

2018-2023 Strategic Business Plan Proposal

Civil Rights, Utilities, Economic Development,
and Arts Committee
July 11, 2017

Overview of the Strategic Business Plan

- Serves as SPU's blueprint for providing critical services to the city.
- Guides important investments to protect public health and the environment.
- Strives to balance the rates that support investments and baseline services with affordability.
- Commits to providing accessible and equitable services.



Community and Employee Engagement

- Received input from hundreds of utility customers:
 - Seven community meetings, many in language, reflecting Seattle neighborhoods, businesses and ethnic communities
 - On-line survey available to all customers
- Achieved a 65% response rate to the employee survey.
- Sent a postcard to 325,000 customers inviting public comment on the proposed Plan.



Recap of April 25 CRUEDA Briefing

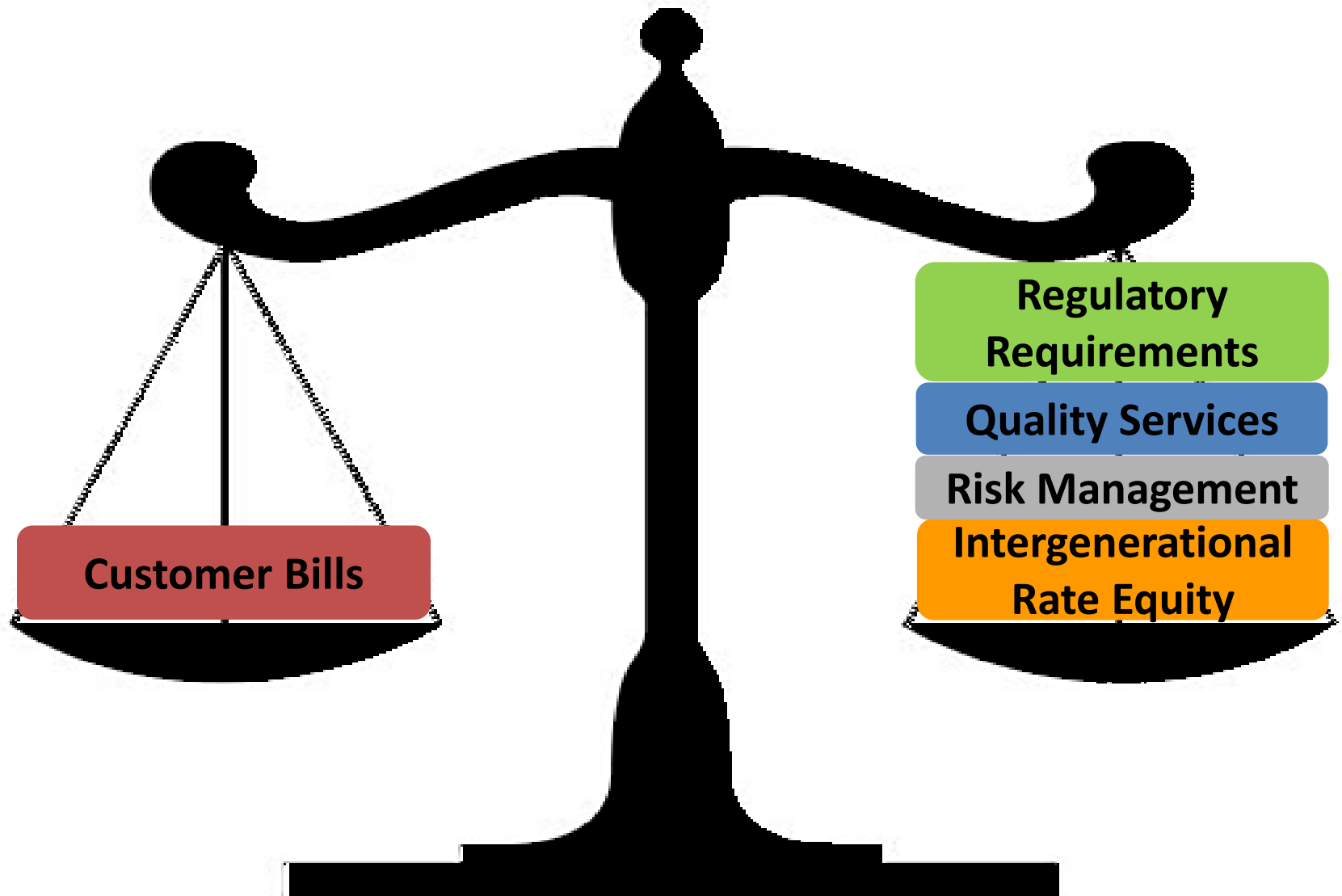
2018-2023 SBP Update – Rate Path Starting Point

