



Progress Report to Council: Third Quarter, 2018

Implementing the 2018-2023 Strategic Business Plan Update

At Seattle Public Utilities, our mission is to deliver efficient and forward-looking utility services that keep Seattle the best place to live for everyone. To keep our pledge to meet community and environmental needs, we:

- Maintain and deliver some of the nation's best drinking water;
- Help Seattle residents and businesses be recycling leaders; and
- Protect local waterways and Puget Sound from sewage overflows and polluted storm water runoff.

We do these things while always keeping in mind that we need to spend our customers' money wisely.

The 2018 -2023 Strategic Business Plan

Seattle Public Utilities (SPU) worked with customers and employees to update its Strategic Business Plan (the Plan) to guide our work from 2018 through 2023. The Plan Update continues to provide greater rate predictability while making important investments for the future.

The Strategic Business Plan Update was adopted by the Seattle City Council on November 17, 2017, via Resolution 31760.

Quarterly Highlights

The Strategic Business Plan includes all of SPU's work and the services we provide to our customers. Table 1 summarizes SPU's current performance in 23 service areas. Some highlights are provided below.

- **Utility Discount Program (#3).** We continue to partner with Seattle City Light (SCL) and the Human Services Department (HSD) to achieve the year-end goal of 34,000 enrollees in the Utility Discount Program (UDP). Ongoing administrative work to reconcile enrollment between the Utility Assistance Program Database and SPU and SCL's customer billing system has resulted in improved enrollment data accuracy but a decrease in the enrollment count; this may affect our ability to meet the year-end goal. To increase enrollment, UDP continues to work with King County to cross-enroll low-income property owners currently participating in the state's property tax deferral or exemption programs and is planning October's Utility Assistance Programs Summit. This annual Summit, attended by roughly 175 community service providers, provides an opportunity to engage with our community partners, share program information, and discuss new ways to help our mutual customers.
- **Limit Combined Sewer Overflows (#7).** We continue to make progress toward the long-term goal of <1 CSO per outfall per year over a 20-year moving average. This metric is updated annually.
- **Collection of Solid Waste Misses (#18).** SPU Waste Contractors had significant challenges during 3Q18 in achieving service reliability targets due to high rates of driver absenteeism. SPU addressed this gap with contractors to ensure expected reliability was restored.
- **WMBE spending (#19).** Reporting on WMBE utilization is delayed while reporting issues related to the citywide PeopleSoft upgrade are resolved.

