

Seattle Public Utilities Customer Review Panel

Tuesday, November 5

1 pm – 4 pm

Seattle Municipal Tower, 4901 (49th Floor)

Panel Members			
Suzie Burke		Noel Miller	x
Bobby Coleman	x	Thy Pham	x
Dave Layton		Rodney Schauf	x
Laura Lippman	x	Puja Shaw	x
Maria McDaniel	x	Kyle Stetler	
Staff and Others Presenting or Participating			
Keri Burchard-Juarez	x	Paula Laschober	x
Kathleen Baca	x	Andrew Lee	x
Aaron Blumenthal	x	Natasha Papsoueva	X
Alex Chen	x	Ellen Pepin-Cato	x
Alex Clardy		Dani Purnell	x
Michael Davis		Karen Reed	X
Jeff Fowler	x	Rick Scott	
Brian Goodnight		Sheryl Shapiro	
Kiersten Grove		Karen Sherry	x
Mami Hara	x	Jonathan Swift	X
John Holmes	x		

Underlined text indicates action items. ***Bold Italicized text*** indicates follow up items.

Meeting Summary

Welcome: Mami Hara, General Manager/CEO of Seattle Public Utilities (SPU), welcomed those in attendance and thanked them for their time.

Dani Purnell, Corporate Policy Division Director, discussed the SWOC/future-casting exercise that the Panel completed at the October 21 meeting. This information will be shared with SPU staff at an upcoming future-casting exercise.

Standing Items: Karen Reed, Facilitator, reviewed the meeting agenda. Karen informed the Panel that Kyle Stetler is moving out of state and has submitted his resignation. Noel Miller encouraged Panel members to talk to their peers about interest in serving on the Panel.

Approval of Meeting Summary of October 2. One change will be made to the meeting summary from the October 21, 2019 meeting. The meeting minutes were approved with the changed mentioned.

Panel Questions Tracking/Follow Up – System Development Charges (SDCs). Keri Burchard Juarez gave a presentation on the status of SDCs. SDCs are one-time connection fees to the Water, Drainage and Wastewater systems. Rate payers make the initial investment into a system (water, drainage) and developers reimburse for that initial cost by paying a one-time charge when they connect into those systems. SPU has been researching SDCs for the past 18 months. SPU conducted an analysis on this issue, and SPU sought a balance between keeping rates affordable and making new housing affordable. SPU decided, in consultation with the Mayor’s Office, that given the need for affordable housing in Seattle and the efforts to control the costs of building housing, implementing SDCs would not be pursued at this time.

Q: Within current building construction there are credits/incentives for building low income housing. Why has that not been pursued in more detail? A: This is something we could look into in terms of how that could be applied with SDCs. There are restrictive rules about what can utility dollars can be used for. Money for credits/incentives would likely have to come out of the General Fund and not utility dollars, according to the initial SPU analysis

Comment: ***Please send a copy of SPU’s recommendations to the Mayor’s Office on SDCs. Paper was emailed to Panel on November 6.***

Q: How many developers are paying into the housing fund versus building affordable units? A: We don’t have a lot of info on this because it’s managed by SDCl. ***We will follow up with additional information.***

Q: The SDC issue has come up before and will come up again. When will it be the right time to pursue? A: We should pose a timeframe.

SPU in the News. Mami discussed the recent Seattle Times article on recreational vehicle (RV) illicit discharges. This was an opinion piece based on a study commissioned by a Seattle environmental organization that used a single sample in its reporting. SPU disagrees with the findings and is disappointed the piece was published. One of SPU’s priorities is to monitor the health of our waterways. SPU data does not support the levels of fecal coliform in the Duwamish reported in the article. Ninety-five percent of the pollution in the Duwamish is from the King County System. SPU questions the suggestion that RVs are significantly contributing to the pollution. Andrew Lee, Drainage and Wastewater Deputy, and his team have been proactively working to deal with the RV dumping issues. A mobile pump-out pilot was conducted in August and SPU is looking at a larger capital project that would include a fixed RV disposal site. in SODO.

Q: Was the pilot paid for by the general fund or the Utility? A: The Utility.

Q: Aren’t there rules about RV parking? Are we applying those rules? Are there designated parking areas? A: SPU partners with the RV team. We also work with SPD parking enforcement. When they issue citations, SPU comes to pump out the RV.

Panel Member comment: Would like to see this (RV dumping) as an action item in the next strategic plan.

Financial Early Outlook compared to last SBP. Paula Laschober, SPU's Chief Financial Officer, began the presentation by reminding the Panel some of the reasons the rate path went from 5.2% to 5%.

