

**Limited Scope Performance Audit
of the
San Francisco Municipal Transportation Agency
Part I**

Prepared for the

**Board of Supervisors
of the City and County of San Francisco**

by the

Budget and Legislative Analyst

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Executive Summary

The San Francisco Municipal Transportation Agency

The SFMTA was created in 1999, when San Francisco voters approved Proposition E. Proposition E established the SFMTA as an autonomous agency, combining the Municipal Railway (Muni) and the Department of Parking and Traffic into a single agency. Proposition E guaranteed a minimum level of General Fund support for public transit and established a governing board to direct the public transit system.

In 2007, the voters of San Francisco approved Proposition A, setting new performance standards for public transit and augmenting the SFMTA's autonomous functions. Proposition A also transferred the Taxi Commission to the SFMTA.

The Charter requires that the SFMTA develop a two-year budget in each even-numbered year. The Board of Supervisors does not have line item appropriation authority over the SFMTA budget. Rather, the Board of Supervisors may allow the SFMTA budget to take effect each year without any action on its part. The Board of Supervisors can not modify the SFMTA budget but can reject the budget by a seven-elevenths' vote. Also, the Board of Supervisors may allow any SFMTA revenue measures, route abandonments, or fare changes to take effect without any action on its part. The Board of Supervisors can only reject these measures or actions by the SFMTA upon a seven-elevenths' vote.

The SFMTA adopted their first two-year budget in FY 2008-09, covering FY 2008-09 and FY 2009-10. As discussed in Section 2 of this report, and shown in Table 2.1, the SFMTA approved an amended FY 2009-10 budget in April 2009 to address a \$48.1 million shortfall in General Fund, Sales Tax, and other government revenues.

As shown in Table 1 below, the SFMTA budget has decreased by \$15,504,884 or approximately 2.0 percent, from \$784,097,086 in FY 2008-09 to \$768,592,202 in FY 2009-10.

Table 1
SFMTA Budget
FY 2008-08 to FY 2009-10

	FY 2008-09 Original Budget	FY 2009-10 Original Budget	FY 2009-10 Amended Budget	Increase/ (Decrease) FY 2008-09 to FY 2009- 10 (Amended)	Percent Increase/ (Decrease) FY 2008-09 to FY 2009- 10 (Amended)
Revenues					
Fare Revenues	\$157,248,618	\$182,805,972	\$195,163,421	\$37,914,803	24.1%
General Fund Support	195,715,000	206,266,170	178,300,000	(17,415,000)	(8.9%)
Permits, Fees, and Fines	112,133,142	114,401,642	129,775,643	17,642,501	15.7%
Other Revenues	319,000,326	313,179,447	265,353,138	(53,647,188)	(16.8%)
Total Revenues	\$784,097,086	\$816,653,231	\$768,592,202	(\$15,504,884)	(2.0%)
Expenditures by Program					
Muni Transit Operations	\$434,273,885	\$454,114,640	\$445,499,098	\$11,225,213	2.6%
Parking and Traffic	70,786,377	67,372,167	63,588,305	(7,198,072)	(10.2%)
Administration, Planning, Other Programs	279,036,824	295,166,424	259,504,799	(19,532,025)	(7.0%)
Total Expenditures	\$784,097,086	\$816,653,231	\$768,592,202	(\$15,504,884)	(2.0%)

Source: Annual Appropriation Ordinance

Finding # 1: SFMTA's scheduling of Muni's light rail and bus runs results in excessive costs to the City

As is the case with most public transit agencies, demand for the San Francisco Municipal Transportation Agency (SFMTA) Municipal Railway (Muni) service is highest during peak morning and evening rush hours and declines during midday and late evenings. Muni operates 630 buses during the morning and evening peak hours and 430 buses during the rest of the day, resulting in a peak to base ratio of approximately 1.5, which is

the number of vehicles in service during the peak period divided by the number of vehicles in service during the rest of the day.

Muni has seven divisions for buses, light rail, and cable cars:

- The Green division manages street cars (one route) and light rail routes (six routes);
- The Cable Car division manages the City's three cable car routes;
- The Potrero and Presidio divisions manage Muni's 16 electric trolley coach routes; and
- The Flynn, Kirkland, and Woods divisions manage Muni's 54 motor coach routes.

Each division has bus or light rail "runs", which are the schedules for each transit operator on a specific bus route or light rail line. Runs can consist of driving time, standby time, travel time (between locations), and set up time. Runs can be scheduled for more than eight hours per day, in which the transit operator is paid scheduled overtime for hours exceeding eight. Also, the total hours in the run can exceed the total *paid* hours if the run includes unpaid split time.¹ Run schedules and pay structures are included in the Memorandum of Understanding (MOU) between the SFMTA and the Transport Workers Union (TWU) Local 250A, which represents Muni's transit operators.

The MOU between SFMTA and TWU Local 250A requires that transit operators receive a minimum of eight hours work per day and a total of 40 hours over five consecutive days. Therefore, runs of more than eight hours require two drivers if overtime and or standby time are not used. Scheduled overtime is built into many bus and light rail runs to accommodate peak service demand. Scheduled overtime can minimize labor costs if the cost of paying overtime to one transit operator to complete a run of more than eight hours is less than the cost of paying more than one transit operator to complete a run of more than eight hours.

Muni has 1,278 weekday runs, of which 627 or 49.0 percent, include standby time. Standby time ranges from a few minutes to six hours. Some routes include standby hours and scheduled overtime, but require fewer total pay hours than if the route were designed without overtime. The scheduled overtime premium for a particular run is built into the run's daily pay rate and is budgeted in SFMTA's annual operating budget.

As shown in Table 2 below, the FY 2009-10 SFMTA budget includes \$28.8 million in transit operators' scheduled overtime, or 19.2 percent of total transit operators' salaries of \$150.4 million.

¹ Under the Memorandum of Understanding (MOU) between the SFMTA and the Transport Workers Union (TWU) Local 250A, transit operators may be scheduled for up to two hours of split time, which is time between driving assignments for which the transit operator is not on standby and not receiving pay. According to the MOU: "The basic hours of labor shall be eight hours per day. For all hours worked in excess of eight hours, operators shall be paid one and one-half times the straight time rate. If a regular split run is not completed within a range of ten hours, time and one-half will be paid for all time in excess of ten hours. After two hours of split time, operators shall standby..."

Table 2
Scheduled and Unscheduled Overtime in
Transit Operators' Runs by Division
FY 2009-10 Budget

Division	Total Salaries	Scheduled Overtime	Unscheduled Overtime	Total Overtime	Scheduled Overtime as Percent of Total Salaries	Unscheduled Overtime as a Percent of Total Salaries	Total Overtime as a Percent of Total Salaries
Cable Car	\$13,286,306	\$3,457,686	\$264,000	\$3,721,686	26.0%	2.0%	28.0%
Green	18,397,412	4,898,389	374,000	5,272,389	26.6%	2.0%	28.7%
Presidio	19,862,543	4,033,968	308,000	4,341,968	20.3%	1.6%	21.9%
Potrero	26,128,636	4,322,108	330,000	4,652,108	16.5%	1.3%	17.8%
Kirkland	23,444,212	4,033,968	308,000	4,341,968	17.2%	1.3%	18.5%
Flynn	18,932,121	3,169,546	242,000	3,411,546	16.7%	1.3%	18.0%
Woods	30,330,587	4,898,389	374,000	5,272,389	16.2%	1.2%	17.4%
Total	\$150,381,817	\$28,814,054	\$2,200,000	\$31,014,054	19.2%	1.5%	20.6%

Source: SFMTA FY 2009-10 Budget

- **SFMTA’s ratio of transit operator paid hours to actual platform (or driving) hours demonstrate that service delivery is not cost effective.** The ratio of paid hours to platform (or driving) hours is a measure of cost effectiveness used throughout the public transit industry. For Muni, it expresses all paid hours, including the straight time equivalent of overtime pay, relative to driving hours. In June 2009, Muni’s ratio of transit operator paid hours to driving hours was 1.27.

Although in December 2009, after the SFMTA had implemented Muni service changes, Muni’s ratio of transit operator paid hours to driving hours decreased to from 1.27 to 1.23, Muni continues to have a high ratio of paid hours to driving hours compared to other metropolitan transit agencies surveyed for this performance audit.

In fact, as shown in Table 3 below, Muni’s ratio of paid hours to driving hours of 1.23 is 7.0 percent higher than the ratio of 1.15 for the Washington Metropolitan Area Transit Authority, which operates both light rail and bus service and serves an urban center, and is 10.8 percent higher than the ratio of 1.11 for King County (Washington), which services the metropolitan Seattle area.

According to King County (Washington) Metro Transit staff, their agency’s ratio of paid hours to driving hours of only 1.11 compared to Muni’s ratio of 1.23 is achieved through the extensive use of part time operators. In fact, all of the other comparable transit agencies surveyed for this performance audit employed part time operators. Yet Muni does not employ any part time operators.

Table 3
Ratio of Paid Hours to Platform (Driving) Hours at Comparable Transit Agencies

Agency	Ratio of Paid Hours to Platform (Driving) Hours
SF Municipal Transportation Agency	1.23
Washington Metropolitan Area Transit Authority	1.15
King County (Washington) Metro Transit	1.11
Metropolitan Atlanta Rapid Transit Authority	1.10
Chicago Transit Authority	1.09

Source: Budget and Legislative Analyst Survey

As compared to the other metropolitan transit agencies surveyed for this performance audit, Muni's high ratio of paid hours to actual driving hours results in excessive costs being incurred by the City.

Transit operators' schedules use nonproductive standby time to meet scheduling requirements

Muni uses both overtime and standby time in daily transit operators' schedules and transit runs to meet peak service demand and to comply with the current operator MOU's work rules regarding the use of part time operators.² Although the MOU allows for up to 220 part time operators, the MOU effectively prohibits the use of part time operators because the MOU requires that all work assignments must be at least eight hours per day. The MOU establishes the basic hours of labor at eight hours a day which in effect disallows the use of trippers, which are short blocks of work made up of one or two trips that typically serve peak periods. Instead, all work assignments must be long enough to qualify as a run or as a full day's work.

By not using any part time drivers or trippers, SFMTA must solely rely on split shifts and standby time to meet peak service demand.

² Part time operators cannot work more than 25 hours a week, five hours a day during weekdays and eight hours a day on weekends, or four days per week if working Saturday and Sunday. They cannot be assigned to vacation relief or long term sickness relief for regular operators. They cannot receive allowance for split time. The MOU requires part time operators not to exceed 220.

Two of the seven Muni divisions have a high percentage of nonproductive standby time

As noted above, Muni has 1,278 weekday runs, of which 627 or 49.0 percent, include standby time. Standby time makes up 15 percent of all scheduled time for Muni's Kirkland division weekday runs and 10 percent of all scheduled time for Muni's Flynn division weekday runs. Although transit operators on standby must remain in the report room "to accept any assignments within their competence", this time is generally not productive time. Overall, standby time for weekday runs for all Muni divisions makes up more than 6 percent of total scheduled time, with estimated annual costs of \$5.5 million. The SFTMA could significantly reduce standby hours and associated costs by creating blocks of work to serve peak periods, or trippers, and employing part time drivers.

Six Muni divisions have six or more runs with a high percentage of standby time and low percentage of driving time

There are a group of 40 senior operators at six of Muni's divisions (all but the Cable Car division) who operate 40 runs with more than four hours of daily standby time. The average daily pay for these runs cost 15 percent more than the average daily pay for all other runs, as shown in Table 4 below.

Table 4
Muni Transit Operators with
Four or More Hours of Daily Standby Pay

Division	Number of Runs	Average Division Daily Pay	Average Pay for runs with 4 hours or more of standby	Percent above Average Daily Pay of runs with 4 hours standby
Kirkland	8	\$261	\$314	20%
Potrero	7	\$272	\$313	15%
Woods	7	\$273	\$315	16%
Presidio	6	\$289	\$310	7%
Flynn	6	\$268	\$316	18%
Green	6	\$307	\$344	12%
All divisions	40	\$276	\$317	15%

Source: SFMTA Scheduling System

As shown in Table 5 below, for those 40 runs, the transit operators are paid a daily average of 5 hours and 20 minutes to standby, and 4 hours and 9 minutes to drive, totaling 9 hours and 29 minutes. Therefore, approximately 56 percent of the paid

hours for these 40 transit operators are for non-productive standby time and only 44 percent of the paid hours are for driving time.

