



King County

Budget and Fiscal Management Committee

STAFF REPORT

Agenda Item: 6

Name: John Resha

Proposed No.: 2013-0185

Date: May 7, 2013

SUBJECT

A Motion accepting response to the 2013 Budget Ordinance, Ordinance 17476, Section 65, Proviso P1, related to the road fund; and authorizing the release of \$500,000 currently held in reserve.

SUMMARY

Proposed Motion 2013-0185 acknowledges receipt of a work plan consistent with Ordinance 17476, Section 65, Proviso P1. The work plan outlines the Road Services Division's approach to reviewing and updating their contracted services model, including developing a technical report; engaging with regional stakeholders; and drafting their comprehensive approach contracting services, all during the time period of May 2013 through February 2014.

BACKGROUND

For the past several years, the Road Services Division has been realigning its services, organization, and size of its workforce to be reflective of significantly lower revenues. During its 2013-2014 Biennial Budget deliberations, the Council reviewed revenues and revenue planning, specifically including the contract services revenues.

Under RSD's current contract model, Cities sign an agreement with the County to purchase various services based on a "menu" of services and prices. The agreements are more of an agreement about the pricing and available resources than a commitment to actually purchase services. Prior to 2012, RSD was more "aggressive" in their assumption of contract City revenues and the staffing necessary to achieve their assumptions. This approach created revenues that did not materialize and expenses that needed to be borne by the Road Fund rather than being reimbursed. Beginning in 2012 RSD reduced their assumed reimbursable revenue and staffing commensurate with previous years' experience. Additionally, RSD began a process of regular validation conversations with their various contract Cities to confirm what, if any, services they actually intended to purchase (especially given the downturn in revenues facing all jurisdictions). This approach has resulted in the reduction of staffing needs to reflect more accurately the work that will be completed and reimbursed. As a side effect of this reality, less staff are available for winter storm responses.

As a result of their deliberations and with a goal of identifying a more sustainable and financially reliable approach to contracted services, Council adopted the 2013 Budget Ordinance, Ordinance 17476, including the following proviso in the Road Fund:

Ordinance 17476, Section 65, Proviso P1

Of this appropriation, \$500,000 shall not be expended or encumbered until the executive transmits a report and a motion that acknowledges receipt of the report and the motion is passed by the council. The motion shall reference the proviso's ordinance, ordinance section, proviso number and subject matter in both the title and body of the motion.

The executive must file the report and motion required by this proviso by April 1, 2013, in the form of a paper original and an electronic copy with the clerk of the council, who shall retain the original and provide an electronic copy to all councilmembers, the council chief of staff and the lead staff for the transportation, economy and environment committee or its successor.

The executive shall provide a report in the form of a work plan for regional road services delivery models. The work plan shall be based on the strategic plan for road services policy and strategy to utilize mutually beneficial partnerships in the provision of contract services to cities and other agencies to achieve efficiencies and economies of scale. The work plan shall identify, but not be limited to:

A. A timeline and the deliverables for a technical report on the categories of road services and their historical utilization by regional partners;

B. A timeline and the deliverables for a regional customer engagement process with the goals of discussing, prioritizing and valuing the categories of road services; and

C. A timeline and the deliverables for a comprehensive regional road services contracting approach that will inform the 2015-2016 biennial budget process and updates to the strategic plan for road services. This comprehensive approach shall include an interbranch engagement strategy with a staff working group and council committee briefings that will inform development of the work plan.

ANALYSIS

Consistent with proviso requirements, the work plan attached to Proposed Motion 2013-0185 includes timelines, milestones and staffing approach to each of the proviso identified phases as follows:

Work Plan Element	Timeline	Milestone / Deliverable	Lead Staff
Analysis of the Categories of Road Services Usage	May 2013 – August 2013	Technical Report	Rey Sugui
Regional Customer Engagement	May 2013 – September 2013	Preliminary Interviews Contract/Non-Contract	Diane Carlson

		Focus Groups Summary Memorandum	
Development of a Contracting Approach	May 2013 – February 2014	Final recommendation report	Jay Osborne

Descriptions of the approaches and factors to be considered in each phase are provided in the work plan.