- Drainage and Wastewater (DWW) rates went down resulting in savings
- There was savings from bond debt and interest rates
- Solid Waste (SW) contract renegotiation reduced rates

Q: What has driven water rates higher? A: They are not higher – they remain the same as in the original rate path projection. Wholesale revenue and demand would be the primary drivers. We received a payment from Cascade Water Alliance early on so we could smooth the water rates.

Q: Are we overestimating to make it look better? A: This is the first cycle where we have seen the projected compared to the actual.

Paula shared some major rate assumptions for the early financial outlook by line of business:

Water fund:

- slight retail demand reduction
- low tap revenue growth
- updated wholesale revenue forecast

DWW fund:

- slight demand reduction
- treatment costs up

SW fund:

- contract costs up
- no bond issues

All Funds

- bond interest rates lower
- Utility Discount Program (UDP) assumed to cost 3% of retail rate revenue
- no changes in regulatory environment

Areas where the impact is yet to be determined include:

- Changes to financial policies
- Updated Asset Management Plans
- Changes in City Central Costs (upgrade to payroll system)

Financial policy amendments, if any, will be recommended in January. Budget projections will be developed in February. Additional rate path information will be provided to the Panel in February.

Financial Policies: Overview and Workplan. Paula opened this briefing with the reasons we care about financial policies. These policies:

- Maintain financial health of the utility
- Ensure debt doesn't get too high relative to asset value
- Assure Bond buyers SPU will pay out debts on time
- Guide rate setting
- Allow SPU to keep enough cash to smooth rate changes

Examples of financial policies include:

- Debt service coverage
 - Allows SPU to cover operating expenses and also have money to repay debts
 - Revenue in excess of 1x debt owed is used to pay for capital
- Cash financing of capital
 - Ensures SPU has flexibility to keep borrowing
- Debt-to-asset ratio
 - Tells financial markets/bond buyers that SPU is not relying too much on debt to fund our capital infrastructure

Financial policies vary by fund (water fund, drainage and wastewater fund, solid waste fund) because different funds have different risks. Bond buyers also view each fund differently.

Three areas are used to determine about how much cash SPU should have in our emergency reserve:

- *Working capital:* normal variation in revenue/expense cycles.
- *Contingency:* unplanned shortfalls in revenue or unexpected increase in expense
- *Emergency:* reserves to deal with revenue disruptions until additional financing can be obtained.

Mami commented that in an emergency, SPU has access to the city cash pool of \$2.5B. One-third of that is SPU money. Most utilities do not have access to such a large cash pool.

SPU is currently reviewing our financial policies for several reasons.

- *Good practice:* They were last reviewed in 2012.
- *Rating Agency Concerns:* SPU has set rates to more stringent targets than Council-adopted policies in order to address bond rating concerns.
- *Accountability and Affordability Strategic Plan:* calls for the reassessment and update of SPU financial policies and reserves.

The financial policy review period is between October 2019 and the end of Q1 2020. E-Team will be reviewing each fund. New policies proposals will be developed and presented to the Panel in February 2020.

Q: What happens if there is an earthquake? A: SPU could apply to the federal government for reimbursement; however, FEMA funding is limited and there are no guarantees we would receive any federal support.

Q: Why is this being brought up if you think you have enough money? A: It is important to review our financial policies (the last review was in 2012). We want to make sure our policies are balanced around affordability and sustainability. We also felt it is important for the panel to be aware of our main financial policies.

Q: Can you provide comparison data so we can see what other utilities do? A: **Yes; staff will provide this data to the Panel.**

Paula mentioned that there were a few changes made to the slides the Panel was sent in advance of the meeting. **We will send out the reviewed presentation to you.** (Sent to Panel on November 6)

Asset Management Plans Status and Next Steps. After a short break, the meeting resumed and Ben Marre, Drainage and Wastewater Planning and Program Management Division Director introduced the next topic and reviewed seven Action Plans from the current SBP.

Action Plan 2 – Transportation Projects: involved taking advantage of transportation projects lead by others to renew failing infrastructure or address system opportunities more cost effectively. This work has gone well and has cost less than planned, although it's still early.

Action Plan 3 – Expand Maintenance of the Water Distribution System. Alex Chen, Water Planning and Program Management Division Director, informed the Panel SPU has not caught up on this action plan yet.