Table 5
Average Platform and Standby Time For Runs
With More Than Four Hours Standby

Division	Number of Runs with 4 Hours or More of Standby	Average Platform Hours	Average Standby Hours
Kirkland	8	3:44	5:49
Potrero	7	4:26	5:07
Woods	7	4:23	5:10
Green	6	3:53	5:12
Presidio	6	4:21	5:08
Flynn	6	4:08	5:27
Total	40	4:09	5:20

Source: Trapeze System

While these transit operators should work for special events or perform other duties during their standby time, SFMTA did not provide evidence that they do so. This percentage of nonproductive paid standby time is costly to the City.

- **Restrictions on use of part time transit operators increases non productive time and costs.** Because Muni only employs full time operators, the SFMTA’s scheduling system has not been used to design schedules that take part time operators into account in calculating the least expensive weekly schedules configuration. In the fall of 2007, the Transit Effectiveness Project (TEP) Operations Review Findings made a medium term recommendation (six months to two years) to evaluate “reintroducing part time operators” to improve operator availability. This recommendation has still not been implemented.

Although most transit agencies surveyed for this performance audit place some restrictions on the use of part time operators, they all used part time operators to some extent, as shown in Table 6 below.

Table 6
Numbers and Conditions of Employment of Part Time Operators at
Comparable Transit Agencies

Agency	Full Time	Part Time	Work Restrictions
SF Municipal Transportation Agency	2,172	0	Not to exceed 12% of the number of regular operators
King County (Washington) Metro Transit	1,808	1,022	Cannot work weekends. Cannot work after 8:30 PM or start prior to 3:45 AM. Cannot receive more than 7:59 hours of work in a workday
Los Angeles County Metropolitan Transportation Authority	Bus 3,288 Rail 212	Bus 968 Rail 4	May not work assignments that contain more than six hours and fifty nine minutes work time or less than two and one half hours work time Sunday through Saturday and no more than 36 hours per week. They are allowed to work in relief of Full Time Operators Friday through Monday or holidays on regular runs.
Washington Metropolitan Area Transit Authority	2,463	77	May work up to thirty hours a week. Restricted to am or pm trippers not part of a run. Permitted to work regularly scheduled runs on weekends and holidays. Not to exceed 10% of the number of full time employees. May constitute 15% of operators provided Agency employs 1,669 full time operators.
Chicago Transit Authority	3,400 Bus 1,164 Rail	834 Bus 135 Bail	Part time operators not to exceed 25% of full time operators. 30 hours a week limit for rail; 32 hours a week limit for bus operators. No restrictions on days or shifts; Not assigned to a designated work schedule due to long term illness or vacation
Metropolitan Atlanta Rapid	Bus	Bus 65	PT operator can work no more

Agency	Full Time	Part Time	Work Restrictions
Transit Authority	1,244 Rail 181	PT Rail 0	than 30 hours per week
Southeastern Pennsylvania Transit Authority	3,715	12	32 hours a week limit

Source: Budget and Legislative Analyst Survey

Part time operators should be a part of the operator work force, and MOU provisions that establish the basic hours of labor at eight hours a day and hence disallow the use of trippers, or short blocks of work made up of one to two trips during peak hours, should be revised in order to allow Muni to reduce reliance on scheduled overtime.

The lack of part time operators and the restrictions placed on their employment limit SFMTA's ability to adjust scheduling to reduce reliance on scheduled overtime and nonproductive paid standby time. These restrictions should be lifted or modified to give SFMTA the greatest flexibility possible in using part time operators to reduce the number of split shifts and the nonproductive standby and scheduled overtime expenditures they generate.

- **The SFMTA has approved seven transit operators to serve as TWU 250A chairs at a salary cost of \$608,000 annually.** The City entered into a side letter agreement with TWU Local 250A in 1991 that defines the duties and responsibilities of transit operators who serve as union chairpersons. While the MOU provides for employee representatives (or union chairpersons) to represent TWU members in work place issues, neither the MOU nor the side letter agreement specify the number of union chairpersons who are removed from driving duties to perform union work.

However, the SFMTA has authorized seven transit operators at each of Muni's seven divisions to serve as union chairpersons, with total annual salary costs of \$608,625. These seven union chairpersons work 100 percent of their time on union duties, performing no driving time. The SFMTA should meet and confer with TWU Local 250A to eliminate six union chairperson positions, resulting in salary savings to the SFMTA of approximately \$500,000 annually.

Finding # 2: SFMTA has not developed an effective program to manage, report to the SFMTA Board and executive management, and reduce unscheduled absenteeism and overtime

Transit operators incur overtime that is not scheduled. Unscheduled overtime can result from a variety of unforeseen factors such as traffic congestion, police incidents, accidents, demonstrations, routing changes or delays due to planned events such as street

fairs. But typically, unscheduled overtime occurs when an operator works on his or her regular day off (RDO) to replace an operator who is absent due to illness or other categories of planned or unplanned leave.

Recognizing absenteeism's adverse impact on service and productivity, and the related increased costs, voters passed Proposition E in 1999, which among other things, directed Muni to develop a comprehensive plan to reduce unscheduled absences. Additionally, the current transit operator's Memoranda of Understanding (MOU) states that Muni and the Transport Workers Union (TWU) will review Muni's and on other comparable transit systems' current practices to identify potential improvements and alternative scheduling methods for use at Muni. Neither of these policies has been implemented.

SFMTA's unscheduled operator absences of 15 percent in the first quarter of FY 2009-2010 is between 15.4 percent to 275 percent higher than the absentee rates reported by other transit agencies surveyed by the Budget and Legislative Analyst, as shown in Table 7 below.

Table 7
Rate of Unscheduled Absence at SFMTA
Compared to Other Transit Agencies

Agency	Reported Absentee Rate
SF Municipal Transportation Agency	15%
Washington Metropolitan Area Transit Authority	13% (scheduled and unscheduled combined)
Southeastern Pennsylvania Transit Authority	11%
Los Angeles County Metropolitan Transportation Authority	6%
Metropolitan Atlanta Rapid Transit Authority	6% to 8%
King County (Washington) Metro Transit	4%. (1.83% for part time)
Chicago Transit Authority	not tracked

Source: Budget and Legislative Analyst Survey

- **Reporting on overtime is insufficient for management control of potential excessive overtime use.** SFMTA does not track scheduled and unscheduled overtime separately in the City's Financial and Accounting Management Information System (FAMIS). While dispatchers at Muni's rail and bus divisions input several scheduled and unscheduled overtime pay codes in the daily pay detail, all overtime is rolled into one bucket and reported to FAMIS with no distinction between the two forms of overtime.

This practice greatly overstates the amount of spending on unscheduled overtime and obscures spending on scheduled overtime. The SFMTA Finance Division should work with the Controller to capture the SFMTA's transit operator scheduled and unscheduled overtime in the City's payroll system and in FAMIS. This would allow

the SFMTA to more accurately record and report transit operators' scheduled and unscheduled overtime.

Also, the SFMTA Finance Division does not report regularly on scheduled and unscheduled overtime hours and expenditures, either to the public or to the SFMTA Board of Directors. A review of the minutes of all Board of Directors meetings from calendar year 2008 through April 2010 disclosed that there was only one report dated April 21, 2009 to the SFMTA Board of Directors regarding use of overtime. However, the minutes for this meeting indicate that the item, which was to be part of the Executive Director's report, was removed from the agenda.

According to SFMTA management, SFMTA implemented an overtime reduction program in October 2008. Transit Division overtime hours were 42,000 hours in the October 17, 2008 pay period. Transit Division overtime hours for transit operators have averaged 24,000 hours a pay period inclusive of scheduled, unscheduled and regular day off (RDO) overtime from July 1, 2009 to March 5, 2010.

The SFMTA Board of Directors receives quarterly service standard reports that track unscheduled transit operator absences, which are the main cause of unscheduled overtime. The Budget and Legislative Analyst has recommended that SFMTA develop a comprehensive plan to increase transit operator availability for driving duties that includes evaluating the causes of and reducing unscheduled absences, as recommended by the Transit Effectiveness Project.

- **Reporting and tracking of leave is not linked to controlling costs of unscheduled overtime.** Dispatchers report daily on use of overtime and approved leave and absences. A report on operator absenteeism that contains information on the number of operators scheduled and available at each Muni division, the number, cause and percentages of planned and unplanned absences, and an agency wide seven day summary of absenteeism is provided to the Director of Operations twice daily. The Director of Operations states that he uses this report for both short term and long term planning.

Although the Director of Operations and his staff track the amount and causes of absenteeism, the Budget and Legislative Analyst found no indication that data on absenteeism or overtime has been used as a tool either to limit the use of unscheduled overtime or to assess the potential savings of using part time operators instead of scheduled overtime to accommodate peak service demand. SFMTA has recently drafted a policy on sick leave and attendance that would limit unscheduled leave through progressive discipline. SFMTA plans to implement this policy on July 1, 2010 after meeting and conferring with TWU Local 250A

- **Most unscheduled overtime results from sick calls.** Unscheduled overtime makes up more than 25 percent of all transit operators' overtime use, including transit operators working on their regular day off to backfill unplanned absences and other types of unscheduled overtime. The main cause of unscheduled overtime is the

unplanned use of sick leave and other unplanned absences. As shown in Table 7 above, SFMTA has a high rate of unscheduled operator absenteeism, which was 15 percent in the first quarter of FY 2009-10 up from nearly 13 percent in the first quarter of FY 2008-09.

Absenteeism decreases system reliability by decreasing operator availability (the percent of operators on hand to deliver service each day relative to the schedule) and by increasing reliance on operators working on their regular day off, thus increasing overtime costs. FY 2009-10 overtime costs resulting from unscheduled absences are estimated to be \$5.5 million.

We examined payroll data for the pay period ending March 5, 2010 from Flynn Division to determine the main sources of unscheduled absences. Table 8 below summarizes the findings.

Table 8
Municipal Railway Flynn Division Total Absences
Pay Period February 20, 2010 to March 5, 2010

<u>Category</u>	<u>Operator Day Absences</u>	<u>Percent of Total</u>
Sick Pay	227	26.5%
Unknown Status	198	23.2%
Leave No Medical	116	13.6%
Leave No Driver's License	42	4.9%
Vacation	41	4.8%
Family Medical Leave	39	4.6%
Claims Industrial - SP, VP	30	3.5%
Light Duty	28	3.3%
Sick Run Pay	24	2.8%
1 Day Vacation 8-Hour	18	2.1%
Claims Industrial Assault	18	2.1%
Holiday in Lieu	14	1.6%
Floating Holiday	12	1.4%
Funeral Leave	9	1.1%
Birthday	8	0.9%
Vacation Run Pay	6	0.7%
Birthday Working	5	0.6%
Military Active	5	0.6%
Trade Voluntary Pay Worked Run	4	0.5%
1 Day Vacation Run Pay	3	0.4%
Jury Duty	2	0.2%
On Loan Pay Worked Run	2	0.2%
Military Leave	2	0.2%
Joint Labor Management Board	1	0.1%

<u>Category</u>	<u>Operator Day Absences</u>	<u>Percent of Total</u>
Non Driving Status	1	0.1%
Total	855	100%

Source: SFMTA

As shown in Table 8 above, for the pay period ending March 5, 2010, 583 out of 855 absences, or 68.2 percent, were for unscheduled sick pay, leave because the transit operator did not have a driver's license, other non-medical leave, or unknown leave status.

For the pay period ending March 5, 2010, the Flynn Division, which is a motor coach division, missed more than seven runs per day on average, or approximately 4.3 percent of 163 weekday runs, due to unscheduled absences. These missed runs result in reduced services to Muni riders.

The MOU creates an incentive to use unscheduled leave

The MOUs between the SFMTA and employee unions allow overtime based on the total number of straight time hours actually worked, with the exception of the MOU between SFMTA and TWU Local 250A for transit operators.

However, the MOU between TWU Local 250A and SFMTA allows operators to accrue overtime after 40 hours a week of either paid work or a combination of paid work and authorized absences, including sick leave for those who have accumulated 80 hours of sick leave or more. In effect operators can use sick leave or any other form of approved leave and then work on one of their regular days off at time-and-a-half within the same week.