Additionally the work plan identifies a staff working group consisting of Department, Executive and Council staff as follows:

- Road Services Division – Brenda Bauer, Jay Osborne, Rey Sugui (Project Lead), Mark Foote
- Office of Performance Strategy and Budget – Shelley De Wys, Tricia Davis
- Executive Office – Diane Carlson, Chris Arkills
- King County Council –John Resha

The purpose of this group will be to engage throughout each phase of the work plan with the Division Director to provide staff-level advisory discussion. Specific functionality of the staff working group will be defined when the working group is convened in May.

REASONABLENESS

Approval of Proposed Motion 2013-0185 would acknowledge receipt of a work plan that appears consistent with intent and conditions of Ordinance 17476, Section 65, Proviso P1, and as such would constitute a reasonable business decision. As a result of Council action to approve Proposed Motion 2013-0185, \$500,000 of Road fund appropriation, currently restricted per the proviso, would become available for encumbrance by the Division.

AMENDMENTS

None

INVITED:

Brenda Bauer, Director Road Services Division

ATTACHMENTS

1. Proposed Motion 2013-0185 with its attachments
2. Transmittal letter dated March 29, 2013

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KING COUNTY
Signature Report

May 6, 2013

Motion

Proposed No. 2013-0185.1

Sponsors Phillips

1 A MOTION accepting response to the 2013 Budget
2 Ordinance, Ordinance 17476, Section 65, Proviso P1,
3 related to the road fund; and authorizing the release of
4 \$500,000 currently held in reserve.

5 WHEREAS, the 2013 Budget Ordinance, Ordinance 17476 contains a proviso in
6 Section 65, Proviso P1, related to the road fund, stating that \$500,000 shall not be
7 expended or encumbered until the executive transmits and the council passes a motion
8 that references the proviso's ordinance, ordinance section, proviso number and subject
9 matter in both the title and body of the motion, and

10 WHEREAS, the King County executive has transmitted to the council a response
11 that contains the required information responding to the proviso, specifically to provide a
12 report in the form of a work plan for regional road services delivery models based on the
13 strategic plan for road services policy and strategy to utilize mutually beneficial
14 partnerships in the provision of contract services to cities and other agencies to achieve
15 efficiencies and economies of scale, and

16 WHEREAS, the council has reviewed the department of transportation, road
17 services division report;

18 NOW, THEREFORE, BE IT MOVED by the Council of King County:

19 The council acknowledges receipt of the executive's response to the 2013 Budget
20 Ordinance 17476, Section 65, Proviso P1, related to the road fund, attached as
21 Attachment A to this motion, and the \$500,000 of the road services division 2013 budget
22 that was held in reserve is hereby authorized to be released.
23

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

Larry Gossett, Chair

ATTEST:

Anne Noris, Clerk of the Council

APPROVED this _____ day of _____, _____.

Dow Constantine, County Executive

Attachments: A. Work Plan for Regional Services Delivery

Work Plan for Regional Road Services Delivery

April 1, 2013

Objectives:

This work plan describes the activities associated with the analysis of contract and other services provided by the King County Road Services Division (RSD) to cities, other external entities, and other County agencies. The work plan tasks described below aim to accomplish the following:

1. Document historical RSD services to regional partners and identify trends by regional partner, service type, and cost categories (i.e., labor, overhead, materials).
2. Work directly with jurisdictions to shape potential changes to contracting processes and services that will provide a better approach to aligning roads contracting with services and levels utilized by cities and create the most efficient alignment of staffing with contract services while balancing the mission and goals of RSD.
3. Utilize historical trends in service and input from outreach and other activities to develop a comprehensive regional road services contracting approach to inform the 2015-2016 biennial budget process and update the Strategic Plan for Road Services. The comprehensive regional services contracting approach will attempt to meet the service needs of internal and external customers while reducing risks to RSD associated with the provision of services and ensuring the effective and efficient provision of road services to the King County unincorporated area.

Background:

RSD provides services to over 30 cities in King County. Ten cities contract with RSD for some level of routine roads maintenance services, basic traffic services and emergency response as well as other discretionary projects. Approximately 20 other cities contract through interlocal agreements for discretionary services on an as-requested basis. In addition, RSD provides services to other County and non-County agencies including the Water and Land Resources Division, the Parks Division, the Solid Waste Division, the Facilities Management Division, the Transit Division, the Department of Permitting and Environmental Review, and Sound Transit, as well as non-profit organizations for special projects.

