

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for September 12, 2013**

Attending:

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

Review and Approval of Agenda. No questions or comments on the September 12 agenda; *agenda approved.*

Review and Approval of Meeting 9 Summary. No questions or comments on the August 20 meeting summary; *meeting summary approved.*

Process check-in with the Panel. Karen Reed (facilitator) checked in on process – everything going OK? General agreement that we are proceeding along nicely and it's not boring!

Suggestions, observations, questions from Panel:

Q: Regarding recycling, how do we calculate cost effectiveness? **A:** If total cost of recycling (cradle to grave) is less than disposal, recycling is cost effective. You can do this on an overall basis, or on a product-by-product basis. We can provide materials, and a basic bibliography.

Comment: One of the costs not in the recycling figures is the cost to the business.

Q: Can you specify what “cradle to grave” recycling costs includes – just the City’s costs, or the world’s costs, or what? **A:** Yes, we will do that.

Information Updates & Responses. Nancy gave the E-Team response to clarify the framework phrase “internal and external customers.” The E-Team talked extensively about this and agrees that this could be confusing to external customers, but decided to keep the language to emphasize

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.

that staff are customers to each other. This language is meaningful internally, and we are trying to play to both audiences.

Monica Ghosh from Councilmember Godden's office gave the Panel a heads-up on legislation making it illegal for businesses to put several recyclable materials in the garbage. This is not projected to impact the solid waste rates.

Suggestions, observations, questions from Panel:

Comments: Already have over 60% recycling with businesses today – they pick and choose based on what they consume most of. Now, the little guy who has small amounts of waste will need to figure out a recycling program for these very small amounts.

Panel decided commenting on this legislation isn't really in the Panel's charter; so individual Panel member may make contact with Council staff and Council offices separate from their Panel role.

SPU's Regulatory World. Martin gave a presentation on key regulatory requirements at SPU, focusing on the Clean Water Act, and wastewater/stormwater outfalls into Seattle's water bodies. Dave Schuchardt then talked about the lower Duwamish and contaminated sediments, and recommendations for clean up.

Q: What is the "maximum extent possible" and "all known, available, and reasonable methods of treatment"? **A:** Really it's a negotiation. In the materials, you can see that street sweeping is highly beneficial, but getting "credit" for it from the regulators. And it's only getting stricter.

Q: Who sets the fish standard? **A:** In the state of Washington, it will be set by the Department of Ecology and it's a question of whether the EPA will agree. EPA can rescind the state's authority to set the standard.

Q: On the Duwamish clean-up, how is the responsible parties contribution playing out? **A:** Mediated, legal process among the identified parties to agree upon allocation shares. **Q:** And then the City part is paid by the DWW fund? **A:** Yes, and the County's share will be paid for in the wastewater treatment charge; some part of the City's liability would also come from City Light.

Q: What happens after the cleanup? **A:** Cleanup will reduce the risks by about 90%. Then what happens in the Duwamish will be guided by what happens in the contributing water bodies overall.

Interim Outreach Update. Karen Reed (SPU) explained the need for a delayed schedule for the interim outreach. Outreach is now planned for January/February, so that baseline is in good shape. This change also allows for Panel discussions on efficiencies and initiatives prior to outreach. This will push the end date out to August (instead of June). At next meeting, will be able to share more about audiences and locations – will probably hold off on content until baseline is firmed up.

Suggestions, observations, questions from Panel:

Q: Can we have an updated schedule for the next meeting? **A:** Yes

Preparation for September 17th Council Briefing. Noel and Carl talked about next Tuesday's Council LUC committee briefing.

Suggestions, observations, questions from Panel:

Comments: Change end date; change 3 lines of business to 4 lines of business; add rates to list of topics.

Baseline. Melina went over the responses to Panel baseline questions from last time, and reviewed the detail behind the baseline assumptions.

Suggestions, observations, questions from Panel:

Comment: Interest rate assumption of 5.5% seems very conservative.

