

April 16, 2021

## MEMORANDUM

**To:** Transportation and Utilities Committee  
**From:** Brian Goodnight, Analyst  
**Subject:** Resolution 32000: Seattle Public Utilities' 2021–2026 Strategic Business Plan

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On April 21, 2021, the Transportation and Utilities Committee will continue its consideration of [Resolution 32000](#), proposed legislation that would adopt Seattle Public Utilities' (SPU's) 2021–2026 Strategic Business Plan (Proposed SBP) and endorse a three-year rate path and three-year rate forecast that results in an average annual utility rate increase of 4.2 percent over the six-year period. SPU provided a presentation on the Proposed SBP at the committee's April 7, 2021 meeting, and the committee will continue discussion and possibly vote on Resolution 32000 at its May 5, 2021 meeting.

This memorandum summarizes the Proposed SBP and its related rate path and forecast, provides background information on prior Council action and direction, compares the Proposed SBP to the previous 2018–2023 Strategic Business Plan (2018 SBP) and rates that have been adopted, and identifies issues for Council consideration.

### Summary

Per Council direction<sup>1</sup>, every three years SPU engages in a planning process that results in a proposed update to its Strategic Business Plan.<sup>2</sup> That process is an opportunity for SPU to re-evaluate its priorities and project its operating and capital program requirements over the next six years for all three of the utilities that it operates: Drainage and Wastewater, Solid Waste, and Water. Since the updates occur every three years but cover a six-year timeframe, the Proposed SBP has a three-year overlap with the 2018 SBP. The updates also offer the Council an opportunity to determine whether it agrees with SPU's proposed direction and rate path or wants to make adjustments.

The Proposed SBP contains SPU's new mission<sup>3</sup> and vision<sup>4</sup>, identifies SPU's focus areas, describes its long-term goals and short-term strategies, and highlights representative initiatives and investments.

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<sup>1</sup> [Resolution 31534](#)

<sup>2</sup> Consideration of the 2021–2026 Strategic Business Plan was scheduled to occur during 2020, but the Executive decided to delay completion of the plan due to the onset of the COVID-19 pandemic.

<sup>3</sup> SPU Mission: "Seattle Public Utilities fosters healthy people, environment, and economy by partnering with our community to equitably manage water and waste resources for today and for future generations."

<sup>4</sup> SPU Vision: "Community Centered, One Water, Zero Waste"

The Proposed SBP's four focus areas are:

- Delivering Equitable Essential Services
- Stewarding Environment and Health
- Empowering Our Customers, Community, and Employees
- Strengthening Our Utility's Business Practices

To inform the Proposed SBP, SPU conducted a review of previous research studies performed over the past ten years, surveyed community members and SPU employees, and interviewed business and community leaders about their experiences with, and thoughts on, SPU. Some key takeaways from the outreach and engagement process, as identified by SPU, are: SPU's services are essential and highly valued, people appreciate SPU's orientation toward thinking about the future, and there is a recognition that SPU is trying to create authentic partnerships in underserved communities. Participants also noted that issues associated with growth, affordability, and climate change are challenges for SPU. Additional information on SPU's outreach and engagement process can be found in Appendix E to the Proposed SBP.<sup>5</sup>

In addition, SPU worked extensively with its Customer Review Panel for over two years during the development of the Proposed SBP. Additional information on the Customer Review Panel and its recommendations can be found below.

### Rate Path and Forecast

Although SPU operates three distinct utilities, the Drainage and Wastewater utility has two separate rate structures: one for the Drainage line of business and one for the Wastewater line of business. The Proposed SBP, therefore, includes rate projections for each of SPU's four lines of business: Water, Wastewater, Drainage, and Solid Waste.

Table 1 shows the proposed annual rate increases and six-year averages for each line of business during the 2021 to 2026 time period covered by the Proposed SBP. The bottom row of the table shows the combined annual rate increases for each year, which is a weighted average based on the relative size of each line of business. The Proposed SBP includes a recommended rate path for the first three years (2021 to 2023) and a rate forecast for the last three years (2024 to 2026). SPU has a lower level of confidence in the rate forecast for the last three years of the Proposed SBP due to future uncertainties and unforeseen events or policy choices that could impact rates for those years.

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<sup>5</sup> Appendix E begins on Page 104 of the Proposed SBP, which is [Attachment 1 to Resolution 32000](#).

