

Seattle Public Utilities Customer Review Panel

Monday, January 13, 2020
1 – 4 pm Seattle Municipal Tower, 4901
(49th Floor)

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

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

Meeting #9 Summary - FINAL

Welcome: Andrew Lee, Deputy Director for Drainage and Wastewater for Seattle Public Utilities (SPU), welcomed those in attendance and thanked them for their time. Mami was unable to attend due to illness.

Andrew provided the Panel with an update on the new Deputy Mayor for SPU issues, Casey Sixkiller. Casey was previously with King County as the Chief Operating Officer and worked closely with many City staff in that position. SPU feels fortunate to have the opportunity to work with Casey.

Andrew also updated the Panel on recent changes at the City Council. SPU will be under a new committee, the Transportation and Utilities Committee. Councilmember Pedersen will chair the committee. Other committee members are the previous committee chair, Councilmember Herbold along with Councilmembers Strauss (Vice-Chair), Morales and Council President Gonzales. In addition to SPU, the new committee will oversee the Seattle Department of Transportation, Seattle City Light and Seattle Department of Information Technology.

Andrew informed the Panel that since the Customer Review Panel (Panel) is now a permanent body, SPU will be taking a look at the role of the Community Advisory Councils (CACs). Many things have changed since the CACs were formed over 20 years ago, such as moving away from centralized meeting formats and meeting people out in their community. SPU will work with the Panel and CACs to ensure we are honoring our commitment to becoming a community centered utility. Sheryl Shapiro, Program Manager for the CACs, will be retiring in February. At that time, staffing of the CACs will be handled by Community Affairs Liaisons.

Several Panel members recognized Sheryl for her commitment and excellent work with the CACs. She will be missed.

The Panel was also introduced to Akshay Iyengar. Akshay is the new Panel representative for the City Budget Office. He replaces Aaron Blumenthal.

Standing Items: Karen Reed asked the Panel if they had any changes to the December 17, 2019 draft meeting summary. There were no changes and the meeting summary was approved as submitted.

Karen reviewed binder updates with the Panel. The latest quarterly Strategic Business Plan (SBP) report for Q3 2019 is the first document in the yellow quarterly report tab. An updated question/topic tracker can be found in the green tab. At the last meeting a pink new tab was added titled Roadmap. This is where you can find the meeting dates and proposed topics that will be covered. The Roadmap will be updated every meeting.

Question Tracker Follow-Up:

King County Wastewater Contract. Andrew Lee provided an update on the contract negotiations. SPU is looking at many areas as we negotiate a new 50-year contract. Key issues are protecting our rate payers' interests, making sure the contract considers how the market might change over the next 50 years, having a good governance voice, and rate certainty (what are we getting and how is it being paid for). The new contract will give the City the ability to have a say in changes done by amendment. The current contract allows the King County Council to make certain types of amendments without City of Seattle approval. Other cities and sewer districts will also be signing the contract. Negotiations are on pause right now as King County is working on their Clean Water Plan for the next two years. We will get back to the negotiations after that is complete.

Q: Should we have a shorter contract? A: The contracts are long because of bond periods.

Q: Where are we with Brightwater? A: According to King County, 95% of the cost of the \$1.8 billion Brightwater project will be paid for by capacity charge fees from new development. However, since that development is scheduled to occur over time, the majority of the costs of Brightwater have been paid for by existing customers. Over time, however, new development will pay back existing customers through the capacity charge revenue that is collected in the future. This arrangement is reflected in the County's current calculation of the capacity charge, which is partially captured in County Code. Agencies like Seattle would like more certainty that the repayment of existing customers will happen, so we are negotiating with the County to capture that financial commitment in contract language.

Street Car Utility Relocations. Tanya Treat, Engineering and Technical Services Director with Project Delivery and Engineering Branch, answered the question, "Are we expecting more relocation dollars in the next SBP?" Street Car related utility relocations are not being paid with Move Seattle Opportunity Funds. They are part of the Streetcar project (Center City Connector or C3) and funding was included in the SPU rate path. Costs were higher than expected but SPU was able to replace seismically vulnerable pipe with earthquake resistant ductile iron pipe.