Table 1. Service Level Performance - Third Quarter 2018

#	Performance Metrics	Reporting Frequency	Target	2018 Performance
Focus Area: Customer Experience - Making it easier to get help and find answers				
1	Customers rank their satisfaction with SPU services is at least 5 on a scale of 1-7. (Last measured in 2015.)	Every 4 Years	≥5	5.9
2	% of priority drinking water, drainage, and wastewater problems responded to within one hour. (YTD)	Monthly	≥90%	94%
3	# of households enrolled in the Utility Discount Program. - Increase since January 1 - 2018 year end goal: 34,000	Monthly	NA 34,000	-2,078 30,798
Focus Area: Health and Environment - Protecting your health and our environment				
4	Compliance with all Department of Health regulations.	Monthly	Yes	Yes
5	Meet tribal, regional, state and federal commitments for instream water for fish. This includes implementing a beneficial instream flow regime that provides high quality fish habitat for salmon and steelhead and reduces the risks of stranding juvenile fish or dewatering fish redds (nests).	Quarterly	Meet commitments for the quarter	Yes
6	Limit sewer overflows to no more than 4 annually per 100 miles of pipe, on a two-year average. - # of total sewer overflows in the current biennium - # of sewer overflows that count towards the Consent Decree threshold - # of sewer overflows in the current biennium per 100 miles of sewer pipe	Monthly	NA <114 <4	58 52 1.8
7	Limit CSOs (combined sewer overflows) at each outfall to ≤1 per outfall per year over a 20-yr moving average. - # of CSOs per outfall (85 outfalls total), year-to-date average	Annual 1 month lag	≤1.0 by 2025 No target	3.1 1.3
8	# tons of pollutants removed from roads during 2018. (YTD)	Quarterly	≥140 tons/year	108
9	# gallons of runoff water managed using Green Stormwater Infrastructure. (In millions of gallons) (YTD)	Quarterly	11.3M gallons by year-end	13.3
10	Achieve Water Conservation Partnership regional water conservation goal. (MGD = million gallons/day)	Annual (April)	<105 MGD	96.6
11	% of solid waste being recycled or composted.	Annual (July)	≥70% by 2022	56.9%
12	% of graffiti removed within 10 business day for SDOT structures and 6 business days for SPU property. (YTD)	Monthly	≥90%	97%
13	% of illegal dumping cleaned-up within 10 business days. (YTD)	Monthly	≥80%	96%
Focus Area: Operational Excellence - Improving how we work to deliver consistent, high quality services				
14	Meet obligations in wholesale customer contracts for pressure, flow, and unplanned transmission system outages.	Quarterly	Meet commitments	Yes
15	No critical services (e.g., hospitals) are inaccessible due to flooding, except during extreme storm events (events exceeding a 100-year, 24-hour design storm event).	Monthly	All critical services accessible	Yes
16	Provide reliable solid waste pickup with only one missed pickup for each 1,000 stops. (YTD)	Monthly	≤1	0.7
17	Limit late container deliveries to a maximum of two per 100 deliveries.	Monthly	≤2	0.9
18	Collect at least 95% of missed Residential and Multifamily solid waste pickups within one business day. (YTD)	Monthly	≥95%	84.0%
19	% of purchases and consulting contracts with WMBE firms. (YTD)	Monthly	Consulting ≥12%	TBA
		Monthly	Purchasing ≥12%	TBA
Focus Area: Financial Health				
20	Stay within the overall 5.2% Endorsed rate path through 2023.	Quarterly	≤5.2%	Yes
21	The Water Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes
22	The Drainage & Wastewater Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes
23	The Solid Waste Fund is meeting its financial policy guidelines.	Quarterly	Yes	Yes

Not measured monthly On track Monitor

Action Items and Council Deliverables – Improving Services

This section summarizes our progress on the 12 investment Action Items and 10 Council Deliverables that support the 2018-2023 Strategic Business Plan Update. Table 2 and Table 3 present the overall goals of each Action Item and Deliverable, as well as our 2018 deliverables for each, and our progress in the Third Quarter.

For the 2019-2020 budget, SPU sought to reduce overall costs for our customers and to maintain a projected rate path at or below the rate planned for in the Strategic Business Plan. To achieve these affordability goals, we have chosen to postpone implementation of or reallocate existing resources for some new positions and initiatives. As a result, the status of several action items changed to “not on track” per the original scope for the third quarter of 2018.