- **Muni does not accurately calculate the number of extra transit operators needed to backfill vacant runs or of transit operators in active driving status.** Muni uses extra board transit operators to back fill vacant runs. Extra board transit operators are regularly-scheduled transit operators who are available to fill an expected number of vacant runs each day resulting from operators on their regularly-scheduled days off, planned leave, expected number of unplanned absences, and other reasons for vacant runs. Muni staff did not provide evidence of a formal method or written policy that determines the required number of extra board transit operator slots.

Nor does Muni have accurate information on the number of filled transit operator positions that are actually available to drive buses or light rail vehicles. The Muni Transportation Quality Review 2006-2008, mandated by Proposition E reported that "Muni consistently reports a vacancy rate of 0 percent for operators but does not make a distinction between operators who are available and those who are not." The report estimated the number of transit operators on payroll but not able to drive to be between 200 and 300 a day or approximately 9 percent to 14 percent of the currently filled transit operator positions.

During the exit conference for this performance audit, SFMTA staff estimated that up to 400 transit operators, or approximately 18.4 percent out of 2,172 total transit operators on payroll, were not available to drive.

Finding #3: The SFMTA Board should strengthen its processes to better oversee a complex transit agency

The SFMTA is governed by a seven-member Board of Directors (Board), appointed by the Mayor and confirmed by the Board of Supervisors. The Board members must be regular Muni riders and represent or have experience in non-profit management or community-based organizations, labor unions, other public transit agencies, private transportation companies, and disabilities rights. Two members of the Board of Directors were previously members of the Taxi Commission. One member of the Board of Directors served previously on the Parking and Traffic Commission.

The SFMTA Board has more autonomy and broader decision making authority than most City boards and commissions. Under the Charter, the SFMTA Board of Directors can approve the SFMTA's two-year budget, issue debt, enter into contracts, approve labor agreements, set fares and parking rates, and otherwise oversee the SFMTA.

- **The SFMTA Board has not adopted a written statement on governance principles.** The SFMTA Board has not developed a written statement on governance principles. While the Charter defines the duties of the SFMTA Board, the Charter and local and State codes and regulations do not define all of the duties necessary for the SFMTA Board to exercise proper oversight of the SFMTA, such as oversight of financial reporting responsibility for agency risk assessments, self-evaluation, and other oversight responsibilities.

As a result, the SFMTA Board has not sufficiently defined or implemented its role in overseeing the SFMTA, including SFMTA Board responsibility for managing SFMTA performance, and identifying and planning for SFMTA operational and financial risks. Therefore, the SFMTA should develop a written statement of governance principles to establish authority and accountability for overseeing a complex, multi-faceted transit agency.

- **The SFMTA Board should define the role of its Policy and Governance Committee and re-examine the adequacy of its committee structure to assist the Board in carrying out its responsibilities.** The SFMTA combines several City functions into one agency: public transit; parking meters; the City's parking garages, traffic and parking enforcement; and taxi regulation. However, the SFMTA Board has only established one committee, the Policy and Governance Committee, to assist the SFMTA Board in considering issues within its purview. According to the Chairman of the SFMTA Board, the three-member Policy and Governance Committee was established to "troubleshoot" issues for the Board and to provide more time to adequately consider issues before the Board. However, the SFMTA Board has not established written guidelines defining the role of its Policy and

Governance Committee. In interviews with the SFMTA Board, several members mentioned that they would welcome the opportunity to discuss fiscal and transportation planning issues in greater detail but are not always able to do so at Board meetings. A committee structure would allow the Board members to discuss SFMTA issues in greater detail and support the SFMTA Board in meeting its obligations to the City on major transportation planning and financial issues.

To ensure that the SFMTA Board has an adequate committee structure, the SFMTA Board should develop written guidelines defining the roles and responsibilities of its Policy and Governance Committee. Furthermore, when it develops its written governance principles, the SFMTA Board should re-examine the adequacy of its current committee structure.

- **The SFMTA Board should better identify, monitor, and evaluate implementation of the SFMTA Strategic Plan's goals and objectives.** The SFMTA Board adopted a five-year Strategic Plan in 2007 that identifies the Agency's broad goals for what the Agency will look like in the future, and what broad actions it must take to achieve these goals. However, neither the Strategic Plan nor the annual operating budget consistently provide clear statements on how these goals are to be implemented. For example, one Strategic Plan goal is to improve service and efficiency by leveraging technology. The Strategic Plan objective is to "identify, develop, and deliver the new and enhanced systems and technologies required to support SFMTA's 2012 goals". While the Strategic Plan lists four broad initiatives to achieve this objective, the SFMTA FY 2008-09 to FY 2009-10 budget does not specify how these four broad initiatives will be implemented.

The SFMTA Board monitors the SFMTA Executive Director's progress in implementing the Strategic Plan during the SFMTA Executive Director's annual performance evaluation. Also, the SFMTA Board monitors some aspects of the Strategic Plan's implementation in its review of the quarterly service standards reports. However, the SFMTA Board has not developed a comprehensive process in which they evaluate the entire Strategic Plan with respect to what they intended to accomplish and what they have actually accomplished. Also, the SFMTA Board does not have a process to evaluate if the Strategic Plan continues to meet the long term needs of the SFMTA. Since the SFMTA has a two-year budget cycle, the SFMTA should develop a process to formally evaluate Strategic Plan implementation at the end of each two-year budget cycle and reassess the adequacy of the Strategic Plan.

- **The SFMTA Board has not established a formal process to evaluate its effectiveness as a governing board on a regular basis.** According to board members, the SFMTA Board has held several retreats to discuss broad policy issues but the SFMTA Board has not formally evaluated its effectiveness. Regular reviews would enable the SFMTA to monitor its progress toward achieving strategic goals and improve its effectiveness as a fiduciary body.

- **The SFMTA Board should enhance its training for board members.** Governing boards should provide on-going training for board members, particularly on relevant new laws, regulations, and changing risks, and their fiduciary responsibility to the agency. The SFMTA Board members receive orientation for new Board members, and annual online training on the Good Government Legal Guide published by the City Attorney. Board members also reported that they regularly attend conferences by the American Public Transportation Association. To ensure that Board members are properly trained to carry out their duties, the SFMTA Board should enhance its training for the members to not only include new member orientation and training on State and Charter requirements, but also training on governance, especially best corporate governance practices, public finance, and other areas to assist Board members in performing their responsibilities.

Finding #4: The SFMTA Board of Directors should increase its oversight over implementation of the Transit Effectiveness Project, financial reporting, and operational risks

In April 2009 the SFMTA Board declared a “fiscal emergency” which allowed the Board to consider a number of options, including service reductions and increases to fares, fees, fines, rates and charges that support transit service without undergoing a California Environmental Quality Act (CEQA) review. The SFMTA amended the FY 2009-10 budget, which was the second year of the two-year budget, to address a \$48 million projected budgetary shortfall. As a result, the SFMTA increased some Muni fares and implemented Muni service changes as of December 5, 2009. These Muni service changes included eliminating certain routes or segments of routes with low ridership or alternative service nearby, modifying some route structures or increasing route frequency to minimize the impact of other proposed changes; and eliminating some late night service.

On March 30, 2010, the SFMTA Board of Directors declared that a continuing fiscal emergency exists due to a shortfall in SFMTA revenues. As of April 6, 2010 the SFMTA was projecting a June 30, 2010 year-end budget shortfall of \$7.3 million. To address the projected year-end shortfall, the SFMTA Board of Directors approved increases to various fees, eliminated free parking privileges for SFMTA employees and officials, and approved an additional ten percent reduction in Muni service hours as of May 1, 2010.

- **The SFMTA Board does not routinely calendar discussion of implementation of the Transit Effectiveness Project to improve long-term system performance.** The SFMTA initiated the Transit Effectiveness Project (TEP) in 2006 to contribute to SFMTA’s long-term financial stability and improve Muni reliability and performance. The TEP gathered public transit ridership data, studied best practices from other transit systems, and conducted public outreach to community stakeholders, policy makers and SFMTA employees; and developed a set of preliminary proposals designed to improve public transit reliability, reduce travel delay, and update routes to better meet current and projected travel patterns throughout the City. The SFMTA Board approved the TEP in concept in October 2008, authorizing a full environmental review under the California Environmental Quality Act (CEQA) and development of an implementation plan. Full implementation of the TEP includes completion of the CEQA review and approval of an implementation plan that incorporates measurable goals, objectives and target outcomes, a phasing plan for route updates and service changes, a detailed list of capital projects and funding strategies, and a master implementation schedule with key steps to deliver the five-year program. Full implementation of the TEP has been delayed beyond the original implementation schedule, although the December 2009 Muni service changes incorporated TEP data on Muni ridership.

The SFMTA Board has focused on addressing the SFMTA FY 2009-10 and FY 2010-11 budgetary shortfalls. While the FY 2009-10 and FY 2010-11 budget

shortfalls require immediate attention, the SFMTA Board should continue to plan for and act on the longer term financial and operational goals contained in the TEP.

Although the SFMTA Board members and executive managers state that discussions of the TEP are regularly included in the Board's budget and service deliberations, the SFMTA Board has calendared only one formal discussion of the full TEP implementation since October 2008.

To ensure that the implementation of the TEP is adequately monitored, the SFMTA Board should require staff to provide written updates on the status of the TEP implementation, no less than once quarterly, at either a SFMTA Board meeting or meeting of the Policy and Governance Committee. The status updates should not only assist the SFMTA Board in monitoring the implementation of the TEP but would also increase transparency to the public regarding the status of the TEP. The public was significantly involved in the original TEP process and should be kept informed of the TEP implementation process.

- **The SFMTA Board should provide more oversight over financial reporting.** Although the SFMTA Board members receive SFMTA's annual financial statement, the SFMTA Board does not discuss the financial statement and related financial issues in Board meetings, although the SFMTA Board oversees the annual SFMTA operating budget of \$768.6 million.

The SFMTA Board does not have an audit committee to oversee financial and other audits of the SFMTA. By comparison, the nine transportation agencies surveyed for this performance audit have established audit committees and discuss the financial audit results with the auditors.

- **The SFMTA Board needs more audits to assist it in carrying out its oversight responsibilities.** The SFMTA does not have its own internal audit function, but rather relies on the Controller's Office, which serves as the auditor for the City under the Charter. Since 2005, the Controller's Office has conducted seven limited scope audits of the SFMTA, focusing on revenues from parking garages, parking meters, and cable car fares, and an audit of SFMTA's work orders with other departments, at the request of the Board of Supervisors. The Controller's Office assisted the SFMTA in developing the Transit Effectiveness Project (TEP), which was a comprehensive review of Muni performance. The SFMTA also has contracted for reviews required by the Charter, such as the two-year review of the quality of SFMTA operations. The Budget Analyst conducted the last comprehensive audit of the transit agency, *Management Audit of the San Francisco Municipal Railway*, in 1996, prior to the creation of the SFMTA. In addition, the Budget Analyst issued a report in 2009 on SFMTA's Proof-of-Payment Program.

All other transit agencies surveyed for this performance audit either had their own internal audit function or have comprehensive performance audits conducted on a regular basis.

According to the Controller, the Controller's Office should be able to provide more audit resources to the SFMTA because the Controller's Office work on the TEP is concluding. To improve its oversight of the SFMTA, the SFMTA Board should work with staff to determine the SFMTA's audit priorities and formally communicate these priorities in writing to the Controller's Office for consideration in developing their annual work plan. Additionally, as noted above the SFMTA Board should establish an audit committee to ensure that SFMTA Board provides sufficient oversight for financial reporting and internal audits.

- **The SFMTA Board should ensure that major organizational risks are identified, assessed, and addressed.** The SFMTA Board has not established a process to formally identify, assess, and address major risks of the organization. An agency-wide risk assessment is an effective tool for ensuring that all of the major risk factors are considered and addressed. Several other transit agencies that we surveyed have developed agency-wide risk assessments to assist their organizations in mitigating major risks. For example, the Los Angeles County Metropolitan Transportation Authority Board of Directors requested its Chief Auditor to annually prepare an agency-wide risk assessment for the Board to review and consider. This agency-wide risk assessment is used in developing the audit priorities for the Los Angeles County Metropolitan Transportation Authority. Similarly, TriMet, in Portland, Oregon, prepares a biennial risk assessment to systematically identify and incorporate high and moderate risk areas into their audit plan.

