

**SPU Strategic Business Plan Customer Review Panel  
Draft Meeting Summary  
Wednesday, March 12, 2014**

**Attendance:**

<b>Panel Members</b>			
Suzie Burke	x	Tara Luckie	x
David Gault	x	Noel Miller	x
Dave Layton	x	Carl Pierce	x
Laura Lippman	x	Walter Reese	x
Bruce Lorig			
<b>Staff and Others<sup>1</sup></b>			
Ray Hoffman, SPU	x	Brian Surratt, Mayor's Office	x
Nancy Ahern, SPU	x	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
Judith Cross, SPU	x	Diane Clausen, SPU	x
Tom Nolan, SPU	x	Dani Purnell, SPU	x
Scott Bash, HDR	x	Elizabeth Lowell, HDR	x

**Review and Approval of Agenda.**

- March 12 agenda approved without discussion or changes.

**Review and Approval of Meeting 20 Summary.**

- Approved without discussion or changes.

**Council Communications.** Three items here:

Rate equity among customer classes. Noel, Laura, and Dave Layton will conference call before the next Panel meeting to draft up a list of questions for SPU to respond to related to rate equity among customers classes. The responses would then be shared with the Panel and with the Council Seattle Public Utilities and Neighborhoods (SPUN) Committee.

Utility tax questions. Noel and the Panel facilitator have developed set of tax questions for SPU to respond to, listed as item 112 on the "Panel Requests" list. Responses will be available at the next Panel meeting.

SPUN Committee presentation and elevator speech. Noel and the Panel facilitator shared with the Panel a draft "baseline elevator speech" and a draft powerpoint for the March 25<sup>th</sup> SBP status report to the Council SPUN Committee.

**Comments on the baseline elevator speech:** Like bullets that itemize rate pressures – be clear about how much of the increase is attributable to each item. Also note that decreasing demand will lead to increasing rates.

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

**Panel decisions:** Hold on presenting the baseline elevator speech to the Council SPUN Committee until the April update. At the March update, present the status of the programmatic reductions, the efficiencies, and the Action Plans.

**Baseline Assumptions Follow Up.** Melina described the table showing the baseline issues raised by Council staff and preliminary decisions at the staff level.

**Comment:** If there are estimation methodologies that historically have been overly conservative (such as bond interest rates), then maybe consider adjusting these methodologies.

### **Action Plans/Investment proposals.**

Melina and Judith Cross described the Facilities proposal.

**Q:** N and S operational sites – looking for new property? **A:** Yes, these costs aren't in yet.

**Comment:** Need to consider adding a placeholder for property costs.

**Comments:** Need to quantify the benefits/savings of the Action Plans. All are good ideas; just need to prioritize. But need to manage what you own. **Response:** Savings are showing up in efficiencies.

Melina and Tom Nolan described the Information Technology proposal.

**Q:** Regarding industry benchmark showing % of staff attributable to IT work, does the 8.6% figure include Citywide staff (like the City Department of Information Technology (DoIT))? **A:** Probably some would and some wouldn't.

**Q:** If the maintenance costs in the Action Plan are maintenance costs of existing software services, why aren't they in the baseline? **A:** They probably should be; SPU will consider this.

**Q:** Has SPU had difficulty with retaining technology staff? **A:** Yes, difficulty with retaining and with getting in the first place.

**Q:** Will this Action Plan reduce employees down the line somewhere else? **A:** Yes, via the efficiencies.

**Q:** Is there any way that you can develop a strategy to not get locked into using a particular vendor? **A:** Used to write our own software. Now, buy lots of packaged software (as opposed to customized). But, this leaves us stuck with maintenance contracts.

**Q:** How does SPU Information Technology (IT) fit with Citywide IT (DoIT)? **A:** One example of SPU's use of Citywide IT is the current Citywide effort to move IT hardware off-site, which is led by DoIT with SPU (and other departments) participation.

Ray and Dani Purnell described System Development Charges (SDC).

**Q:** Is SDC revenue required to be put toward growth? **A:** Yes [**Follow-up note:** after the meeting, SPU staff clarified with the Panel member asking this question that this is *not* the case; SDC revenues can be used for *any utility purpose*. However, SPU's intent is to apply the revenues to growth-related costs.]

**Q:** Would SDCs would apply to all development? **A:** Yes

**Q:** Why doesn't this reduce rate path? **A:** Because it would be funneled into growth-related costs, that either would be paid by the "first in" developer, or the investment would not get done.

**Comment:** But maybe this would lower rates, depending on the financial binding constraint of the particular fund (e.g., more revenue to provide coverage ratio required on bonds). **Response:** Yes, this is a possibility.

**Overall Panel comment:** Interested in exploring this; would like the developer panel to do the heavy lifting on this.

**Efficiencies**

Scott Bash and Elizabeth Lowell of HDR Consulting presented the overall process/recommendations power point. Then, Ray presented SPU's response to HDR's recommendations.

**Comment:** There is overlap between the investments and savings in the HDR efficiencies and the Action Plans. Need to ensure we note these overlaps, and avoid double counting costs and benefits.

**Comment:** Like progressive career paths – need your workforce behind you.

**Q:** What does City Light (SCL) do in regards to fleet purchases and maintenance? **A:** Their fleet also handled by central Fleet services [**Follow-up note:** SCL owns and controls its vehicles and mobile equipment operated in the City, but they are *maintained and repaired by City Fleet services*. SCL controls/maintains its vehicles at remote sites (Boundary and Skagit dams, etc.). City Light also participates in the citywide fleet as well (e-go vehicle use by SCL staff).]

**Next Meeting – Friday, March 28:**

- Action Plans on transforming the workforce and on street sweeping
- Response to Panel questions on labor costs; other baseline issues
- HDR report distributed
- Preliminary report on initial outreach

**The meeting was adjourned at 4:30.**

**Follow up Items for Staff:**

1. Regarding the baseline elevator speech, be clear about how much of the increase is attributable to each item. Also note that decreasing demand will lead to increasing rates.
2. Consider including a placeholder for property costs in the facilities action plan.
3. Consider removing the IT maintenance costs from the IT action plan, and instead adding them to the baseline.
4. Identify areas of overlap in efficiencies and action plans, and identify how SPU will avoid double counting investment costs and efficiency savings.