

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for May 6, 2013**

Attending:

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

Welcome and Introductions. Attendees introduced themselves. Karen noted that given the challenges with Bob Ho’s schedule, the Mayor’s office has determined to seek a replacement Panel member for his seat; Bob has graciously agreed to assist with transitioning a new member (as yet unconfirmed) to the Panel.

Review and Approval of Agenda. No questions or comments on May 6 agenda; *agenda approved.*

Review and Approval of Meeting 1 Summary. No questions or comments on the April 29 meeting summary; *meeting summary approved.*

Follow Up on Items from Meeting 1.

- a. Meeting Dates through September. Potential Panel meeting dates through September were circulated to Panel; the goal is to finalize these very soon. Panel members were asked to keep all potential dates on their calendar for now.
- b. Field Trips. Field trip options sheet passed around; Panel members were asked to note potential trips which they would like to attend.
- c. Meeting 1 Panel Survey Results: Importance of Various Utility Characteristics. Reviewed survey results.

Panel Groundrules. With addition of “Be Present,” *the ground rules were approved.*

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.

Panel Charter. Karen reviewed with Panel members each section of the draft Charter. Panel agreed that they would prefer to have a Chair and Vice Chair, rather than co-chairs; agreed also that the Chair should not preside over meetings so he/she can fully participate in the discussion. *Karen will make changes to the draft and present it for Panel approval at the next meeting.*

Presentation and Discussion: Detailed Introduction to SPU

Melina Thung presented a financial/budget overview of SPU, including budgeted appropriations and revenues, rate design, employee statistics, financial policies, SPU bills over time, SPU bills compared to bills of other jurisdictions.

- Question on drainage rates: Residential impervious surface does not affect bill? Correct. Small residential dependent on parcel size only. If you are a large residential, then your rates depend on parcel size and impervious surface.
- Question on difference between actual & adopted budgets (slide 5): Why the \$50M difference between 2011 Actual budget and 2012 Adopted budget? Answer: will need to report back on this; will include information on the differences between each of the years shown
- Question on revenues chart (slide 9): Can you re-do revenues chart to change colors and make it more readable? Answer: Yes.
- Question on pensions: Do financial numbers take into account pension obligations? Answer: These costs are in General Expense – retirement cash payouts are paid by the department. Other pension obligations paid by departments have increased and are expected to increase further, but exact estimates have not yet been developed. Pensions are managed Citywide, by a separate department. Will provide additional information on pension cost trends.
- Question on employee safety: What is going on with employee safety? Answer: Aging workforce, physical work, recurrent multiple claims for the same type of injury. Total cost is between \$500-\$600k/year in terms of lost time; also have medical costs. Will provide information on total costs of injuries.
- Question on employee safety: Is City addressing injuries Citywide, with aging workforce? Answer: Price Waterhouse-Cooper has looked at safety Citywide; there are recommendations, but not yet a firm plan. Will provide information on plans to manage/reduce injuries at SPU and citywide.
- Question on employee safety: Do you have an OSHA rate you report? Answer: Will report back.
- Question on debt: Breakdown of fixed/variable rate debt? Answer: policies allow up to 15% variable rate debt; now, we have no variable rate debt.

- Question on demand: From a water supply standpoint, do you want demand to fall much more? Answer: In 1992, supply and demand just about at equilibrium. Now, we forecast that we have sufficient water to 2060 or beyond.
- Question on demand: Garbage tons pretty steady, then declines quite a lot in commercial in 2008 and beyond – why? Answer: the steep decline is the economy; the more gradual drop off is recycling. Whether tonnage bounces back with the economy is an unknown.
- Question on wholesale water contracts: Term? Answer: Wholesale contracts run through 2060; An overview of the wholesale contracts can be provided.
- Question on regulatory requirements: How much do regulatory requirements explain the 7% increase per year? Answer: They are a major cost driver. Looking forward, for the Drainage and Wastewater lines of business, complying with the consent decree on combined sewer overflows will involve about \$500M in expenditures over the next 12 years. Looking backward, hard covers on the water reservoirs and filtering the water supply were major drivers of the water rate increases.
- Question on 2009 rate increase: Why did combined SPU rates increase so much between 2008 and 2009? Answer: new solid waste hauler contracts went into effect that year.
- Question on fixed vs. variable costs: Of overall operating structure, how much is fixed; how much is variable? Answer: Will provide overview of fixed vs. variable costs for each line of business.