The SFMTA's Accomplishments

The SFMTA Executive Director has provided a list SFMTA accomplishments in his written response to this performance audit, which begins on page 68 of the performance audit report.

The list of the Budget and Legislative Analyst's 22 recommendations begin on page xix of this Executive Summary. The proper implementation of these recommendations would result in estimated salary savings to the SFMTA of at least \$3,090,645 annually, including:

- \$1,215,645 in reduced transit operator standby pay costs;
- \$500,000 in reduced salary costs for six transit operators currently serving as full-time union representatives; and
- \$1,375,000 in estimated reduced unscheduled overtime costs.

The Budget and Legislative Analyst Recommendations

1. Governance Structure of the San Francisco Municipal Transportation Agency's Board of Directors

In order to ensure that SFMTA Board and SFMTA staff roles and responsibilities are well defined and reflect recommended practices in governance, the SFMTA Board of Directors should:

- 1.1 Adopt a written statement of governance principles modeled after best practices for governing boards.

In order to assist the SFMTA Board in effectively carrying out its policy, programmatic and fiduciary responsibilities, the SFMTA Board should:

- 1.2 Develop written guidelines defining the roles and responsibilities of the Policy and Governance Committee. Furthermore, when it develops its governance principles, the SFMTA Board should re-examine the adequacy of its current committee structure.

In order to implement the "2008-2012 Strategic Plan," the SFMTA Board of Directors should direct the Executive Director to:

- 1.3 Develop action or business plans to address the Strategic Plan objectives. These plans should assign responsibility for completing specific strategic plan initiatives and establish a time frame for completing these plans.
- 1.4 Link tasks in the budget to the specific Strategic Plan objectives that the tasks are addressing.
- 1.5 Develop a process to formally evaluate Strategic Plan implementation at the end of each two-year budget cycle and reassess the adequacy of the Strategic Plan.

To assist it in governing effectively, the SFMTA Board of Directors should:

- 1.6 Establish a process to annually assess its performance as a governing board. This process should include a written evaluation listing the board's strengths and weaknesses and a written plan to improve performance.

To ensure that Board members receive appropriate training, the SFMTA Board of Directors should:

- 1.7 Enhance its training to not only include orientation for new members and State and Charter requirements, but also training on governance.

2. The San Francisco Municipal Transportation Agency Board of Directors' Financial and Operational Oversight of Muni

In order to implement system reliability and service improvement recommendations contained in the Transit Effectiveness Project, the SFMTA Board of Directors should:

- 2.1 Require staff to provide written updates on status of the TEP implementation, no less than quarterly, at either a SFMTA Board meeting or meeting of the Policy and Governance Committee. These updates should include (a) the status of the TEP California Environmental Quality Act review and completion of the TEP Title VI Civil Rights Act of 1964 review; (b) the status of the FY 2011-FY 2014 TEP Five-Year Roadmap (master implementation schedule); and (c) other TEP implementation requirements.

To improve its oversight over financial reporting and operational matters, the SFMTA Board of Directors should:

- 2.2 Establish an audit committee to discuss the results of financial and internal audit reports, monitor the implementation any recommendations resulting from any audits, and review and approve the audit work plan.
- 2.3 Work with SFMTA staff work to determine the SFMTA's audit priorities and formally communicate these priorities in writing to the Controller's Office for consideration in developing their annual work plan.

To ensure that the major risk factors that could prevent the SFMTA from achieving its objectives are identified, assessed, and adequately addressed, the SFTMA Board should:

- 2.4 Direct staff to work with the Controller's Office staff in identifying the major risk factors of the organization, the magnitude and likelihood of those risks occurring, and proposed actions to address those risks. The SFMTA Board should also request the Controller's Office to present the results of its risk assessment on SFMTA to the SFMTA Board so that it is sufficiently informed on the major risks of the organization and so it can determine the SFMTA's audit priorities.

3. Transit Operators' Schedules

In order to provide the flexibility necessary to hire and assign sufficient part time operators to routes with long periods of paid standby and/or overtime, the SFMTA Executive Director and Executive Management Team should:

- 3.1 In the successor MOU to the current MOU with the Transport Workers Union, which expires June 30, 2011, negotiate for the use of part time transit operators by eliminating existing work rules that currently prohibit the use of part time transit operators, including, (a) eliminating the requirement that the basic hours of labor are at least at eight hours a day, and hence prevent the use of trippers (short blocks of work made up of one to two trips during peak hours); (b) eliminating

the work rules that prevent part time operators from being assigned to vacation relief or long term sickness relief, and (c) eliminating the work rules that limit part time operators to no more than 5 hours of work on weekdays, and no more than four days per week for part time operators scheduled on both Saturday and Sunday.

- 3.2 By September 30, 2010 in preparation for renegotiation of work rules outlined in recommendation 3.1, assign scheduling staff to calculate the number of part time operators necessary to operate all runs that currently have three or more hours of split time.
- 3.3 Negotiate in the successor MOU to the current MOU with the Transport Workers Union, which expires June 30, 2011 an increased limit on the number of part time operators that can be hired to a number sufficient to operate all runs that currently have three or more hours of split time.

In order to determine the additional cost savings of using part time operators to be realized by using part time operators in the seven Muni divisions, consistent with other comparable transit agencies surveyed for this performance audit, and to inform the SFMTA Board and the public of these potential savings, the Director of Operations should:

- 3.4 Instruct the scheduling staff to use the automated scheduling system, Trapeze, to develop one or more potential schedules for each of the seven transit divisions that incorporate the use of part time operators, eliminating the existing MOU requirement that the basic hours of labor be eight hours a day, to determine the savings realized by using part time transit operators.

In order to reduce non-productive standby time and scheduled overtime expenditures, the Director of Operations should, pending renegotiation of the TWU 250A MOU in July 2011, direct his scheduling and training staff to:

- 3.5 Identify an initial set of routes at the Kirkland Division currently scheduled as split shifts with two or more hours of standby time and begin the process of hiring and training sufficient part time operators to provide service on these routes.
- 3.6 Create a plan by July 2011 to hire and train the maximum number of part time operators necessary to provide service on all routes that use two or more hours of standby time and begin implementation of hiring and training in FY 2011-12.

In order to reduce cost and increase productivity, the Executive Management Team should

- 3.7 Meet and confer with TWU Local 250A to provide for only one full time paid union chair instead of the current seven full-time union chairs.

4. The San Francisco Municipal Transportation Agency's Management of Transit Operators' Overtime

In order to discourage absenteeism and to reduce unscheduled overtime expenditures, the Executive Director and his designees should:

- 4.1 Negotiate MOU provisions in the successor MOU to the current MOU with the TWU Local 250A, which expires June 30, 2011, that (a) requires transit operators to work more than eight hours in a day or forty hours in a week in order to accrue overtime, and (b) disallows authorized absences as a basis for overtime.

In order to strengthen reporting on the impact of unscheduled absenteeism on service delivery and the causes of missed trips, and to monitor and manage absenteeism, the Executive Management Team should

- 4.2 Develop a quarterly measurement of Scheduled Trips Delivered to be reported in addition to the current measure of hours of revenue service.

In order to increase driver availability and facilitate efficient scheduling and dispatching, the Director of Operations should:

- 4.3 Create and publish on a quarterly basis a measure of drivers available to work within each division and report this information to the SFMTA Board and to the divisions.

In order to achieve an average operator availability of 100 percent, the Executive Management Team should:

- 4.4 Develop a comprehensive transit operator availability plan including (a) analysis of root causes of absenteeism, (b) reintroduction of part time operators, (c) investigation of new training programs and methods, (d) reduction of the number of operators doing non driving work including union work, and (d) strengthening, broadening and enforcing progressive attendance discipline.

Introduction

Purpose and Scope of the Performance Audit

The purpose of part one of this limited scope performance audit was to evaluate the San Francisco Municipal Transportation Agency's (SFMTA) governance structure and management of overtime. The scope included the SFMTA Board of Directors' governance structure and oversight of the SFMTA, and SFMTA management of Municipal Railway (Muni) transit operators' overtime.

Audit Methodology

The performance audit was conducted in accordance with *Government Auditing Standards, 2007 Revision*, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard performance audit practices, we performed the following performance audit procedures:

- Conducted an entrance conference with the SFMTA Executive Director and his staff on February 25, 2010 to discuss the audit process.
- Conducted interviews with SFMTA Board of Director members, the SFMTA Executive Director and other SFMTA executive staff, and other parties with knowledge of the SFMTA.
- Surveyed comparable public transit agencies for best practices in governance and transit operator overtime.
- Reviewed the Charter, Administrative Code, Memoranda of Understanding (MOUs) between the City and labor unions, and other City documents pertaining to the SFMTA.
- Conducted field work, including (1) reviewing SFMTA Board of Directors documents, meeting minutes and video tapes; and (2) analyzing SFMTA transit operator schedules, and payroll and other timekeeping records.
- Prepared a draft report based on analysis of the information and data collected, containing our initial findings, conclusions and recommendations, and submitted the draft report on to the SFMTA Executive Director and Chair of the SFMTA Board of Directors on April 15, 2010.
- Conducted an exit conference with the SFMTA Executive Director on April 29, 2010, to discuss report findings and recommendations. We revised the draft report based on exit conference discussions and new information provided by the SFMTA Executive Director, and submitted the final draft report on May 5, 2010. The final report was submitted to the Board of Supervisors on May 11, 2010.

The San Francisco Municipal Transportation Agency

The SFMTA was created in 1999, when San Francisco voters approved Proposition E. Proposition E established the SFMTA as an autonomous agency, combining the Municipal Railway (Muni) and the Department of Parking and Traffic into a single agency. Proposition E guaranteed a minimum level of General Fund support for public transit and established a more autonomous governing board to direct the public transit system.

In 2007, the voters of San Francisco approved Proposition A, setting new performance standards for public transit and augmenting the SFMTA's autonomous functions. Proposition A also transferred the Taxi Commission to the SFMTA.

The SFMTA Board of Directors

The SFMTA is governed by a seven-member Board of Directors (Board), appointed by the Mayor and confirmed by the Board of Supervisors. The Board members must be Muni riders and represent or have experience in non-profit management or community-based organizations, labor unions, other public transit agencies, private transportation companies, and disabilities rights. Two members of the Board of Directors were previously members of the Taxi Commission. One member of the Board of Directors served previously on the Parking and Traffic Commission.

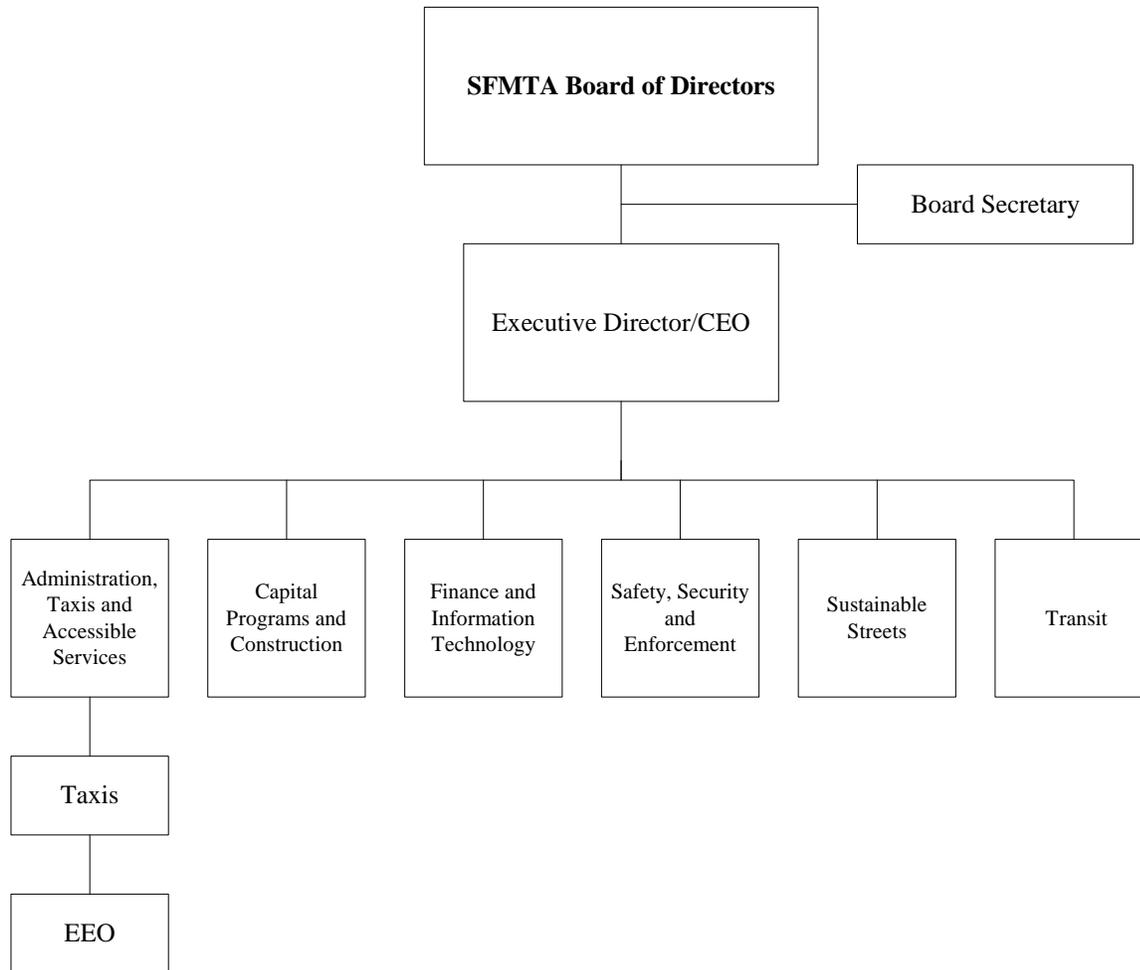
The SFMTA Board interacts with the San Francisco Transportation Authority, the Citizens' Advisory Committee and other local committees and councils. The San Francisco Transportation Authority, which consists of the 11 members of the San Francisco Board of Supervisors, administers and oversees the delivery of Proposition K half-cent local transportation sales tax program which voters approved in 2003. The Transportation Authority provides funding for SFMTA projects.

