

**SWOC/Strategic Objective Elevator Conversations
For Lines of Business, Workforce Focus Area, and Customer Focus Area**

Drinking Water

Primary goal is to deliver high quality drinking water to our customers.

Second largest of SPU's utilities, generating \$203 million in rate revenues in 2012.

Customer trust and pride. Our customers take pride in the quality of our drinking water and their water conservation efforts. Water is the only consumable product provided by SPU, so customer trust in its quality is critical.

A broad customer base. We provide drinking water to Seattle customers as well as other areas of King County and parts of South Snohomish County, in both a retail capacity (mostly Seattle customers) and a wholesale capacity.

Abundant water supply. We've had 29% decline in demand for water since 1990 despite population growth of 17% (thru 2012). This has resulted in sufficient water supply – for people and fish – for at least the next 50 years. Water conservation and a better understanding of our distribution system has resulted in a 35% reduction in water storage requirements, saving significant capital and future O&M dollars.

Excellent water quality and reliability. We have excellent drinking water quality and reliability due to pristine watersheds, state of the art treatment plants, (recently) covered reservoirs, and careful monitoring and operation of the water system. The good system reliability comes in major part due to 2 sources – one that feeds from the south (Cedar) and one that feeds from the north (Tolt)

Mostly done with inter-generational investments. Most of the generational investments are complete or nearly so.

Upcoming Policy Issues.

- Through 2020, Drinking Water has upcoming policy questions in long-term service quality and infrastructure reliability. Our infrastructure is in good condition, but we need to improve our strategy for maintaining and investing in the transmission and distribution system, including an increased focus on seismic resiliency. One key decision will be when and how we replace floating covers at Bitter Lake and Lake Forest Park Reservoirs.
- The “use less, pay more” conservation conundrum is most prevalent in water rates. Finding a way to be clear and transparent with our customers in explaining our story is a challenge we'd like to address. And, we'd like to explore alternative rate structures that may help to alleviate this issue.

Solid Waste

Primary goal is to provide services to remove garbage, recycling, and organics, and to dispose of these in the best manner for the customer and the environment.

Third largest of SPU's utilities, generating \$157 million in rate revenues in 2012.

Customer pride in recycling and composting. We are national leaders in recycling and organics composting, and our customers know this and take pride in it. With 55.7% recycling in 2012, we are well on our way to meeting our 60% recycling goal for 2015, and our 70% recycling goal in 2022.

Most work contracted out. Unlike the other lines of business, most of the work in the solid waste line of business is contracted out via multi-years contracts through at least 2019 or beyond. Garbage, recycling, and organics collection in the City is contract out, as is the landfilling of garbage and the processing of recycling and organics.

Good service delivery. We have stringent service levels built into our contracts, and we consistently meet these service levels.

One more major infrastructure investment. We've just completed construction of a new South Transfer Station, and are beginning to work on a new North Transfer Station. After that, we don't see any major capital projects in this line of business for many years.

Upcoming policy issues.

- Garbage pickup: A major unanswered policy issue in the solid waste line of business is a service quality or service level issue, which is whether to move to every-other-week garbage pickup service, or One Less Truck service.
- 70% recycling: What is the price of reaching 70% recycling, both in terms of marginal costs and the willingness of customers to further change their disposal behavior?
- Waste Reduction: How much effort do we invest in working upstream to reduce waste in the first place (doesn't count towards recycling)?
- Clean City investments: Do we want to increase investments in clean cities programs (litter and graffiti abatement – funded by the General Fund)?

Drainage and Wastewater

Two lines of business in one fund. Drainage and wastewater is complicated in that it is two lines of business; with infrastructure that is separated in some parts of the City but combined (completely or partially) in other parts; two separate rates to customers; two different billing systems (property tax bill for drainage – billed twice per year; combined utility bill for wastewater – billed monthly or bi-monthly); and revenues all sent to a single fund.

Primary goals.

