

**SPU Strategic Business Plan Customer Review Panel  
Draft Meeting Summary for September 26, 2013**

Attending:

<b>Panel Members:</b>			
Suzie Burke	X	Tara Luckie	X
Bruce Lorig	X	Noel Miller	✓
Dave Layton	X	Carl Pierce	✓
Laura Lippman	✓	Walter Reese	✓
David Gault	✓		
<b>Staff and Others<sup>1</sup>:</b>			
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	X	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓
Ray Hoffman	✓	Dave Hilmoe	✓
Craig Stampher	✓	Tim Croll	✓

**Review and Approval of Agenda.** No questions or comments on the September 26 agenda; *agenda approved.*

**Review and Approval of Meeting 10 Summary.** No questions or comments on the September 12 meeting summary; *meeting summary approved.*

**Chair & Vice Chair Report on 9/17 Libraries, Utilities, Center Committee briefing.** Noel and Carl reported on the outcome of the LUC committee presentation. Committee members were interested in the work; understanding of the time extension. Committee also expressed thanks to the Panel members for their hard work.

*Suggestions, observations, questions from Panel:*

**Q:** How many Council meetings did SCL have? **A:** One Committee meeting per quarter; two Special Committees of the full Council before the official transmittal.

**Information Updates & Responses.** Karen described SPU's proposal to introduce each of the three buckets we are looking at in changes to the baseline – prioritization, efficiencies, initiatives. This approach was approved by the Panel.

**Baseline Service Levels.** Dave Hilmoe went over the cost information for the drinking water service levels; Tim Croll discussed the solid waste, drainage, and wastewater service levels.

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

Suggestions, observations, questions from Panel:

**Q:** When you say “low” what does that mean? Less than \$1 million? **A:** Yes; sometimes the incremental cost is closer to zero.

**Q:** What’s that Morse Lake Pump Project? **A:** It’s a way to pump water below the gravity level on Morse Lake, which is the water storage area on the Cedar River.

**Q:** The capital costs are shown in the baseline as debt service? **A:** Partly; capital projects are partially funded by debt; partially funded by cash.

**Q:** If the total of water expenditures on these service levels is significantly less than the drinking water revenue requirement, then can we eliminate the other costs and not affect these services? **A:** No. These figures are just the direct costs of meeting these service levels, not the entire cost. For example, in regards to system pressure, we are done with the new investments to improve the system, but there are lots of ongoing costs in the system (e.g., pump stations) to ensure we continue to meet our pressure requirements.

**Q:** What’s the difference between meeting regulations, meeting requirements, and meeting commitments? **A:** Trying to make distinction between what you “go to jail” for and not. Maybe a little bit of a distinction without a difference.

**Q:** Can we calculate the embedded costs of meeting these service levels, not just the narrowly defined increments? Can we do this fairly easily? **A:** We can connect the dots better. Fair bit of ongoing capital and planning activity that doesn’t show up here. We can also split up the O&M and CIP better. Could look at BCL split of budget. [NOTE: decided at the end of this discussion that service levels are not an area for the Panel to focus if the desire is to affect costs. So, SPU staff will not work further on this unless requested at a later time.]

**Q:** Does the baseline include the \$680k in awards to the contractor for exceeding targets? **A:** Yes

**Q:** So the \$680k is roughly 1% of the total contract expenditures? **A:** Yes.

**Q:** In baseline, do you include containers you pay for? **A:** Paid with CIP money; replacements are part of the operating budget.

**Q:** 60% recycling goal – was this in the mandatory bucket? **A:** Don’t think that it was labeled as “mandatory” but it is in the baseline. Increasing recycling lowers the baseline after the first couple years.

**Q:** What about mandatory commercial recycling? What about One Less Truck? **A:** One Less Truck is not in the baseline. The mandatory commercial recycling is in the baseline via the 60% recycling goal.

**Q:** Regarding sewer backups, do regulatory drivers specify how to meet this service levels? **A:** No. In standard Consent Decrees, regulatory drivers DO mandate the approach; our Consent Decree allows us to meet our targets in the most cost effective manner.

