



Legislation Details (With Text)

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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.

Sponsors: Lisa Herbold

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| Date | Ver. | Action By | Action | Result |
|------------|------|---|---------------------------------|--------|
| 11/17/2017 | 3 | City Clerk | attested by City Clerk | |
| 11/17/2017 | 3 | Mayor | returned | |
| 11/17/2017 | 3 | Mayor | Signed | |
| 11/16/2017 | 3 | City Clerk | submitted for Mayor's signature | |
| 11/13/2017 | 2 | City Council | adopted as amended | Pass |
| 9/25/2017 | 1 | City Council | held | Pass |
| 9/12/2017 | 1 | Civil Rights, Utilities, Economic Development, and Arts Committee | adopt as amended | Pass |
| 8/8/2017 | 1 | Civil Rights, Utilities, Economic Development, and Arts Committee | discussed | |
| 7/25/2017 | 1 | Civil Rights, Utilities, Economic Development, and Arts Committee | discussed | |
| 7/11/2017 | 1 | Civil Rights, Utilities, Economic Development, and Arts Committee | discussed | |

| | | | |
|-----------|---|----------------------------|------------------------------------|
| 7/10/2017 | 1 | City Council | referred |
| 6/16/2017 | 1 | Council President's Office | sent for review |
| 6/13/2017 | 1 | City Clerk | sent for review |
| 6/13/2017 | 1 | Mayor | Mayor's leg transmitted to Council |

CITY OF SEATTLE

RESOLUTION _____

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. 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

WHEREAS, the strategic planning update process included extensive employee engagement and public

outreach, including stakeholder meetings, public meetings, non-English-speaking outreach, online surveys, and advertising; and

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

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

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

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

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

Section 2. To achieve the goals of the Plan Update, an average annual system rate increase of 5.2 percent is anticipated over the period of 2018 to 2023 across all lines of business.

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

Section 4. The City Council requests that, absent justifiable circumstances, the Executive submit rates for 2018 through 2023 that support and are consistent with the Plan Update and are no higher than the Plan Update's 5.2 percent combined 2018-2023 average annual rate path as amended by this resolution and shown in

the lower right corner of the table below. To limit rate volatility in future years, Council may adjust drainage and wastewater rates earlier than anticipated to moderate the influence of increased capital spending. The City Council requests SPU adjust the baseline capital improvement program accomplishment rate from 100 percent to 97.5 percent and reduce projected revenue requirements from 2018 to 2023 accordingly.

| Projected 6-Year Rate Path | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2018-2023 Average |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------|
| Drinking Water | 2.0% | 2.5% | 3.7% | 5.0% | 4.1% | 5.0% | 3.7% |
| Wastewater | 4.1% | 8.1% | 9.9% | 8.9% | 1.3% | 2.6% | 5.8% |
| Drainage | 10.7% | 9.2% | 9.7% | 9.9% | 7.9% | 4.7% | 8.7% |
| Solid Waste | 3.1% | 3.3% | 4.0% | 3.0% | 3.8% | 2.8% | 3.4% |
| Combined | 4.3% | 5.7% | 7.0% | 6.8% | 3.7% | 3.6% | 5.2% |

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

Section 6. Seattle Public Utilities will complete an overall 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. The next complete review and adjustment of the Strategic Business Plan Update will be finalized in 2020 and will encompass the years 2021 to 2026.

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

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

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

Section 10. Water Tap Fees. To ensure that Seattle Public Utilities is recovering costs related to infrastructure for new water service connections, the City Council requests that Seattle Public Utilities adjust water tap fees to reflect current costs of service. Updated fees for water taps shall be implemented by Seattle Public Utilities via Director’s Rule no later than April 1, 2018.

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

Section 12. Utility Tax Billing Information. The City Council requests Seattle Public Utilities evaluate the transparency of utility billing information including the portion of a customer’s bill attributable to state and local utility taxes, and the specific state and local tax rates, and report back to Council with a recommendation for potential changes to utility bills based on the transparency evaluation and timing for implementation. Council requests Seattle Public Utilities provide a recommended course of action in writing to the Chair of the

appropriate Council committee no later than April 15, 2018, addressing the concerns outlined by Seattle Public Utilities' Customer Review Panel in its letter to Council dated June 1, 2017.

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

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

Section 15. The City Council requests that Seattle Public Utilities prepare an affordability and accountability strategic plan ("Plan") focused on managing future rate increases and corporate performance for inclusion in the 2021-2023 Strategic Business Plan Update. At a minimum, the Plan will explore and evaluate policies in the following areas: 1) utility pricing and rate structures; 2) customer assistance programs including the utility discount program and any other Seattle Public Utilities low-income rate assistance policies or programs; 3) process efficiencies and capital project cost savings; 4) investment prioritization; 5) comparative utility tax rates and the effects on rate affordability of the practice of using utility taxes as a revenue source to fund general fund services; and 6) partnership opportunities. Council requests that Seattle Public Utilities transmit a written status report detailing work completed on the Plan to the Council President and the Chair of the appropriate Council committee by August 1, 2018. The final draft of the Plan shall be submitted to Council no later than June 30, 2019.

Section 16. The City Council requests that Seattle Public Utilities prepare a risk and resiliency

management assessment (“Assessment”) to identify and evaluate potential impact and disruptions to Seattle Public Utilities’ business and investment strategies. The assessment may include the following factors: 1) climate change; 2) disaster preparedness; 3) economic growth and cost of living trends; 4) market trends, including consumption patterns for utility services; 5) regional and City investment priorities and requirements; and 6) workforce availability and capabilities. Council requests that Seattle Public Utilities transmit a written status report detailing work completed on the Assessment to the Council President and the Chair of the appropriate Council committee by August 1, 2018. The final draft of the Plan shall be submitted to Council no later than June 30, 2019, for inclusion in the 2021-2023 Strategic Business Plan Update process.

Section 17. Independent Cost Estimates. The City Council requests that Seattle Public Utilities report to the Civil Rights, Utilities, Economic Development and Arts Committee, or its successor committee, in writing, 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 Capital Improvement Program (CIP) projects, regardless of fund source, with an estimated total cost of no less than \$60 million and completed 60 percent design. This request is consistent with ongoing Council and Executive efforts to identify and implement best practices for Citywide CIP oversight.

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

President _____ of the City Council

The Mayor concurred the _____ day of _____, 2017.

Tim Burgess, Mayor

Filed by me this _____ day of _____, 2017.

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

- Attachment 1 - Seattle Public Utilities Strategic Business Plan Update 2018-2023, Version 3
- Exhibit 1 - Customer Review Panel Comment Letter
- Exhibit 2 - Financial Forecast Overview and 2018-2023 Baseline
- Exhibit 3 - Action Plans and Savings/Deferrals Summary
- Exhibit 4 - Customer Outreach Report