

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for July 15, 2013**

Attending:

Panel Members:			
Suzie Burke	X	Tara Luckie	X
Bruce Lorig	✓	Noel Miller	✓
Dave Layton	✓	Carl Pierce	✓
Laura Lippman	✓	Walter Reese	✓
David Gault	X		
Staff and Others¹:			
Ray Hoffman	✓	Craig Stampher	✓
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	✓	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓

Review and Approval of Agenda. No questions or comments on July 15 agenda; *agenda approved.*

Review and Approval of Meeting 6 Summary. No questions or comments on the July 1 meeting summary; *meeting summary approved.*

Review of “Parking Lot” list and status of information items. Diane reviewed the list of parking lot issues. Doodle inquiry setting Panel meetings through December is underway.

Review of Elevator Speeches. Nancy finished up DWW, the most complicated utility. Lines of business mostly driven by regulatory requirements; other stuff takes a back seat (flooding, habitat). Tomorrow, discussion at Council regarding a resolution to develop Green Stormwater Infrastructure (GSI). Working to improve flooding conditions in particular neighborhoods.

Q: Council policy on GSI: how easy will this be? **A:** Certain amount of this underway already; piece of it is a stretch goal. Goal is 700 mg by 2025; baseline includes about half of this. Don’t have funding sources for the stretch goal part. Other opportunity is the County, who is also looking at GSI – if they invest in GSI, these investments would count toward this goal. This will be an Action Plan that comes to the Panel later in this process.

Q: Regarding recycling, how much are we planning for changes? E.g., China may not always want our stuff. Also it seems like we ship our recyclables a long ways away. **A:** Over the decades, recycling has gone up and down; general trend is for accepting more and more materials for recycling. Ships and rail are more greenhouse gas efficient (relative to trucking recyclables to their destination), but recycling always beats virgin material from economic and environmental

¹ 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.

points of view. In the current contracts, SPU and the shares the risk of market volatility with the contractor, allowing for cheaper (but riskier) contracts overall.

Comment (City Budget Office Staff [CBO]): –Issues of affordability and General Fund subsidies not included in the elevator speeches. **Response:** To some degree, this is covered in the corporate elevator speech. Can add cost and affordability info in the elevator speeches, or just include in the baseline information coming up in August.

Corporate elevator speech: Martin presented the corporate elevator speech, noting the three primary buckets of corporate costs: basic, value-added; customer-facing.

Q: Race & social justice is noted as a value for SPU, but only 50% of the Allied recycling employees get benefits? **A:** We require higher wage and benefits; Tim will check in to see what the details are on this.

Continued Presentation and Discussion: SPU's Strategic Framework.

Meg Moorehead continued her presentation of the SWOC from the Council's perspective. Reiterated that the Council does not disagree with SPU's assessment of itself.. Covered strengths last time; today will focus on weaknesses. Some weaknesses: high cost/high rates; inefficient processes; labor inefficiencies (span of control, shift changes, overtime); service levels; reduce lower priority services; GSI is good example of a particular project that is new and will add costs to SPU; piecemeal rates; affordability; rate of completion for capital projects. Also discussed opportunities and challenges. Council sees and hears complaints regarding rate increases and overall rate levels.

Continuing Panel Review of Strengths, Weaknesses, Opportunities, Challenges (SWOC) and Strategic Framework

Martin Baker and Karen Reed then briefly presented the Panel feedback to-date on the SWOC, and the focus areas/strategic objectives, and asked the Panel for an additional review and feedback loop.

Suggestions, observations, questions from Panel on SWOC:

Comment/Q: There is a fundamental disconnect between wanting more services from the utility but wanting bills to be lower. Has the City considered selling its utilities? **A:** Many cities have private solid waste services, and Seattle contracts out much of its solid waste services. But, we have not considered selling our utilities.

Q: Selling services while encouraging less usage is problematic – what about bottling our water? **A:** Tacoma is doing this. SPU's perspective is that this increases the cost of a basic commodity and leads to social justice issues.

Comment: Privatizing – opportunity around union contracts, flexibility, and efficiency. Can be dealt with in ways other than privatizing.

Q: Will this Panel review rate design? Some interest in at least hearing about rate design. **A:** Considering this for drinking water.

Q: Is there a fixed component to the wastewater rate? **A:** No.

Customer Focus Area:

Comment: Customer opportunities: do you really want to communicate via text? ESL services – limit to how many languages these are translated into –cost challenges; put this aspect into challenges

Comment: Consider all electronics to make it easier for customers (opportunity)

Workforce Focus Area:

Comment: Million dollars of disability payments; put this into the challenge bucket (magnitude of disability payments; City policy to pay additional salary during being out of work) – put this in challenge

Q: How many employees are out on disability in a year? **A:** will get this statistic

Comment (CBO) – note that a union labor force is also a strength

Comment (Council staff) – seems like each area should have issues the Panel wants to focus on; Action Plans; efficiencies; On that theory, where is span of control? Put span of control under weaknesses?

Comment: Add to challenges developing a culture of getting workforce to embrace efficiency/accountability culture; implementing Strategic Business Plan?

