

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 raise
9 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 to this resolution and
18 is incorporated by reference.

19 Section 2. To achieve the goals of the Plan Update, an average annual system rate
20 increase of 5.53 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. 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 5.53 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.

Projected 6-Year Rate Path	2018	2019	2020	2021	2022	2023	2018- 2023 Average
Drinking Water	<u>3.51.9%</u>	<u>4.13.2%</u>	<u>5.24.0%</u>	5.3%	<u>4.12%</u>	<u>5.61%</u>	<u>4.63.9%</u>
Wastewater	<u>4.1.2%</u>	<u>12.29.3%</u>	12.6%	<u>39.2%</u>	<u>4.01.9%</u>	<u>2.71.9%</u>	5.9%
Drainage	<u>10.7.5%</u>	<u>14.29.9%</u>	15.9%	<u>6.19.9%</u>	<u>2.87.7%</u>	<u>7.14.8%</u>	8.8%
Solid Waste	3.1%	3.3%	4.6%	<u>2.84.6%</u>	3.7%	2.9%	3.4%
Combined	<u>3.24.3%</u>	<u>8.26.4%</u>	<u>9.57.0%</u>	<u>4.16.8%</u>	<u>3.73.9%</u>	<u>4.23.4%</u>	<u>5.53%</u>

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

12 Section 6. Seattle Public Utilities will complete an overall review and update the
 13 Strategic Business Plan every three years, adding three years to the Strategic Business Plan and
 14 re-evaluating the subsequent six-year rate path. The next complete review and adjustment of the
 15 Strategic Business Plan Update will be finalized in 2020 and will encompass the years 2021 to
 16 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. Customer Review Panel. The City Council requests that Seattle Public Utilities
5 formally establish an ongoing Customer Review Panel (“Panel”) to maintain continuous
6 stakeholder engagement after Council adoption of Plan Update. Council expects the Panel to
7 provide ongoing oversight and direction as Seattle Public Utilities implements elements of the
8 Plan Update and conducts future plan updates. By December 31, 2017, Seattle Public Utilities
9 will submit legislation describing the Panel’s composition, appointment and confirmation rules,
10 terms of appointment, operating rules, and any other procedural requirements necessary to
11 deliberate and evaluate the development and implementation of Seattle Public Utilities’ strategic
12 business plan updates. The Panel shall meet a minimum of twice a year.

13 Section 9. Water Tap Fees. To ensure that Seattle Public Utilities is recovering costs
14 related to infrastructure for new water service connections, the City Council requests that Seattle
15 Public Utilities adjust water tap fees to reflect current costs of service. Updated fees for water
16 taps shall be implemented by Seattle Public Utilities via Director’s Rule no later than April 1,
17 2018.

18 Section 10. Water Connection Charges. To ensure that Seattle Public Utilities is charging
19 the appropriate amount related to connecting into the water system and consistent with the
20 Seattle Municipal Code, the City Council requests that Seattle Public Utilities update the water
21 connection charge. Updated charges for water connections shall be implemented by Seattle
22 Public Utilities via Director’s Rule no later than April 1, 2018. The City Council also requests

1 that Seattle Public Utilities develop a formal policy to change the method of calculating the
2 water connection charge, per RCW 35.92.025, no later than June 1, 2018.

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

11 Section 12. Drainage and Wastewater Connection Charges. The City Council requests
12 Seattle Public Utilities develop a formal policy proposal to establish new sewer and drainage
13 connection charges per RCW 35.92.025. The policy proposal shall be submitted in writing to the
14 Chair of the appropriate Council committee by June 1, 2018, and include a detailed timeline for
15 implementing specific elements of the proposal and potential effects on rates.

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 Edward B. Murray, 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
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