

Summary of Cost Control/Efficiency Sub Group Meeting July 13, 2010

Attendees: (Members) Gene Baxstrom, Suzette Cooke, Grant Degginger, David Freiboth, Noel Gerken, Steve Marshall, Bob Swarner; (Others) Chris Arkills, Kim Becklund, Tricia Davis, Shelley De Wys, Helene Ellickson, Karen Goroski, John Howell, Jim Jacobson, Doug MacDonald, Victor Obeso, Cristina Van Valkenburgh

This was the third meeting of the cost control/efficiency sub group. The meeting focused on two primary agenda topics: 1) follow up on county overhead and internal departmental service charges that are \$53 million of Metro's operating budget; and 2) follow up discussion about the potential for Metro to contract out some of its transit services as a cost savings measure.

Shelley De Wys from the County Budget Office presented two documents to provide explanation of questions asked by the sub group members at previous meetings. The first document was an overview of how internal service and overhead charges are established within the county. The second document provided written explanations to a number of questions asked by the sub group at the previous meeting.

One graphic in the overview document showed internal service charges for nine different departments, from 2005 - 2010. All charges stayed fairly constant over that period, except for charges from the Sheriff's office. The reason for the increase in public safety costs is that during that time Metro shifted from hiring part-time Seattle police to full time county sheriff's personnel. Task force members asked questions about the methodology used by the Sheriff's office for those charges. Staff responded that the charges were "fully loaded", but questions remained about whether Metro was being "double charged" for overhead that was being passed through as part of the Sheriff's office charges.

However, on one question, whether any of the internal service charges also include overhead that could in effect result in Metro being double charged for overhead, the sub group didn't receive an answer that adequately described that methodology. So the County Budget Office is developing a written response to that question that will be circulated to sub group members. We won't know if we want to have a policy statement about overhead and internal services charges until we see that response.

There were also questions requesting further clarification about the \$6.4 million in general government charges that are part of the county overhead.

With respect to the potential for contracting out additional Metro services, Metro staff presented analysis that showed that under a reduced service scenario, between 6 – 7% of services could theoretically be provided by smaller vehicles, and could potentially be contracted out. This could result in approximately a \$2 million annual savings in operating costs.

However, the current labor contract states that no more than 3% of Metro's service can be contracted out. It was pointed out that this is not a decision that Metro can make unilaterally. It would be part of labor negotiations. There was discussion about developing a policy statement that encouraged Metro to explore the potential of contracting out additional services. There was discussion about including the phrase "labor harmony"/ Several members were not clear about the implications of that term.

Sub group asked John to develop some policy language encouraging Metro conduct additional analysis to explore this possibility.

Several members expressed interest in encouraging Metro to expand its vanpool services.