Q: Example of cultural norm of avoiding difficult issues? **A:** Holding people accountable; managing difficult employees instead of shifting them to different jobs

Environmental Stewardship Focus Area

Comment (CBO): missed issue of selling less/costing more as environmental challenge? Put here rather than customer? Conservation is goal that drives the rate issue

Operational Excellence Focus Area:

Comment (Council staff): In Operational Excellence, expand on “lack of effective prioritization of work” to say something about limiting lower-priority work in order to effectively deliver core services. Also include this concept in the Customer Focus Area, noting that accretion of programs that have constituency for various lower-priority programs that have driven rate levels.

Comment (Council Staff): add weakness of ability to deliver large projects on time and on budget, and inadequate advance planning contributing to cost overruns.

Comment (CBO): Underperforming infrastructure – describe this better; maybe by LOB, e.g., flooding

Comment: add weakness of delivering large projects on time and within budget

Suggestions, observations, questions from Panel on Focus Areas and Strategic Objectives:

Focus Areas - no additional comments

Strategic Objectives: no additional changes

Comments on Workforce:

- add the word “accountability”
- call out succession planning
- call out IT systems vs people processes?

Comments/Questions on Environment:

- what do you mean by “sustainable”? change to “environmentally sustainable”? Or, move to OpEx?
- Partnerships about what is AND is not mandated? Yes, both

Q: Where’s cost effectiveness? **A:** In effectiveness & efficiency category in Operational Excellence Focus Area

Baseline, Part 1. Melina Thung presented the initial baseline information to the Panel.

Suggestions, observations, questions from Panel and answers from Staff:

Q: So there are new capital projects in the baseline? **A:** Yes, still making new investments. But deleted discretionary capital projects from the baseline.

Q: What’s an example of a discretionary item that you pulled out of the adopted 6-year Capital Improvement Program (CIP)? **A:** Facilities projects.

Q: Should you take this out further? Like until when will this stuff level out? **A:** Can do this for estimated capital projects and debt service; can’t really guess on the future of health care costs and the like.

Q: Can you guesstimate the regulatory % driver impact on the rates through 2020? **A:** Can do this at a high level

Q: Do you lobby the Mayor and Council regarding taxes? **A:** We note them in the context of rates studies

Regulatory world: Martin teed up this discussion in the few minutes remaining in the meeting

Next meeting – will try for additional meeting on August 6th, in order to catch up – agenda for this meeting to include:

- Completion of Baseline, Part 1
- Discussion of SPU's regulatory world
- As time allows, discussion of SPU's Executive Team's responses to Panel's feedback on Strategic Framework

Follow up Items for Staff:

1. Tim Croll will follow up on the details of the wages and benefits requirements in the recycling contracts.
2. Risk and Quality Assurance staff, together with Human Resources staff, will follow up with statistics on the number and % of SPU's workforce on disability payment.
3. Melina will provide information on when costs will level out for each line of business – at least for capital expenditures and CIP. For the general inflationary costs of health care, etc., we will not be able to forecast with any degree of accuracy.
4. Melina will estimate, at a high level, the regulatory % driver impact on the rates through 2020.
5. Melina will investigate why there is not a fixed rate component on wastewater rates.
6. Additional Feedback on SWOC in Customer Focus Area:
 - a. In "Challenges," include cost of ESL services and expansion of communications modes
 - b. In "Challenges," note that accretion of non-core programs can drive rate levels up
 - c. In "Opportunities," edit language to say consider all electronic communication modes to make it easier for customers
7. Additional Feedback on SWOC in Workforce Focus Area:
 - a. In "Challenges," include City policy of generous disability payments
 - b. In "Challenges," include developing a culture of embracing efficiency & accountability and otherwise supporting the changes that need to happen to implement the Strategic Business Plan.
 - c. In "Strengths," include the union labor force
 - d. In "Weaknesses," include relatively low span of control
8. Additional Feedback on SWOC in Environmental Focus Area:
 - a. In "Challenges," include issue of selling less results in costing more (conservation is a two-edge sword)
 - b. In "Challenges," note difficulty with defining sustainability
9. Additional Feedback on SWOC in Operational Excellence Focus Area:
 - a. In "Weaknesses," add difficulty with delivering large capital projects on time and within budget and the lack of adequate advance work before large projects are launched contributing to cost overruns.

- b. In “Weaknesses,” expand on “lack of effective prioritization of work” to say something about limiting lower-priority work in order to effectively deliver core services
- c. In “Challenges,” explain what you mean by underperforming infrastructure – maybe be more line-of-business specific, e.g., mention flooding and other items.

10. Additional Feedback on Strategic Objectives

- a. Customer: add affordability Strategic Objective
- b. Workforce: add accountability to “Culture” objective; call out succession planning; call out IT systems vs people processes?
- c. Environment: what do you mean by “sustainable”? change to “environmentally sustainable”? Or, move to Operational Excellence? Sustainability has social, economic and environmental aspects.

The meeting was adjourned at 4:35.