Table 1. Proposed Rate Path (2021–2023) and Rate Forecast (2024–2026)

Line of Business	2021	2022	2023	2024	2025	2026	6-Year Average
Water	0.0%	2.7%	4.7%	3.6%	4.2%	5.5%	3.4%
Wastewater	7.3%	3.1%	5.9%	0.5%	7.8%	3.6%	4.7%
Drainage	7.4%	8.6%	7.2%	3.9%	6.5%	6.7%	6.7%
Solid Waste	2.9%	2.9%	2.2%	2.3%	2.1%	2.1%	2.4%
<b>Combined:</b>	<b>4.5%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>2.2%</b>	<b>5.4%</b>	<b>4.2%</b>	<b>4.2%</b>

Note: The cells shaded in blue show rate increases that the Council has already adopted legislatively<sup>6</sup>, with the exception of the 0.0% Water rate for 2021. Due to the COVID-19 pandemic and its economic impacts, the Executive did not propose an increase to Water rates in 2021 according to the regular schedule. Therefore, the 2020 adopted rates continued unchanged into 2021.

As can be seen in the table, the combined average annual rate increase in the Proposed SBP is 4.2 percent. SPU derived the rate path and forecast by determining the resources necessary to continue providing the current level of service, to provide sufficient funding for required capital programs and maintenance, and to initiate new programs or increase spending in targeted priority areas.

Three primary factors are contributing to the proposed rate increases:

- a. increased operational expenses due to inflation;
- b. increased capital expenses due to regulatory compliance costs and increased investment in aging infrastructure; and
- c. increased contractual expenses from large contracts, such as the King County wastewater treatment contract.

SPU has also taken steps to control costs and reduce the growth in rates when possible through activities such as: improving capital investment assumptions, using available cash balances, negotiating lower solid waste contract rates, and taking advantage of lower-cost financing options.

Following are some rules of thumb for how SPU could change the Proposed SBP’s combined annual average rate increase by a tenth of a percentage point. For context, SPU’s 2021 Adopted Budget is approximately \$1.4 billion. Decreasing the combined annual average rate from 4.2 percent to 4.1 percent would require a reduction of about \$7 million per year, or \$43 million in capital spending during the six-year planning period. Achieving the same overall rate reduction

<sup>6</sup> The Council typically considers rate-setting legislation for one of SPU’s distinct utilities (Drainage and Wastewater, Solid Waste, or Water) each year, with rates being set for a three-year period. For example, in Fall 2019, the Council passed [Ordinance 125985](#) setting Solid Waste rates for 2020–2022. In 2020, the Council would typically have considered legislation setting Water rates for 2021–2023. Instead, the Council expects to consider legislation in 2021 to set Water rates for 2022–2023; and the Council also expects to consider legislation in 2021 to set Drainage and Wastewater rates for 2022–2024. This will allow the SPU rate-setting cycle to resume a more typical schedule.

through operations and maintenance spending (rather than through a decrease in capital spending) would require a cut of \$6 million per year, or \$36 million during the six-year period.<sup>7</sup> Similar spending increases would be possible if the combined annual average rate were increased from 4.2 percent to 4.3 percent.

In terms of the Proposed SBP's cost to customers, the typical bill for a single-family house would increase from \$223 per month in 2021 to \$275 per month by the sixth year of the Proposed SBP, an increase of \$52 per month. For a multifamily unit customer, the typical bill is estimated to increase from \$127 per month in 2021 to \$155 per month by 2026, an increase of \$28 per month over the 2021 cost.<sup>8</sup>

### Equity and Customer Assistance

In an attempt to address the disproportionate impact that utility bills may have on low-income customers, SPU has a variety of customer assistance programs<sup>9</sup>, including the Utility Discount Program (UDP) and the Emergency Assistance Program (EAP). The UDP provides a 50 percent discount on SPU bills for customers that are income qualified<sup>10</sup>, and the EAP provides credits to qualifying customers to assist with current or overdue balances.<sup>11</sup>

The COVID-19 pandemic also appears to have negatively impacted many customers. Since the beginning of the pandemic, the number of delinquent customer accounts has increased dramatically. In March 2020, SPU had approximately 4,500 delinquent residential customer accounts with a total of about \$2.1 million in overdue bills. By March 2021, the number of delinquent customer accounts had risen over 80 percent up to approximately 8,200 accounts with overdue amounts totaling just under \$7 million.<sup>12</sup> In response, SPU has suspended customer shut-offs, created flexible payment plans for residential and small business customers, and with Council approval<sup>13</sup> has suspended interest charges on delinquent utility account balances.

SPU is continuing to evaluate its programs and improve the assistance that can be provided to eligible customers. Between late-2019 and late-2020, SPU customer enrollment in the UDP increased by approximately 5,000 customers, largely resulting from a self-certification process

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<sup>7</sup> The spending amount changes provided as examples are illustrative of magnitude, but rate impacts would vary depending on the line of business and year of the changes.

<sup>8</sup> Typical monthly bill examples by SPU line of business for a single-family house, a multifamily unit, and a convenience store are provided on Page 30 of the Proposed SBP.

<sup>9</sup> A Customer Assistance Catalogue is available in [Exhibit A to Resolution 32000's Summary and Fiscal Note](#).

