

CITY OF SEATTLE

RESOLUTION _____

..title

A RESOLUTION relating to Seattle Public Utilities; adopting a 2018-2023 Strategic Business Plan Update for Seattle Public Utilities; and endorsing a six-year rate path to support the Strategic Business Plan Update.

..body

WHEREAS, Resolution 31534, approved by the City Council on August 11, 2014, adopted the

Seattle Public Utilities (SPU) 2015-2020 Strategic Business Plan to guide utility

investments, service levels, and rate paths for the six years from 2015 to 2020; and

WHEREAS, Resolution 31534 also directed SPU to review and update the Strategic Business

Plan every three years, adding three years to the Strategic Business Plan and re-

evaluating the subsequent six-year rate path with the next review and update to be

completed in 2017 for the period 2018 to 2023; and

WHEREAS, Resolution 31694, adopted by the City Council on August 15, 2016, established a

Customer Review Panel to secure the input and engagement of SPU's customers in the

formulation of the 2018-2023 Strategic Business Plan Update; and

WHEREAS, the Council and Mayor deeply value the Customer Review Panel's perspective

when reviewing SPU's 2018-2023 proposed Strategic Business Plan; and

WHEREAS, pursuant to Resolution 31694, the current Customer Review Panel will dissolve

upon adoption of the 2018-2023 Strategic Business Plan Update, and ongoing

participation of a Customer Review Panel would help SPU maintain focus on

implementing the utilities' Strategic Business Plan Updates; and

WHEREAS, SPU reviewed and updated the Strategic Business Plan and adjusted the previously

endorsed rate path to reflect customer values, provide rate predictability for utility

customers, and result in best value for customer dollars; and

1 WHEREAS, the strategic planning update process included extensive employee engagement and
2 public outreach, including stakeholder meetings, public meetings, non-English-speaking
3 outreach, online surveys, and advertising; and

4 WHEREAS, the resulting proposed 2018-2023 Strategic Business Plan Update contains an
5 updated six-year rate path for water, drainage, wastewater, and solid waste rates that was
6 developed by identifying, evaluating, and recommending reductions and priority
7 additions to current utility expenditures; and

8 WHEREAS, over the term of this Strategic Business Plan Update, the City does not intend to
9 raise utility tax rates on any of the services provided by SPU to fund general government
10 activities unrelated to the services provided by SPU; and

11 WHEREAS, the City Council reviewed the proposed 2018-2023 Strategic Business Plan, the
12 associated six-year rate path, the recommendation of the Customer Review Panel, and the
13 results of the public outreach; NOW, THEREFORE,

14 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
15 **MAYOR CONCURRING, THAT:**

16 Section 1. The City Council adopts Seattle Public Utilities' 2018-2023 Strategic Business
17 Plan Update ("Plan Update"), a copy of which is included as Attachment ~~A-1~~ to this resolution as
18 amended and is incorporated by reference.

19 Section 2. To achieve the goals of the Plan Update, an average annual system rate
20 increase of ~~5.23~~ percent is anticipated over the period of 2018 to 2023 across all lines of
21 business.

1 Section 3. The City Council requests that, absent justifiable circumstances, the Executive
 2 submit budgets for 2018 through 2023 that are in support of, and consistent with the Plan Update
 3 and do not result in rates higher than the Plan Update’s rate path as amended by this resolution.

4 ~~Section 4.~~ Section 4. The City Council requests that, absent justifiable circumstances, the
 5 Executive submit rates for 2018 through 2023 that support and are consistent with the Plan
 6 Update and are no higher than the Plan Update’s 5.35.2 percent combined 2018-2023 average
 7 annual rate path as amended by this resolution and shown in the lower right corner of the table
 8 below. To limit rate volatility in future years, Council may adjust drainage and wastewater rates
 9 earlier than anticipated to moderate the influence of increased capital spending. The City Council
 10 requests SPU adjust the baseline capital improvement program accomplishment rate from 100
 11 percent to 97.5 percent and reduce projected revenue requirements from 2018 to 2023
 12 accordingly.