Q: Who pays for water to put out fires? **A:** Included in non-revenue water; general hydrant and fire costs are covered by the General Fund.

Q: I there uncertainty in firm yield? **A:** Yes. The line is based on 80 years of hydrological records. New information can change firm yield estimate. Have done climate change analyses also and estimated impacts on firm yield. Could provide these analyses to Panel members.

Q: What about solid waste generation, as opposed to tons disposed? **A:** Per capita generation has not gone down; but more of the waste stream is being recycled and composted. We can bring back a solid waste generation graph next time that gives a sense of the tonnage being recycled.

Q: What does DoIT allocations/bills mean? **A:** DoIT is Department of Information Technology.

Q: What gives you confidence that unemployment insurance will not continue to go through the roof? **A:** Good question.

Q: Do you just generally just plug in averages, and hope you aren't too wrong? **A:** Yes.

Comment: Could do a risk-band rather than a point estimate. **Response:** Good point; we will talk about how to address this.

Comment: Medical benefits inflation seem too low. **Response:** Based on actuals from last several years.

Q: We've mentioned there are excess cash balances – is this because our inflation assumptions were too conservative? **A:** Could be part of the reason.

Q: Scheduled and unscheduled overtime? Also, might we be more efficient with less overtime and more staff? Or more flex time instead of overtime? **A:** Have both scheduled and unscheduled overtime, and the inflation rates shown in the materials apply to both. Can come back with information on both scheduled and unscheduled overtime.

Q: Can we do anything to keep DoIT, and Fleets/Facilities costs down? **A:** Council reviews these budgets each year.

Comment: Need to divide the questions into two sets: (1) are the technical baseline assumptions reasonable; (2) if reasonable assumptions result in a rate path that is too high, what should we do about it?

Comment: Labor is a major cost and FTEs are not easily reduced; baseline shows these costs increasing steadily while the private sector is cutting labor costs. Need to manage labor costs. Good strategy to manage through attrition. Contracting out is also a possibility.

Comment: Other major fixed costs over which the utility doesn't have a lot of control are the inter-departmental charges and utility taxes.

Comment: Would be useful to know what % of overall baseline is shown in the cost categories with inflation different from the standard 2.4%.

Q: Can you identify the parts of the baseline CIP that you can vary without violating mandatory regulations? **A:** Yes. One example is flooding expenditures. Will also give more detail of what is in the CIP numbers – probably as part of the baseline prioritization work. Will also provide detail of areas of possible savings (e.g., South Park Development options).

Comment: Panel could focus on the “discretionary” projects.

Comment: Would be helpful to note what the O & M adjustments represent in terms of percentage changes to O &M costs.

Proposed Agenda for Meeting 11:

- Continued discussion of baseline
- Continued discussion of interim outreach
- Line of Business service levels

The meeting was adjourned at 4:35.

Follow up Items for Staff:

1. Provide Panel with materials on cost effectiveness of recycling, including a basic bibliography.
2. Specify what “cradle to grave” recycling costs includes – just the City’s costs, or the world’s costs, or what?
3. Provide an updated schedule for the Panel that includes deferring the interim outreach until January/February of next year.
4. Provide the Panel with research done on estimated impacts of climate change on firm yield of drinking water.
5. Develop a graph that shows total solid waste generation over time (including recycling and composting).
6. Check back with City’s Debt Manager regarding the 5.5% interest rate assumption on bonds.
7. Consider including a risk-band around the rate path estimates.
8. Provide more information on scheduled and unscheduled overtime.
9. Present information on the % of the overall baseline that is associated with (a) the cost categories whose inflation assumptions differ from the standard 2.4%, and (b) the “adjustments” to the baseline.
10. As part of the baseline prioritization work, (a) identify what capital projects are not driven by regulatory requirements (e.g., flooding expenditures) and (b) provide more detail on each CIP project, including areas of possible savings/efficiencies (e.g., South Park development options).