Action Plan 5 – Increase Sewer Repairs. This action plan involved adding a pipe lining crew in Drainage & Wastewater. Pipe lining is efficient way to extend the life of drainage and wastewater pipes. Because it does not involve excavation the work can be completed quickly and inexpensively. There are only a couple of contractors locally that line pipes. Since approval of this action plan SPU has hired an in-house lining crew, procured the equipment, and completed training. The new crew has also visited Tacoma and Portland lining crews and heard their lessons learned. Our new crew will begin work in Seattle in early 2020.

Q: How do you know how long the lining is going to last? A: Industry standard is 50 years. This technology has been around since the 70s and generally if it's not working it is due to a problem with the installation.

Q: How large are the pipes? A: Up to 12 inches in diameter.

Action Plan 6 – Sanitary Sewer Capacity. This action plan involves completing planning for and funding future sewer capacity projects. Last quarter, SPU completed a citywide capacity analysis of the entire wastewater system. Those results are being folded into the analysis of our integrated system planning process.

Action Plan 7 – Sewer Rehabilitation. This action plan added extra funding for sewer rehabilitation between 2018 and 2023. The biggest increases are between 2021-2023.

Action Plan 8 – Pump Station, Force Main and Combined Sewer Overflow (CSO) Outfalls. This action plan added extra funding for pump station, force main and CSO outfall replacements 2018-2023. SPU has completed this work as planned.

Action Plan 10 – Facilities Master Plan. A number of the early projects in this action plan have been successfully completed, including immediate improvements to the DWW crew facilities at Haller Lake in the north and purchase of a crew facility in the south (South Operations Center).

Q: Will these action items continue in the next plan? A: Yes.

Alex Chen then briefed the Panel on the Water System Plan. This plan, which establishes long-term (decades long) CIP spending, is reviewed every 10 years and was just completed. SPU uses asset management (AM) as the guiding principle to plan CIP and O&M spending.

Asset Management Plans (AMPs) are completed to assess 5 things:

1. Current state of assets
2. Level of service
3. Critical assets
4. Minimum Life Cycle Costs
5. Long-term Funding Plan

SPU has an Asset Management Plan (AMP) for most major asset classes. AMPs contain the long-term plans for how SPU will manage assets, CIP and O&M. AMPs are renewed as needed, approximately every 5 years. The Water line of business has 19 AMPs.

Q: What is a utilidor? A: A tunnel that does not have water in it but has water pipes inside of it.

Q: A lot of dams are looking at failure. Are we looking at the life of our dams? A: Yes. Regulators come out every 5 years for a thorough inspection. Lesser inspections occur in between years.

Alex presented a slide of discrete assets which shows their condition, certainty of that assessment and notes. Of the 10 assets shown we have good data on all. Six are in good condition and four are in fair shape. Green indicates pretty good condition or we have good data to rate the condition. Yellow is not as good or we have questionable data. Red is not good or we have bad data to rate the condition. Colors assigned to condition and certainly are ballparked.

Alex presented another slide showing eight distributed assets. Because these assets are not as easy to inspect, they present more of a challenge. One area the condition is only good to fair and the certainly is low are Watermains. Galvanized iron watermains are known to fail earlier than other types of pipe. Prior to 2000, SPU proactively replaced about 2 miles of pipe/year. In 2000 CIP constraints (large spending on treatment plants, reservoirs and conservation) resulted in a lower rate of pro-active replacement. Currently SPU plans to start up proactive replacement of 1+ miles of galvanized iron pipes (or other type of pipes with high leak history) per year for the next 6 years.

We use data from other utilities as an indicator of how our system is performing. We see 6-8 watermain breaks per 100 miles of pipe/year, which is lower than industry standard. Industry standard is 15 – 20 breaks per 100 miles of pipe/year.

Q: Could this be because Seattle is a young city? A: Yes, that is possible. It's also about pipe and soil types. Weather (cold snaps/thaws) also impacts breaks.

Q: What is our leakage rate trend? A: State standards are 10% loss of the overall water produced. SPU is at about 5%.

Alex presented a graph showing the long-term thinking (150 years out) of predicted pipe replacement forecast. The next few years predict a low failure rate, but it is difficult to predict this far into the future. SPU will continue to adjust the long-term plan based on data. We are also keeping up on new technologies such as pipe lining.

