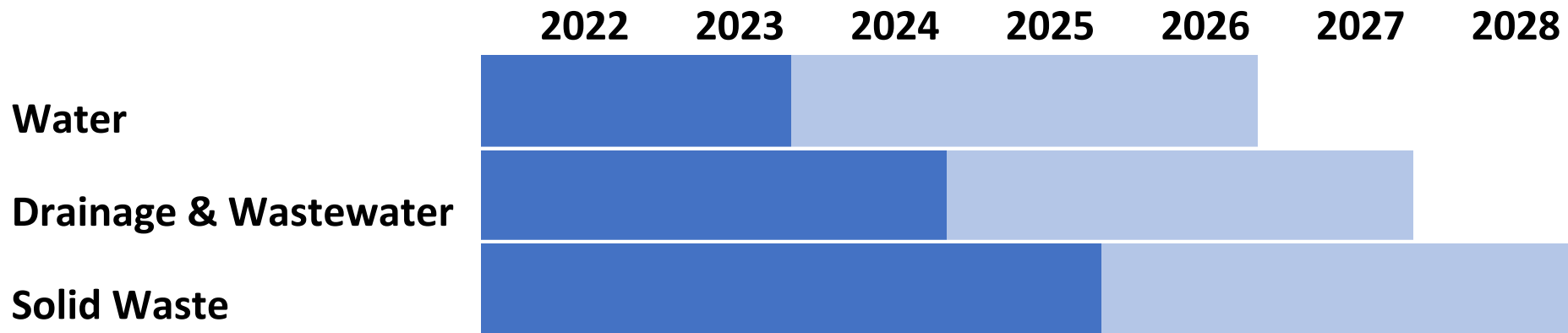


## External Budget Process

- Mayor's Office review (June-Sept)
- City Council's review (Oct - Nov)
- CRP Update (3Q-4Q)

# SPU Rates Schedule

Rates are typically set for a three-year period:



# Rate Setting Overview

- **Step 1: How much revenue is needed?**
- **Step 2: Who should this revenue be collected from?**
- **Step 3: How should the allocated revenues be collected?**



# Rate Setting Objectives

- Revenue Requirement
- Equity
- Conservation
- Customer Understanding
- Rate Stability
- Financial Stability



# Rates Forecasts and the SBP

- The Strategic Business Plan is like having three rate studies rolled into one
- The Strategic Business Plan projects costs and services over six years instead of the three years projected during the individual rate studies
- The Strategic Business Plan projects average rates for all customer classes, not rates by each customer class
- The further out projected, the more uncertainty and financial risk





# Adopted & Updated SBP Rate Path

## 2021-26 SBP Original Adopted SBP

SBP Update	2021	2022	2023	2024	2025	2026	2021-26
Water	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	3.4%
Wastewater	7.3%	3.1%	5.9%	0.5%	7.8%	3.6%	4.7%
Drainage	7.4%	8.6%	7.2%	3.9%	6.5%	6.7%	6.7%
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	2.4%
Combined	4.5%	3.9%	5.0%	2.2%	5.4%	4.2%	<b>4.2%</b>

## 2021-26 SBP with Adopted Rates

CURRENT	2021	2022	2023	2024	2025	2026	2021-26
Water	0.0%	2.6%	3.6%	3.0%	4.2%	4.2%	2.9%
Wastewater	7.3%	2.0%	4.8%	3.8%	3.6%	6.3%	4.6%
Drainage	7.4%	6.1%	6.1%	6.1%	3.3%	8.8%	6.3%
Solid Waste	2.9%	2.9%	2.0%	2.3%	2.5%	2.3%	2.5%
Combined	4.5%	3.1%	4.0%	3.6%	3.4%	5.3%	<b>4.0%</b>

 Approved rate legislation that is currently in effect

### Key Factors Impacting Rates

- Inflation
- Taxes
- Regulation
- Contracts - KC
- Aging Infrastructure



# SPU Inflation Planning

- SPU assumed a **5.2%** inflation factor in its 2021-2026 Strategic Business Plan (Adopted 2021)
- For O&M inflation, SPU coordinates with CBO on 21 inflation categories (see example list)
- For CIP inflation, our Project Managers use a cost estimating guide which includes inflation and escalation (for commodities such as concrete, steel, etc.)