Projected 6-Year Rate Path	2018	2019	2020	2021	2022	2023	2018-2023 Average
Drinking Water	<u>1.92.0%</u>	<u>3.22.5%</u>	<u>4.03.7%</u>	<u>5.35.0%</u>	<u>4.24.1%</u>	<u>5.15.0%</u>	<u>3.93.7%</u>
Wastewater	4.1%	<u>9.38.1%</u>	<u>12.69.9%</u>	<u>9.28.9%</u>	<u>1.91.3%</u>	<u>1.92.6%</u>	<u>5.95.8%</u>
Drainage	10.7%	<u>9.99.2%</u>	<u>15.99.7%</u>	9.9%	<u>7.77.9%</u>	<u>4.84.7%</u>	<u>8.88.7%</u>
Solid Waste	3.1%	3.3%	<u>4.64.0%</u>	<u>4.63.0%</u>	<u>3.73.8%</u>	<u>2.92.8%</u>	3.4%
Combined	4.3%	<u>6.45.7%</u>	7.0%	6.8%	<u>3.79%</u>	<u>3.43.6%</u>	<u>5.35.2%</u>

13 Section 5. Actual rate changes for each of Seattle Public Utilities’ lines of business are
 14 subject to approval by the City Council via passage of rate ordinances.

15 Section 6. Seattle Public Utilities will complete an overall review and update the
 16 Strategic Business Plan every three years, adding three years to the Strategic Business Plan and
 17 re-evaluating the subsequent six-year rate path. The next complete review and adjustment of the
 18 Strategic Business Plan Update will be finalized in 2020 and will encompass the years 2021 to
 19 2026.

1 Section 7. Seattle Public Utilities will provide quarterly updates to the City Council to
2 track progress in achieving the goals of the Plan Update, including action plan goals and
3 efficiency savings.

4 Section 8. Efficiency and Productivity Study. The City Council requests that Seattle
5 Public Utilities conduct a thorough review of utility business practices identifying changes in
6 operational and project delivery processes that result in at least a 0.1 percentage point decrease to
7 the ~~5.5~~ 5.2 percent combined average annual rate increase described in Section 4 of this
8 resolution. The projected ~~six~~-year rate path described in Section 4 will incorporate a 0.1
9 percentage point target related to the efficiency study. A written report with specific savings and
10 efficiency recommendations shall be sent to the Chair of the appropriate Council committee for
11 consideration by ~~May 1, 2018~~ December 30, 2018.

12 Section 9. Customer Review Panel. The City Council requests that Seattle Public Utilities
13 formally establish an ongoing Customer Review Panel (“Panel”) to maintain continuous
14 stakeholder engagement after Council adoption of the Plan Update. Council expects the Panel to
15 provide ongoing oversight and direction as Seattle Public Utilities implements elements of the
16 Plan Update and conducts future plan updates. By December 31, 2017, Seattle Public Utilities
17 will submit legislation describing the Panel’s composition, appointment and confirmation rules,
18 terms of appointment, operating rules, and any other procedural requirements necessary to
19 deliberate and evaluate the development and implementation of Seattle Public Utilities’ strategic
20 business plan updates. The Panel shall meet a minimum of twice a year.

21 Section 10. Water Tap Fees. To ensure that Seattle Public Utilities is recovering costs
22 related to infrastructure for new water service connections, the City Council requests that Seattle
23 Public Utilities adjust water tap fees to reflect current costs of service. Updated fees for water

1 taps shall be implemented by Seattle Public Utilities via Director’s Rule no later than April 1,
2 2018.

3 Section 11. Water Connection Charges. To ensure that Seattle Public Utilities is charging
4 the appropriate amount related to connecting into the water system and consistent with the
5 Seattle Municipal Code, the City Council requests that Seattle Public Utilities update the water
6 connection charge. Updated charges for water connections shall be implemented by Seattle
7 Public Utilities via Director’s Rule no later than April 1, 2018. The City Council also requests
8 that Seattle Public Utilities develop a formal policy to change the method of calculating the
9 water connection charge, per RCW 35.92.025, no later than June 1, 2018.

10 Section 12. Utility Tax Billing Information. The City Council requests Seattle Public
11 Utilities evaluate the transparency of utility billing information including the portion of a
12 customer’s bill attributable to state and local utility taxes, and the specific state and local tax
13 rates, and report back to Council with a recommendation for potential changes to utility bills
14 based on the transparency evaluation and timing for implementation. Council requests Seattle
15 Public Utilities provide a recommended course of action in writing to the Chair of the
16 appropriate Council committee no later than April 15, 2018, addressing the concerns outlined by
17 Seattle Public Utilities’ Customer Review Panel in its letter to Council dated June 1, 2017.