The Charter establishes a fifteen-member Citizens' Advisory Council jointly appointed by the Mayor and the Board of Supervisors to provide recommendations to the SFMTA on any matter within its jurisdiction and to make reports to the SFMTA Board. In addition to the Citizens' Advisory Committee, the SFMTA Board interacts with a number of other committees and councils that provide input to the SFMTA. These committees include the Bicycle Advisory Committee, the Pedestrian Safety Advisory Committee, the Interdepartmental Staff Committee on Traffic and Transportation, Muni Accessibility Advisory Committee, and the Paratransit Coordinating Council.

The SFMTA Organizational Structure

The SFMTA reorganized in February 2010 with the goal of (1) aligning functions, resources, and responsibility; (2) ensuring accountability; and (3) increasing efficiency. The current organizational structure is shown in Chart 1.

Chart 1
SFMTA Organization as of February 16, 2010



[Accessible version available at <http://www.sfmta.com/cms/aexec/OrganizationchartDec.312008accessibletext.htm>]

The SFMTA Budget

The Charter requires that the SFMTA develop a two-year budget in each even-numbered year. The Board of Supervisors does not have line item appropriation authority over the

SFMTA budget. Rather, the Board of Supervisors may allow the SFMTA budget to take effect each year without any action on its part. The Board of Supervisors can not modify the SFMTA budget but can reject the budget by a seven-elevenths' vote. Also, the Board of Supervisors may allow any SFMTA revenue measures, route abandonments, or fare changes to take effect without any action on its part. The Board of Supervisors can only reject these measures or actions by the SFMTA upon a seven-elevenths' vote.

The SFMTA adopted their first two-year budget in FY 2008-09, covering FY 2008-09 and FY 2009-10, as shown in Table 1.

Table 1
SFMTA Budget
FY 2008-09 to FY 2009-10

	FY 2008-09 Original Budget	FY 2009-10 Original Budget	FY 2009-10 Amended Budget	Increase/ (Decrease) FY 2008-09 to FY 2009-10 (Amended)	Percent Increase/ (Decrease) FY 2008-09 to FY 2009- 10 (Amended)
Revenues					
Fare Revenues	\$157,248,618	\$182,805,972	\$195,163,421	\$37,914,803	24.1%
General Fund Support	195,715,000	206,266,170	178,300,000	(17,415,000)	(8.9%)
Permits, Fees, and Fines	112,133,142	114,401,642	129,775,643	17,642,501	15.7%
Recoveries, Fund Balance,	89,777,476	85,904,323	96,520,910	6,743,434	7.5%
Parking and Rents	70,238,800	85,601,674	81,547,830	11,309,030	16.1%
Government Grants and Taxes	152,081,480	134,281,480	79,467,287	(72,614,193)	(47.7%)
Vehicle Tow and Other	6,902,570	7,391,970	7,817,111	914,541	13.2%
Total Revenues	784,097,086	816,653,231	768,592,202	(15,504,884)	(2.0%)
Expenditures by Program					
Light Rail and Bus Services	434,273,885	454,114,640	445,499,098	11,225,213	2.6%
Parking and Traffic	70,786,377	67,372,167	63,588,305	(7,198,072)	(10.2%)
Security, Safety, Training, Enforcement	59,618,686	62,765,672	55,873,799	(3,744,887)	(6.3%)
Administration	121,634,521	65,476,794	54,741,126	(66,893,395)	(55.0%)
Legal Services	34,847,387	36,067,046	32,767,134	(2,080,253)	(6.0%)
Benefit Programs	20,013,716	20,840,806	28,174,582	8,160,866	40.8%

	FY 2008-09 Original Budget	FY 2009-10 Original Budget	FY 2009-10 Amended Budget	Increase/ (Decrease) FY 2008-09 to FY 2009-10 (Amended)	Percent Increase/ (Decrease) FY 2008-09 to FY 2009- 10 (Amended)
Workers Compensation Claims	22,897,628	23,699,044	23,298,337	400,709	1.8%
Accessible Services	21,240,490	21,802,782	21,625,362	384,872	1.8%
Other Transit Agencies	19,074,820	19,742,439	19,408,629	333,809	1.7%
Development and Planning	5,833,343	12,282,609	8,149,770	2,316,427	39.7%
Agency Wide Expenses	35,329,418	23,096,740	5,810,770	(29,518,648)	(83.6%)
Parking Garages and Lots	5,806,513	8,069,492	5,271,617	(534,896)	(9.2%)
Taxi Services	0	0	3,091,024	3,091,024	n/a
Customer Services	1,219,218	1,323,000	1,292,649	73,431	6.0%
Transfers, and Other Adjustments	(68,478,916)	0	0	68,478,916	(100%)
Total Expenditures	\$784,097,086	\$816,653,231	\$768,592,202	(\$15,504,884)	(2.0%)

Source: Annual Appropriation Ordinance

SFMTA FY 2009-10 Amended Budget

The SFMTA Board considered revenue increases and expenditure reductions presented by the SFMTA executive and financial staff to amend the FY 2009-10 budget. In Board meetings during the spring of 2009, SFMTA executive and finance staff presented budget information with requests from Board members to provide additional information on options to balance the FY 2009-10 budget.

The SFMTA staff presented various revenue options to the April 7, 2009 Board meeting that included (1) increases to adult fares, certain discount and monthly passes, and charges for transfers; (2) increases to parking meter rates in some parking zones, and increased parking meter hours during the evening and on weekends; (3) increases to taxi permit and other fees; and (4) other revenue options. According to the April 7, 2009 Board meeting minutes, the Board's principles were to cut the least amount of service possible, to resolve the budget deficit as equitably as possible, and to think about what could be placed on the ballot.

Approval of FY 2009-10 SFMTA Budget

The SFMTA Board conducted a public hearing on April 21, 2009 to discuss the proposed amended FY 2009-10 budget. The proposed amended FY 2009-10 budget of \$778.8 million consisted of:

- *Increased user and service charges:* increased parking garage rates; creation of premium transit passes for both Muni and in-City BART (Bay Area Rapid Transit) rides, increased parking meter rates in certain zones and increased motorcycle parking rates; increased adult and discount monthly passes; increased single adult fares; and other revenue increases.
- *Expenditure reductions:* elimination of positions; reduction in overtime use; reduction in work orders with other City departments; and other non-labor expenditure reductions.
- *Service revisions:* discontinuing bus routes, eliminating segments of bus routes, modifying the structure of bus routes, increasing frequency of some bus routes while reducing frequency on other bus routes, reducing some late night service, and reducing some light rail service on weekends.

On April 30, 2009, the SFMTA Board approved the proposed amended FY 2009-10 budget on a five to two vote.

In response to the Board of Supervisors resolution to reject the SFMTA FY 2009-10 budget (File 09-0476), the SFMTA Executive Director reduced the proposed FY 2009-10 budget by approximately \$10.2 million, resulting in an amended FY 2009-10 budget of \$768.6 million, through reductions in Proof of Payment program staffing and other salary savings, and in certain non-labor costs and work orders with other departments.

The SFMTA Executive Director proposed using the \$10.2 million in savings to (1) delay planned implementation of certain fare increases from January 2010 to May 2010; (2) reduce the costs of the lifeline pass from \$35 to \$30 per month; and (3) invest in TEP service improvements and reverse some recommended Muni service changes.

According to discussion in the May 12, 2009 Board of Supervisors meeting, the SFMTA Executive Director was authorized to make these changes to the SFMTA FY 2009-10 budget.¹ The SFMTA staff reported on the FY 2009-10 budget to the June 2, 2009 SFMTA Board meeting, but the SFMTA Board took no further action on the budget.

FY 2010-11 Proposed Budget

The SFMTA Board approved the FY 2010-11 and FY 2011-12 budget on April 20, 2010. The proposed \$749.5 million FY 2010-11 budget is \$19.1 million, or 2.5 percent, less than the amended FY 2009-10 budget of \$768.6 million.

- Major revenue increases in the FY 2010-11 and FY 2011-12 budgets include increased State gas tax revenues of \$35.9 million in FY 2010-11 and \$31.4 million in FY 2011-12; and \$7.2 million in increased residential parking permit, other on-street reserved parking permits, and 1,000 new parking meters.
- Expenditure reductions include reduced salary costs due to position reductions and proposed labor concessions, totaling \$38.4 million in FY 2010-11; reductions in work orders with other City departments, totaling \$4.5 million in FY 2010-11; and other reductions.

The SFMTA Board has approved two-tier monthly adult and youth passes, with a higher fare for Muni and in-City BART (Bay Area Rapid Transit) rides than for Muni-only rides. In April 2009, the SFMTA Board approved an indexing plan for monthly passes and other special fares that will result in incremental fare increases in FY 2011-12.

While the SFMTA Board has in prior years established an operating reserve of \$10 million, or approximately 1.3 percent of the SFMTA operating budget, the FY 2010-11 and FY 2011-12 SFMTA budgets do not contain operating reserves.

¹ According to the FY 2008-09 and FY 2009-10 SFMTA Adopted Operating Budget, the SFMTA Executive Director can make technical adjustments up to 5 percent of the SFMTA budget without SFMTA Board approval.

The SFMTA Executive Director

The current SFMTA Executive Director was appointed by the SFMTA Board for a five-year term from January 17, 2006 through January 16, 2011. The Executive Director's contract provides for (1) annual performance review, (2) annual adjustment to base salary based on performance but no less than the Consumer Price Index (CPI), (3) annual incentive pay of no more than 10 percent of the base salary, and (4) other employment benefits.

In FY 2008-09, the SFMTA Board and the Executive Director agreed to defer the proposed \$13,235 increase to base salary, retaining the base salary at \$315,140, rather than the proposed \$328,375. Additionally, the SFMTA Board and Executive Director agreed to defer incentive pay of \$26,787. The SFMTA Board allowed the Executive Director to cash out any unused executive leave and floating holidays.²

In FY 2009-10, the SFMTA Board and the Executive Director agreed to reduce the Executive Director's base salary by 2 percent, from \$315,140 to \$308,837, and defer incentive pay of \$21,015 to a mutually agreed date. Also, the Executive Director received five additional days of executive leave per fiscal year and reduced severance pay from two years to one year. The SFMTA Board extended the Executive Director's contract by three years, from the original termination date of January 16, 2011 to a new termination date of January 16, 2014.

