# Summary of Cost Control/Efficiency Sub Group Meeting
## July 1, 2010

Attendees: (Members) Grant Degginger, Chris Eggen, David Freiboth; (Others) Chris Arkills, Kevin Desmond, Shelley De Wys, Karen Goroski, John Howell, Jim Jacobson, Victor Obeso, John Resha, Monica Whitman

Shelley De Wys from the County Budget Office provided an explanation of the list of internal services and county overhead charges that had been presented to the full task force on June 3. It was pointed out that internal service charges totaled nearly $40 million, while the county overhead charges totaled approximately $12 million.

Questions were asked about the methodology used to establish the overhead charges. Shelley said that the methodology was based on a 2000 audit and recommendations from an external consulting firm. The methodology has not changed in the past ten years. A question was asked about whether there are national standards for establishing overhead rates for agencies such as Metro. Shelley said she would provide the group with further explanation about the methodology, and whether it is consistent with national standards.

The group reviewed the list of eleven different internal charges that range in size from $10.9 million (for public safety, primarily transit police) to $200,000 (for county GIS services). The group asked several questions that will require follow up.

- Are the charges for public safety fully loaded (i.e., include wages, benefits and overhead)?
- What is the hourly rate charged by the Prosecuting Attorney for services?
- Is FTE's the fairest way to account for IT services, since most Metro employees do not have work stations with regular computer use? On the other hand, it was noted that Metro is one of the county's largest users of the mainframe system.
- Has the loss history for risk insurance been consistent over time?
- For the lease expenses, is Metro paying triple net?

The group also reviewed the list of overhead charges, the largest of which is $6.4 million for general government. It was explained that this charge is based on Metro's total operating budget as a percentage of the total county operating budget. The county uses the same methodology to calculate general government overhead expenses for every department. Members expressed interest in seeing the budget numbers used to generate the calculation for the general government overhead charge.

After discussion about each of the eleven overhead charges the group had the following outstanding questions:

- Do the internal service charges also include a portion of the overhead for charges those departments/divisions? If so, Metro would be charged twice for overhead.
- What assets are included in the charge for "fixed asset management"?

In the discussion that followed, several points were made, including the following. The internal services that Metro purchases from the county would have to be paid for in some other fashion (either additional Metro staff or purchased services from outside vendors) if Metro were not purchasing those services from the county. The combination of internal services and overhead charges represents approximately 10% of Metro's annual operating budget. Many other transit agencies are independent agencies, not part of county governments, and therefore do not have to pay overhead charges for general government.

Jim Jacobson provided an overview of a range of alternative service delivery products, including carpools, Community Access Transit (CAT), Employer Transportation Programs, flexible carpools or vanpools, Dial-a-Ride Transit (DART), Access Transportation (paratransit), shared taxi, taxi scrip, vanpools, and VanShare. He also described one alternative service delivery model – managed competition. For each of the alternatives he briefly described what the service included, how it is now being used by Metro or other transit agencies, how it might be applied in King County, the benefits and drawbacks, constraints to implementing the alternative, and the relative cost to implement the alternative.

There was discussion about some of the challenges in working with employer transportation programs. Metro staff believe there is more opportunity to create or expand such programs, but they have to be careful about offering the use of site or facilities to one private employer program because it would have to be offered to other private programs.

It was mentioned that the DART program provides two percent of Metro's services, and the contract allows for up to three percent of Metro services. The taxi scrip program allows elderly and disabled individuals to purchase scrip at fifty percent of its book value.

Managed competition was described as putting certain types or segments of service out to bid for in-house or private providers. Community Transit in Snohomish County contracts out 24% of its services. In Denver, the RTD contracts out approximately 50% of its services. National studies are conflicting about the long-term savings from managed competition. One of the main constraints is Section 13c of the Urban Mass Transportation Act. It requires that current employees losing employment due to contracting be mitigated for up to six years.

A question was asked whether alternative service products or delivery models can be used to fill gaps that may be created if low productivity fixed routes are reduced or eliminated. Can Metro do more to fit the type of service to the level of demand in communities? It was suggested that the task force could recommend that if service is significantly reduced (eliminated or cut back), Metro attempt to meet transit needs using service delivery alternatives where fixed route service has been reduced.

There was discussion about the circumstances that would lend themselves to use of service delivery alternatives. What type of alternatives would make sense in different circumstances? It was agreed that Metro staff would describe the "sideboards" for when alternative service delivery models might make sense, and attempt to identify the cost differential between the alternative forms of service. This will be the focus of discussion at the next meeting.