

**SPU Strategic Business Plan Customer Review Panel
Draft Meeting Summary for November 25, 2013**

Attending:

Panel Members:			
Suzie Burke	✓	Tara Luckie	✓
Bruce Lorig	X	Noel Miller	✓
Dave Layton	X	Carl Pierce	✓
Laura Lippman	✓	Walter Reese	X
David Gault	✓		
Staff and Others¹:			
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	✓	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓
Ray Hoffman	✓	Karen Reed (SPU)	✓
Craig Stampher	✓	Kim Collier	✓
Tim Croll	✓	Steve Hamai	✓
Joe LePla (Green Rubino)	✓		

Review and Approval of Agenda. No questions or comments on the November 25 agenda; *agenda approved.*

Review and Approval of Meeting 14 Summary. No questions or comments on the November 13 meeting summary; *meeting summary approved.*

Updated Baseline. Melina Thung and Sherri Crawford of SPU were joined by Rob Shelley of Piper Jaffray, the City's financial advisor. They presented changes to the baseline assumptions; inflation assumptions; interest rates; 2014 budget adjustments; baseline increments. Meg Moorehead described Council changes to the Mayor's proposed 2014 budget.

Suggestions, observations, questions from Panel:

Q: The targeted six year increase in households receiving low income rate assistance (from 15% to 19%) seems low. **A:** Will circle back and affirm or deny this number.

Q: Labor inflation 5%? This seems high. **A:** Will come back with detail on this – how much is cost of living; how much is step increases; etc. Expect to have completed by December 11.

Comment: A continuing big unknown is the cost of the financial system replacement. We have assumed 15% of \$19 million in the baseline; it is possible it will be significantly higher.

Q: Why lowball it like this? **A:** Trying not to presume what the Mayor and Council will decide. The low number is the best estimate from the City at the moment.

¹ Only those individuals sitting at the head table or give presentations to the Panel are included on this list. A number of other staff and consultants attended the meeting.

Comment: Go back and research how the last financial system replacement was handled financially and how the actual costs compared to the projections. History repeats itself – need to learn from it.

Comments/questions: Want to know the split of existing/new debt service. Want to know the average melded interest rate on existing debt.

Q: If we look back before the 2008 crisis, see that interest rates to be lower than 5%. Why don't we expect this to be the new world? **A:** The first 10 years of the graph were considered low interest rates at the time; once the Federal Reserve is out of the picture, expect the interest rate world to be on the range of 5-6%.

Q: What is the impact on customer rates of a 1% change in interest rates?

Comment/Question: It's a good idea to get going on the workforce items – did the Council understand the Panel position on this? **A:** Yes, still felt this should come forth as part of the SBP.

Q: Fleet costs – does everyone just say “they are what they are”? **A:** Council does look at these. There have been some shifts in maintenance costs from FAS to SPU for certain fleet costs.

Q: On HR staffing needs; have 25 people now – do we spend time decipher how many staff are really needed? **A:** Meg was not convinced that these 3 FTE were the way to achieve the workforce goals. Further **A:** From SPU's perspective, we need the positions today, if not sooner. Focus on workforce disability; succession planning; etc. These are not forward issues; they are today's issue. Looking for a set of skills that we don't have in the utility today.

Q: When will Council staff do their QA/QC on the baseline? **A:** Usually, with rate studies, Council will do a rate review that takes a good 3 months. Believe Council staff review of baseline could be completed and discussed at a Panel meeting in January.

Q: How about looking at flat rate changes year over year, rather than large fluctuations? So much flat per year going forward? **A:** Yes, there are lots of “smoothing” scenarios we can run. We will come back with options here.

Update on Piloting Interim Outreach. Karen Reed of SPU and Joe LaPla of Green Rubino reported back on piloting the interim outreach model. In general, the piloting went very well; have received good feedback and suggestions and can move forward to training staff facilitators and getting ready for the actual outreach in January and February.