The SFMTA Transit Division

Muni has approximately 670,000 riders each weekday. 25 percent of Muni riders take street cars or light rail vehicles (Muni Metro) while 75 percent of Muni riders take buses. Much of Muni ridership is concentrated in the northeast segment of San Francisco, including downtown, although other Muni corridors have concentrated ridership.

The SFMTA Transit Division oversees Muni buses and light rail vehicles (or the Muni Metro). The Transit Division has seven divisions for buses, light rail, and cable cars:

- The Green division manages street cars (one route) and light rail routes (six routes);
- The Cable Car division manages the City's three cable car routes; and
- The Potrero and Presidio divisions manage Muni's 16 electric trolley coach routes;
- The Flynn, Kirkland, and Woods divisions manage Muni's 54 motor coach routes.

² Under the original Executive Director contract, the Executive Director was allowed to carry forward unused executive leave and floating holidays but was not able to cash out the unused leave and holiday until the termination of employment.

Transit Operators

Under the Charter, the SFMTA assumes most labor relation responsibilities for SFMTA job classifications previously performed by the Department of Human Resources. The SFMTA can establish transit operators and other classifications that operate, dispatch, maintain, and otherwise support public transit as “service critical” classifications. The Charter provides the SFMTA authority to negotiate wages, hours, benefits, and working conditions for service critical job classifications.

Additionally, the Charter provides that transit operators wages equal at least the average of the two highest wage schedules for comparable transit agencies. Proposition A, approved by the voters in 2007, amended the Charter to set the average of the two highest wage schedules for comparable transit agencies as the salary *floor* rather than the salary *cap*, as had been the previous Charter provision. According to the SFMTA’s draft operating financial plan, transit operators were to receive higher wages in exchange for negotiating work rule changes and flexibility of work rules. However, as discussed in Sections 3 and 4 of this report, the existing work rules for transit operators continue to create unnecessary scheduling and overtime costs.

The SFMTA entered into a memorandum of understanding (MOU) with the Transport Workers Union Local 250A (TWU) for the transit operators for the seven-year period from 2004 through 2011, with an amended MOU in 2008. The 2008 amendment incorporated the new Charter wage provisions. This current MOU will expire on June 30, 2011.

The SFMTA and TWU Local 250A entered into a tentative agreement in February 2010 to amend the current MOU, revising or temporarily suspending certain provisions, including requiring transit operators to work 40 hours per week or have approved leave (military leave, jury duty, or legal holiday) before receiving overtime by working on a regular day off. This tentative agreement was rejected by the TWU members.

1. Governance Structure of the San Francisco Municipal Transportation Agency's Board of Directors

- The SFMTA Board has more autonomy and broader decision making authority than most City boards and commissions. To exercise the level of authority granted to the SFMTA Board of Directors by the Charter and adequately oversee the SFMTA, the Board of Directors needs to strengthen its existing governance structure.
- For example, the SFMTA Board has not developed a written statement on governance principles. As a result, the SFMTA Board has not sufficiently defined its role in overseeing the SFMTA, including SFMTA Board responsibility for managing SFMTA performance and finances. Nor has the SFMTA Board adequately defined the role of its committee or evaluated that its committee structure enables the Board to effectively carry out its responsibilities.
- The SFMTA Board adopted a five-year Strategic Plan in 2007 that identifies the Agency's broad goals for what the Agency will look like in the future, and what broad actions, or strategic objectives, it must take to achieve these goals. However, neither the Strategic Plan nor the budget consistently provide clear statements on how the strategic objectives are to be implemented. Nor does the SFMTA have a business plan or action plan that provides a detailed implementation plan. For example, one Strategic Plan goal is to improve service and efficiency by leveraging technology. The Strategic Plan objective is to "identify, develop, and deliver the new and enhanced systems and technologies required to support SFMTA's 2012 goals". While the Strategic Plan lists four broad initiatives to achieve this objective, the SFMTA FY 2008-09 to FY 2009-10 budget does not specify how these four broad initiatives will be implemented.
- The SFMTA Board monitors the Executive Director's progress in implementing the Strategic Plan during the Executive Director's annual performance evaluation. Also, the SFMTA Board monitors some aspects of the Strategic Plan's implementation in its review of the quarterly service standards reports. However, the SFMTA Board has not developed a comprehensive process in which they evaluate the entire Strategic Plan in regards to what they intended to accomplish and what they have actually accomplished. Also, the SFMTA Board does not have a process to evaluate if the Strategic Plan continues to meet the long term needs of the Agency. Since the SFMTA has a two-year budget cycle, the SFMTA should develop a process to formally evaluate Strategic Plan implementation at the end of each two-year budget cycle and reassess the adequacy of the Strategic Plan.

In 1999, the voters of San Francisco approved Proposition E to establish the Municipal Transportation Agency (SFMTA) as an autonomous agency, combining the Municipal Railway (Muni) and the Department of Parking and Traffic into a single agency. Proposition E guaranteed a minimum level of General Fund support for public transit and established a more autonomous governing board to direct the public transit system. According to Proposition E, the goal was to provide the SFMTA with the resources, independence and focus necessary to support an effective, efficient and safe transportation system and to reduce greenhouse gas emissions from the San Francisco transportation sector.

In 2007, the voters of San Francisco approved Proposition A, setting new performance standards for public transit and augmenting the SFMTA's autonomous functions. Proposition A:

- (1) Transferred the Taxi Commission to the SFMTA;
- (2) Assigned the SFMTA Board of Directors responsibility for establishing a compensation plan for the SFMTA Executive Director that is based on the achievement of service standards;
- (3) Required the SFMTA Board of Directors to adopt rules for setting the methods by which system reliability, system performance, staffing performance and customer services standards would be measured; and
- (4) Set a funding priority for transit service improvements recommended by the Transit Effectiveness Project and subsequent system-wide route and service evaluations, with a further priority given to hiring full-time staff and an expansion of staff training.

The SFMTA Board of Directors

Proposition E amended the Charter, establishing a seven-member Board of Directors for the SFMTA, appointed by the Mayor and confirmed by the Board of Supervisors. The SFMTA Board also serve as members of the San Francisco Parking Authority.

According to the Charter, "The Directors must possess significant knowledge of, or professional experience in, one or more of the following fields of government, finance, or labor relations. At least two of the directors must possess significant knowledge of, or professional experience in the field of public transportation." Moreover, the Charter provides a customer-based perspective by requiring that at least four directors ride the Municipal Railway regularly and by requiring all directors to ride the Municipal Railway at least once a week.

The current seven-member SFMTA Board of Directors represent or have experience in non-profit management or community-based organizations, labor unions, other public transit agencies, private transportation companies, and disabilities rights. Two members of the Board of Directors were previously members of the Taxi Commission. One

member of the Board of Directors served previously on the Parking and Traffic Commission.

According to the Charter, the Board members serve for terms of four years with no more than three terms, or a total of 12 years of service. One current Board member was an original member of the SFMTA Board when it was created in 2000. The current Vice-Chair of the Board was originally appointed in 2002, and the Chair of the Board was originally appointed in 2006 and elected Board Chair in 2009. The remaining four Board members were appointed in 2007 and later.

The Charter establishes duties for the SFMTA Board including:

- (1) Appointing the SFMTA Executive Director;
- (2) Adopting contract threshold amounts under which the SFMTA Executive Director and his or her designees may approve contracts subject to Administrative Code requirements;
- (3) Adopting rules setting measurable standards in accordance with industry best practices;
- (4) Establishing a compensation program for the SFMTA Executive Director and all exempt managers tied to the achievement of Board-adopted standards; and
- (5) Exercising the powers and duties of the former Parking and Traffic Commission.

The SFMTA Board holds regular meetings on the first and third Tuesday of every month to conduct business. In addition, the SFMTA Board's Policy and Governance Committee meets on the second Tuesday of every month.

The SFMTA Board needs to strengthen its structures and processes to better oversee a complex transit agency

The SFMTA Board has more autonomy and broader decision making authority than most City boards and commissions. Under the Charter, the SFMTA Board of Directors can approve the SFMTA's two-year budget, issue debt, enter into construction and purchasing contracts, approve memoranda of understanding (MOUs) with City labor unions, delegate responsibility for hiring and personnel actions to SFMTA staff, set fares and parking rates, and otherwise oversee the SFMTA.

The Board of Supervisors does not have line item appropriation authority over the SFMTA budget. Rather, the Board of Supervisors may allow the SFMTA budget to take effect each year without any action on its part. The Board of Supervisors can not modify the SFMTA budget but can reject the budget by a seven-elevenths' vote. Also, the Board of Supervisors may allow any SFMTA revenue measures, route abandonments, or fare changes to take effect without any action on its part. The Board of Supervisors can only reject these measures or actions by the SFMTA upon a seven-elevenths' vote.

To exercise the level of authority granted to the SFMTA Board of Directors by the Charter and adequately oversee the SFMTA, the Board of Directors needs to strengthen its existing governance structure.

The SFMTA Board has not adopted a written statement on governance principles

To ensure accountability and authority for governance and management, governing boards should have a written set of governing principles that spell out and distinguish the roles of the board, the board chair, the board vice chair, board committees, committee chairs and vice chairs, and the chief executive officer and staff of the board's agency.

The SFMTA Board has not developed a written statement on governance principles. While the Charter defines the duties of the SFMTA Board, the Charter and local and State codes and regulations do not define all of the duties necessary for the SFMTA Board to exercise proper oversight of the SFMTA. As a result, the SFMTA Board has not sufficiently defined or implemented its role in overseeing the SFMTA, including SFMTA Board responsibility for managing SFMTA performance, and identifying and planning for SFMTA operational and financial risks. Therefore, the SFMTA needs to develop a written statement of governance principles to establish authority and accountability for overseeing a complex, multi-faceted transit agency.

As an example of written governance principles for a complex public organization, the California Public Employees' Retirement System (CalPERS) has developed a statement of governance principles to ensure that accountability and authority for governance and management of CalPERS are clearly stated. These governance principles include adopting and monitoring policies, reviewing and evaluating performance, and reviewing and evaluating financial and administrative operations. The governance principles also include guidance for overseeing the board's performance, such as establishing and defining the appropriate board committee structure, assessing board performance, and training of board members.

Other transit agencies also have adopted written statements of governance principles. For example, the Boards of Directors of the Metropolitan Transportation Authority of New York and the Washington Area Metropolitan Transit Authority have both adopted written governance guidelines. In 2008, the Board of Director's of the Metropolitan Transportation Authority of New York developed governance guidelines defining the Board's roles and responsibilities. Specifically, these governance guidelines:

- Define functions of the Metropolitan Transportation Authority Board and senior management;
- Define the Board's committees;
- Require annual Board self evaluation;
- Require Board oversight of significant agency policies;

- Provide Board authority to retain independent outside financial, legal or other advisors; and
- Require new member orientation and continuing training to members on best practices as well as regulatory and statutory changes impacting the management and financial activities of the transit agency.

The governing principles from both CalPERS and the Metropolitan Transportation Authority of New York address areas in which the SFMTA Board could improve its structures and processes to oversee a large, complex transit agency. These areas include establishing an adequate committee structure, using the strategic plan to monitor and evaluate performance, overseeing financial and internal audits, providing training for board members, and evaluating board performance.

In order to ensure that SFMTA Board and SFMTA staff roles and responsibilities are clearly defined and reflect recommended practices in governance, the SFMTA Board should adopt a written statement of governance principles modeled after best practices for governing boards.

The SFMTA Board should define the role of its Policy and Governance Committee and re-examine the adequacy of its committee structure to assist the Board in carrying out its responsibilities

Governing boards should establish committees to enhance the overall effectiveness of the board and to promote meaningful discussion on substantive issues.¹ Because boards have many duties placed on them, dividing these duties among committees of the board allows for increased discussion and oversight. In establishing committees, boards should clearly define the role of the committees and decision-making granted to board committees.

In addition to Muni, the SFMTA Board oversees the City's parking garages, traffic and parking enforcement, and taxi regulation, functions that are not typically under the purview of other transit agency governing boards. However, the SFMTA Board has only established one committee, the Policy and Governance Committee, to assist the SFMTA Board in considering issues within its purview. According to the Chairman of the SFMTA Board, the three-member Policy and Governance Committee was established to "troubleshoot" issues for the Board and to provide more time to adequately consider issues before the Board. However, the SFMTA Board has not established written guidelines defining the role of its Policy and Governance Committee.