The 2012 adopted budget contained \$14 million of reimbursable budget authority, or about 18% of all of the RSD's operating budget. Reimbursable budget authority is required for work which is known prior to the year starting and some of which is emergent due to storms, grant funds or changes in city priorities. Actual reimbursable work totaled about \$7.5 million in 2012, or about 8% of all of the RSD's operating budget. Road maintenance and traffic work for cities make up the bulk of this reimbursable work, totaling \$6.3 million. Partially as a result of the Great Recession and also as a result of the maturation of city incorporations, the amount of non-pass-through city work over the last ten years has been variable.

In addition to the variability in contracting work, RSD has also experienced declines in revenues from property and gas taxes. These ongoing reductions in revenue continue to impact the services that RSD is able to provide to the unincorporated area as well as the quantity and type of capital projects it can support in the capital program. The result is an ongoing reduction in RSD staffing; between 2010 and

2014, RSD staffing will decline by approximately one third. Therefore, RSD must evaluate potential changes to their service offerings to ensure efficient and effective provision of services that result in economies of scale, but that also maximize the provision of services to the unincorporated area during an era of significantly constrained resources.

In 2012, Ordinance 17476, Proviso P1, the King County Council directed RSD to prepare a work plan relating to regional road services delivery models:

The work plan shall be based on the strategic plan for road services policy and strategy to utilize mutually beneficial partnerships in the provision of contract services to cities and other agencies to achieve efficiencies and economies of scale. The work plan shall identify, but not be limited to:

A. A timeline and the deliverables for a technical report on the categories of road services and their historical utilization by regional partners;

B. A timeline and the deliverables for a regional customer engagement process with the goals of discussing, prioritizing, and valuing the categories of road services; and

C. A timeline and the deliverables for a comprehensive regional road services contracting approach that will inform the 2015-2016 budget process and updates to the strategic plan for road services. This comprehensive approach shall include an interbranch engagement strategy with a staff working group and council committee briefings that will inform development of the work plan.

Project Deliverables:

Report on Categories and Utilization of Road Services

RSD will draw upon data available in the financial systems to document services provided to regional partners by regional partners, service type, and cost categories (i.e., labor, overhead, materials). This analysis will identify:

- which cities/agencies have received services;
- which services cities/agencies have received and the total expenditures for these services by year;
- what these expenditures purchased (labor, overhead, materials, equipment); and
- what benefit those expenditures provided to RSD.

Regional Customer Engagement Process

Along with staff in the Executive Office, RSD will engage in a customer engagement process with the following goals:

- Share current information about roads contracting services potential changes and capabilities;
- Seek feedback from current contract customers regarding existing services and their projected needs for services;
- Meet with jurisdictions that don't currently use services, if applicable; and

- Seek input regarding ways to improve and shape contracting processes and services in the new environment that will provide a balance of risk between cities and the County

The customer engagement process will involve a series of focus group meetings with representatives of different categories of customers. Representatives will be sought on a service use basis (routine maintenance service user, as-requested only user, long-time heavy user, new heavy user, long-time light user, new light user). Focus group invitations will be extended to public works directors, contracting staff, and other public works staff, as applicable.

The customer engagement process may also include a targeted questionnaire to be sent to all contracting partners after the focus group input is synthesized.

Finally, if appropriate, sub-groups may be formed to discuss specific service offerings and agreements.

Comprehensive Regional Road Services Contracting Approach

RSD will draw upon the findings of the historical trends in service provision and city/agency outreach as well as other information and factors to develop a comprehensive regional road services contracting approach to inform the 2015-2016 biennial budget process and updates to the Strategic Plan for Road Services. The comprehensive regional services contracting approach will attempt to meet the service needs of internal and external customers while reducing risks to RSD associated with the provision of services and ensuring the effective and efficient provision of road services to the King County unincorporated area.

In addition to the historical trends and city/agency feedback, the comprehensive contracting approach will incorporate analysis of and information on the following:

- Anticipated future unincorporated area revenues, including assumptions for annexations and associated property tax revenue projections;
- Anticipated service provision and associated staffing and equipment needs for the unincorporated area, based on revenue projections;
- RSD's ability to mitigate fluctuations in contract/service provision work, based upon both past mitigation success as well as future constraints given reduced general and specific revenues;
- RSD's ability to respond to customer cities and agencies requests for services based on available resources; and
- Possible alternate contracting methods/terms and conditions for future contracts.