- September 2016 = **6.8%**
- January 2017 = **5.6%**:

Baseline rate path	5.2%
Minus additional savings	(0.3%)
<u>Plus action plan investments</u>	<u>0.7%</u>
Option A Average Annual Rate Increase	5.6%

- April 2017 – Three rate path options presented, each with a different mix of action plans and cost savings:
 - Option A – **5.6%**
 - Scenario 1 – **5.5%**
 - Scenario 2 – **5.4%**

2018-2023 SBP Update – Finding the Right Balance



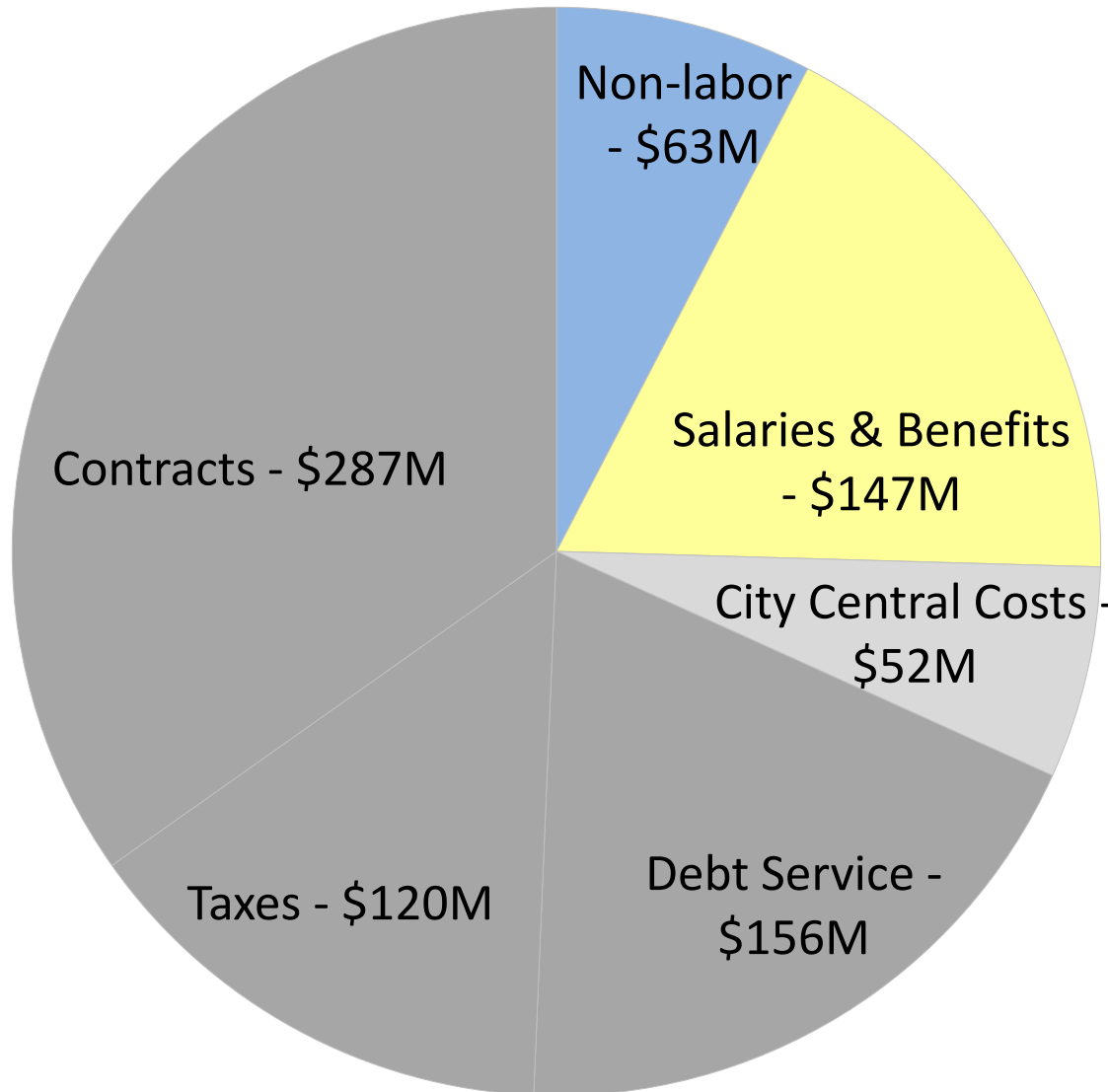
2018-2023 Cost Savings

Three rounds of cost savings for a total of \$411.5 million:

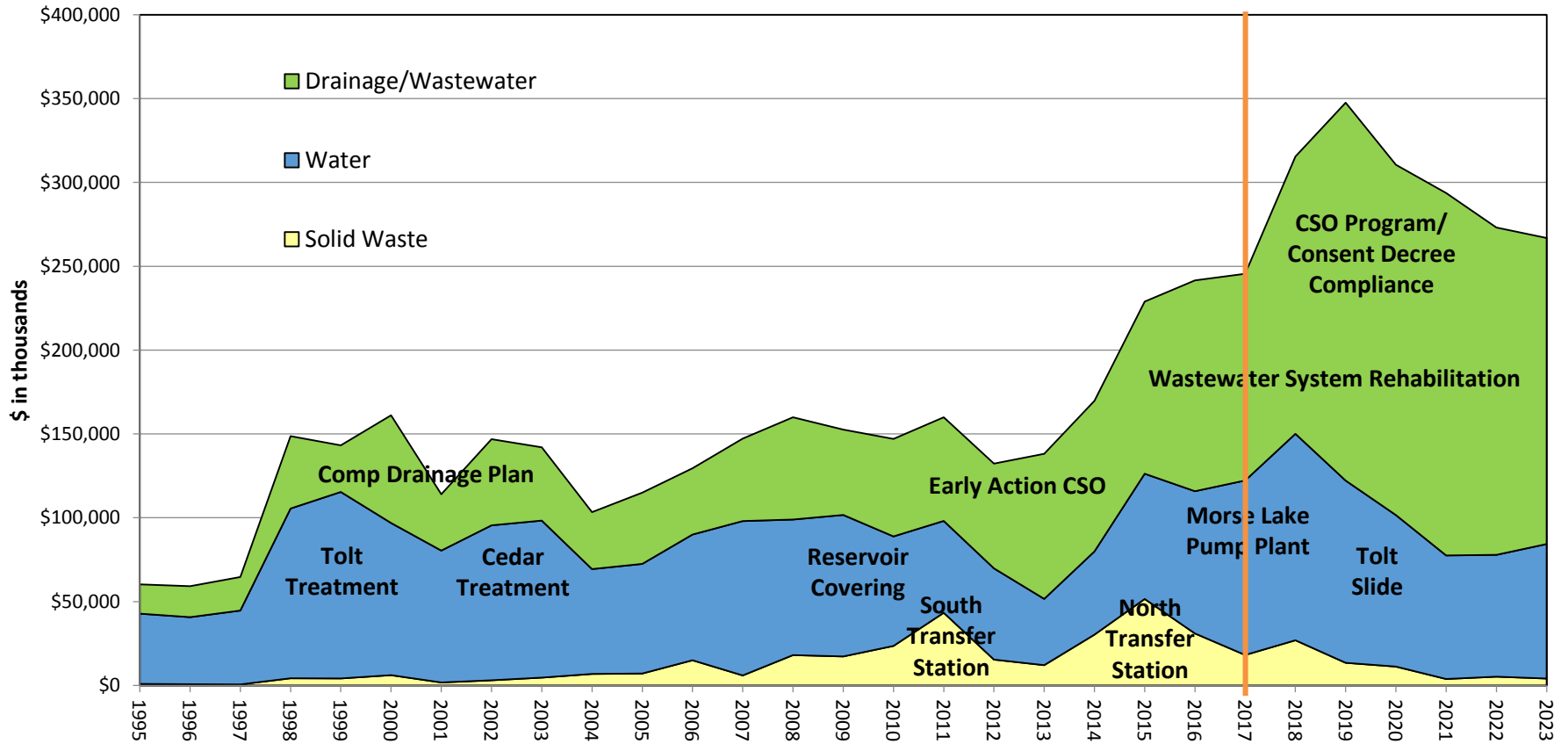
- Internal within SPU \$276 million; examples include:
 - \$30M deferral of capital investments for localized flooding projects
 - \$22M cost savings by finding a less expensive solution to the Tolt Slide project
 - \$17M deferral of a systems operational center
- Reductions made with the Panel \$135.5 million; examples include:
 - \$66M elimination of funding for transportation opportunity projects in drainage and wastewater
 - \$37M elimination of expanded funding for sanitary sewer capacity projects
 - \$7.6M deferral of the diaper and pet waste composting program

