

Corporate Services

**May, 2013 Discussion
With the Customer Review Panel**

Seattle
 Public
Utilities

Structure of Presentation

1. What We Do (Our Corporate Services)

- Basic Utility Support
- Value-Added Corporate Functions
- Customer-Focused Corporate Services

2. Why We Do What We Do

- Selected goals of corporate services

3. How We Do What We Do

- Several value added functions, reflecting key corporate principles

3. Size of Corporate Services: Dollars and FTE

4. Customer Promises

5. Looking to 2015-2020

- Opportunities for strategic focus
- Decisions already made
- Decisions to make

What We Do:

Our Corporate Services

SPU's corporate services assist all lines of businesses in delivering the best value to our customers.

Three types of Corporate Services:

- Basic utility support
- Value-added corporate functions
- Customer-focused corporate services

What We Do:

Basic Utility Support

Basic utility support activities are internal functions necessary for the delivery of SPU's LOB core services, including activities that are required by law or other regulations

Examples:

- Payroll
- Accounting
- Information technology support
- Crew planning and scheduling
- Fleet maintenance
- Public disclosure response

What We Do:

Value-Added Corporate Functions

Value-added corporate functions are activities that enable us to operate more effectively, efficiently and sustainably, and/or add greater value to the organization and/or our customers.

Examples:

- Benchmarking
- Quality assurance
- Asset management technical assistance
- Race and social justice
- Employee training , development and communications
- Intergovernmental relations (or policy and external relations)

What We Do:

Customer-Focused Corporate Services

Customer-focused corporate services are activities that support SPU's LOB core services and *directly interface* with our external customers.

Examples:

- Contact center operations
- Meter reading
- Customer billing
- Engineering records and vault
- External communications

Why We Do What We Do:

Selected Goals of Corporate Services

Provide a safe and healthy work environment where employees can do their best work

Continually improve SPU's efficiency and effectiveness in providing quality services to all customers, both externally and internally

Foster partnerships with key stakeholders within and outside the City of Seattle to leverage our ability to meet our strategic objectives

Proactively meet customer needs and be positioned to meet future utility needs

Provide equitable services to all customers

How We Do What We Do: Five Value-Added Functions

Several key corporate principles guide the delivery of SPU's services, both internally and externally.

At the top line, our strategic approach is to solve problems at the source. This means we try to solve problems at once and at all levels—contributing to efficiency and effectiveness.

We also employ more specific approaches:

- Asset management
- Internal controls
- Service equity
- Continuous improvement
- Partnerships

How We Do What We Do: Asset Management Principles

Asset management is the practice of making deliberate decisions in a transparent manner, fully informed by:

- Project risks: Likelihood of failure X consequence of failure = risk cost
- Triple bottom line analysis (financial, environmental, and social impacts and benefits)
- Project life-cycle cost

Three key tools:

- Executive review of triple bottom line business cases for capital investments = \$1 million or more
- “Stage Gates” ensures specific review & oversight of risks at critical points in delivering a capital project
- Value analysis and value engineering on all projects greater than \$5 million to ensure we identify best value

How We Do What We Do: Asset Management In Action

Low risk assets more likely to be run-to-failure; high-risk assets replaced before they fail:

- Example 1: “Non-critical” watermains (85% of inventory) are not replaced until a threshold frequency of leaks occurs
- Example 2: “Critical” watermains (the highest 15% by risk cost) are periodically assessed for condition and proactively replaced when needed, regardless of breakage history

Placing Value-Engineering lens on capital projects has saved SPU \$30M+ in past three years:

- Morse Lake Pumping Plant: \$18M saved on \$70M project (26%)
- 14th & Concord Drainage: \$6.5M saved on \$10.1M project (64%)

After-Action review and assessment still a work in progress...

How We Do What We Do: Internal Controls

Internal controls are methods put in place to ensure the integrity of financial and accounting information, and to reduce the risk of waste, fraud and misappropriation.

Examples of Work To-Date:

- Conducting assessments and audits across the department
- Creating new or updating existing fiscal policies and procedures
- Improving our financial reporting and reconciliation
- Increasing employees' awareness and understanding of good internal controls
- Reporting out regularly to the City Council

How We Do What We Do:

Service Equity

Our **service equity** efforts seek to ensure utility programs, projects, and services are implemented in ways that equitably distribute benefits across all communities.

Examples of Work To-Date :

- Creating equity planning and analysis tools relevant to SPU business needs
- Providing training and technical assistance to SPU projects programs on the application of tools and resources
- Embedding equity analysis and planning into SPU processes
- Identifying key stakeholders and building relationships with community and other agency partners

How We Do What We Do: Continuous Improvement

SPU continually strives to improve its delivery of services and programs, both to its external and internal customers. Improved productivity, or **continuous improvement**, is a high priority for SPU and helps guide our work.

Examples of Work To-Date :

- Reducing the amount of wait-time for customers who call into the Contact Center
- Designing a streamlined, one-stop shopping approach for development services
- Delivering capital projects in more a cost effective, consistent, predictable, and transparent manner
- Implementing new technology systems to help employees do their work more efficiently

How We Do What We Do: Partnerships

SPU looks for opportunities to create **partnerships** to effectively and efficiently address policy and regulatory issues.