Schedule:

- Technical Report on Provision of Road Services – May to August 2013
- Regional Customer Engagement Activities – May to September 2013
- Comprehensive Approach to Regional Road Services – May to February 2014

Staff Work Group:

The work group for this project will include staff from RSD, the Office of Performance, Strategy and Budget (PSB), the Executive Office, and King County Council staff as noted below:

- RSD – Brenda Bauer, Jay Osborne, Rey Sugui (Project Lead), Mark Foote
- PSB – Shelley De Wys, Tricia Davis
- Executive Office – Diane Carlson, Chris Arkills
- King County Council –John Resha

Task	Roles
<i>Analysis of Categories and Utilization of Road Services</i>	Lead – Rey Sugui Analysis – Shelley De Wys, Mark Foote Review – Jay Osborne Brenda Bauer, Tricia Davis, Chris Arkills
<i>Regional Customer Engagement Process</i>	Lead – Diane Carlson Support – Jay Osborne, Shelley De Wys, Rey Sugui Review – Brenda Bauer, Tricia Davis, Chris Arkills
<i>Development of Comprehensive Regional Road Services Contracting Approach</i>	Lead – Jay Osborne Analysis – Rey Sugui, Shelley De Wys, Diane Carlson Review – Brenda Bauer, Tricia Davis, Chris Arkills

March 29, 2013

The Honorable Larry Gossett
Chair, King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Gossett:

As required by Proviso P1 to Section 65 of the 2013 King County Budget Ordinance 17476, I am transmitting to the King County Council a motion and a report in the form of a work plan for a regional road services delivery model.

SECTION 65. P1.

Of this appropriation, \$500,000 shall not be expended or encumbered until the executive transmits a report and a motion that acknowledges receipt of the report and the motion is passed by council. The motion shall reference the proviso's ordinance, ordinance section, proviso number and subject matter in both the title and body of the motion.

The executive must file the report and motion required by this proviso by April 1, 2013, in the form of a paper original and an electronic copy to all councilmembers, the council chief of staff and the lead staff for the transportation, economy and environment committee or its successor.

The executive shall provide a report in the form of a work plan for regional road services delivery models. The work plan shall be based on the strategic plan for road services policy and strategy to utilize mutually beneficial partnerships in the provision of contract services to cities and other agencies to achieve efficiencies and economies of scale. The work plan shall identify, but not be limited to:

- A. A timeline and the deliverables for a technical report on the categories of road services and their historical utilization by regional partners;*
- B. A timeline and the deliverables for a regional customer engagement process with the goals of discussing, prioritizing and valuing the categories of road services; and*

C. A timeline and the deliverables for a comprehensive regional road services contracting approach that will inform the 2015-2016 biennial budget process and updates to the strategic plan for road services. This comprehensive approach shall include an interbranch engagement strategy with a staff working group and council committee briefings that will inform development of the work plan.

The attached work plan outlines the activities associated with the analysis of contract and other services provided by the King County Road Services Division (RSD) to cities and other agencies. The work plan was developed collaboratively with the Office of Performance, Strategy and Budget, the Executive Office and Council staff. RSD will draw upon the findings of the analysis outlined in the work plan to develop a comprehensive regional road services contracting approach, which will inform the 2015-2016 biennial budget process as well as the Strategic Plan for Road Services. This work plan supports the King County Strategic Plan (KCSP) by promoting regional relationships that benefit the citizens of King County and carries out several key elements of the KCSP. Key among these is the Financial Stewardship strategy that states, “work with cities to identify opportunities to provide services more efficiently, such as contracting.” This includes utilizing mutually beneficial partnerships to achieve efficiencies and economies of scale. This work plan took approximately 24 hours to complete and cost approximately \$1,840 including salary and benefits to prepare.

If you have questions, please contact Brenda Bauer, Road Services Division Director, at 206-263-0405.

Sincerely,

Dow Constantine
King County Executive

Enclosures

cc: King County Councilmembers
ATTN: Michael Woywod, Chief of Staff
Anne Noris, Clerk of the Council
Carrie S. Cihak, Chief Advisor, Policy and Strategic Initiatives, King County
Executive Office
Dwight Dively, Director, Office of Performance, Strategy and Budget
Harold S. Taniguchi, Director, Department of Transportation (DOT)
Brenda Bauer, Director, Road Services Division, DOT