<sup>10</sup> To qualify for the UDP, customers must be at or below 70 percent of the state median income, which for a household of four in 2021 is approximately \$72,000.

<sup>11</sup> To qualify for the EAP, customers must be at or below 80 percent of the state median income, which for a household of four in 2021 is approximately \$82,000.

<sup>12</sup> Council recently passed [Council Bill 120018](#) providing federal funds to SPU for it to provide utility assistance to renters with arrearages.

<sup>13</sup> Approval was most recently granted via [Ordinance 126182](#), which passed in September 2020.

that allows customers to enroll with significantly less paperwork than is typically required. Consistent with the trend over the last few years, the number of multifamily customers enrolling in the UDP during this period has exceeded the number of single-family customers.

The Proposed SBP also includes a new area of investment to assist customers with maintaining and repairing their side sewers, likely in the form of rebates, grants, or loans. SPU intends for this program to prioritize low- and fixed-income customers, and SPU's preliminary analysis indicates that those customers are likely to be underserved communities including communities of color and non-English speaking populations.

SPU has also explicitly acknowledged equity and empowerment as guiding principles in the Proposed SBP. SPU commits to giving voice and power to all of its customers and prioritizing "outreach to traditionally hard-to-reach communities, improv[ing] connections with and between employees (especially those on the front lines of service delivery), and enhanc[ing] regional partnerships and collaboration."<sup>14</sup> The Proposed SBP includes two initiatives that directly support those commitments: updating SPU's Race and Social Justice (RSJ) Strategic Plan and developing a new proposal that SPU has titled the Seeds of Resilience Impact Investment. SPU's goals for the RSJ Strategic Plan update are to revise the plan to reflect current needs, assess the extent to which RSJ policies are supported across the utility, and recommend opportunities for improved policies and practices. The Seeds of Resilience proposal aims to design a three-year pilot program that will foster community-centered entrepreneurship through grants supporting projects that build water resiliency or reduce waste, with an emphasis on growing jobs and supporting Black, Indigenous, and People of Color communities.

#### Customer Review Panel Comments

SPU's Customer Review Panel (CRP), established by the Council as an ongoing entity in 2018 via [Resolution 31800](#), is tasked with providing stakeholder oversight of the SBP's implementation and providing input into SBP updates. The establishing resolution provides that CRP members should be selected to represent a variety of SPU customer viewpoints, including residential, commercial, low-income housing, non-profits, and the development community.

Appendix A to the Proposed SBP materials<sup>15</sup> is a comment letter from the CRP. In brief, the CRP endorses the Proposed SBP and supports its adoption by the Council. The CRP comment letter states that ensuring the affordability of SPU's services, particularly for low-income customers and small businesses, is a priority for the CRP, and the members are pleased that the proposed rate path is lower than the rate path included in the 2018 SBP. They are concerned, however, that the rate path reduction is largely being accomplished by spending cash reserves built up during the last three years due to underspending on capital projects, which may not be sustainable and may create rate pressure in the future as asset maintenance and rehabilitation

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<sup>14</sup> Page 21 of the Proposed SBP.

<sup>15</sup> Appendix A begins on Page 33 of the Proposed SBP.

needs increase. The CRP would also like to strengthen its communication and engagement with the Mayor's Office and Council in the future.

The Chair of the CRP is scheduled to make a presentation to the Transportation and Utilities Committee at its April 21, 2021 meeting.

## **Background**

In Fall 2012, the Council passed a Statement of Legislative Intent<sup>16</sup> requesting SPU to develop a strategic plan covering all of its lines of business as the basis for establishing a rate growth policy. Subsequently, in March 2013, the Council adopted [Resolution 31429](#) stating that the primary goal for SPU's new SBP process is "to set a transparent and integrated direction for all of SPU's business lines that reflects customer values, provides rate predictability for utility customers, and results in best value for customer dollars."

[Resolution 31534](#), adopted in August 2014, adopted SPU's first SBP covering 2015–2020. This resolution also directed SPU to complete a review and update of the SBP every three years, adding three years to the timeframe and re-evaluating the six-year rate path. The most recent SBP, the 2018 SBP covering the 2018–2023 time period, was adopted by the Council in November 2017, via [Resolution 31760](#).