## Example Inflator Categories

• CITY FLEET COSTS	5.0%
• CITY FUEL	6.0%
• FLEET MAINTENANCE	7.0%
• ITD ALLOCATION	7.0%
• PROFESSIONAL SERVICES	4.0%
• BENEFITS - MEDICAL	9.0%
• BENEFITS - OTHER	7.0%
• REGULAR SALARY / COLA	3.5%
• TRAINING/TRAVEL	10.0%
• UTILITIES	5.0%



# Inflation - Impact on Budget & Rates

## Finance & Economy

- **National & Local Inflation Increasing**
  - Highest levels in 3+ decades
  - Increased Contract Costs
    - King County Wastewater Treatment
    - Solid Waste Contracts – Labor, CPI, Fuel Indices
- **SPU Financing**
  - Higher borrowing costs
- **Budget Planning:** SPU/CBO Budget-inflation assumptions
- **Day-to-day Spending:** SPU underspending, especially capital
- **Supply Chain & Logistics**
  - Shipping delays, fragile supply chain
  - Higher materials and fuel costs
  - Availability of materials and labor



# State and Local Taxes Included in Rates

Entity	Type	Water	Wastewater	Drainage	Solid Waste
City	Utility Tax	15.54%	11.50%	12.00%	14.20%
	B&O Tax	0.22%	--	--	--
	Tonnage Tax	--	--	--	\$13.27/ton
State	Utility Tax	5.03%	3.85%	--	--
	B&O Tax	1.50%	1.50%	1.50%	1.50%
	Solid Waste Tax	--	--	--	3.60%
<b>Combined Tax Impact</b>		<b>20.57%</b>	<b>13.20%</b>	<b>13%</b>	<b>15.30%</b>
<b>Typical SF Monthly Bill Impact*</b>		<b>\$9.46</b>	<b>\$9.64</b>	<b>\$9.49</b>	<b>\$8.57</b>

**\*Current tax rates are not projected to change through the SBP period.**

**In 2022, SPU is projected to pay \$125M in City taxes.**



# Customer Bill - Combined Impact

Typical monthly bill for several types of customers in 2022:

- Single family home - change of \$7
- Multi-family unit - change of \$3
- Convenience store property - change of \$34

Single Family	2021	2022	2023	2024	2025	2026
Water	\$46	\$47	\$49	\$51	\$53	\$55
Wastewater	\$72	\$73	\$76	\$78	\$82	\$85
Drainage	\$50	\$53	\$56	\$59	\$63	\$67
Solid Waste	\$55	\$56	\$57	\$59	\$60	\$62
<b>Combined</b>	<b>\$222</b>	<b>\$229</b>	<b>\$238</b>	<b>\$247</b>	<b>\$258</b>	<b>\$269</b>
<b>Monthly Change</b>	<b>\$10</b>	<b>\$7</b>	<b>\$8</b>	<b>\$9</b>	<b>\$11</b>	<b>\$11</b>

Multifamily	2021	2022	2023	2024	2025	2026
Water	\$25	\$26	\$26	\$28	\$29	\$30
Wastewater	\$67	\$68	\$71	\$73	\$76	\$79
Drainage	\$9	\$10	\$10	\$11	\$12	\$13
Solid Waste	\$28	\$29	\$29	\$30	\$31	\$32
<b>Combined</b>	<b>\$129</b>	<b>\$132</b>	<b>\$137</b>	<b>\$142</b>	<b>\$148</b>	<b>\$154</b>
<b>Monthly Change</b>	<b>\$6</b>	<b>\$3</b>	<b>\$5</b>	<b>\$5</b>	<b>\$6</b>	<b>\$6</b>