2017 Operations & Maintenance \$825M

Most of the operations and maintenance budget is not discretionary.

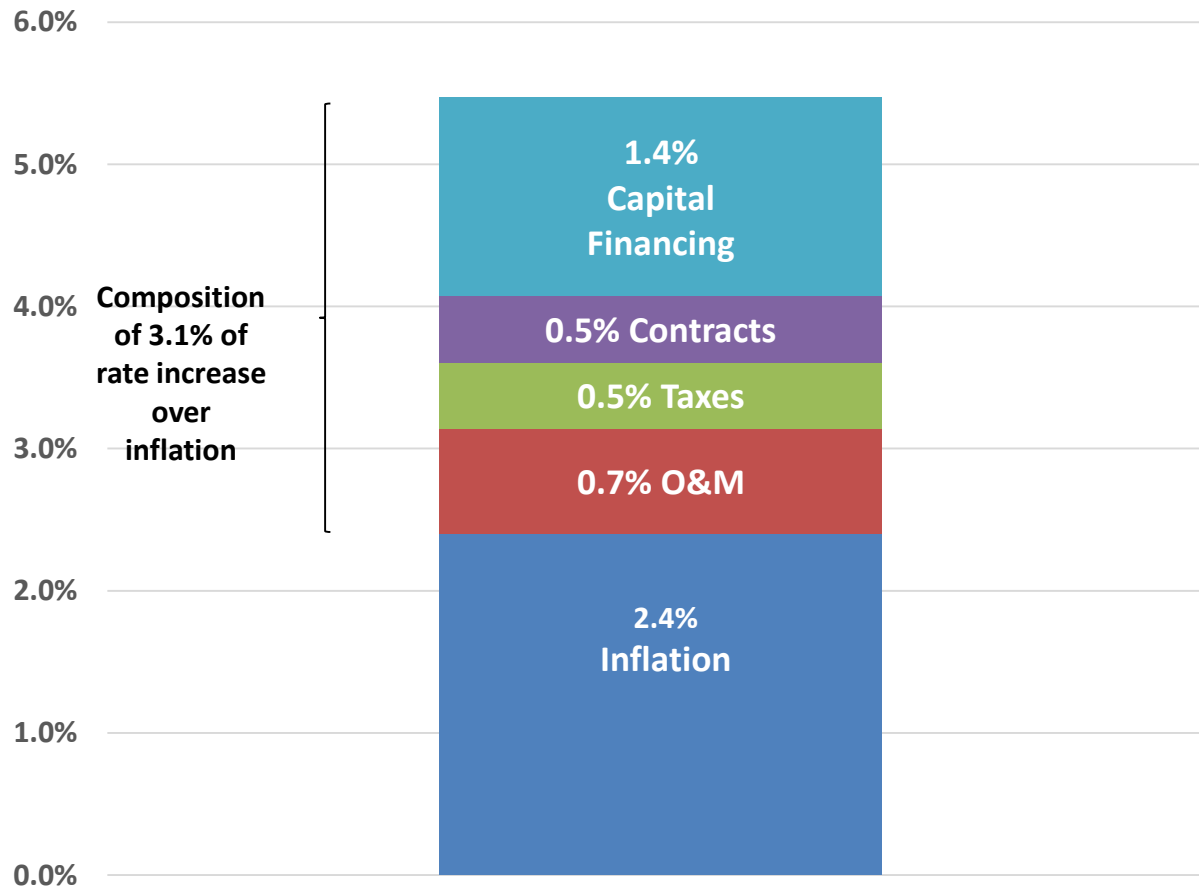


Capital Spending 1995-2023



2018-2023 Proposed Rate Path

The proposed 2018-2023 average annual rate increase is **5.5%**:



2018-2023 Proposed Rate Path and Typical Residential Bill

2018-2023 Proposed Rate Path

Fund	2018	2019	2020	2021	2022	2023	2018-2023 Average
Water	3.5%	4.1%	5.2%	5.3%	4.1%	5.6%	4.6%
Wastewater	1.2%	12.2%	12.6%	3.2%	4.0%	2.7%	5.9%
Drainage	7.5%	14.2%	15.9%	6.1%	2.8%	7.1%	8.8%
Solid Waste	3.1%	3.3%	4.6%	2.8%	3.7%	2.9%	3.4%
Combined	3.2%	8.2%	9.5%	4.1%	3.7%	4.2%	5.5%

2018-2023 Typical Monthly Residential Bill

Fund	2017	2018	2019	2020	2021	2022	2023
Water	\$41.13	\$42.57	\$44.32	\$46.64	\$49.11	\$51.13	\$54.01
Wastewater	\$55.60	\$56.27	\$63.13	\$71.09	\$73.36	\$76.30	\$78.36
Drainage	\$36.04	\$38.89	\$44.43	\$51.51	\$54.66	\$56.17	\$60.14
Solid Waste	\$47.29	\$48.78	\$50.46	\$52.89	\$54.42	\$56.56	\$58.25
Combined	\$180.06	\$186.51	\$202.35	\$222.14	\$231.56	\$240.16	\$250.76

2018-2023 Proposed Rate Path and Typical Bill for an Apartment Resident

2018-2023 Typical Monthly Bill for Apartment Resident




Fund	2017	2018	2019	2020	2021	2022	2023
Water	\$23.68	\$24.51	\$25.52	\$26.85	\$28.28	\$29.44	\$31.10
Sewer	\$51.72	\$52.32	\$59.67	\$68.31	\$71.65	\$75.72	\$78.99