In addition to adopting the 2018 SBP, Resolution 31760 also requested SPU to prepare two additional reports for inclusion and incorporation into the next SBP update. The first of these reports, the Accountability and Affordability Strategic Plan (A&A Plan), was intended to focus on managing future rate increases and on the corporate performance of SPU. The A&A Plan, which was completed and submitted to Council in June 2019, "focuses on how SPU delivers capital projects, ensures access to services, partners with organizations, and conducts other business practices."<sup>17</sup> The A&A Plan describes 12 strategies and 47 action items across six practice areas to improve affordability and accountability. The A&A Plan can be found in Appendix G to the Proposed SBP.<sup>18</sup>

The second of the reports requested by Resolution 31760 is the Risk and Resiliency Strategic Plan (R&R Plan). The intent of the request was for SPU to identify and evaluate potential impacts and disruptions to SPU's business and investment strategies. The R&R Plan, also submitted to Council in June 2019, identifies and describes seven strategic risk areas (climate change, disasters, investment priorities, economy, market forces, technology, and workforce), details SPU's accomplishments in addressing the risks, and provides the next steps to advance resiliency work throughout SPU. The R&R Plan can be found in Appendix H of the Proposed SBP.<sup>19</sup>

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<sup>16</sup> [2013–2014 Statement of Legislative Intent 27-1-A-1](#)

<sup>17</sup> Accountability and Affordability Strategic Plan, Page 3.

<sup>18</sup> Appendix G begins on Page 117 of the Proposed SBP.

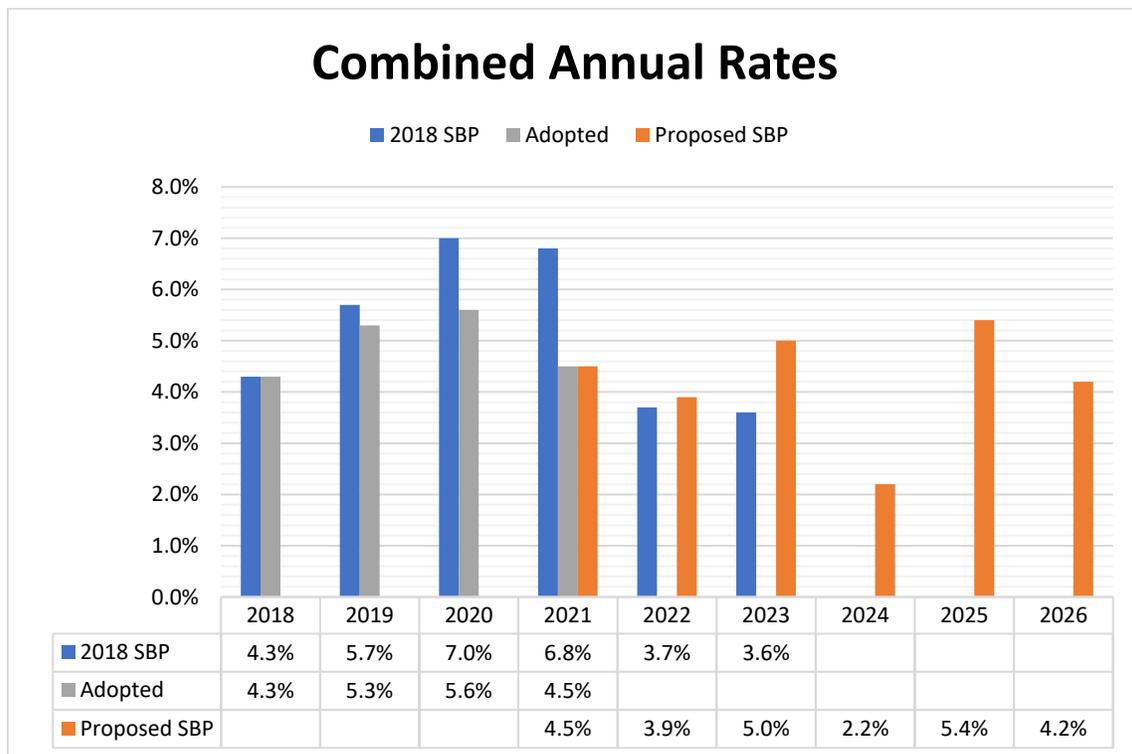
<sup>19</sup> Appendix H begins on Page 160 of the Proposed SBP.

## Comparison of Proposed SBP to 2018 SBP and Adopted Rates

As described above, the combined average annual rate increase in the Proposed SBP is 4.2 percent. This is the weighted average for all four of SPU’s lines of business. In comparison, the 2018 SBP had a combined average annual rate increase of 5.2 percent. Therefore, the Proposed SBP’s combined average annual rate is about 19 percent lower than the comparable rate in the 2018 SBP.

Chart 1 shows a comparison of the combined annual rate increases for the rate path included in the 2018 SBP, the rates that have been adopted by Council since 2018, and the rate path included in the Proposed SBP.

*Chart 1. Comparison of 2018 SBP Rates vs Adopted Rates vs Proposed SBP Rates*



The adopted rates for 2019–2021 have been lower than what was anticipated in the 2018 SBP. For example, rather than a combined rate increase of 7.0 percent in 2020, the adopted rate increases equaled 5.6 percent. Similarly, in 2021, the 2018 SBP projected a 6.8 percent combined annual increase, whereas the adopted rates equal 4.5 percent. Similar comparisons for each line of business are included in Attachment 1 to this memorandum.