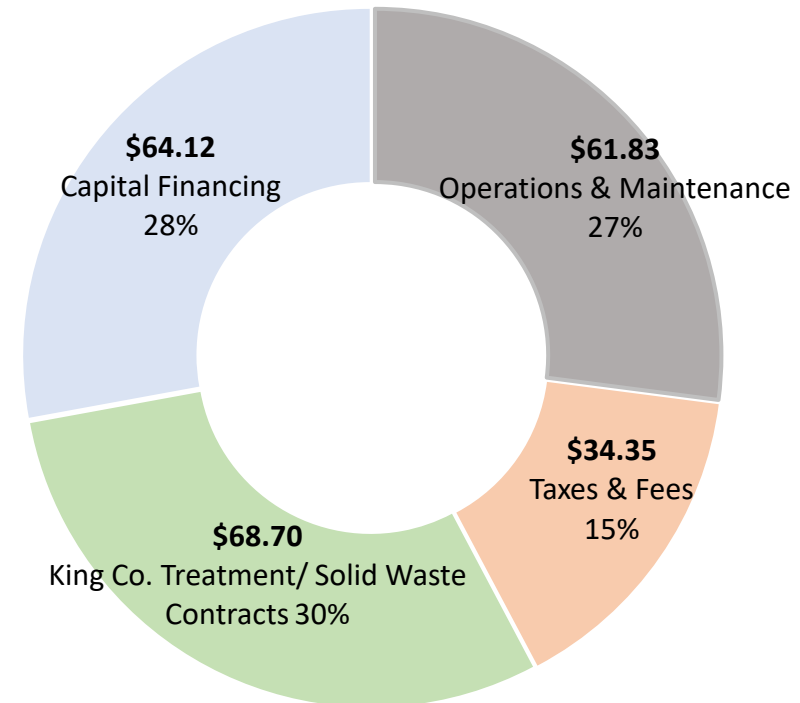
Convenience store	2021	2022	2023	2024	2025	2026
Water	\$107	\$110	\$114	\$119	\$125	\$129
Wastewater	\$333	\$340	\$354	\$364	\$380	\$397
Drainage	\$120	\$129	\$136	\$145	\$154	\$164
Solid Waste	\$556	\$573	\$581	\$596	\$612	\$626
<b>Combined</b>	<b>\$1,117</b>	<b>\$1,152</b>	<b>\$1,185</b>	<b>\$1,224</b>	<b>\$1,270</b>	<b>\$1,315</b>
<b>Monthly Change</b>	<b>\$46</b>	<b>\$34</b>	<b>\$33</b>	<b>\$39</b>	<b>\$46</b>	<b>\$45</b>

# Where the Money Goes

## Typical Customer Bill Breakout

Single family residence  
monthly bill: \$229

This includes water, sewer,  
and garbage service.



# Affordability

- Customer assistance, esp. COVID response
  - Utility Discount Program – ongoing
  - Emergency Assistance Program – ongoing
  - Late fee waivers – 2020-2022
  - Flexible payment plans – ongoing
  - SPU Donation Fund – ongoing
  - WA State assistance for customer arrearages – Received



