

**2018-2023 SBP Update  
Reduction Option Template**

<b>Cost Reduction:</b> Solid Waste Bill-in-Advance #4	<b>Owner:</b> Cameron Findlay
<b>Focus Area:</b> Customer Experience	<b>Sponsor:</b> Sherri Crawford
<b>Risk Level:</b> HIGH	<b>Rate path Option:</b> 5.3

**1. Short summary of the cost reduction (suitable for using with Customer Review Panel and other members of the public, plus additional specifics required for clarity of action).**

This reduction option would make an additional \$20 million in cash available and eliminate future bond issues. However, it would prevent SPU from implementing operational efficiencies and improving billing services to Solid Waste customers. Currently, SPU bills in advance of receiving Solid Waste services, unlike water and sewer which are billed after the service is provided and meters are read. Eliminating Bill-in-Advance (BIA) for the Solid Waste fund would require roughly \$20 million of cash in order to fund roughly six weeks without receiving cash revenue from residential customers. Continuing BIA reduces the overall SBP rate path .03%.

**2. What are the impacts or risks of this cost reduction? How will you mitigate these risks?**

Customer service and billing is complicated by BIA. SPU estimated in 2013 that eliminating BIA would save roughly 1,000 customer service hours a year while increasing customer satisfaction, staff performance, and internal controls. If BIA continues, we will continue to carry the following risks:

- Audit and fraud risk due to the high number of manual adjustments;
- A higher number of mistakes due to the need for manual adjustments; and
- Inefficient use of staff time.

SPU has not been able to make this change in the past due to the billing system limitations. Now that SPU has the new billing system in operation, the change is possible. Additionally, SPU has never been in the financial position to make the switch without significant rate increases due to the need to have a month of revenue saved up.

If BIA continues, the \$20 million in cash will be used to fund CIP projects, eliminating the need for a bond issue. Annual interest payment savings will be roughly \$300,000. If SPU would like to eliminate BIA in the future, it will likely take 6-7 years to build up the cash reserves again.

**3. Implementation plan and timeline.**

The current SBP baseline has BIA elimination scheduled for 2018 so if this reduction option is implemented the cash would be available as of 2018 for other purposes such as paying for capital projects.

**4. Budget and FTE changes**

Not applicable.

**Changes (relative to baseline)**

	2018	2019	2020	2021	2022	2023
O&M (Non- Labor) Budget Change						
CIP Budget Change						
FTE Change						

**5. Identify possible race and social justice implications for this reduction. How will it impact service equity and how will you resolve this impact?**

Continuing BIA has a negative service equity impact. Because solid waste customers pay in advance of receiving their services, they must contact SPU if any billing adjustments are needed. This is typically more difficult for historically underserved customers such as immigrant communities. If BIA is eliminated, the need to contact SPU to make billing adjustments associated with BIA is also eliminated.

**6. Describe your plan for evaluating the impacts of this reduction. Include any metrics you have.**

SPU will evaluate periodically the remaining inefficiencies and customer complaints related to billing in advance.