Table 2. Progress on Action Items

2018-2023 Action Items Overall Goals	2018 Deliverables and Third Quarter Progress	On track?
<p>1. Apprenticeship Program Expand and enhance SPU’s apprenticeship program to recruit and retain the best and most diverse talent by providing more training and creating career pathways into and up in the organization.</p>	<p>2018 Deliverables: Begin the process to hire approximately 15 Water Pipe Worker apprentices. Develop instructional lesson plans for both Water and Drainage and Waste Water (DWW). In the Third Quarter, we approved the PDQ for the Apprenticeship LOB Advisor positions and will hire the Water position soon. Lesson plan development is underway. To support affordability of the rate path, we have postponed filling the DWW Advisor position until Q3 2019.</p>	No
<p>2. Diaper & Pet Waste Feasibility Study Evaluate the feasibility of composting diapers and pet waste.</p>	<p>2018 Deliverables: Confirm Final program options. In the Third Quarter, the feasibility study was placed on hold. As SPU continues its efforts to maintain a projected rate path, we are currently evaluating the options to support this action item.</p>	No
<p>3. Facilities Improvements Purchase property, reconstruct existing facilities, and construct new facilities to address deficient work space conditions for field crews, equipment, and administrative staff: North Operations Complex; South Operations Complex; Cedar Falls; and Seattle Municipal Tower.</p>	<p>2018 Deliverables: 1. Design & permit South Operations Center (SOC) 2018 2. Construct South Operations Center 2019-2021 3. Commission & relocate DWW South Operations Center 4. Haller Lake Yard facilities plan with FAS in 2018 5. Haller Lake Yard property agreement with FAS in 2019 6. Start design & permit for the North Operations Complex (NOC) facilities & site improvements 2020 7. Start relocation & construction North Operations Complex in phased sequence. In the Third Quarter, we completed phase I improvements for the NOC; phase II is in progress. Cedar Falls Headquarters will be occupied this year. The SOC scope is being revised to include minor updates instead of a full remodel; new cost estimates will be developed in 2019.</p>	Yes
<p>4. Green Fleet Fund the infrastructure needed to implement a fleet of electric vehicles to reduce SPU’s use of fossil fuels and support the City’s Drive Clean Seattle Fleet initiative.</p>	<p>2018 Deliverables: 1. Hire Green Fleet Project Manager by end of Q1 2018 2. Align and finalize Green Fleet Action Plan by end of Q2 2018 3. Complete short term (2 year) plan tasks aligned with fleet, electricians budget and others by end of Q3 2018 4. Complete (remaining 5 years) long term plan beyond of Q4 2018 In the Third Quarter, we collaborated to develop the City’s Green Fleet Action Plan; analyzed fleet electrification and charging station needs through 2030; installed four charging stations at the Operations Control Center; and began developing SPU’s Vehicle Reduction Plan.</p>	Yes
<p>5. Green Stormwater Infrastructure Pilot Expand green stormwater infrastructure projects with a focus on urban villages to support livability while addressing stormwater management needs.</p>	<p>2018 Deliverables: Conduct spatial analysis across a range of variables to identify six high priority urban villages for possible year 1 project sites. In each site, identify key DWW issues that may be solved with green infrastructure, and complete high-level problem definition and opportunities assessments. Select final 1-2 urban villages for 1st year of program and begin concept development. In the Third Quarter, we finalized a prioritization process to analyze and select projects for implementation under this program. We also initiated a small project in the South Park neighborhood.</p>	Yes

