

Strategic Business Plan

**Discussion with Council's Libraries, Utilities, and
Center Committee**

September 17, 2013

Seattle
 Public
Utilities

Today's Work

- Review workplan/schedule
- Hear from Strategic Business Plan Customer Review Panel Chair and Vice-Chair on Work to Date
- Review Strategic Framework
- Review Draft Baseline Rate Path
- Discuss Plan for Interim Outreach
- Describe the Next Steps

Setting the Course

Seattle Public Utilities: 2015-2020 Strategic Business Plan

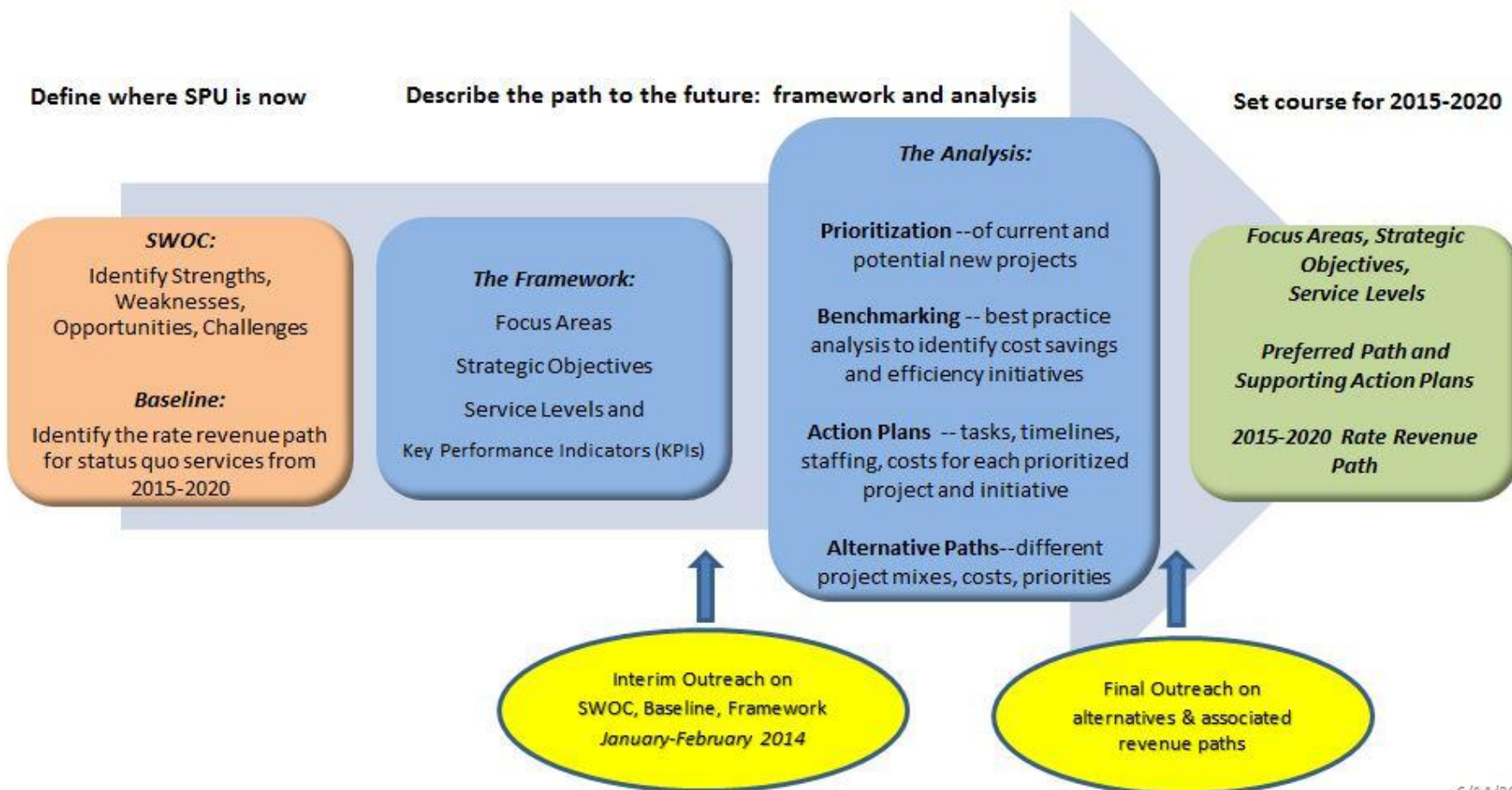
Guiding Principles

Mission: Providing efficient and forward-looking utility services that keep Seattle the best place to live

Vision: Our customers will see how their utility dollars sustain and improve their quality of life

Strategic Role: Solving problems at the source

Values: Customer Focus, Innovation, Inclusion, Safety, Value for Money



A Note About the Timeline

- Initially, had planned for an October/November timeframe for the interim outreach
- Have now pushed this back to January/February of next year:
 - Baseline figures will be firmed up
 - Allows SPU and Customer Panel to begin discussion of efficiencies, prioritization, initiatives prior to outreach
- Expect this change to result in a delay to late in the summer in the final Executive-proposed Strategic Business Plan to Council
- Will be providing Council with frequent status updates

