

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary
Friday, April 11, 2014**

Attendance:

Panel Members			
Suzie Burke		Tara Luckie	x
David Gault	x	Noel Miller	x
Dave Layton		Carl Pierce	X
Laura Lippman		Walter Reese	X
Bruce Lorig	x		
Staff and Others¹			
Ray Hoffman, SPU	x	Brian Surratt, Mayor's Office	
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
Joe LePla, Green Rubino	x	Diane Clausen, SPU	X
		Karen Reed, SPU	X

Review and Approval of Agenda.

April 11 agenda approved without discussion or changes.

Review and Approval of Meeting 22 Summary.

Approval of minutes deferred until a quorum is present. After the break, Panel approved the summary of the prior meeting.

Panel Information Requests. Alerted Panel to the materials on programmatic reductions and project risk.

Initial Round of Public Outreach: Results. Karen Reed of SPU introduced Joe LePla of Green Rubino, who presented the public outreach results.

Q: Regarding efficiency, in the end this will come down to fewer employees. Will there be enough support – customer and elected officials – to make this happen? **A:** Good question. Need to keep customers informed, be transparent, make requirements understood.

Comment: Also, crews are very public. So, if three people are needed make sure all three are doing real work. To the public, this is SPU.

Response: Yes. Currently, some bodies of work are so narrowly defined, a crew member is needed for one piece of the work but not the other pieces, resulting in the appearance of “just standing around.”

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

Q: Demographics of respondents vs demographics of City? Did you get good representation? **A:** Slide 7 shows this comparison; generally pretty good on ethnicity. Don't have the City stats on household size and household income; but can get that. When we looked at it, didn't see anything out of whack. Also, important to know that equity was a broad-reaching comment from all customer types.

Q: How statistically significant is the size of the respondents? **A:** Look for patterns – these patterns were extremely consistent in all of the customers groups. If we were confident that the respondents were not a biased sample, then the number of responses is statistically significant at the 95% level. Also, when we've done more random sample surveys, we got similar responses.

Q: What is the "2 year update"? **A:** This means updating the Strategic Business Plan. Current idea is to update every 3 years. Need to get agreement on the update schedule, and memorialize this decision.

Q: Would monthly billing cost more than bi-monthly billing? **A:** Yes. Most commercial customers are billed monthly already, but residential customers are billed bi-monthly. Cost comes from bill production, mailing, postage – would not read meters each month. Have done some preliminary costing analysis, and can show this to the Panel. Considering move to monthly billing at some point in the future, to help with customers' cash flow concerns.

Comment: Panel focused more on workforce than general customer base focused on workforce – this is not surprising.

Q: When will we go to Community Advisory Committees? **A:** Need to look at CAC schedules; want to go back to them with the outreach data and the Plan itself; probably in the June timeframe.

Baseline Report: Final Draft. Melina Thung and Sherri Crawford presented the final baseline numbers, description, and assumptions.

Q: What are the additional employees in the baseline? **A:** Increased employees to meet regulatory requirements. **Follow up Q:** What about the no net increase? **Follow up answer:** That occurs via the efficiency reductions. **Suggestion:** In baseline "elevator speech," change "additional employees" the "additional efforts."

Q: Does the LIRA shift affect commercial customers as well as residential? **A:** Yes.

Comments: Increasing funding of maintenance and DWW capital improvements; that's really why debt service is increasing. Also have increases related to the workforce, which are harder to explain. Have significant and real constraints – City retirement system, City salary system, labor union constraints, etc.

Comment: Some customers from Edmonds are going to 4th and Lander rather than closer transfer stations. So, maybe self haul will return after the City's north station reopens.

Q: In other departments, like Fleets, are SPU vehicles assigned designated mechanics, or is there a single pool that services all City vehicles? **A:** The latter.

Facilitator question: Does Panel feel comfortable with understanding assumptions? **Comment:** Yes, understand assumptions. Cannot know whether or not they will be correct assumptions.

Council Communications Items. Noel proposed that the Panel's "baseline speech" becomes the "baseline story." The draft powerpoint to the SPUN committee summarizes the baseline story.

Q on regulatory requirements: Why is SPU responsible for Gasworks? **A:** There are outfalls that drain the superfund site area. SPU originally owned, or inherited, the outfall sites. The responsibility is currently shared between SPU and PSE. Liability for superfund sites are joint and severable, like a big soup and everyone has a potato in the soup.

Q: What is the last graphic in the draft PPT to Council, and the dates on the last graphic? **A:** Graphic shows rates of growth for various utilities as compared with CPI. Dates on the right are when each of the data sets begins to be tracked. **Comment:** Need to do a better job explaining the graphic – what is the data set? Are these national statistics?

Q: What is our historical and current spending on replacement of aging pipes? **A:** Have asset inventories by type and age; can show average age now; average age 10 years ago; average age 10 years from now. For last 15 years, instead of doing aggressive pipe replacement, have built water treatment plants, covered reservoirs, implemented a habitat conservation plan, etc. But level of investment on pipes is low. **Comment:** Explain that have focused on other stuff over the last 10 years; time now to focus on pipes. Going forward, this could be a good measure of plan implementation. This would also be a good communications tool with the customers. Leak rate is also used as a metric in many places. When the cost of leak repair exceeds the cost of replacement, then we replace.

Action Plans.

Q: How much flexibility do you have in spending your budget? **A:** Costs are approved by Budget Control Level, which allows a fairly high level of discretion to meet business needs.

Action Plan Ballot for Customer Panel. Karen Reed the facilitator gave the Panel direction on how to fill out the Customer Panel ballot for Action Plans. Will send all Action Plans out electronically again, as well as summary and ranking documents. Filled-out ballots will be due to Karen by Thursday, April 24.

Q: Have we talked about the form of the Panel's recommendations to the Mayor and Council? **A:** This is an open question. If the SPU Panel proceeds similarly to the SCL Panel, then the SPU Panel will draft a letter to the Mayor and Council that speaks to the process of developing the plan, the major aspects of the Plan, and the Panel opinions on each of these. Letter would be signed by all Panel members.

Q: Have we covered stretch areas? **A:** The efficiencies are a stretch, to deliver all the action plan investments with no additional resources and FTEs greater than the baseline.

Next Meeting – Tuesday, April 29

- Efficiency Targets and Priority Actions
- Rate path(s) discussion
- Discuss Action Plan Ballots and Develop Consensus
- Review rate policy questions from Panel subcommittee
- Review utility tax comment options from Panel subcommittee

Q: On efficiencies, is the Panel going to rank them? **A:** Probably not at the detail level. Yes at the general level (is target savings at the right level? Is the general approach reasonable?)

The meeting was adjourned at 2:50.

Follow up Items for Staff:

1. What are the City stats on household size and household income, and how do the Outreach respondents household size and income compare?
2. What is the additional cost of moving to monthly billing?
3. In the baseline elevator speech, change the phrase “additional employees” to “additional efforts.”
4. In the draft baseline PPT to the Council SPUN Committee, do a better job explaining the last graphic that shows rates of growth for various utilities. What does the vertical axis represent? What are the dates noted on each utility shown? Are these national statistics? What is the data set?
5. Provide information on asset inventories of water and sewer pipes by type and age. Show the average age of water and sewer pipes 10 years ago and today.