2018-2023 Action Items Overall Goals	2018 Deliverables and Third Quarter Progress	On track?
<p>6. Pump Stations, Force Mains, and Combined Sewer Overflow Outfalls Rehabilitate or replace assets at SPU's 68 sewer pump stations and their associated for mains to help prevent sewer overflows and backups. Rehabilitate and replace SPU's 86 CSO outfalls to help prevent sewer backups.</p>	<p>2018 Deliverables: Begin construction of pump station ventilation upgrades and other improvements (pump stations 2, 72, and 73); begin construction of Force Main 43 emergency replacement; start design of next pump station improvement packages and design of two airlift pump stations. In the Third Quarter, we completed 60% of the Force Main 43 emergency replacement design and initiated design for three pump station improvement projects and two airlift pump stations. Two pump station projects are also now ready for construction.</p>	Yes
<p>7. Security Monitoring Add a dedicated security monitoring center to provide SPU with real-time monitoring of security video and add a security position to respond to an increasing number of incidents, improve response time to alarms, and perform more security checks.</p>	<p>2018 Deliverables: Program to initiate following the hiring of a security program specialist. In the Third Quarter, we secured permission to use the office space and are planning the security equipment layout. The security job description was approved by SPU HR and City HR.</p>	Yes
<p>8. Sewer Rehabilitation Increase repair, rehabilitation, and replacement of SPU's aging wastewater and drainage pipes, based on criticality and condition assessments, to support SPU's goals of preventing sewer overflows and meeting regulatory requirements.</p>	<p>2018 Deliverables: Invest \$27.2 million in sewer rehabilitation. In the Third Quarter, we spent \$11.6M through the end of August. SDOT traffic control plan review periods have significantly lengthened due to an increased volume of right of way work. This is a significant risk to meeting our \$27.2 million investment goal this year.</p>	No
<p>9. Sewer Repairs Increase sewer spot repairs utilizing trenchless technology, an efficient and cost-effect approach to address certain sewer system problems, to support meeting SPU's regulatory requirements, and reduce the likelihood of structural failures and sewer backups.</p>	<p>2018 Deliverables: Be ready to begin field work in 2019 by hiring and training staff in 2018 and buying the needed equipment. In the Third Quarter, we selected equipment and hired a consultant who is currently working on developing program protocols. The six-position crew is expected to be hired by the end of November. The Executive Order regarding fleet additions delayed equipment approval.</p>	No
<p>10. Technology Portfolio Management Add a position to manage SPU's information technology portfolio and governance system to enable SPU to better partner with the Information Technology Department to develop, manage, and track SPU's suite of technology projects.</p>	<p>2018 Deliverables: Develop a multi-year plan to ensure that Seattle IT services align with SPU's business priorities. This includes creating service level agreements and/or service expectations and metrics for critical services; ensuring the Technology CIP portfolio reflects SPU's priorities; and developing asset management plans for systems that are unique to SPU. In the Third Quarter, we began work with Seattle IT to revise monthly project reports to better communicate progress and needs. We also began work on a 2019 work plan to align with SPU priorities. The IT Liaison position has been postponed for 2 years as we work to support the current rate path.</p>	No
<p>11. Water Distribution System Maintenance Expand maintenance of approximately 60,000 water valves and 19,000 fire hydrants to better ensure that valves and hydrants operate reliably when needed, particularly during emergencies.</p>	<p>2018 Deliverables: Continue to complete deferred minor maintenance work orders. Document backlogged work orders as part of monthly reporting. In the Third Quarter, we continued to track and catch up on backlogged work orders as staff time allowed. Hiring additional FTEs was postponed, as we work to sustain the affordability of our rate path.</p>	No
<p>12. Water and Drainage & Wastewater Opportunity Projects Take advantage of street openings driven by transportation projects by initiating water infrastructure projects to improve service levels, reduce risk, reduce future costs, and provide service where there currently is none.</p>	<p>2018 Deliverables: Address each potential opportunity project through Stage Gates options analysis (triple-bottom-line cost-benefit analysis) to determine recommended course of action. In the Third Quarter, we continued to track and analyze upcoming projects for potential water infrastructure replacement opportunities. We identified and began three new water main replacement projects in concert with SDOT's street improvement projects.</p>	Yes