In interviews with the SFMTA Board, several members mentioned that they would welcome the opportunity to discuss fiscal and transportation planning issues in greater detail but are not always able to do so at Board meetings. A committee structure would allow the Board members to discuss SFMTA issues in greater detail and support the

¹ The Budget and Legislative Analyst reviewed governance best practices recommended by the Government Financial Officers Association (GFOA), Association of Internal Auditors, CalPERS, and other sources.

SFMTA Board in meeting its obligations to the City on major transportation planning and financial issues. Furthermore, in Finding 2, we recommend that the SFMTA Board establish an audit committee to oversee financial and performance audits.

To ensure that the SFMTA Board has an adequate committee structure, the SFMTA Board should develop written guidelines defining the roles and responsibilities of its Policy and Governance Committee. Furthermore, when it develops its written governance principles, the SFMTA Board should re-examine the adequacy of its current committee structure.

The SFMTA Board needs to better identify monitor, and evaluate implementation of the SFMTA Strategic Plan's goals and objectives

Reviewing and evaluating agency performance toward strategic plan and other long-range goals is an important role for governing boards. Governing boards have a responsibility for ensuring that the organization has a long-term strategic plan and overseeing the implementation of such a strategic plan by management.

The Government Finance Officers Association's (GFOA) recommends that all governmental agencies use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and organizational goals. The GFOA recommends that the strategic plan process contain a number of key elements, including:

- A small number of broad goals;
- Strategies to achieve those broad goals;
- Action plans describing how strategies will be implemented;
- Measureable objectives; and
- Performance measures.

The GFOA also recommends that the governing body approve the plan, the organization should implement the plan, and the governing body should monitor progress and evaluate the extent the extent that the strategic plan goals have been achieved. Finally, the organization should periodically reassess the strategic plan.

The SFMTA has developed and used a strategic planning process that in many ways is consistent with GFOA best practices for strategic planning. In 2006, the SFMTA began a strategic planning process which culminated in the SFMTA Board's adoption of the "S.F. Municipal Transportation Agency 2008-2012 Strategic Plan" in June 2007. The process intended to develop a comprehensive strategic plan that identifies both what the agency will look like in the future, and what actions it must take to get there.

The Strategic Plan sets forth the SFMTA's mission and vision, along with six broad goals in the areas of:

- Customer focus (Goal 1);
- System performance (Goal 2);
- External affairs and community relations (Goal 3);
- Financial capacity (Goal 4);
- Workforce (Goal 5); and
- Information technology (Goal 6).

In addition to the broad goals, the SFMTA developed an initial set of specific goals and objectives. For instance, the SFMTA's first goal was "To provide safe, accessible, clean, environmentally sustainable service and encourage the use of the auto-alternative modes through the Transit First Policy." For this goal, the SFMTA developed five objectives that addressed: (1) improving safety and security on all modes of transportation; (2) improving cleanliness of stations and vehicles; (3) reducing emissions; (4) improving accessibility; and (5) increasing the percentage of trips using more sustainable modes of transportation, including transit, walking, bicycling, and ridesharing. The SFMTA also has established some measurable objectives and performance measures, such as establishing measures for on-time performance.

The SFMTA identifies the Strategic Plan goals and objectives in the two-year operating budget and in Board actions. The quarterly service standards reports, mandated by the Charter, provide information to the SFMTA Board on how the SFMTA is meeting Strategic Plan goals. However, neither the Strategic Plan nor the budget provide clear statements on how the strategic objectives are to be implemented.

Although the Strategic Plan identifies some more specific initiatives, the Strategic Plan does not consistently define how these initiatives will be implemented. Nor does the SFMTA have a business plan or action plan that provides a detailed implementation plan. For example, one Strategic Plan goal is to improve service and efficiency by leveraging technology. The Strategic Plan objective is to "identify, develop, and deliver the new and enhanced systems and technologies required to support SFMTA's 2012 goals". While the Strategic Plan lists four broad initiatives to achieve this objective, the SFMTA FY 2008-09 and FY 2009-10 budgets also do not specify how these four broad initiatives will be implemented.

Similarly, the operating budget lists a number of tasks for each SFMTA division that support Strategic Plan objectives. However, the budget does not specify which Strategic Plan objective is met by the task nor identify when these tasks will be completed. Therefore, it is difficult to determine whether all of the Strategic Plan objectives are being addressed.

Linking the tasks in the budget document to the Strategic Plan objectives would provide greater assurance that all of the Strategic Plan goals and objectives are addressed in the

budget. Furthermore, staff could better identify tasks in the budget that do not advance any of the Strategic Plan objectives. These tasks could potentially be eliminated.

The GFOA recommends that action plans be developed that describes how strategies will be implemented. According to GFOA, these action plans should include activities and services to be performed, associated costs, designation of responsibilities, priority order, and time frame for completing the plan.

Other transit agencies have developed action or business plans to implement their strategic plans. At the Southeastern Pennsylvania Transportation Authority, the Board of Directors adopted a five-year strategic business plan that included a two-step accountability process: (1) six-month reviews by the Board of achievements toward key performance indicators; and (2) development of divisional plans outlining the tactical elements to achieve corporate strategies. Similarly, at King County (Washington) Metro, staff is preparing for the consideration of the County Council (governing board) a two-year business plan that will contain specific, time bound activities to measure progress toward strategic plan goals.

Developing action plans to implement the strategic plans goals and objectives would provide greater clarity as to the planned actions of the SFMTA in regards to the Strategic Plan and increased accountability to staff responsible for implementing various aspects of the Strategic Plan.

The SFMTA Board monitors the Executive Director's progress in implementing the Strategic Plan during the Executive Director's annual performance evaluation. Also, the SFMTA Board monitors some aspects of the Strategic Plan's implementation in its review of the quarterly service standards reports. However, the SFMTA Board has not developed a comprehensive process in which they evaluate the entire Strategic Plan in regards to what they intended to accomplish and what they have actually accomplished. Also, the SFMTA Board does not have a process to evaluate if the Strategic Plan continues to meet the long term needs of the Agency. Since the SFMTA has a two-year budget cycle, the SFMTA should develop a process to formally evaluate Strategic Plan implementation at the end of each two-year budget cycle and reassess the adequacy of the Strategic Plan.

The SFMTA Board has not regularly assessed its effectiveness as a governing board

The SFMTA Board has not established a formal process to evaluate its effectiveness as a governing board on a regular basis. According to board members, the SFMTA Board has held several retreats to discuss broad policy issues but the SFMTA Board has not formally evaluated its effectiveness. Regular reviews would enable the SFMTA to monitor its progress toward achieving strategic goals and improve its effectiveness as a fiduciary body.

Governing boards should annually assess their performance as a governing board, and conduct a formal evaluation of the Board and its performance. This process should not

only include an evaluation but steps to improve Board operations and self-governance. For example, in 2008, the Board of Directors for the Metropolitan Transportation Authority of New York Board adopted a written set of governance guidelines defining the Board's roles and responsibilities. These guidelines require the Board to perform an annual assessment of its effectiveness.

To assist it in governing more effectively, the SFMTA Board should establish a formal process to annually assess its performance as a governing board. This process should include a written evaluation listing the board's strengths and weaknesses and a written plan to improve performance.

The SFMTA Board should enhance its training for board members

Governing boards should provide on-going training for board members. This should include an orientation program to ensure that incoming members are familiar with the business and governance practices. Equally important, members should receive ongoing training, particularly on relevant new laws, regulations, and changing risks. Because board members have a fiduciary responsibility to the transit agency, they should attend fiduciary training annually.

The SFMTA Board members receive some of the above recommended training. Specifically, new Board members reported that they received an orientation on the agency operations prior to assuming their member positions. In addition, the Board members annually receive online training on the Good Government Legal Guide published by the City Attorney. Board members also reported that they regularly attend conferences by the American Public Transportation Association. Individual SFMTA Board members expressed an interest in improving their knowledge around best corporate governance practices, public finance, and other areas to assist them in carrying out their responsibilities.

To ensure that Board members are properly trained to carry out their duties, the SFMTA Board should enhance its training for the members to not only include orientation for its new members and State and Charter requirements, but also training on governance.

Conclusion

The SFMTA Board is responsible for overseeing a large, complex transit agency with a current budget of nearly \$800 million. Governing such a large entity requires active oversight on the part of the governing body. The SFMTA Board, however, needs to strengthen its structures and processes to effectively oversee the SFMTA. Specifically, the SFMTA Board has not (1) adopted a written governance policy defining Board and staff roles and responsibilities; (2) adequately defined the role of its committee and or evaluated that its committee structure enables the Board to effectively carry out its responsibilities; (3) ensured that the strategic plan is fully defined, monitored, and evaluated (4) assessed its own effectiveness as a Board; and (5) ensured Board members receive sufficient training on governance.

Recommendations

In order to ensure that SFMTA Board and SFMTA staff roles and responsibilities are well defined and reflect recommended practices in governance, the SFMTA Board of Directors should:

- 1.1 Adopt a written statement of governance principles modeled after best practices for governing boards.

In order to assist the SFMTA Board in effectively carrying out its policy, programmatic and fiduciary responsibilities, the SFMTA Board should

- 1.2 Develop written guidelines defining the roles and responsibilities of the Policy and Governance Committee. Furthermore, when it develops its governance principles, the SFMTA Board should re-examine the adequacy of its current committee structure.

In order to implement the “2008-2012 Strategic Plan,” the SFMTA Board of Directors should direct the Executive Director to:

- 1.3 Develop action or business plans to address the Strategic Plan objectives. These plans should assign responsibility for completing specific strategic plan initiatives and establish a time frame for completing these plans.
- 1.4 Link tasks in the budget to the specific Strategic Plan objectives that the tasks are addressing.
- 1.5 Develop a process to formally evaluate Strategic Plan implementation at the end of each two-year budget cycle and reassess the adequacy of the Strategic Plan.

To assist it in governing effectively, the SFMTA Board of Directors should:

- 1.6 Establish a process to annually assess its performance as a governing board. This process should include a written evaluation listing the board's strengths and weaknesses and a written plan to improve performance.

To ensure that Board members receive appropriate training, the SFMTA Board of Directors should:

- 1.7 Enhance its training to not only include orientation for new members and State and Charter requirements, but also training on governance.

Costs and Benefits

Implementation of the Budget and Legislative Analyst's recommendations should be achieved with existing SFMTA resources. By implementing these recommendations, the SFMTA Board of Directors would establish a governing structuring that enables the Board members to better oversee the SFMTA.

2. The San Francisco Municipal Transportation Agency Board of Directors' Financial and Operational Oversight of Muni

- **The SFMTA initiated the Transit Effectiveness Project (TEP) in 2006 to contribute to SFMTA's long-term financial stability and improve Muni reliability and performance. Full implementation of the TEP has been delayed beyond the original implementation schedule. The SFMTA Board members and executive managers say that discussions of the TEP are regularly included in the Board's budget and service deliberations. However, the SFMTA Board has calendared only one formal discussion of the full TEP implementation since October 2008. While the FY 2009-10 and FY 2010-11 budget shortfalls require immediate attention, the SFMTA Board needs to continue to plan for and act on longer term financial and operational goals.**
- **SFMTA has longer-term budget problems. In 2007, the SFMTA Board requested a study of potential revenues to address SFMTA's structural deficit. Although SFMTA receives a General Fund allocation and parking meter and garage and fine revenues, these revenues declined in FY 2008-09 and FY 2009-10 compared to prior years.**
- **The SFMTA Board members receive SFMTA's annual financial statements, but the SFMTA Board does not discuss the financial statements in Board meetings. Nor does the SFMTA Board have an audit committee to oversee financial and other audits of the SFMTA. By comparison, the nine transportation agencies surveyed for this performance audit have established audit committees and discuss the financial audit results with the auditors.**
- **The SFMTA does not have its own internal audit function. Since 2005, the Controller's Office has conducted seven limited scope audits of the SFMTA, focusing on revenues from parking garages, parking meters, and cable car fares, and recently completed an audit of the SFMTA's work orders with other departments. The Budget Analyst conducted the last comprehensive audit of Muni in 1996 and of SFMTA's Proof-of-Payment Program in 2009. All other transit agencies surveyed for this performance audit either had their own internal audit function or have comprehensive performance audits conducted on a regular basis.**

The SFMTA initiated the Transit Effectiveness Project (TEP) in 2006 to evaluate Muni services and recommend improvements. The TEP was intended to:

- Improve the overall performance of Muni by making service more reliable, convenient and attractive to customers;

- Contribute to the long-term financial stability of SFMTA; and
- Develop a five-year roadmap to transform Muni service and better meet SFMTA customer and employee needs.