Q: Will there be \$20M in the next Capital Improvement Plan (CIP) for this project? A: Yes.

CSO Consent Decree. Ben Marre, Planning & Program Management Director for Drainage and Wastewater, provided an update on Consent Decree (CD) renegotiations with the federal Environmental Protection Agency (EPA). SPU has been working on the renegotiations for about 5 years and to date, we have met our deliverables. SPU has been in conversations with our regulators to modify the CD. Topics of renegotiation include:

- Affordability – we don't want rates to become more unaffordable
- Climate change – measurable changes in rainfall and high intensity/short duration events have increased over the past 5-10 years.
- SPU Integrated System Plan – SPU believes thinking more regionally results in more cost effective projects. Our CD does not align with King County's CD.

The current CD requires SPU to complete projects by 2025. We are hoping to push this out to 2035-2040. This would favorably impact rates.

Q: Is the Ship Canal project being impacted by the renegotiations? A: No.

Q: Are we giving or requesting relief? A: We are committed to a number of projects over the next 5 years. Our request is to do the same work on a different time frame.

Q: What is the rationale for Seattle and King County having different timelines? A: We don't know. We are requesting the EPA align the timelines.

Compliance with Nutrients in the Waste Stream. Ben provided the Panel an update about what impacts SPU is expecting from regulation of nutrients in the waste stream. Nutrients such as phosphorous, nitrogen and carbon are not currently removed from the waste stream and end up in the Sound, which kills organisms. The state Department of Ecology has a work group studying this issue. This does not impact the City directly, as the wastewater agency is with King County. It will be costly to remove nutrients, and facilities to do so will take up a lot of space. Impact will probably be seen in future SBPs. This topic is part of the renegotiations currently taking place with our regulators.

Q: Are nutrient loads being measured? A: Yes. Treatment plants are tracking amounts and how much it would cost to remove.

Quarterly Reports: SBP Q3 Update. Natasha Papsoueva, Corporate Performance Director, updated the Panel on the Q3 2019 SPB update.

Service Level Indicators

- 18 service level indicators are meeting/exceeding targets
- 5 indicators are not meeting targets
 - Of these 5, 3 show improved performance since Q2

Action Items

- 5 Action Items are on track
- 5 Action Items are facing delays
- 1 Action Item has been completed

Natasha also provided an update on the reporting of Green Stormwater Infrastructure (GSI) Expansion Action Item. This action item is difficult to report as SPU's projects represent a portion of the total goal. Reporting is also difficult because the numbers are reported annually, not quarterly. SPU can report quarterly on our portion of the goal, but progress made by other entities will not be included until the end of the year reporting.

Q: What was the rationale for setting the GSI goal at 700M gallons? A: It was based on a per capital target and anticipated population growth. This number was set by the City Council. ***We can provide more information about how it was derived.*** SPU has a roadmap of how we plan to get there.

Q: What kind of cost/benefit analysis is being done around the 700M gallon target? A: We are still learning – we are in the early stages. It can be more costly, but there are many community benefits. We are learning how to use crews and considering whether it makes more sense to contract the work out.

Q: This is confusing since SPU is not responsible for the entire 700M gallons. What is SPU responsible for and what do you think you will hit? A: The number reported in Q3 (263MG)

was revised to include each entities portion. Our best guess is collection 290 MG for all entities in 2019. ***We can produce a chart showing each entities portion of the goal.***

Q: Who is responsible for tracking the total number? A: SPU

Q3 2019 Financial Update Paula Laschober, Chief Financial Officer of SPU, provided the Panel with a financial update. Year-end numbers for 2019 will be available in a couple of months. Today we are looking at Q3 2019. We have revised the table a bit in an effort to make it easier to read.