Customer Review Panel: Structure of Process

- Scope and Composition of Panel established per Resolution 31429
- 9 customers, selected by Council and Mayor
- Began meeting in April
- Meeting 2x per month (3 hours each)
- Collaborate with SPU staff, Council staff, CBO staff
- Independent facilitator guides meetings, with support from Chair and Vice-Chair

Customer Review Panel: Work to Date

- Started with gaining a working knowledge of SPU service, financial policies, costs and rates
- Reviewed and provided extensive feedback on the SPU's proposed Strategic Plan Framework
 - “Strengths, Weaknesses, Opportunities, Challenges”
 - Framework: 4 focus areas and 17 supporting “strategic objectives”
- Now reviewing Draft Baseline, Interim Outreach plan
- Hearing the ideas and concerns of the Mayor and Council via Council and CBO staff at the table

Customer Review Panel: Assessment To-Date

- Scope of effort is very broad: 3 lines of business, 4 different sets of rates
- Significant time commitment; Panel very engaged with diverse perspectives
- On schedule to complete by next June
- SPU leadership has been responsive to our questions and suggestions
- Process structured to ensure we hear Council concerns, Mayors' concerns, as well as getting the input from employees and customers

Customer Review Panel: Assessment to Date, cont'd.

- Benchmarking, efficiencies and affordability are topics of great interest for future meetings.

Strategic Framework:

The Importance of the SPU Promise

The SPU promise was designed to be actionable and measurable. It creates accountability to customers and clarity for what employees, departments and branches need to deliver.

It's designed to focus SPU on providing essential services effectively, efficiently and transparently; protecting quality of life; and proactively addressing anticipated and unanticipated demands that the future will hold.

Strategic Framework:

The SPU Promise

The promise describes our approach and what we deliver to our customers and stakeholders:

Mission (What SPU delivers):

Providing efficient and forward looking utility services that keep Seattle the best place to live.

Vision (The big goal by 2020):

Our customers will see how their utility dollars sustain and improve their quality of life.

Strategic Role (SPU's primary strategic approach):

Solving problems at the source.

Strategic Framework:

SPU's Strategic Position

- *Strengths, Weaknesses, Opportunities and Challenges* are a tool for understanding SPU's current *strategic position*.
- Some example SWOC's:
 - Strength: customer pride in conservation/recycling efforts
 - Weakness: Inadequate succession planning
 - Opportunity: Discovering and implementing efficiency opportunities
 - Challenge: Keeping up with evolving regulatory mandates

Strategic Framework:

Focus Areas & Strategic Objectives

Strategic focus areas are the four categories that we've prioritized as most important through 2020

- Help SPU meet its mission or vision?
- Does it solve problems at the source?

Each of the Focus Areas have 4-5 associated Strategic Objectives

Strategic Framework:

Focus Areas

Achieve Operational Excellence

We will increase value delivered to the customer

Transform the Workforce

We will have a high performing, engaged workforce focused on business outcomes

Protect Environmental & Public Health

We will provide utility services in a way that makes Seattle cleaner, greener, and more healthful

Create an Easy & Engaged Customer Experience

We will meet internal and external expectations

Strategic Framework:

Example Strategic Objectives within Focus Areas

Achieve Operational Excellence

Service quality. Provide reliable, high quality utility services to all customers

Transform the Workforce

People. Attract, develop and retain capable and motivated people

Achieve Environmental Compliance & Stewardship

Environment & Health mandates. Efficiently meet or exceed environmental and public health mandates

Create an Easy & Engaged Customer Experience

Easy customer experience. Minimize customer efforts required to interact with SPU

Baseline Rate Path: Definition

Definition: The change in annual rates needed to maintain existing service levels, plus meet firm regulatory requirements

- What does “maintain existing service levels” mean? Actual service quality (as opposed to targeted service quality) neither degrades nor improves.

Does NOT include any efficiencies, any reductions to existing programs, any adds to fill gaps