# Ship Canal Water Quality Project

SPU Customer Review Panel

*Project Update – December 12, 2022*



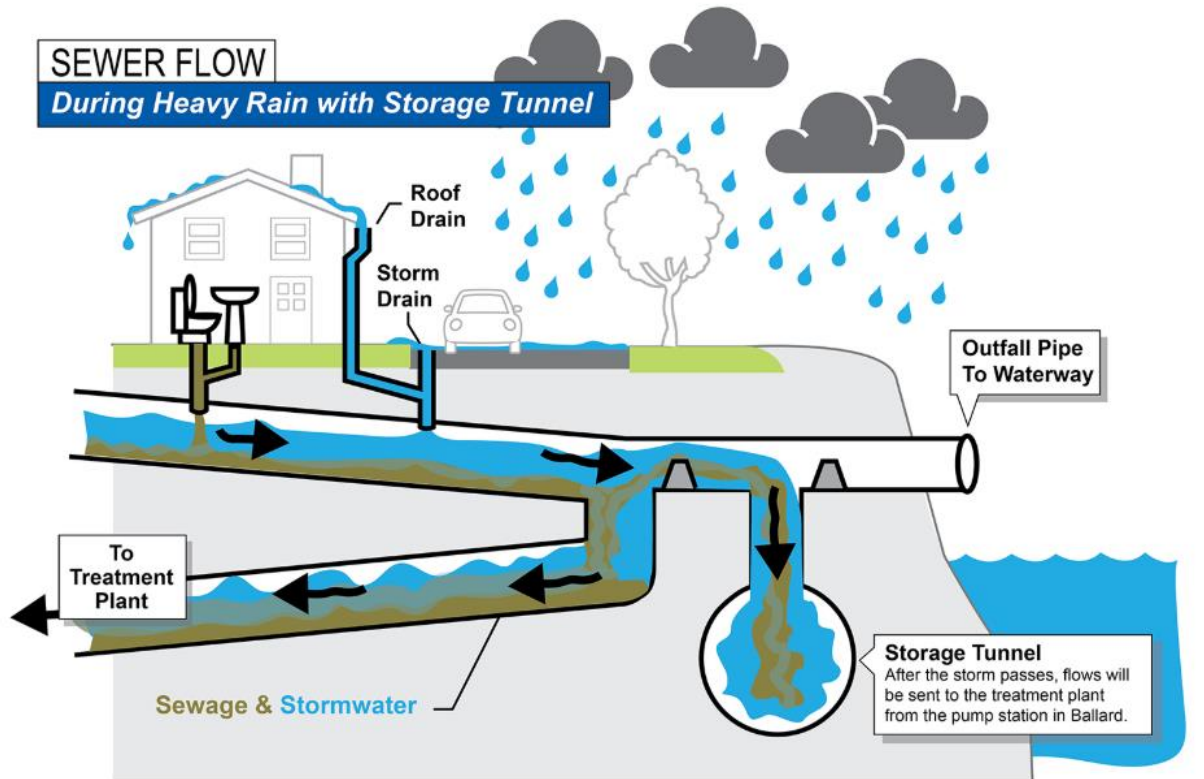
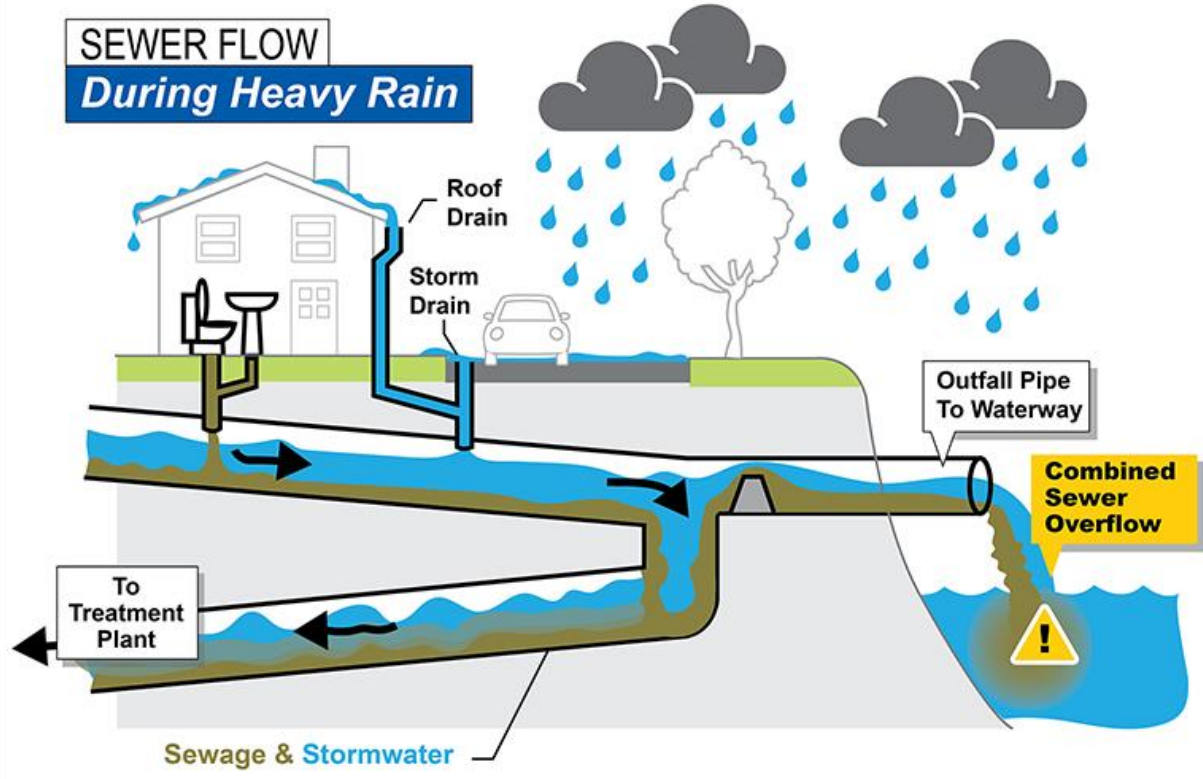
# Agenda