Drainage	\$6.84	\$7.29	\$8.32	\$9.64	\$10.23	\$10.52	\$11.27
Garbage	\$24.68	\$25.15	\$26.16	\$27.44	\$28.18	\$29.39	\$30.12
Combined	\$106.93	\$109.27	\$119.67	\$132.24	\$138.34	\$145.07	\$151.48

2018-2023 Proposed Rate Path and Sample Commercial Customer Bill

2018-2023 Sample Monthly Bill for a Convenience Store

Fund	2017	2018	2019	2020	2021	2022	2023
Water	\$99.80	\$103.30	\$107.55	\$113.19	\$119.17	\$124.07	\$131.06
Sewer	\$258.60	\$261.60	\$308.15	\$363.56	\$392.38	\$425.94	\$455.72
Drainage	\$89.25	\$95.05	\$108.56	\$125.79	\$133.47	\$137.22	\$147.00
Garbage	\$489.66	\$498.82	\$518.54	\$543.97	\$558.84	\$582.66	\$597.32
Combined	\$937.31	\$958.77	\$1,042.81	\$1,146.51	\$1,203.87	\$1,269.89	\$1,331.10

Recent Developments

Issue	Rate Impact
Regional construction market conditions is a major point of uncertainty for the Ship Canal Water Quality Project and SPU's capital program portfolio.	
Wholesale water revenue is expected to come in higher than originally projected.	
Interest payments for newly issued drainage and wastewater bonds came in lower than originally projected.	

- SPU expects to be able stay within the proposed 5.5% rate path, barring unforeseen exceptional circumstances.
- SPU will actively manage its capital and operations programs and, if needed, will defer and/or cut non-regulatory items.