Presentation and Discussion: Water Line of Business

Dave Hilmoe led a presentation of the water line of business, including big picture statistics, regional water system map, process map, sources & uses of funds, capital expenditures over time, service levels, future investments –including both decisions that have been made, and decisions that have yet to be made.

- Question on Habitat Conservation Plan: HCP: how long is this for? Answer: through 2050.
- Question on water outage service level: Is drinking water outage service level an AWWA target? Answer: No, this one was adopted from an Australian utility measure.
- Question on commercial customer water quality: Do you ever ask commercial customers what is showing up in their filters? Answer: yes, we work with some customers on this – algae shows up, creating taste issues and clogs filters.
- Question on average age of pipe: Average age for pipe? Answer: Can get that – have it by decade, by material. Generally, most of the pipe is over 70 years old; most is cast iron. In some cases, the older pipe is the more durable pipe.
- Question on wooden pipes: what about wooden pipes? Answer: don't know where they all are because they are still working.

- Question on priority of investments: out of these lists of things to do, are there some of higher priority? Answer: Some of the investments from the last decade are long-lived. We do a criticality assessment, looking at age and condition, and who it serves, and make a risk assessment. Based on this assessment, will decide if we run to failure or replace before the asset fails. SPU tries to do this sort of assessment on all infrastructure, and the “answer” is part science, part risk appetite, part appetite for increased investment expenditures.
- Question on comparative water taste: Is there a way to compare taste and quality across the country? Answer: there are competitions across the country; we’ve never won. Only a small handful of utilities have unfiltered systems like Seattle’s.
- Question on bottled water: What about bottled water? Answer: we have compared against bottled water; ours is better. Bacteria is not allowed in municipal water (it is killed). Water quality report is coming out shortly.
- Question on capital expenditures: Due diligence for capital expenditures? Answer: Try to make investments in long-lived assets with tried and true materials and approaches.
- Question on demand: Reasons for declining demand? Answer: Conservation has come from campaigns to reduce consumption, including efficient appliances (e.g., low flow toilets; washing machines), different habits around lawn watering, higher prices. Can provide additional information.
- Question on role of customer panel: General impression is that you know your business. What are you looking from with the Customer Panel? Answer: We’re in the business to provide services to customers. Want discussion/validation re: the mix and level of services; charging for the services in a more transparent and predictable manner. Want feedback on proposed decisions between costs and service tradeoffs. Council wants to hear customer perspective on costs and services choices.

Next meeting (May 13):

- Approve Charter
- Select Chair/Vice Chair
- Short presentation from Ethics
- DWW LOB presentation
- Solid Waste LOB presentation
- Corporate presentation (as time allows)

Follow up Items for Staff:

1. Explain major factors driving budget differences year to year from 2011 through 2014.
2. Re-colored slide 7 from Melina’s presentation.
3. Information on trends in pension costs
4. Total annual cost associated with on-the-job injuries.
5. OSHA reportable injury rate.
6. City and SPU plans overall for addressing aging workforce issues (focus on injuries).

7. Cost drivers by line of business.
8. Fixed and variable costs by line of business.
9. Age of water transmission and distribution system (decade, material type, miles of pipe).
10. Possible future presentations, given the questions asked today: (a) Overview of wholesale water contracts; (b) Reasons for declining water demand.

The meeting was adjourned at 4:25.