1. Overview
2. Project impacts
3. Next steps

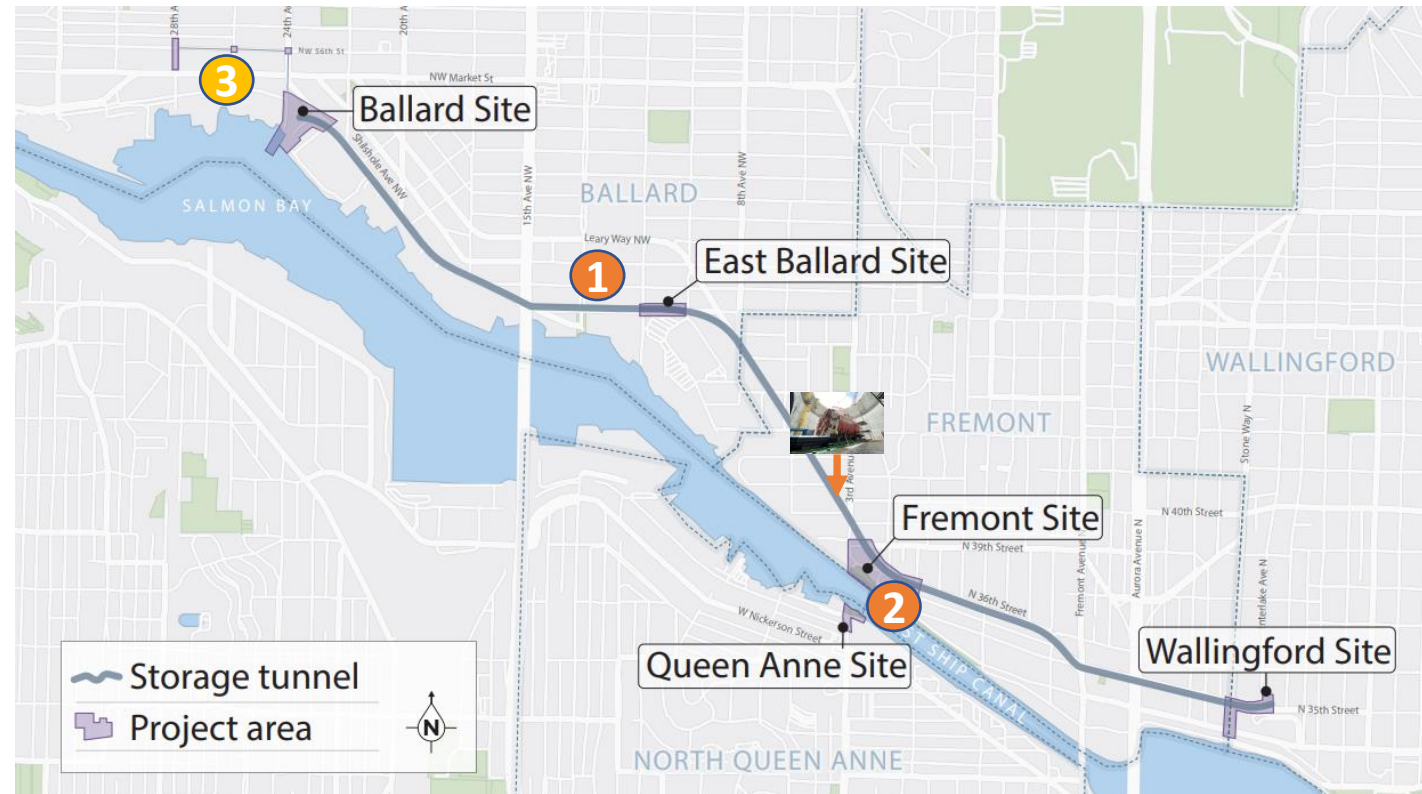




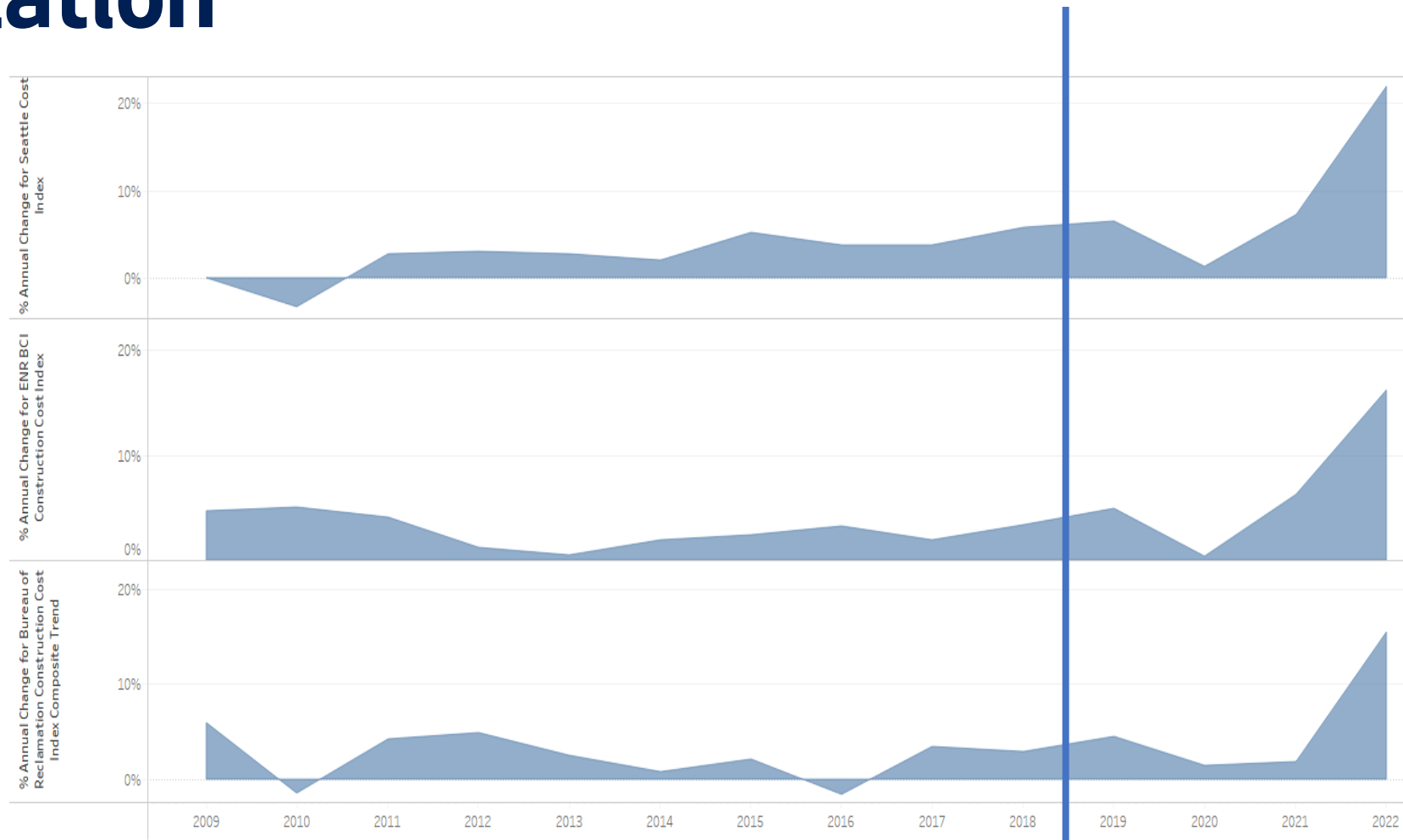
# How a Tunnel Helps



- Reducing Seattle's combined sewer overflows
- Joint Project with King County
- Consent Decree regulatory milestones
- Construction underway