Another way to evaluate rate paths is to compare what a typical ratepayer would be paying in 2023 (the end of the 2018 SBP time period) if the 2018 SBP rate path had been implemented as projected, versus what the ratepayer is now estimated to pay in 2023 using the combination of

adopted rates (for 2018–2021) and proposed rates (for 2022–2023). Under the rate path included in the 2018 SBP, the typical bill for a single-family house in 2023 was estimated to be approximately \$248 per month. Comparatively, under the combination of adopted and proposed rates, the typical bill for a single-family house in 2023 is approximately \$244 per month. Thus, even though the adopted and proposed rates vary in almost every year relative to the 2018 SBP rates, the result is a monthly bill that is \$4 lower (about two percent) for the single-family house over the six-year time period compared to the 2018 SBP.

The same situation applies to the typical monthly bill for SPU customers that live in an apartment building. Under the rate path included in the 2018 SBP, the typical bill for an apartment unit in 2023 was estimated to be approximately \$142 per month. Under the combination of adopted and proposed rates, the typical bill in 2023 is estimated to be approximately \$138 per month, a reduction of \$4 per month (about three percent) compared to the 2018 SBP.

**Issues for Council Consideration (pg. 9 – 13)**

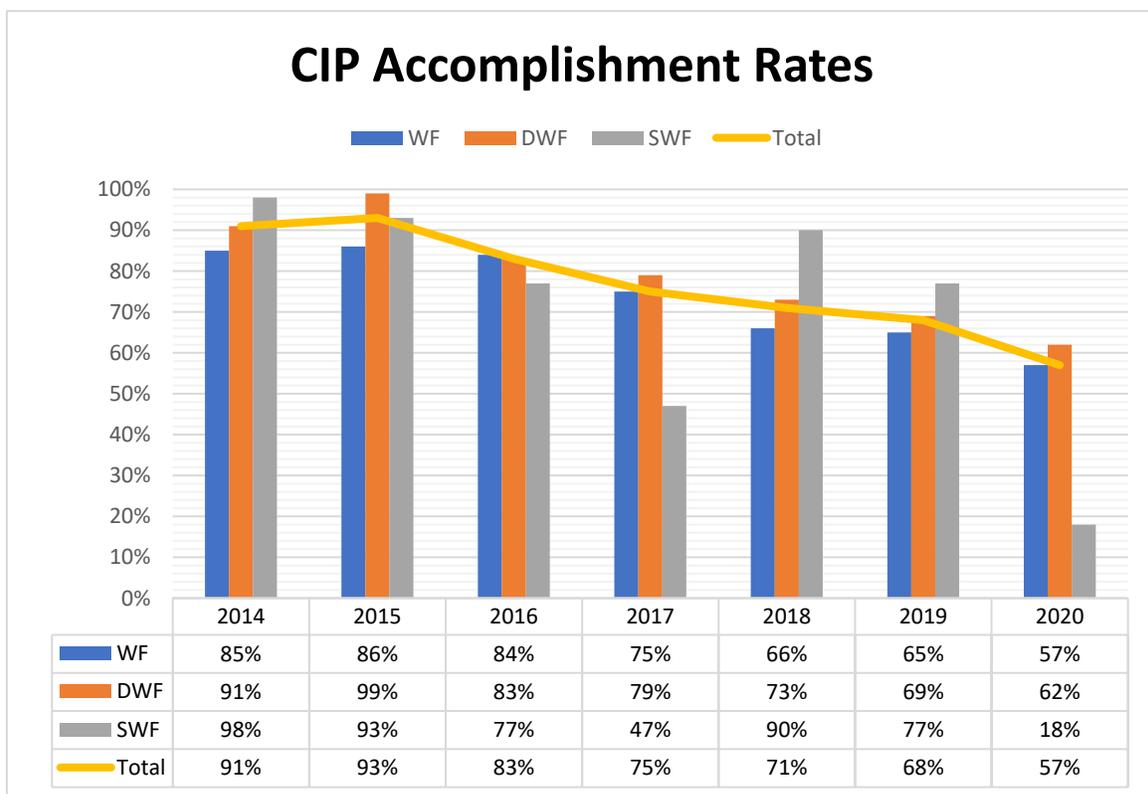
1. Capital Improvement Program (CIP) Accomplishment Rate (pg. 9)
2. Rate Volatility (pg. 11)
3. Utility Taxes (pg. 12)
4. Department Staffing (pg. 13)

## 1. Capital Improvement Program (CIP) Accomplishment Rate

The CIP accomplishment rate describes the percentage of budgeted capital resources that are expended in the year in which they are planned to be spent. SPU uses projected accomplishment rates to reflect delays in the timeline of capital projects and to avoid over-collecting revenues before they are needed. For example, a project that is planning to spend a certain amount in year one may actually spend some of those funds in year two due to unforeseen circumstances or delayed billing. This type of financial forecasting helps SPU to determine when to issue bonds and in what amounts in order to have sufficient funds to cover project costs when necessary.