Corporate partnerships include:

- Liaison and policy development with Mayor's Office and City Council
- Negotiations with other entities

Examples of this work:

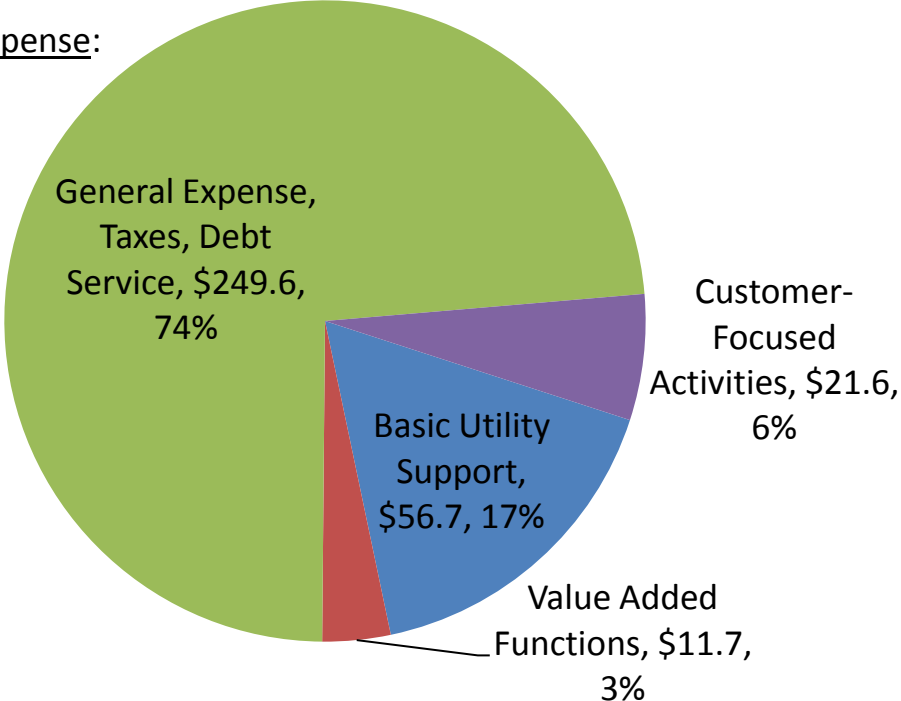
- Duwamish Superfund Cleanup Plan
- Muckleshoot Tribal Agreement
- Combined Sewer overflow Federal Consent Decree
- Wholesale water contracts, including with Cascade
- Cedar River Habitat Conservation Plan

Size of Corporate Services: 2013 Budgeted Corporate Activities

2013 Budgeted Corporate Activities
(in millions; total = \$340M)

Breakout of Major Items in General Expense:

- \$132.1M in debt service
- \$95.6M in taxes
- \$24.5M in City cost allocation
- \$4.8M in claims costs
- (\$15.4M) in G&A credit



Our Promises to Customers

- Receive customer satisfaction score of at least 5 (on a scale of 1-7) for each customer service & service attribute
- Answer at least 80% of calls within 60 seconds
- Maintain SPU's bond ratings
- Stay within budget
- Meet financial policies adopted by Mayor and Council
- Meet aspirational goals for WMBE participation in consulting and purchasing contracts
- Ensure we meet regulatory requirements that help us provide healthy projects and protect the environment

Are We Meeting Our Promises?

- Latest residential and commercial surveys (2011) show customer satisfaction scores at an average of 5 or higher (out of a score of 7) for each SPU service
- After a long struggle, generally meeting the target of calls answered within 60 seconds (recent slip; expect this will be corrected)
- Bond ratings remain among the highest in the country
- Meeting financial policies adopted by Mayor and Council in the long run; some not met in short-run
- Meeting WMBE goals for purchasing; not for consulting
- Multiple examples of progressive and cost effective regulatory and customer service agreements

Strategic Business Plan Opportunities For Being Efficient, Forward Looking and Solving Problems at the Source

- Create a higher level of customer participation and general support for environmental goals
- Create easy and engaged customer experiences
- Equitably deliver services to all customers
- Ensure SPU meets regulatory requirements and service needs with effective agreements
- Grow a culture that forges teamwork, collaboration and excellence
- Provide employees with the right tools and training to do their jobs

Decisions Already Made

- Internal Controls
 - Complete internal controls analyses and modifications identified through audits and the 2013-16 internal controls workplan
- Utility Billing System
 - With City Light, successfully implement the new utility billing system
- City financial system
 - Support the City in its upgrade of the financial system

Decisions to Make – Possible Action Plans

- Address customer issues
 - Analyze customer requests to improve and create programs and services that proactively meet customer demands
- Consolidate development services functions
 - Create a unified, coordinated system by which development projects are completed quickly and efficiently
- Climate Change
 - Implement climate change adaptation across all lines of business
- Improve safety program
 - Develop a more comprehensive safety and wellness program that results in reduced injuries, reduced time off related to injuries, and improved productivity and efficiency levels