2018-2023 Investments

Environmental Sustainability

- Expand green stormwater infrastructure projects with a focus on urban villages to support livability while addressing stormwater management needs.
- Build new charging stations and other infrastructure to reduce our use of fossil fuels.



2018-2023 Investments

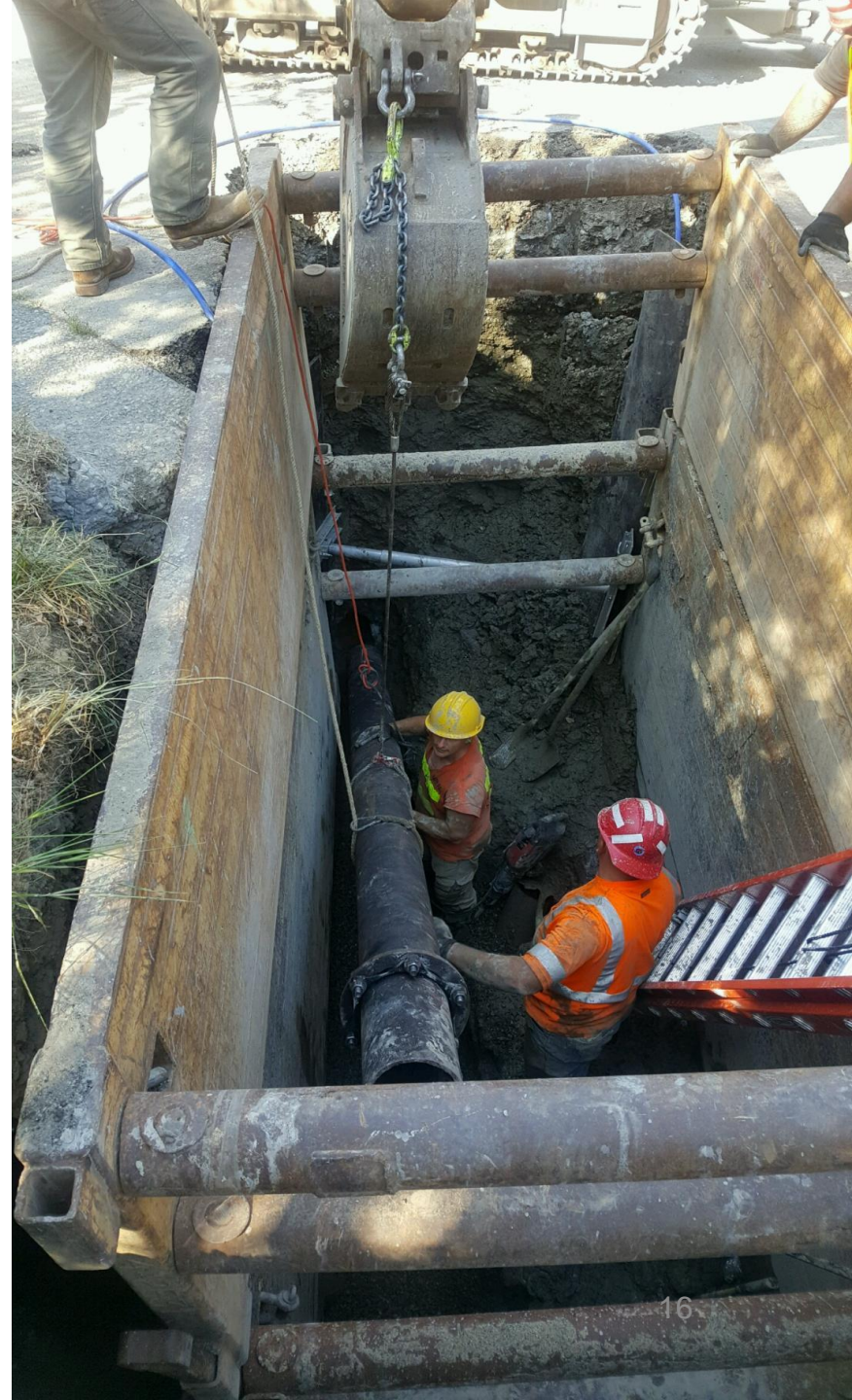
Regulatory Compliance and Public Health Protection

Repair sewer pipes using trenchless technology, rehabilitate or replace aging sewer and drainage pipes and pump stations, and replace combined sewer overflow outfalls to prevent sewer overflows and backups.