DRAFT Baseline Forecast: % Rate Changes 2015-2020

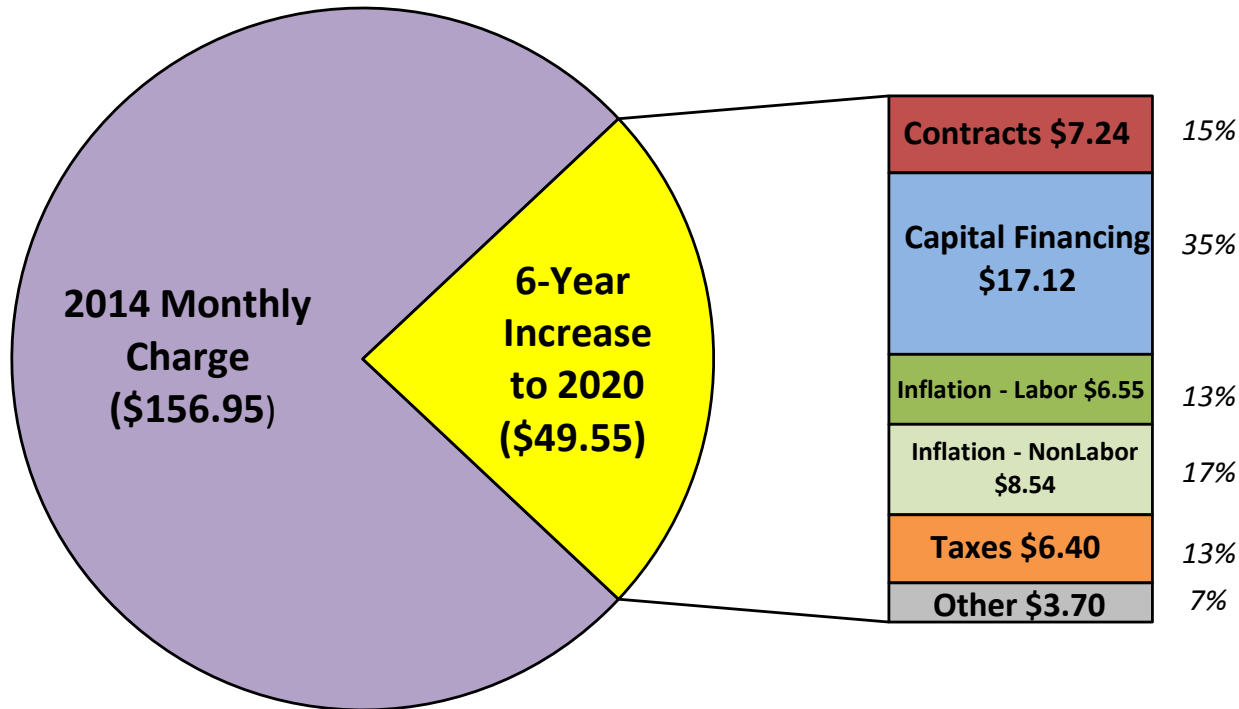
Average Annual Change over 6-year period = 4.5%

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Avg Annual Change</u>
Water Retail Rates	2.9%	3.6%	5.4%	3.5%	6.3%	4.1%	4.3%
Wastewater Rates	1.2%	1.1%	0.7%	8.3%	6.2%	2.3%	3.3%
Drainage Rates	9.8%	6.3%	8.9%	9.2%	9.8%	9.6%	8.9%
Solid Waste Rates	4.3%	3.4%	5.9%	2.8%	2.8%	2.8%	3.7%
Average Overall	3.6%	3.1%	4.5%	5.7%	5.9%	4.1%	4.5%

General rate of inflation over period estimated at 2.4% (CPI-U for Seattle)

DRAFT Baseline Forecast: Combined Monthly Charge for Typical Residential Customer for all Lines of Business

Major Reasons for Increases 2015-2020



What does the increase pay for?

Total combined monthly charge increase from \$156.95 in 2014 to \$206.50 in 2020.

DRAFT Baseline Forecast: Total Monthly Charges for Example Customers

Chart below shows total monthly charges for example customers. Average annual changes range from 3.8% for a downtown hotel (with most charges on water and solid waste) to 4.7% for a typical residential customer.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	Avg Annual Change
Residential	\$163	\$168	\$176	\$187	\$198	\$207	4.7%
Convenience Store	\$657	\$680	\$718	\$750	\$784	\$814	4.4%
Downtown Hotel	\$47,307	\$48,340	\$49,701	\$52,842	\$56,026	\$57,772	3.8%
Large Industrial	\$152,343	\$156,755	\$163,031	\$172,484	\$183,719	\$191,066	4.3%

Interim Outreach: Objective and Content

- **Objective** of interim outreach is to get information from customers that will help the Customer Review Panel, Seattle's elected officials, and SU staff with our strategic planning work – specifically, decisions that affect customer bills.
- **Content** of Outreach is under development, but will likely include SPU's baseline rate path, major focus areas through 2020, and thoughts on efficiencies and investments

Interim Outreach: Who We Will Reach

Expect to reach out to multiple audiences, including:

- Chambers of Commerce
- Geographically-based meetings that would coordinate with community councils
- Geographically-based meetings targeting non-English speaking groups
- Developer/Contractor stakeholders

Next Steps: Putting the Pieces Together

Baseline Prioritization

Teams develop Action Plans describing impacts of reallocating dollars from the baseline to funding initiatives

Benchmarking/ Efficiencies

Teams prioritize efficiency recommendations and develop Action Plans for each recommendation

Action Plans

Teams present integrated set of prioritized Action Plans to E-Team



Overall Rate Paths and Service Alternatives

E-Team and Team Leads review/discuss prioritized baseline budgets, prioritized Action Plans, prioritized efficiency recommendations

Identify initial, possible alternative packages of what is in/what is out of rate path(s)

Handoff to F&A staff to identify rate implications of alternative packages; additional rounds as needed

This Is a Big Ask!

Our focus is on finding out how to get from *here* to *there* in 2020.

We are asking a lot of many – the Panel, SPU employees, Mayor/Council and their staff, our customers.

But we haven't had such an opportunity since SPU's formation in 1997.

We will be solving problems and creating our future.