Historically, SPU assumed a 100 percent accomplishment rate for its capital program. During consideration of the 2018 SBP, Council requested that SPU adjust its accomplishment rate from 100 percent to 97.5 percent and reduce its projected revenue requirements accordingly. Since 2014, however, SPU's overall accomplishment rate averages approximately 77 percent and, as shown in Chart 2, has been decreasing over the past few years.<sup>20</sup>

Chart 2. SPU 2014–2020 CIP Accomplishment Rates<sup>21</sup>



<sup>20</sup> The COVID-19 pandemic delayed several capital projects in 2020 and, therefore, its accomplishment rate of 57 percent may not be a useful indicator of future accomplishment rates.

<sup>21</sup> WF = Water Fund; DWF = Drainage and Wastewater Fund; SWF = Solid Waste Fund

SPU has recognized this past performance in the Proposed SBP and has adjusted the accomplishment rate for all three of its funds, as follows:

- Water Fund – 85 percent
- Drainage and Wastewater Fund – 85 percent
  - Exception: Ship Canal Water Quality Project – 95 percent
- Solid Waste Fund – 90 percent

SPU estimates that these lower accomplishment rates reduce the projection of revenues required for the six-year Proposed SBP period by approximately \$222 million. Reducing the revenue requirement creates savings in the relatively near-term for ratepayers by reducing the amount of revenue that needs to be collected through rates.

Additional reductions to the accomplishment rate would further lower the rate path included in the Proposed SBP. For example, reducing the accomplishment rate down to 80 percent for the Water Fund and the Drainage and Wastewater Fund (except for the Ship Canal Water Quality Project) and down to 85 percent for the Solid Waste Fund would lower the combined average annual rate increase from 4.2 percent to 4.0 percent. The risk of lowering the accomplishment rate even further, however, is that the SBP may no longer provide an accurate projection of what future rate increases will need to be to support SPU's activities. If actual spending on capital projects outperforms the assumed accomplishment rate, then future rate proposals may need to exceed the rates included in the SBP.

**Options:**

- a. Do nothing – leave the CIP accomplishment rates at the levels in the Proposed SBP.
- b. Adjust the CIP accomplishment rates contained in the Proposed SBP and adjust the included rate path accordingly.

## 2. Rate Volatility

As shown in Chart 1, the Proposed SBP's rate path varies during each year of the six-year period, from a low combined annual rate increase of 2.2 percent in 2024 to a high of 5.4 percent in 2025, and the rates are especially volatile between 2023 and 2025. The two lines of business that contribute the most to this volatility are Drainage and Wastewater, with the Wastewater line of business having the largest impact on the overall rates and being the most volatile. The rates for these lines of business are impacted by capital investments necessitated by regulatory requirements and by the timing and size of increases to King County's wastewater treatment rates.

King County treatment rates currently account for approximately 8 percent of SPU's Drainage rate and nearly 60 percent of its Wastewater rate. King County typically increases its rate every other year, with the most recent increase being approved in May 2020<sup>22</sup> to institute a 4.5 percent increase to 2021 rates. Based on prior projections from King County's Wastewater Treatment Division, the Proposed SBP assumes a treatment rate increase of 4.5 percent in 2022, increases of 10.3 percent in 2023 and 2025, and no increases in 2024 and 2026. King County is currently in the process of briefing stakeholders, including the Regional Water Quality Committee (RWQC) and the Metropolitan Water Pollution Abatement Advisory Committee (MWPAAC), and determining its proposal for 2022. MWPAAC members recently requested that the County shift to annual rate proposals rather than biennial proposals to assist agencies, such as SPU, in avoiding rate spikes. If King County does modify its approach and switches to annual wastewater treatment rate increases, that should reduce the volatility of SPU's rates. The County is expected to make its recommendation in mid-April.

Another approach for reducing rate volatility is to pursue rate smoothing, which works by increasing rates early in the rate cycle and decreasing them in the later years, thereby balancing the trajectory of any increases. In November 2017, the Council approved [Ordinance 125443](#) increasing Drainage and Wastewater rates in 2018 in order to reduce the size of the projected increases for 2019 and 2020. In the Proposed SBP, 2022 and 2024 are the years with the lowest rates and may provide opportunities to lower rates in later years.

### Options:

- a. Do nothing – leave the rate path as proposed. This option could also include continuing to work with King County with regard to the wastewater treatment rate increases and their impact on SPU's rate path.
- b. Amend the rate path in the Proposed SBP to reflect rate smoothing. This option would require additional modeling by SPU to ensure that any proposed changes will still allow SPU to meet its financial policies.

