

Overview of Savings and Efficiencies

Presentation to the Customer Review Panel

April 19, 2017

DRAFT



Presentation Outline

- Definitions
- 2015-2020 SBP
 - What we planned
 - What occurred
- 2018-2023 SBP
 - What we're proposing



SPU Definitions

Category	Definition	Examples
Cost Savings	Cost cuts or deferrals that lead to reductions in the budget	Reducing consultant costs; deferring a capital project to later years
Efficiencies <ul style="list-style-type: none">• Quantifiable• Unquantifiable	Improved productivity and reduced wasted effort	<ul style="list-style-type: none">• Staff productivity• Technology improvements
Avoided Costs <ul style="list-style-type: none">• Quantifiable• Unquantifiable	Costs that are not incurred but are not "efficiencies"	<ul style="list-style-type: none">• Capital investments that result in less maintenance• Move Seattle opportunity projects

2015-2020 SBP – What We Planned

- **Cost Savings:**

- \$3.7M in O&M reductions and \$100M in CIP reductions/deferrals.

- **Efficiencies:**

- SPU's consultant recommended 44 efficiency actions. Most would not result in near-term budget savings.
- SPU agreed with most of the consultant's recommendations but did not include a specific list of efficiencies and associated savings in the Plan.
- SPU committed to being more efficient. The SBP included savings target of \$1.9M in 2015, gradually increasing to \$8.7M in 2020.

2015-2020 SBP – What We Planned

- **Plan to achieve efficiencies:**
 - 2015-2016: All savings a result of reallocating/reassigning positions (avoids asking for new positions and their associated budgets).
 - By 2020: Most savings a result of reallocating/reassigning positions. Some savings from eliminating vacant positions and achieving non-labor savings.

2015-2020 SBP – What Occurred

Efficiencies:

	2015	2016	2017	2018	2019	2020
SBP Savings Targets	\$1.9M	\$2.4M	\$4.2M	\$5.6M	\$7.1M	\$8.7M
Actual Savings to Date	\$1.6M	\$1.96M				

- \$1.24M – Reallocated 8 vacant positions for Gap Action Plans and 3 vacant positions for core work.
- \$720K - 50% productivity increase in sewer pipe cleaning (equivalent of 8 employees).
- Unable to reallocate as many positions as planned.

2018-2023 SBP – What We Propose

Cost Savings:

Starting Point (September 2016) <i>Scrubbed base & assumptions</i> <i>Expenditure reduction/deferral of \$171M</i>	6.8%
Current baseline operations	5.2%
Plus action plan investments	0.7%
Minus additional savings of \$105M	(0.3%)
Option A (January 2017)	5.6%
Scenario 1 (April 2017) <i>Scaling back action plans</i> <i>Expenditure reduction/deferral of \$88.8M</i>	5.5%
Scenario 2 (April 2017) <i>Scenario 1 plus eliminating some action plans</i>	5.4%

2018-2023 SBP – What We Propose

#	Action Items	Type of Savings
5 10d1 12	Increase Sewer Repairs Facilities – Seattle Muni Tower Green Fleet	Cost Savings: Lower costs of relining vs. replacement Lower lease payments Lower fuel costs
1 10a2 10b 10c 11 13	Apprenticeship Program Facilities – N Ops Complex Facilities – S Ops Complex Facilities – Cedar Falls Phase 2 Expanded Security Monitoring Improved Technology Services	Efficiencies: Improved hiring, training, retention Reduced windshield time Reduced windshield time Reduced need for equipment repairs Improved response time to alarms Improved IT processes
2ab 3 6 7 8	Transportation Opportunities Water Distribution Maintenance Sanitary Sewer Capacity Sewer Rehabilitation Pump Stations, Force Mains, Outfalls	Avoided Costs: Avoided costs of future failed assets Avoided costs of future failed assets Avoided costs of future sewer overflows Avoided costs of future failed assets Avoided costs of future failed assets

2018-2023 SBP – What We Propose

Efficiencies:

- Continue to find ways to be more efficient (workforce productivity, process improvements, technology improvements, etc.).
- Continue to mature our performance metrics system to better measure our efficiencies.
- Do not include estimated budget savings associated with efficiencies in the 2018-2023 Plan.