18 Section 13. Drainage and Wastewater Connection Charges. The City Council requests
19 Seattle Public Utilities develop a formal policy proposal to establish new sewer and drainage
20 connection charges per RCW 35.92.025. The policy proposal shall be submitted in writing to the
21 Chair of the appropriate Council committee by June 1, 2018, and include a detailed timeline for
22 implementing specific elements of the proposal and potential effects on rates.

1 Section 14. Diaper and Pet Waste Feasibility Study. The City Council requests Seattle
2 Public Utilities spend up to \$300,000 to evaluate the feasibility of composting diaper and pet
3 waste including available technologies and techniques, relative costs, relative benefits, financial
4 implications, and any other policy considerations relevant to reducing Seattle’s landfill-bound
5 waste. The feasibility study shall be submitted to the Council President and the Chair of the
6 appropriate Council committee no later than June 30, 2019.

7 Section 15. The City Council requests that Seattle Public Utilities prepare an affordability
8 and accountability strategic plan (“~~the~~ Plan”) focused on managing future rate increases and
9 corporate performance for inclusion in the 2021-2023 Strategic Business Plan Update. At a
10 minimum, the Plan will explore and evaluate policies in the following areas: 1) utility pricing
11 and rate structures; 2) customer assistance programs including the utility discount program and
12 any other Seattle Public Utilities low-income rate assistance policies or programs; 3) process
13 efficiencies and capital project cost savings; 4) investment prioritization; 5) comparative utility
14 tax rates and the effects on rate affordability of the practice of using utility taxes as a revenue
15 source to fund general fund services; and 6) partnership opportunities. Council requests that
16 Seattle Public Utilities transmit a written status report detailing work completed on the Plan to
17 the Council President and the Chair of the appropriate Council committee by August 1, 2018.

18 ~~Final~~ The final draft of the Plan shall be submitted to Council no later than June 30, 2019.

19 Section 16. The City Council requests that Seattle Public Utilities prepare a risk and
20 resiliency management assessment (“~~the~~ Assessment”) to identify and evaluate potential impact
21 and disruptions to Seattle Public Utilities’ business and investment strategies. The assessment
22 may include the following factors: 1) climate change; 2) disaster preparedness; 3) economic
23 growth and cost of living trends; 4) market trends, including consumption patterns for utility

1 services; 5) regional and ~~city~~City investment priorities and requirements; and 6) workforce
2 availability and capabilities. Council requests that Seattle Public Utilities transmit a written
3 status report detailing work completed on the Assessment to the Council President and the Chair
4 of the appropriate Council committee by August 1, 2018. ~~Final~~The final draft of the Plan shall
5 be submitted to Council no later than June 30, 2019, for inclusion in the 2021-2023 Strategic
6 Business Plan Update process.

7 Section 17. Independent Cost Estimates. The City Council requests that Seattle Public
8 Utilities report to the Civil Rights, Utilities, Economic Development and Arts Committee, or its
9 successor committee, in writing, with scoping recommendations, timelines, and an estimate of
10 the cost to engage one or more consultants to do an independent cost estimate for all discrete
11 non-relocation-related Capital Improvement Program (CIP) projects, regardless of fund source,
12 with an estimated total cost of no less than \$60 million and completed 60 percent design. This
13 request is consistent with ongoing Council and Executive efforts to identify and implement best
14 practices for Citywide CIP oversight.

1 Adopted by the City Council the _____ day of _____, 2017,
2 and signed by me in open session in authentication of its adoption this _____ day of
3 _____, 2017.

4 _____
5 President _____ of the City Council

6 The Mayor concurred the _____ day of _____, 2017.

7 _____
8 Tim Burgess, Mayor

9 Filed by me this _____ day of _____, 2017.

10 _____
11 Monica Martinez Simmons, City Clerk

12 (Seal)

13 **Attachments:**

- 14 Attachment 1 - Seattle Public Utilities Strategic Business Plan Update 2018-2023, [Version 3](#)
15 Exhibit 1 - Customer Review Panel Comment Letter
16 Exhibit 2 - Financial Forecast Overview and 2018-2023 Baseline
17 Exhibit 3 - Action Plans and Savings/Deferrals Summary
18 Exhibit 4 - Customer Outreach Report