Water LOB:

Expenditures:

- Operating expenditures underspent by 2%, primarily due to vacancies.
- Capital underspent by 39% due to delays in spending on transportation projects.

Operating Revenue:

- Both retail and wholesale revenues is below forecast due to unfavorable weather during the peak season.

Drainage & Wastewater LOB

Expenditures:

- Operating underspent by 6% primarily due to vacancies.
- Capital underspent by 34% primarily due to delays in spending on transportation projects as delayed rehabilitation projects.

Operating Revenue:

- Both wastewater and drainage revenues met target.
- Other revenues \$3M higher due to Permits and Engineering Services

Solid Waste LOB

Expenditures:

- Operating underspent by 8% due to major service contract savings and vacancies
- Capital underspent by 15% due to delayed technology projects

Operating Revenue:

- Residential Revenue stronger due to shift in utility discount program enrollment to multi-family.
- Commercial revenue higher due to strong construction related activity.
- Other revenue above forecast due to strong transfer station activity.

Q: Does the under expenditure explain why the rate path is lower? A: We won't collect as much next time around.

Q: Are you on target for cash v. bond funding? A: We are exceeding our target.

CIP Update. Tanya Treat presented the Q3 CIP Update. Accomplishment rates to date on capital spending by line of business are as follows:

- Drainage and Wastewater (DWW) – 79%
- Water – 90%
- Solid Waste – 101%
- Major Improvement Projects (MIPs) 19%

SPU has little control over MIP deliverables because these are interagency projects (for example, projects required due to work by Sound Transit, Seattle Dept. of Transportation or City Light).

For SPU's top 10 largest projects, we are at a 91% accomplishment rate.

Ship Canal Water Quality Program

- Completed analysis of program budget with storage tunnel bid
- Still \$570M total project cost at 70% confidence
- On track to meet completion deadline at end of 2025

Q: Why is North Transfer Station not on the list? A: It was closed out in terms of capital dollars.

Action Plan Updates from 2019-2024 Strategic Business Plan, Continued discussion

Action Plan #1 – Apprenticeship Program

Robin Harris, Human Resources Director and Todd Snider, Apprenticeship Program Manager for Drainage and Wastewater, updated the Panel. SPU's Apprenticeship Program recruits, hires and trains apprentices in the Water and Drainage and Wastewater (DWW) lines of business.

This Action Plan ensures there are adequate resources to implement the expansion of the apprenticeship program. Currently we have a program for water pipe workers but it has been difficult to recruit apprentices. SPU is working on a reboot of the program and has partnered with South Seattle Community College for curriculum development. Our goal is to establish a solid water pipe worker program and then move on to other apprenticeship programs in the Utility. SPU is currently looking for other partnerships to let people know about these jobs.

In 2019 both Water and DWW Apprenticeship Advisors were hired. DWW lesson plans are in development. Water lesson plans are at 26% completion. Recruitment and hiring strategies for Water apprentices was completed in Q4 2019. Loss of critical staff during Q3 2019 delayed program development. SPU expects this investment to continue.

Q: Is this a certification program? A: Yes, you can get work in any part of the country after completing the program.

Q: Have you looked a recruiting from people being discharged from the military? A: Yes, we are looking into that.

Action Plan #8 – Pump Stations, Force Main & Combined Sewer Outfall (CSO) Capital Programs
Corinee DeLeon, DWW Asset Management, update the Panel. This Action Plan increased funding for the pump station, force main and CSO outfall capital programs for 2018-2023.

Pump Station and Force Main Program (3 commitments):

- Complete essential improvements to 15 conventional pump stations – ahead of schedule
- Replace 4 airlift type pump stations that are old and high maintenance – on schedule for 2 stations by 2023
- Replace 4 force mains that are more than 80 years old – on schedule

SPU underspent in the Pump Station & Force Main Program in 2018 due to project delays due to:

- Significant project risk events in large projects did not occur and project reserves allocated were not spent
- Permitting
- staff resource limitations
- consultant contracting limitation

SBP funding is expected to increase due to allow all non-airlift pump stations to be rehabbed by 2040-2050. Some larger more complex force mains replacements will also need additional funding.