- The primary goal of the wastewater side of the business is to get the wastewater to the County's system for treatment.
- The primary goal of the drainage/stormwater side of the business is to direct stormwater to Seattle's water bodies in a way that prevents pollution and minimizes flooding.

Largest and smallest of SPU's utilities, with wastewater generating \$222 million in rate revenues in 2012, and drainage generating \$76 million in rate revenues in 2012.

Limited customer understanding. This is the least understood line of business for SPU, partly because of its overall complexity, partly because the infrastructure and service is mostly underground, and partly because it is not a direct service (like drinking water and garbage pickup) where people understand what they're getting.

Increasing expenditures driven by regulatory requirements. This is the line of business with the most action in it through 2020 and beyond. The biggest expenditure increase is associated with complying with the Combined Sewer Overflow Consent Decree. But we also need to step up our game in cleaning and maintaining our sewer pipes in order to continue meeting regulations there, and address regulatory requirements regarding quantity and quality of stormwater.

Upcoming policy issues. There are several interesting policy issues in this line of business – the top four examples are:

- Current and evolving regulatory requirements. The policy issues in this area are NOT about whether or not to comply with regulations – that is a given. But there is some flexibility in how we comply. Especially with respect to the Consent Decree, we've been given flexibility in how to make investments for the greatest pay-off to water quality.
- Surface water quality. We want to develop a surface water quality action plan to address stormwater/non-point source pollution. One component of that plan will be a proposal for how to achieve the new Green Stormwater Infrastructure goals set by the Mayor and Council.
- Flooding service level. Some pockets of the City flood more than other pockets – either because of the infrastructure in place or because of geographical or other consideration. We want to explore different scenarios for how many resources we put onto these issues. Two areas of current concern are the Broadview and South Park neighborhoods.
- Understanding of the system. We are filling the gaps in our knowledge of the DWW system, but want to explore scenarios that expand our planning and analysis work.

Corporate

Primary goals. The primary goals of corporate services are three-fold:

- Do the basic internal functions necessary for the delivery of SPU's core services – examples are payroll, accounting, human resources, and crew planning and scheduling.
- Provide value-added services so that the lines of business can operate more effectively, efficiently, and sustainably – examples are quality assurance, asset management, and race and social justice.
- Provide customer facing services that support SPU's core services and include direct interface with our external customers – examples are the contact center (call center) operations, meter reading, and customer billing.

Corporate 2013 budget totals \$340 million – nearly 75% of that is for General Expense, whose major components are debt service, taxes, and city central costs.

Passionate and professional workforce. As you could see from our employee survey results, we have a workforce that is passionate and professional, is loyal to SPU, and takes pride in the services we provide. Employees are concerned with, and want to improve, efficiency and accountability within the organization.

Investment cycle. During the planning period through 2020, the new billing system shared by SPU and City Light is the big corporate investment. We also have on-going investments in technology including the Enterprise Project Management System to help us with project delivery, GIS enhancements, and a fleet management system.

Upcoming policy issues. There are many gaps in the corporate services area. These include:

- **Efficiencies:** As part of the Strategic Business Plan, SPU has engaged a consultant to explore ways for SPU to improve the efficiency with which it delivers services. While some efficiencies may require up-front investments, the expectation is that, over the planning period, there will be substantial budget and rate savings identified.
- **Environment:** We are identifying gaps in our environmental stewardship in the areas the cross lines of business, including sustainability, climate change, carbon neutrality, and adaptability.
- **Workforce:** We need to improve our efforts in safety and succession planning. We need to continue our work on developing a culture that forges teamwork, collaboration and accountability, and invest in our employees to ensure that their skill sets match our business needs. And to support these efforts, we need to develop an improved performance management system and process.
- **Customer:** We want to create an easy and engaged customer experience. We want to improve the equity with which we provide services to our customers. And we want to develop a plan to improve visibility and transparency of SPU's rates and the services these rates buy.
- **Corporate infrastructure investments:** We need to develop a strategy for expenditures to our operational facilities across multiple lines of business.