Suggestions, observations, questions from Panel:

Q: What is follow up with participants? **A:** One follow-up is a request to come back in the second round of outreach to weigh in on the actual rate path options. Want to make sure everyone has an opportunity to be heard. Also are collecting emails, so can send out reminders that way. Also plan to explain in the SBP itself the role of customer input.

Q: When you had them put their green markers on example investments, what were they most interested in? **A:** For focus areas in general, placed most value on environment & public health; then operational excellence and transform the workforce. For specific investments, the one around employee training got the most green stickers.

Q: Did you ask about rates? **A:** No, not explicitly – that will be at the final outreach.

Discussion: One Less Truck. Tim Croll and Steve Hamai led the presentation.

Suggestions, observations, questions from Panel:

Q: What is changing; what is not changing? **A:** Organics pickup stays every week; recycling pickup stays every other week; garbage would move from weekly to every other week pickup – probably on the same week as recycling pickup.

Q: If you don't make it this year, could you make the change in a month other than April? **A:** Could do that, it would be harder to implement since it affects rates.

Q: Did participants change recycling and organics sizes? **A:** Only one size for recycling; did not see much shift in the organics size, but most people are on the largest size now.

Q: What do we do about diaper problem? Special can available for people with babies? **A:** Could choose to offer some mitigation for households with diapers.

Q: Make curbside composting mandatory before this? **A:** Could look at this.

Q: How close does this get us to the goal? **A:** would get us to 57% (up 1.3% from current recycling levels).

Q: What have other cities found? **A:** Difficult to say – usually pair One Less Truck with implementation of composting.

Q: How much of an impact will this have on recyclers and composters? **A:** They will get more business on the recycling and composting side.

Q: What's the Health Department say? **A:** They can live with it. Seems to work for Renton.

Q: Is there an increase in litter problems? **A:** Our inspectors did not notice any additional litter. Communities with greater dissatisfaction with the program self-reported increases in litter/illegal dumping.

Q: Did the Advisory Committee bring up the rate impact? **A:** Yes, they did note that this will result in some rate decrease.

Panel opinions on One Less Truck: Opinions varied among Panel members from supportive to not supportive.

- Comments in favor of the Program: Know it can work, since it is working in other cities. Program will encourage people to increase recycling and composting. Will result in fewer truck trips and less greenhouse gasses. Program is consistent with the region's environmental ethic. Results in a modest cost savings. Results in a modest rate savings for single family customers who retain their existing can size.
- Comments against the Program: May generate a backlash of customer dissatisfaction for people who don't feel that the reduction in rates is commensurate with the reduction in service. Information from the pilot indicates that different neighborhoods are impacted differently; concerned that customers in low-income families will be impacted most by the decrease in service. We would probably not end up saving the estimated \$5M-\$6M, since a portion of that savings would likely be directed to mitigation efforts. Process seems rushed; wait to do it right.
- Comments regarding problem mitigation if the Program moves forward: Need to handhold and outreach to certain populations. Make it easy for people to vary can sizes as they get used to the new Program. Consider adding additional can sizes – e.g., something between the 32 gallon can and the 60 gallon can. Consider adjusting the rate design so that doubling the volume does not translate into doubling the rate.
- Other Comments: Would tend to defer to the recommendation of the Solid Waste Advisory Committee (who is supportive of the Program). Would like additional information; process seems rushed.

Proposed Agenda for Meeting 16:

- Presentation of Action Plans
- Improving capital project delivery
- Recommendations on financial policies??
- Discussion of schedule

The meeting was adjourned at 4:28.

Follow up Items for Staff:

1. The increase in low income rate assistance (from 15% to 19%) seems low – need to check these numbers.
2. Provide detail on the components of the 5% labor inflator.
3. Research how the last financial system replacement was handled financially and how the actual costs compared to the projections.
4. Provide information on the share of existing debt service and new debt service in each LOB's revenue requirements. Also calculate the average melded interest rate on existing debt.
5. Calculate the impact on customer rates of a 1% change in interest rates on new debt?