Q: What is an airlift? A: It is one of three types of pump stations. Airlifts are old technology that uses an air compressor to force water up.

CSO Program

- Complete 4 condition assessments and 4 outfall repairs/replacements by 2023 – on schedule

Findings from an assessment conducted in 2019 found that the number of outfalls that require cleaning or repair is higher than anticipated. SPB investment is expected to continue. In order to replace or repair 2 outfalls/year, funding levels for this program need to be increased to address deficient outfalls.

Q: Who do you get permits from? A: Everyone – Ecology, Corp of Engineers, other interested parties. Outfall projects are some of our most complicated.

Action Plan #6 – Sanitary Sewer Capacity

Ben Marre, Planning & Program Management Director for DWW, presented an update on this Action Plan which increases funding to solve sanitary sewer capacity problems. SPU completed a Wastewater System Analysis (WWSA) that involved modeling the City's entire system. Areas at highest risk of limited sewer capacity were prioritized as part of this analysis. SPU reached out to customers by looking at where the model showed problems and focused on communities of color where under reporting of issues is likely. The WWSA has established a solid planning basis for future sewer capacity spending and will also be used to support development of a DWW Integrated System Plan (ISP).

During the last SBP, funding for this Action Plan was removed. SPU anticipates the need for continued and potentially increased funding in the next six years. The WWSA identified 46 critical and high-risk areas city wide with the potential of experiencing a sewer overflow or backup during a 5-year, 24-hour storm event (SPUs performance target). Over 300 additional risk areas were identified with potential sewer problems.

Q: \$20M per project times 46 projects? That's a big number. A: Yes, it is sobering. Sewer capital improvement projects can cost between \$10-20M.

Q: Should we expect a few projects to be in design and a few being built each year? A: We haven't discussed our approach yet. But all projects won't cost \$20m.

Q: Money was taken out of the budget? A: SPU took some money out because it was a placeholder because the WWSA plan wasn't finished. More money was cut after the SBP went to Council.

Q: Are the 46 projects concentrated in certain areas? A: ***Staff will bring a map back to the Panel.***

Action Plan #14 – Green Stormwater Infrastructure (GSI) in Urban Villages Program (UVP)

Dave LaClergue, DWW, provided an update. This Action Plan adds funding to the DWW Operations & Maintenance (O&M) and capital budgets. This Action Plan was developed at Council's request and is intended to provide drainage and wastewater system improvements in urban villages and urban centers. These neighborhoods present greater challenges for building green infrastructure but also present greater opportunities for SPU to partner and piggy-back on projects that are already underway.

For example, Lake City development of a floodplain park, providing flood storage, habitat improvements, and new public open space. This is a community-led project working in partnership with the Parks Department. A non-governmental organization will lead options analysis and the design process. The Crown Hill GSI project will involve development of a long-range plan to improve the patchy drainage system in this fast-growing neighborhood and will tee up new green infrastructure projects to reduce flooding and sewer backup risks. Cloverdale

Swale in South Park will help implement community-initiated streetscape improvements while cleaning polluted runoff before it flows to the Duwamish River.

2018-2019 Accomplishments include

- Selection of 6 “Phase 1” priority urban villages for closer analysis based on system need and partnering opportunities.
- Adopting a program management plan with a project prioritization decision model, which was used to commit to three initial projects.
- Finalizing design of one project and beginning Options Analysis for another two.

Due to the complexity of partnership projects and testing new GSI delivery strategies, spending is expected to be lower than originally forecast for 2020-2021. SPU anticipates extending the original budget to 2025.

Action Plan 10 – Facilities Planning

Ben Whitley, Division Director for Logistics, update the Panel on the four Facilities Action Plans.