**Q:** Also have outreach and customer education? **A:** Yes, we have outreach and education on fats, oils, grease; etc.

**Q:** Would it be cheaper to pay overtime rather than have a night crew? **A:** Only if they were not doing other work; but they are doing work that is most efficiently done at night; and on straight time, not overtime.

**Q:** How'd you come up with 80% target for fixing a service interruption in 6 hours? **A:** Generally, picked something that seems reasonable.

**Q:** If the Panel is looking for areas to affect costs, service levels probably are not the area on which to focus? **A:** Yes.

**Q:** Do targets account for customer surveys and customer feedback? **A:** We have done some work with customer input; not universally across all targets.

**Affordability Issues.** Melina and Meg talked about affordability of utility services.

*Suggestions, observations, questions from Panel:*

**Q:** How do you get a low income credit? **A:** Program run out of the Human Services department; the customer needs to qualify with significantly low income (70% of state median income; or \$39,000 for household of two, gross pay). For someone just above the line, SPU bills are over 6% of their take-home pay.

**Q:** Why is the San Francisco total utility bill so much lower than Seattle? **A:** Getting a good deal on solid waste; drainage bill included in wastewater bill; infrastructure is dense and therefore maybe cheaper to serve. Can do some additional research on this.

**Comment:** Meg brought a handout on businesses and utility bills

**Comment:** Would like to get the url for the website on low income rate assistance

**Q:** Affordable care – based on sliding scale. Could we do something like that? **A:** State allows us to give rate assistance to poor; don't know if we have legal authority to do a sliding scale.

**Comment:** On SCL slide, only have about 13% of eligible households on the program. Similar for SPU.

**Comment:** Have a summary of the Low Income Rate Assistance Program at a future meeting.

**Q:** Are condos paying a residential rate or a commercial rate? **A:** We will check and verify.

**Q:** Mayor just came out with 2014 budget; looks like there is more General Fund revenues. Is the Council going to consider reducing the utility tax? **A:** Mayor didn't consider this; don't expect the Council to propose it.

**Q:** To what extent has funding subsistence levels and/or low income rate assistance been considered a General Fund program rather than a utility program? **A:** Do this for non-utility programs; not for utility programs.

**Q:** What is the cost of the low income rate assistance program? **A:** Just ran that calculation; the cost of credits in 2012 was \$7.5M.

**Q:** Is the CIP graph total outstanding debt service, or debt service payments? **A:** Will get back with this answer.

**Q:** Does the City have catastrophe insurance? **A:** City is self-insured; don't know if City has catastrophe insurance.

**Continuing Baseline Discussion.** Melina went through the major changes in the Mayor's Proposed 2014 budget relative to the 2014 endorsed budget. Meg handed around information on the City Council web site for their budget deliberations. Melina went briefly over the inflation scenarios in the rate revenue paths.

*Suggestions, observations, questions from Panel:*

**Q:** How do we budget for salaries – do we do an estimate of retirements, and adjust for the impact of new staff coming in at a lower step? **A:** Will clarify this.

**Q:** Do staff get step increases and COLA? **A:** Yes; staff get both.

**Proposed Agenda for Meeting 12:**

- Decision Lens – Panel Weightings of Focus Areas, Strategic Objectives
- Discussion of Panel Weightings and E-Team Weightings
- Interim Outreach Update

The meeting was adjourned at 4:30.

**Follow up Items for Staff:**

1. Have a summary of the Low Income Rate Assistance Program at a future meeting, including:
  - a. URL for website
  - b. General description of the program; percent participation; savings on bills; shut offs and recovery time; demographics of participants (e.g., household size; rent vs own)
  - c. How families are kept track of – e.g., need to reapply when you move?
  - d. Could we consider developing a sliding scale for rate assistance, like the affordable health care program?
2. Research and report back on why the San Francisco total utility bill is significantly lower than Seattle's.
3. How are bills calculated for condos – are they paying residential rates or commercial rates?
4. Regarding the CIP graph in the affordability slides, verify if the information is total outstanding debt service, or debt service payments?
5. Verify whether the City has catastrophe insurance.