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<sup>22</sup> [King County Council Ordinance 19106](#)

### 3. Utility Taxes

Currently, the City's taxes on SPU's lines of business range from 11.5 percent for Drainage to 15.5 percent for Water. The City tax on Seattle City Light's electric utility, however, is limited to six percent by state law ([RCW 35.21.870](#)), unless a higher rate is approved by a majority of voters of the city. No comparable limit exists for taxes imposed on the types of utilities operated by SPU.

With the current taxes in effect, SPU estimates that it will pay approximately \$123 million in City utility taxes in 2021, all of which flows to the City's General Fund. This amount is projected to increase during each year of the Proposed SBP along with increases in the amount of revenue that SPU projects it will collect. If the utility tax rates for SPU were all reduced to six percent, however, consistent with the tax on electricity, SPU estimates that it would pay approximately \$413 million less in City utility taxes between 2022 and 2026. In 2022, for example, SPU's utility tax payment would decrease from an estimated \$131 million to approximately \$57 million, a reduction of about \$74 million. The City's General Fund would experience a reduction in revenue equal to the same amount. A reduction in utility taxes would also lower SPU's rate path from a combined average annual rate increase of 4.2 percent to 3.0 percent.

It is important to note that although SPU's rates are impacted by utility taxes, utility tax rates are not set by the Proposed SBP legislation and the Proposed SBP does not assume a change in utility taxes.

#### Options:

- a. Do nothing – maintain the status quo.
- b. Amend the rate path included in the Proposed SBP to reflect a Council-directed change in utility tax policy. Council would need to draft additional legislation, in the form of an ordinance, to implement the change in utility tax policy.

#### **4. Department Staffing**

One of the factors that SPU has identified as contributing to cost containment efforts for the department, and therefore a lower proposed rate path, is holding more positions vacant than planned. SPU's average vacancy rate over the past three years, according to information provided along with each year's proposed budget, has ranged between 8 percent and 10.7 percent. According to [Exhibit A of Resolution 32000's Summary and Fiscal Note](#), SPU "held more positions vacant than initially planned, a 4% projection compared to an annual average of 10%, providing vacancy savings." In the 2021 Adopted Budget, SPU has approximately 1,440 FTEs, meaning that a ten percent vacancy rate would equal approximately 144 FTEs. Although these vacancy savings may be advantageous for holding down rates in the short-term, they may not be an appropriate long-term strategy because a high number of vacancies might hinder SPU's ability to deliver capital projects and meet its service delivery objectives.

In addition, there are at least three investment programs that SPU has identified in the Proposed SBP that are potentially lacking adequate staffing resources. For two of the programs, Sewer Rehabilitation and Drainage Rehabilitation, the Proposed SBP states that positions would be required in 2021 to deliver the proposed work program, but SPU did not propose adding position authority to support such work in the annual budget process. SPU has indicated that it is currently evaluating its resources and may request positions in the next budget cycle. Another investment program, Hydrant and Valve Maintenance, has four vacant positions; but SPU has not been able to attract qualified water pipe workers in the last several hiring processes. SPU is continuing to advertise these positions and is working with Human Resources to identify strategies that may help in recruitment.

The Customer Review Panel letter also notes that "there has been extensive change in SPU's leadership staffing in the last three years" and that "about a quarter of the SPU workforce is currently eligible to retire." The Proposed SBP does include an initiative related to workforce development that identifies the following areas of focus for SPU between 2021 and 2023: internal trainings, recruitment, mentorship, performance management, succession planning, race and social justice, and a tuition assistance program.