Action Plan 10 A – North Operations Complex (NOC). This project has three parts:

- NOC “Must Do” includes construction of bathroom, shower and locker facilities at Haller Lake, replacing two office trailers, repairing pavement and roof and design/build a dewatering facility. Shower, bathroom and locker improvements and office trailer replacement are complete. The dewatering facility has been modified with the addition of a cover to increase functionality. A redesign analysis is not planned until the South Operations Center dewatering facility is complete.
- NOC Phase 1 includes purchasing property adjacent to the NOC and permit, design and construct storage. Property purchase was not selected as an investment for improvements for the NOC.
- NOC Phase 2 includes plan, design and begin constructing the balance of the campus. A multi-department team was created to study the site. The team consists of the main users of the site (Facilities and Administration Services, SDOT and SPU). A consultant was hired to determine the criticality of the site, the ability to relocate uses from the site and the urgency of developing a site master plan. The study found the site to be a critical asset in a favorable location. The study was presented to all department executives and noted that future planning should acknowledge each department’s varying funding streams and budgetary constraints. SPU would need to be able to account for this investment in the SBP.

A seismic study on the NOC has been completed and will be presented to the utility in January 2020.

SPU intends to continue this investment in the next SBP. Funding targets are anticipated to be at or below planned levels. An SPU-wide facility strategy update is planned for 2020 which will be determining the facility capital strategy.

Q: Are the dollars shown for 2024-2025 for construction work? A: The numbers do not reflect our current thinking. We will update with better information.

Q: Weren't these projects deferred last time? A: Yes.

Action Plan 10 B – Drainage and Wastewater South Operations Complex (SOC). This AP includes three commitments:

- Remediation of contaminated soil – site conditions have been studied and some remediation, including tank removal, has occurred.
- Remodeling the existing building – minimal improvements have been made to achieve occupancy. Future improvements are being analyzed to determine the most cost-effective way to achieve a 10 – 20-year life span for the existing building. Plans have been adjusted to include a dewatering and truck wash facility. Options analysis for these improvements is currently in process.
- Relocate crews. Crews have been relocated to the SOC. Vehicle parking, office, meeting and warehouse space have been created.

SPU anticipates this investment to continue in the next phase of the SBP. The size of the investment is expected to be at or above currently planned levels.

Q: The quarterly report says permitting has delayed this project. Has this been resolved? A: Not completely, but we have options to review. We are not going to address sea level rise.

Q: Who was using the existing site? A: Greyhound

Q: What are the seismic issues? A: We will have to do a retrofit of the building.

Action Plan 10C – Cedar Falls Phase 2. This Action Plan is to permit, plan and design replacement of deficient shop space, fleet maintenance bays, equipment storage, materials and tool storage buildings at Cedar Falls. A campus master plan preliminary design was completed in 2018. A recently completed scope and design analysis reduced overall spending and size to match needs of capital costs.

Scope of this Action Plan has changed significantly. A power upgrade project is currently underway for the entire Cedar Falls site. The project will update the current 100-year old power grid. Costs are being shared with SCL. The project has been designed and bid and will proceed in 2020.

SPU expects this investment to continue. Based on current projections the costs will increase. This increase is not included in the current SBP.

Action Plan 10D – Seattle Municipal Tower. This Action Plan consolidates the floors SPU occupies on the SMT by implementing new space standards, resulting in smaller, more collaborative spaces, ergonomic workstations, co-location of related work groups and eventually resulting in lower O&M lease costs. This Action Plan has been on pause after completion of floor 53 and the consolidation of Central Building staff into the Seattle Municipal Tower (SMT). Space utilization programming efforts are now underway again and we are looking at redoing a couple more floors. Design options are being developed and user focus groups are being held in partnership with Finance and Administrative Services.

SPU expects this investment to continue into the next SBP. Investment in this Action Plan will be higher if the space utilization programming work currently underway found to be beneficial and is approved for completion.

Q: Originally there were office being rented offsite. Bringing them to SMT was going to be cheaper than renting. A: All external leases have been terminated. These potential moves are all with SMT.