2018-2023 Investments Infrastructure Reliability

- Replace infrastructure in support of transportation projects to keep Seattle moving.
- Increase hydrant and valve maintenance to ensure they function reliably during emergencies.



2018-2023 Investments

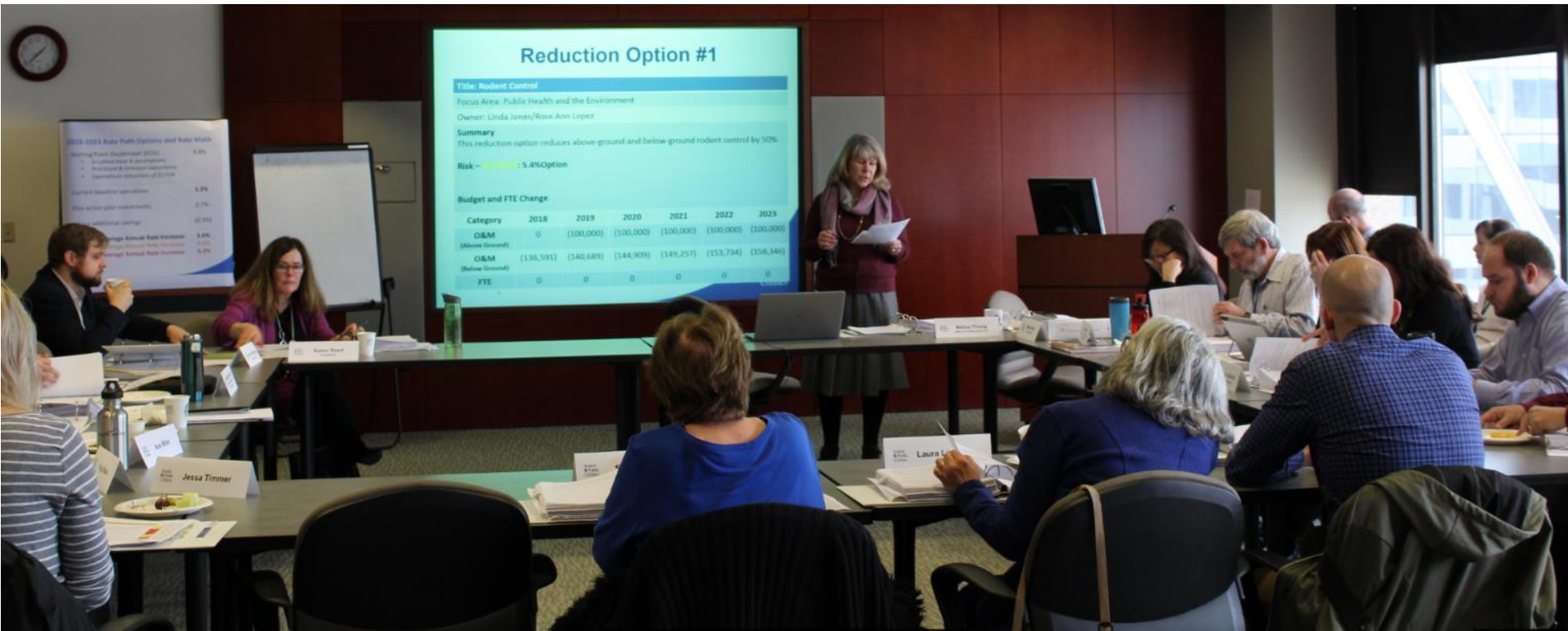
Workforce Investments

- Expand the apprenticeship program to ensure SPU recruits and retains the best and most diverse employees to deliver essential utility services.
- Renovate and build additional space to address deficient work space conditions for staff and equipment.



Next Steps – After SBP Update Approval

- Adopt rates, starting with the 2018-2020 water rates.
- Stay connected with the Customer Review Panel.
- Plan for the next Update; continue to improve community outreach.
- Report progress to Council, the Executive and customers.



Questions?