In recent years SPU has had success in several areas:

- Watermain replacement
 - ~1 mile/yr. of proactive work, ramping up over the future
 - ~1.5 mile/yr. of transportation-driven watermain
- Seismic
 - Completed seismic study (update of 1990's study), updated CIP projections
 - Watermain replacement with ~1 mile of seismic-resistant pipe
 - Seismic upgrades for buried reservoirs
- Facilities
 - Replaced administrative building at Cedar Falls, analyzing several other buildings
- Resiliency
 - Replaced floating pump plant for Cedar Reservoir (drought management)

SPU also has opportunities to improve in the following areas:

- Watermain replacement
 - Ramp up replacement program based on data
 - Keep up with Move Seattle projects, especially opportunity work
- Valve and hydrant maintenance
 - Recruiting challenges have hindered catching up on backlog of deferred maintenance

In the future, SPU's Water LOB will continue to focus on:

- Asset management
- Watermain replacement and data driven planning
- Seismic study recommendations
- Facilities analysis
- Deferred maintenance
- Resiliency

Q: Are you looking at using recycled materials, such as trex? A: Yes, in terms of our buildings.

Q: Is it more or less expensive to use recycled materials? A: In the short term, it's more expensive. Over the project lifecycle, we don't have enough data to determine this. We are cautious about using recycled materials for backfill. Concrete can leach out of material and clog pipes.

Corinne DeLeon, presented on Drainage and Wastewater (DWW) assets. DWW has 5 major asset groups: wastewater, stormwater, GSI, urban ecosystems and facilities. DWW has 18 Asset Management Plans (AMPs) completed or in development. Each asset groups has subset asset classes. Each asset class has been assigned a condition and certainly level of that condition.

CSO. SPU has made progress on sewer overflow reduction in the past couple of years. This is due in part to investment in infrastructure and SPU's FOG (fats oils grease) program.

Wastewater category – All assets have a completed AMPs or are in the process of an AMP review. This category is the focus of Action Plan 7, Sewer Rehabilitation. Shoreline sewer pipes have been added as an asset class in this category. These pipes are located in the shorelines and extremely difficult to access, so our certainty level is low.

Drainage category - The condition and certainly of most of these asset classes is good. AMPs for each asset class have been updated or completed.

Urban ecosystem category - The condition and certainly of these fall mostly in the yellow category. Low certainty around conditions of creek culverts. AMPs are underway for two asset classes in this category.

Facilities category - Has three asset classes; conditions are not good.

Q: Are you noting fish passage issues in creek culverts? A: Yes.

SPU has significantly increased capital expenditures on asset management strategies and practices in maintaining wastewater pipes. We have developed a new system for cleaning and inspections using a risk-based approach. The City has been divided into 100 management area. Inspections have been prioritized based on structural risk and equity. SPU's goal is to inspect and clean the entire wastewater pipe system by 2023 and then on a 10-year cycle thereafter.

Q: Are there areas you want to clean more frequently? A: Yes. They are on a different inspection cycle.

Corinne reviewed the progress SPU has made on sewer pipe rehabilitation (Action Plan 7). Significant improvement was made in 2018 with respect to the amount of pipe rehabbed (12 miles) and cost per mile. This was accomplished primarily through lining and contracting out the work. In 2019 we focused on strategic spot repair, which is more expensive. As of Q3 SPU has spent \$13.9M to rehab 1.99 miles of pipe. This is slightly behind our SBP goal of 4 miles of rehabilitated pipe and 140 spot repairs.

SPU has hired seven new pipe lining crew so that we will be able to do more of this work in-house in the future. Crew members have crossed trained with Portland and Tacoma. They are scheduled to start lining work in Q1 2020.

Corinne presented a graph showing how SPU is continuing to make progress in decreasing maintenance-related sanitary sewer overflows (SSOs) (Action Plan 7). 2015 SSOs were high due to a wet year. 2018 overflows were low due to a dry year.

The Combined Sewer Overflow (CSO) program (Action Plan 8) focused on condition assessment for 2018-2019. SPU condition assessed 18 outfalls of our highest criticality outfalls. Nine need additional cleaning and three need repair. SPU is looking at options for rehab or replacement of those three locations.

DWW uses a 3-pronged approach to AMP Implementation:

- Condition Assessment
- Evaluate Risk
- Prioritize & Execute

SPU is exceeding SBP goals in Pump Station and Force Main CIP spending (Action Plan 8). We are also seeing a reduction in our reactive maintenance costs.

Facilities upgrades (Action Plan 10) include Haller Lake and the South Operations Center (SOC). Haller Lake upgrades include new locker rooms and bathrooms, an improved staging area and a laundry facility. Spending to date is \$2.3M out of a projected total of \$3.4M.

At the South Operations Center we purchased a 6-acre industrial facility to improve south end crew efficiency and effectiveness. Projects are underway to determine facility upgrades. We are also looking at a potential grit and decant facility location. \$16.8M has been spent, which includes \$11M to purchase the property.

Q: Is there a building there now? A: Yes and we have done some renovations there.