Action Plan #13 – Technology Services.

Natasha Papsoueva, Corporate Performance Manager, update the Panel. This Action Plan adds a position to manage SPU's information technology portfolio and governance system to enable SPU to better partner with Seattle Information Technology Department (ITD) to develop, manage, and track SPU's suite of technology projects. The position will work with ITD to identify service level requirements and develop and monitor service level agreements. This Action Plan established three targeted commitments and performance metrics:

- Development of service level agreements. Due to organizational and leadership changes, service level agreements were not developed. SPU is currently work with ITD to develop service level indicators for key O&M services.
- Development of technology capital portfolio. 2019 and s2020 portfolios were completed.
- Development of asset management plans for systems unique to SPU.

Hiring for the FTE was deferred during the 2019-2020 budget in order to meet budget reductions. In 2020 SPU plans to allocate one FTE to lead the development of SPU's Technology Strategic Plan. Once filled, dollars for this position will continue as part of the baseline budget.

Karen Reed led the Panel through the 5 questions document. Karen started by asking the Panel how they are feeling about the Roadmap and getting through all of the topics. Responses were:

- We are doing it

- It's hard to commit as much time as I need to. Andrew Lee suggested that staff could provide summaries on certain subject if that would be helpful.
- I think we are playing catch up because some concerns were brought up. Now we are cramming a lot of info into a small window. Are there other ways to get the info out?
- Meeting twice a month is not sustainable

Karen let Panel members know that missing a meeting on occasion is expected.

Karen asked the Panel to respond to the questions. Panel responses in ***bold italics***

1. On a scale of 1 (extremely dissatisfied) to 5 (very satisfied), how satisfied are you with these SPU services? ***Some concerns in recycling/composting***

- | | | |
|----|-----------------------------------|---------------|
| a. | drinking water | (1 2 3 4 5) |
| b. | garbage, recycling and composting | (1 2 3 4 5) |
| c. | sewer (wastewater) | (1 2 3 4 5) |
| d. | drainage and flood prevention | (1 2 3 4 5) |

2. On a scale of 1 (extremely dissatisfied) to 5 (very satisfied), how satisfied are you with the overall cost and value of SPU services (drinking water, garbage, recycling, composting, sewer, drainage and flood prevention)? (1 2 3 4 5) ***Panel ratings: 5,2,3,3,5,3,4,5,4***

3. What areas for improvement would you like to see SPU focus the most on in the next 5 years? Please select your top 3 focus areas for improvement. ***Number of Panel members selecting this option noted below***

- | | | |
|----|---|--|
| a. | Customer service and community engagement | <i>1</i> |
| b. | Communications and information sharing | <i>3</i> |
| c. | Rate affordability (cost of utility services) | <i>4</i> |
| d. | Aging infrastructure (pipes, pump stations, facilities, etc.) | <i>7</i> |
| e. | Service equity (fairness in how and how service is provided) | <i>3. Panel comment: the where never seems to change</i> |
| f. | Water conservation and rainwater capture | <i>1/ Panel comment: f & g are one category to me</i> |
| g. | Water quality (drinking water and surface water) | <i>2</i> |
| h. | Waste, plastics and toxics reduction | <i>5</i> |
| i. | Other (please specify) | <i>Emergency preparedness</i> |

Karen noted the Panel has previously discussed the biggest future challenges for SPU so we will skip over question 4.

5. How can SPU and the community work together to meet current and future challenges? ***Talk to business community.*** Karen noted that as we are at the end of the meeting, we will find time to come back to this question at a future meeting.

Dani Purnell, Corporate Policy and Government Relations Director, commented that SPU asked some variation of these questions to the 19 businesses that were interviewed. You will be hearing about that at the next meeting. The top 3-4 responses are similar to how the Panel responded to question # 3.

Karen Reed reviewed the dates/time for the next few meetings. Meeting was adjourned just before 4 pm.