Table 3. Progress on City Council Deliverables

2018-2023 Council Amendment Scope	2018 Deliverables and Third Quarter Progress	On track?
<p>1. Customer Review Panel Maintain continuous stakeholder engagement. Submit legislation to formally establish the Review Panel with details for composition, appointment and confirmation rules, and other procedural requirements.</p>	<p>2018 Deliverables: Submit Review Panel legislation by year-end 2017. Have Panel meet twice a year. In the Third Quarter, we confirmed members of the Customer Review Panel in August and held our first meeting on Oct. 3rd. Second meeting is planned for Dec. 5th. Engagement with the panel will be ongoing.</p>	Yes
<p>2. CIP Cost Review Report to the Council Committee with scoping recommendations, timelines, and an estimate of the cost to engage one or more consultants to do an independent cost estimate for all discrete non-relocation-related CIP projects with an estimated total cost of no less than \$60 million.</p>	<p>2018 Deliverables: Finalize the report for the City Council in the second quarter. 2018 Deliverables were completed in Q2. In the Third Quarter, we initiated development of an on-call roster of cost estimate consultants to provide independent cost review for projects of any size. The roster is expected to be available in 3Q 2019.</p>	Yes
<p>3. CIP Accomplishment Rate Adjust the baseline capital improvement program accomplishment rate from 100% to 97.5%.</p>	<p>2018 Deliverables: Create a plan to monitor, report and maintain CIP spending at 97.5% of the CIP endorsed in the Strategic Business Plan. In the Third Quarter, we continued to monitor the CIP accomplishment rate to ensure spending is within the endorsed rate path.</p>	Yes
<p>4. Water Tap Fees Adjust water tap fees to reflect current costs of service. Updated fees shall be implemented by SPU via Director's Rule no later than April 1, 2018.</p>	<p>2018 Deliverables: Adjust water tap charge to recover costs and have an updated Directors Rule by April 1, 2018. In the Third Quarter, we adjusted water tap installation fees based on current costs of service, effective October 1st. This Action Item is now closed.</p>	Complete
<p>5. Water Connection Charges Update the water connection charge to ensure that SPU is charging the appropriate amount related to connecting to the water system and consistent with the SMC. Updated charges shall be implemented by SPU via Director's Rule no later than April 1, 2018.</p>	<p>2018 Deliverables: Adjust water connection charge to recover costs and have updated Director's Rule by April 1, 2018. In the Third Quarter, we adjusted water connection charges based on current costs of service, effective October 1st. Revisions are consistent with Seattle Municipal Code. This Action Item is now closed.</p>	Complete
<p>6. Utility Taxes Evaluate the transparency of utility billing information including the portion of a customer's bill attributable to state and local utility taxes, and specific state and local tax rates. Provide recommendations to the City Council addressing the Customer Review Panel's letter no later than April 15, 2018.</p>	<p>2018 Deliverables: Recommendations to the City Council by April 15, 2018. In the Third Quarter, we closed this Action Item. An evaluation was submitted to Council and filed with the City Clerk in April 2018. We are currently updating the billing system to provide bills with greater transparency on taxes to customers.</p>	Complete
<p>7. System Development Charges Develop a formal policy proposal to establish new sewer and drainage connection charges and change the method of calculating the water connection charge. Submit the policy proposal to City Council by June 1, 2018.</p>	<p>2018 Deliverables: Develop policy to establish new sewer and drainage connection charges and submit to Council by June 1, 2018. Develop a policy to change the method for calculating the water connection charge and submit to Council by June 1, 2018. In the Third Quarter, we continued to analyze policy issues and presented the first three of thirteen issues to the E-Team. We also continued to plan for customer engagement. The 2018 deliverable is complete; an issue paper was submitted to Council in June.</p>	Yes
<p>8. Accountability & Affordability Prepare a strategic plan for affordability and accountability.</p>	<p>2018 Deliverables: Prepare an affordability and accountability strategic plan and submit a status report to Council by August 1, 2018. In the Third Quarter, we submitted a status report to Council on August 1st and hired a new project manager who has already initiated planning efforts.</p>	Yes

2018-2023 Council Amendment Scope	2018 Deliverables and Third Quarter Progress	On track?
<p>9. Risk & Resilience Prepare a risk and resiliency management assessment to identify and evaluate potential impact and disruption to SPU's business and investment strategies. The assessment may include the following: climate change; disaster preparedness; economic growth and cost of living trends, market trends for utility services, regional and City investment priorities, and workforce availability and capabilities. Submit a status report on the assessment by August 1, 2018. Submit the final draft to Council by June 30, 2019.</p>	<p>2018 Deliverables: Form committee to evaluate SPU's current work and identify gaps and then develop a draft plan for the Resiliency framework. In the Third Quarter, we delivered the status report, as requested, to City Council in August. Customer outreach, future modeling, and dependency analysis is currently underway.</p>	<p>Yes</p>
<p>10. Efficiency Report Conduct a thorough review of utility business practices identifying changes in operation and project delivery processes that result in at least 0.1 percentage point decrease to the 5.2 percent combined average annual rate increase.</p>	<p>2018 Deliverables: Review business practices identifying 0.1 percentage point decrease to the 5.2 rate increase, by Dec 30, 2018. In the Third Quarter, we gathered efficiency ideas from leadership and clarified responsibilities for leading this work. We will be merging this work with the Accountability and Affordability work and will be requesting a time extension on this element to complete both on the same timeline.</p>	<p>No</p>