Q: What was the original budget? I recall money being approved at the existing site, but it was determined the grounds weren't suitable. A: The project was presented previously at \$53M. DWW has done good work to develop the most cost effective plan for the site. **Staff will bring back additional information in the South Operations Center facility budget and scope.**

Q: How many grit and decant facilities do you have now? A: One at Haller Lake, which we rent. There is a stormwater facility in Magnolia. There is another facility in West Seattle on SDOT property. There are a couple more facilities in the south end.

Q: What is the grit and decant process? A: SPU collects solids when we clean pipes. That material (grit) is taken by truck to a dewatering facility to dry out for 1-2 weeks. The longer it dries the cheaper it is to dispose of.

DWW Asset Management Successes: Commitments have been met for the Wastewater Pipe, Wastewater Pump Stations and Force Main and Facilities Action Plans. AMPs have been completed for most major asset classes.

DWW Opportunities: South Operations Center evaluation; Haller Lake Facilities Master Plan (starting)

DWW will return to a future CRP meeting discuss drainage assets and utility asset management assessment.

Dani Purnell, Corporate Policy and Governmental Relations Director, induced Vanessa Lund of Cocker Fennessy. Vanessa will be working with SPU to advise on outreach work.

Dani handed the Panel the “5 Questions” document. These questions will be asked of customers and responses will inform SPU in the development of the next SBP. Dani reminded the Panel that SPU's outreach approach is starting with what we already know.

SPU is seeking input from three major groups: residential customers, business customers and employees. The Customer Review Panel is a fourth source of data. The “Voice of the Community” Inventories document summarizes existing survey data. We will review this at the December meeting. It is being provided today so that the Panel can review it in advance.

Vanessa has reviewed past SPU surveys and the feedback provided from previous focus groups and outreach sessions. Her key findings are:

- Few studies identify truly strategic recommendations or discernment of underlying values (customers or employees).
- Need to ask questions that SPU is prepared to follow up on/respond to and then demonstrate responsiveness.
- Very little ‘message testing’ which might be a worthwhile future endeavor.
- There is little information about what is important to SPU business customers.
- Avoid over-use of open-ended questions in surveying.

SPU has started interviews with business community and will bring the information gathered back to the Panel in December. General community outreach will begin in the next couple of weeks. The community outreach will have two components: 1) 5 standard questions outreach where community is already at conducted through SPU's website, mailers, as well as the engagement of Department of Neighborhood community liaisons to do intercept interviews at community fairs, etc ; and 2) interviews with a number of community advocates/organization directors (referred to as “grass top” advocates) representing hard to reach populations and request to have them do 5 questions outreach with their organizations.

Q: When will we hear back on outreach results? A: We will come back to you with the information we gather as we gather it (i.e., monthly). We won't wait until it's all done to present it to you.

Q: Will the Council have a public hearing to adopt the SBP? A: Yes. We will send a postcard to let the community know when the hearing has been scheduled.

Q: Are council committee level hearings still happening? A: Yes. This is the standard process and we will not deviate from that process. ***Staff will produce a graphic to show the process and include council hearings.***

Q: Regarding grass top advocates, how will they be identified? A: Staff are working to identify these groups. This effort will be led by our Environmental Justice and Social Equity (EJSE) team. Our teams have already built relationships with many of the leaders of these organizations. SPU will also look into newer organizations, particularly those serving underserved communities. We are also partnering with the City's Department of Neighborhoods (DON) liaisons to identify new organizations. **Staff share the list of grass top advocates with the Panel.**

Q: Will the CACs be asked the 5 community outreach questions? A: Yes. **Staff will include this action item in the timeline.**

Q: What are the trade-offs between grass roots v. grass top approaches? A: Time and money. Grass top is a network model where we use organizations to reach out to others in their network to share information and help us make connections. This approach will allow us to reach a broader base. We will be doing a hybrid of approaches.

Q: Is there community outreach or a survey about tap water v. bottled water? A: There is research about the perceptions of safety. Overall customers believe our water quality is good, but there are specific communities that do not: these tend to be underserved or non-English speaking communities. We want to get the message out that tap water is high quality and save customers money by not purchasing bottled water.

Comment: The Lonely Whale Foundation would be a great partner in small plastics ban. They have developed a large network.

Dani encouraged the Panel to provide feedback on the 5 questions.

Comment: The questions should be asked by LOB because customers experience will be different from one to the other. Or a customer may have no experience with one LOB and won't know how to rate them. A: Our intent is to ask the questions by LOB.

Karen Reed reminded the Panel to review the inventories document prior to the December 17 meeting.

The meeting adjourned at 3:50 pm.