#### **Options:**

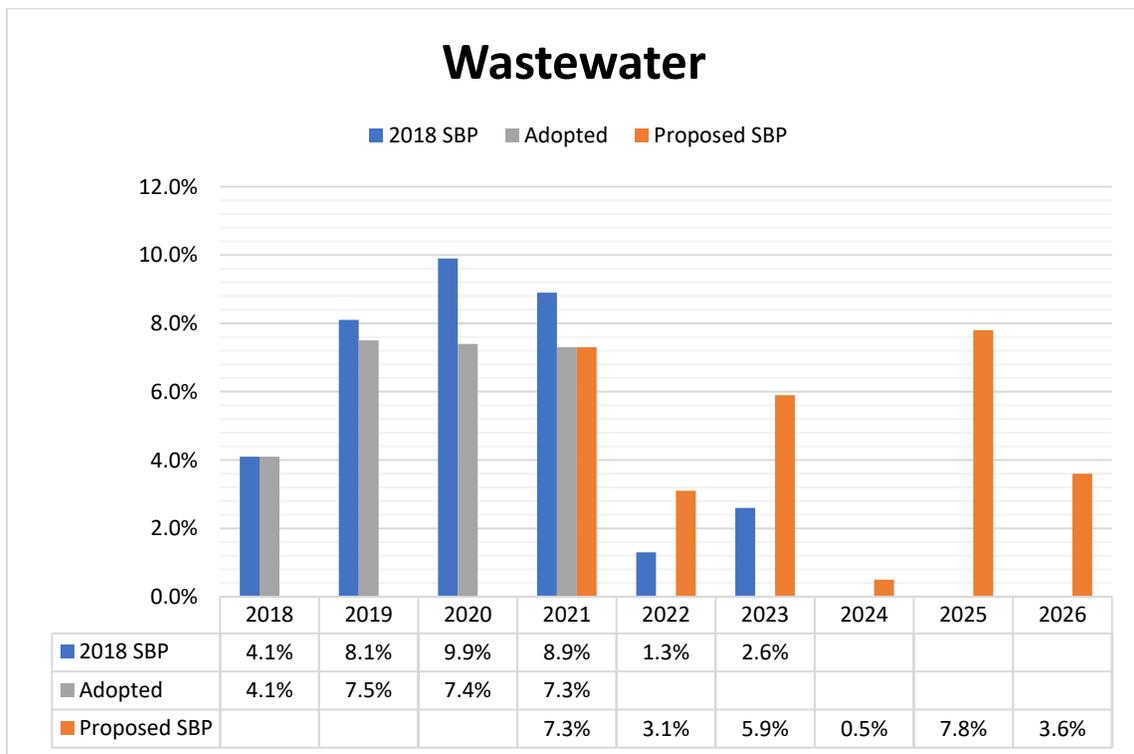
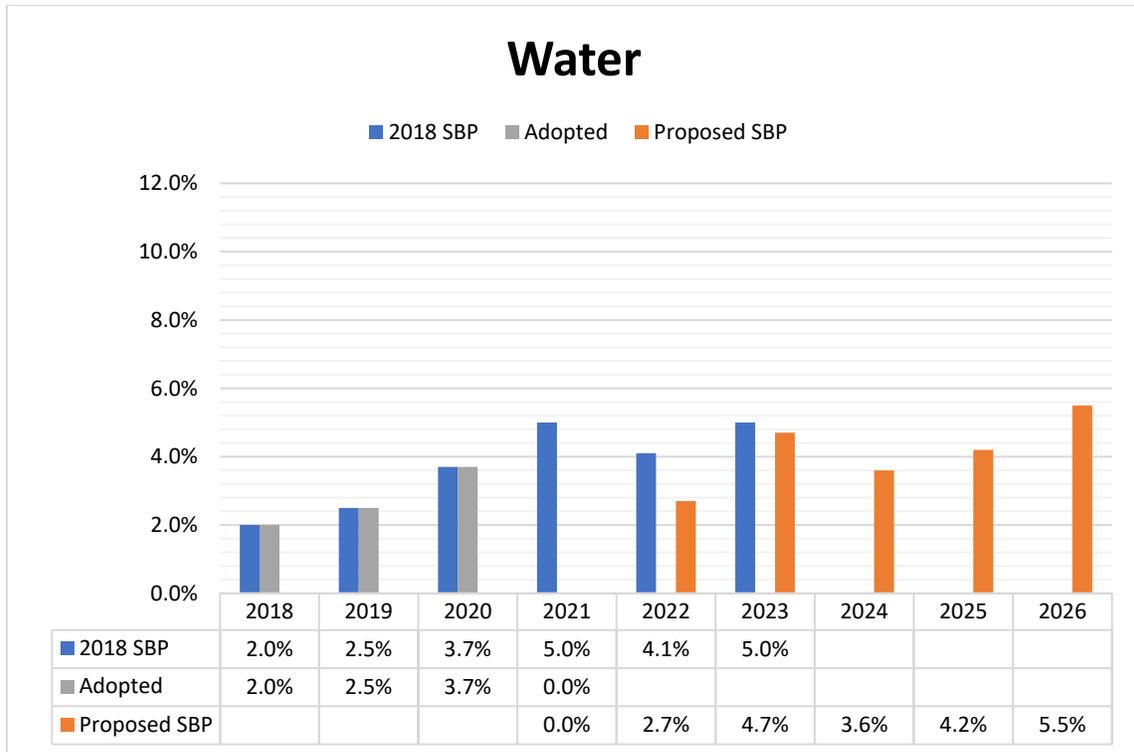
- a. Do nothing – let SPU evaluate its resources and pursue its identified workforce development initiative, as described in the Proposed SBP.
- b. Amend the resolution to request that SPU regularly report to the Council on its workforce development initiative and its efforts to fill vacant positions needed to perform priority work.

#### **Attachments:**

1. Comparison of Rates – 2018 SBP vs Adopted vs Proposed SBP

cc: Dan Eder, Interim Director  
Aly Pennucci, Policy and Budget Manager

**Attachment 1: Comparison of Rates – 2018 SBP vs Adopted vs Proposed SBP**



**Attachment 1: Comparison of Rates – 2018 SBP vs Adopted vs Proposed SBP**