# Escalation



# Underground Risk Events

## How we prepared

- Conducted 73 borings along alignment to establish underground conditions
- Construction contract included “anticipated ground conditions” including 88 boulders greater than 3 feet diameter

## What we encountered

### A 12-foot diameter mega-boulder

- Risk register covered at 5% likelihood
- Contractor asserting damages of ~3.5 months, \$16M

### Inaccurate “As-built” records

- Underground infrastructure not per as-builts
- \$1.8M impact

# Estimated Cost Impact

- Current budget established in 2018 at \$570 million with a 65% confidence
- Preliminary estimates: 8 to 14% increase to between \$615M-\$650M (\$45M to \$80M)
- King County's share of increase is about a third
- Increases due to escalation, Covid impacts, and underground risk events
- Continuing to implement cost saving measures
- **Costs will be managed within our existing rate path**



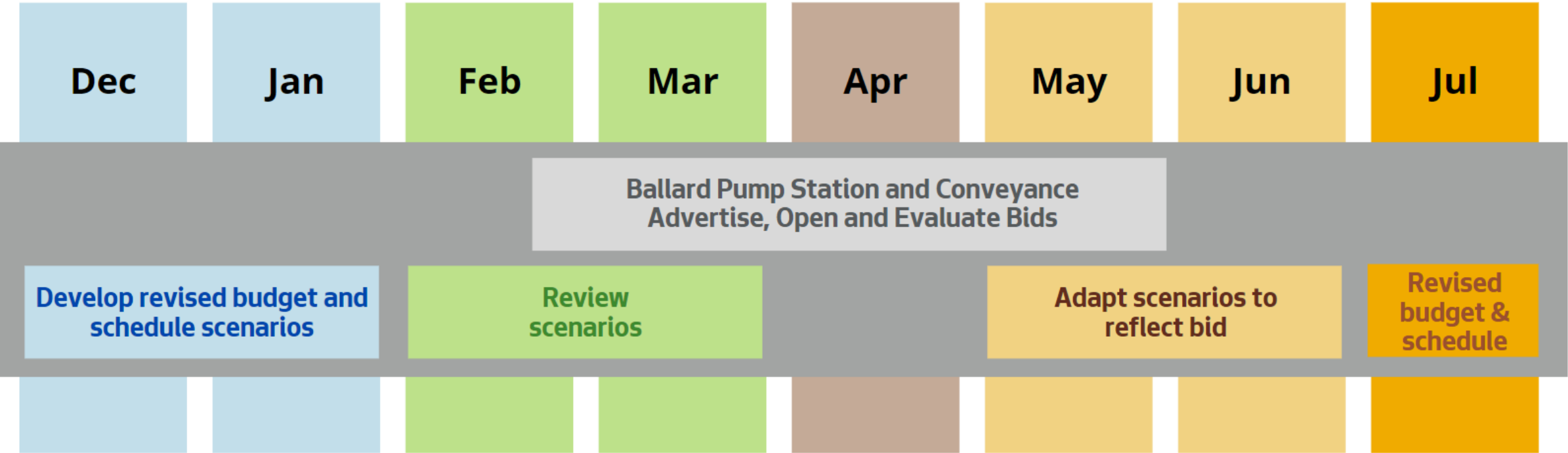
# Estimated Schedule Impacts

- Preliminary estimates indicate construction will extend beyond the regulatory deadline of 12/31/2025
- We are addressing schedule related challenges:
  - Force Majeure discussions with regulators
  - Liquidated damages



# Project Update Process

## Revised Cost and Schedule Milestones





Questions?



# CRP Discussion

Andrés Mantilla, BDS Planning



# Closing Remarks

SEATTLE  
CITY HALL



City of Seattle