Proposition A, approved by the voters in 2007, amended the Charter to incorporate the TEP. The Charter requires that a percentage of the City's Parking Tax be allocated to transit service improvements recommended by the TEP.

Full implementation of the TEP has been delayed beyond the original implementation schedule as discussed below. While the FY 2009-10 and FY 2010-11 budget shortfall require immediate attention, the SFMTA Board needs to continue to plan for and act on longer term financial and operational goals.

The SFMTA's FY 2009-10 Budget Shortfall

The Charter requires that the SFMTA develop a two-year budget in each even-numbered year. When the voters approved Proposition E in 1999, amending the Charter, the SFMTA was provided a baseline General Fund allocation. The SFMTA is required to submit a budget that balances revenues and expenditures but does not increase the General Fund allocation. The SFMTA may include fare increases or decreases and service changes (including route abandonments) in the proposed two-year budget.

FY 2009-10 was the second year of the two-year budget adopted in FY 2008-09. In April 2009, the SFMTA faced a \$128.9 million shortfall in the FY 2009-10 budget, previously approved by the SFMTA Board of Directors. To address the budget shortfall, on April 21, 2009, the SFMTA Board declared a "fiscal emergency" which allowed it to consider a number of options, including service reductions and increases to fares, fees, fines, rates and charges that support transit service without undergoing a California Environmental Quality Act (CEQA) review. In its budget deliberations, the SFMTA Board considered numerous options to address the budget crisis, including reducing staff, various fare increases, eliminating or reducing service, expanding parking meter hours and parking meter rates, increasing garage rates, increasing taxi permits, establishing a transferrable taxi medallion program, and using operating reserves.

The SFMTA Board of Directors amended the FY 2009-10 budget, as shown in Table 2.1. The amended budget included position reductions, increased charges for services (including increasing the Muni adult fare from \$1.50 per ride to \$2.00 per ride), and Muni service reductions.

Table 2.1
FY 2009-10 SFMTA Original and Amended Budget

	FY 2009-10 Budget, Approved April 2008	FY 2009-10 Budget, Amended	Increase/ (Decrease) Approved to Amended	Percent Increase/ (Decrease)
<u>Revenues</u>				
Permit and fee revenues	\$114,401,369	\$129,775,643	\$15,374,274	13.4%
Leases and rents	85,601,674	81,547,830	(4,053,844)	(4.7%)
Tax, grants, and other government revenues	134,281,480	79,467,287	(54,814,193)	(40.8%)
Street closing, vehicle tow, and other fees	7,388,770	7,817,111	428,341	5.8%
Fare revenues	182,805,972	195,163,421	12,357,449	6.8%
Miscellaneous	3,200	3,200	0	0%
Expenditure recoveries and transfers	55,909,274	54,313,288	(1,595,986)	(2.8%)
Fund balance	29,995,322	42,204,422	12,209,100	40.7%
General Fund support	206,266,170	178,300,000	(27,966,170)	(13.6%)
Total Revenues	\$816,653,231	\$768,592,202	(\$48,061,029)	(5.9%)
<u>Expenditures</u>				
Salaries and benefits	\$503,735,514	\$496,000,838	(\$7,734,676)	(1.5%)
Non-salary expenditures	312,917,717	272,591,364	(40,326,353)	(12.9%)
Total Expenditures	\$816,653,231	\$768,592,202	(\$48,061,029)	(5.9%)

Source: Annual Appropriation Ordinance

The FY 2009-10 service revisions became effective December 5, 2009. SFMTA staff used information from the TEP, which had collected significant information on ridership, to identify service reductions options that were designed to impact as few riders as possible. SFMTA staff used this information to identify potential routes that could be discontinued because of low ridership or had alternative service nearby; eliminate route segments with low ridership or with alternative service nearby; adjust the frequencies of routes to minimize the impacts of other proposed changes; modify the structure of routes to minimize the impacts of other proposed changes; and eliminate underutilized late night service on routes.

On March 30, 2010, the SFMTA Board of Directors declared that a continuing fiscal emergency exists due to a shortfall in SFMTA revenues. As of April 6, 2010, the SFMTA was projecting a year-end budget shortfall of \$7.3 million, as shown in Table 2.2.

Table 2.2
SFMTA Projected Year-End Shortfall, as of April 2010

	FY 2009-10 Amended Budget	Year End Projections	Year End Surplus/ (Deficit)	Percent
<u>Revenues</u>				
Fare revenues	\$181,300,000	\$181,300,000	\$0	0%
Tax, grants, and other government revenues	79,500,000	87,900,000	8,400,000	11%
Parking fees and fines	244,800,000	233,600,000	(11,200,000)	(5.0%)
Taxi medallions and services	18,200,000	14,400,000	(3,800,000)	(21.0%)
Advertising, fees, and other revenues	24,300,000	24,400,000	100,000	0%
Fund balance	42,200,000	42,000,000	(200,000)	0
General Fund support	178,300,000	176,900,000	(1,400,000)	(1.0%)
Total revenues	768,600,000	760,500,000	(8,100,000)	(1.0%)
<u>Expenditures</u>				
Salaries and benefits	484,400,000	475,900,000	8,500,000	1.7%
Nonsalary expenditures	284,200,000	291,900,000	(7,700,000)	11.2%
Total expenditures	768,600,000	767,800,000	800,000	5.2%
Total shortfall	\$768,600,000	n/a	(\$7,300,000)	(1.0%)

Source: SFMTA Board of Directors April 6, 2010 Agenda

To address the projected year-end shortfall, the SFMTA Board of Directors approved increases to various fees, eliminated free parking privileges for City employees and officials, and Muni service reductions as of May 1, 2010. While the December 5, 2009 Muni service revisions were targeted, based on TEP ridership data, the proposed May 1, 2010 Muni service changes reduced Muni service hours by 10 percent system-wide. To reduce service hours by 10 percent, the SFMTA Board approved:

- (1) Reduced frequency of bus service on some weekday routes (by one to three minutes on heavily-travelled routes and by ten minutes on less-travelled routes);
- (2) Reduced late-hour service on local bus routes, and start and end times of service on commuter routes; and
- (3) Reduced weekend service hours and frequency of bus service on some routes, and reducing owl line service between 1:00 a.m. and 5:00 a.m.

The SFMTA is not alone in dealing with a budget crisis of this magnitude. Other transit agencies across the country have experienced similar budget problems and have cut service, raised fares, or laid off employees. According to an American Public Transportation Association (APTA) report, public transportation systems across the

country are facing declining revenues and the effect these revenue decreases are having on system operations. The APTA report found that local and/or regional funding has declined for 80 percent of public transportation systems. Similarly, more than 80 percent of the transit systems have experienced either flat or decreased funding from state sources. In response to the declining revenues, nearly 90 percent of the transit systems raised fares or cut service and nearly half of the agencies raised fares and cut service.

SFMTA Board Review of Revenue Options

While the SFMTA is currently facing budget conditions similar to other public transit agencies, SFMTA has longer-term budget problems. In 2007, the SFMTA Board requested a study of potential revenues to address a “structural deficit” that preceded the creation of the SFMTA. Proposition E attempted to address this deficit through a General Fund allocation and parking meter and garage and fine revenues. However, the General Fund allocation and parking revenues have declined in FY 2008-09 and FY 2009-10.

The Mayor convened a revenue panel in May 2007 to review Muni’s funding needs, which presented a report to the SFMTA Board in January 2009. The revenue panel consisted of the Controller, the executive directors of the Metropolitan Transportation Commission and the San Francisco Transportation Authority, the director of the Mayor’s budget office, a former City Administrator, the director of the Port, the SFMTA Board chair, and two SFMTA Board members. The revenue report recommended (1) implementing TEP recommendations to improve transit speed, thus reducing cost per passenger per trip; (2) implementing work rule changes in labor contracts; (3) increasing fare and parking enforcement and collection; (4) using more advertising, naming rights, and other private monies; and (5) developing a smart card program for transit, parking and taxis. The revenue panel also recommended increases in fares, fines, fees, and taxes to support Muni, while considering but not endorsing several other revenue options.

The SFMTA Board partially implemented the revenue panel recommendations in FY 2009-10. As discussed in the Introduction, the SFMTA reached tentative agreement with the Transport Workers Union (TWU) Local 250A on some work rule changes, which were rejected by TWU members in February 2010. The SFMTA Board also approved hiring of additional parking control officers and transit fare inspectors in FY 2009-10 to increase parking and transit fare enforcement and increases to advertising revenues.

The SFMTA executive and management staff presented to the SFMTA Board a variety of revenue proposals in addition to the revenue panel proposals in April 2009. These proposals included increased parking meter rates in certain zones, increased parking garage rates, expanded parking meter hours, increased taxi and medallion costs, and increased monthly Muni pass and adult fares. In the April 30, 2009 SFMTA Board meeting, the SFMTA Board amended the proposed amended FY 2009-10 budget to eliminate enforcement of expanded parking meter hours.

The SFMTA Board does not routinely calendar discussion of implementation of the Transit Effectiveness Project to improve long-term system performance

The Transit Effectiveness Project (TEP) is the first comprehensive effort in over 25 years to review Muni and recommend ways to transform it into a faster, more reliable and more efficient public transit system for San Francisco. Launched in May 2006, the TEP gathered ridership data, studied best practices from other transit systems, and conducted public outreach to community stakeholders, policy makers and SFMTA employees.

Informed by these efforts, the TEP developed a set of preliminary proposals designed to improve reliability, reduce travel delay, and update routes to better meet current and projected travel patterns throughout the City. In spring 2008, the TEP presented its draft recommendations to a cross-section of stakeholders through a series of 11 citywide workshops and over 100 briefings to community groups, SFMTA employees, elected officials, City agencies, and other interested stakeholders. After refining the proposals to incorporate this feedback, the SFMTA Board of Directors endorsed the TEP recommendations in October 2008.

After endorsing the recommendations in the TEP, the SFMTA Board authorized the TEP to move forward with required environmental review of service changes. At the same Board meeting, the Board approved an agreement between SFMTA and a consulting firm for TEP implementation consulting services that called for the completion of a TEP master implementation schedule within four months of the contract effective date of November 5, 2008. Implementation of the TEP was intended to be budget-neutral, maintaining existing service levels.

Although the SFMTA used TEP data in revising Muni service hours and routes, the SFMTA cannot fully implement the TEP without completing three major tasks. These tasks include: (1) the California Quality Environmental Act (CEQA) review; (2) documentation of Title VI civil rights compliance concurrently with the CEQA review; and (3) TEP Implementation Plan for FY 2011 to FY2015. The TEP Implementation Plan will include: measurable goals, objectives and target outcomes, a phasing plan for route updates and service changes; a detailed list of capital projects and funding strategies; and a master implementation schedule with key steps to deliver the five-year program.

The SFMTA Board members and executive managers say that discussions of the TEP are regularly included in the Board's budget and service deliberations. However, the SFMTA Board has calendared only one formal discussion of full TEP implementation since October 2008.

The SFMTA staff has provided three TEP implementation status reports to the SFMTA Board. While the SFMTA Board received a status report on TEP implementation in January 2009, the Board has not calendared a discussion of TEP implementation since this January meeting. As of April 1, 2010, SFMTA staff has provided two additional

TEP written updates to the SFMTA Board. For instance, a September 2009 memorandum was circulated to the SFMTA Board but was not calendared for a full Board discussion. The March 1, 2010, TEP Implementation Status Update provided by SFMTA staff states that the five-year roadmap for TEP implementation has been pushed back to December 2010, nearly a year from the September 2009 memo commitment of early 2010, and more than two years after the TEP was adopted by the SFMTA Board.

In addition, the SFMTA does not plan to hire a CEQA review consultant until summer 2010. Again, this information conflicts with TEP implementation status information provided to the SFMTA Board in September 2009 which informed the Board that SFMTA staff was working with “City Planning to have a professional services contract in place by spring to commence the environmental assessment process.” Similarly, the Title VI civil rights review will be documented “concurrent with CEQA review,” delaying final action on this TEP implementation step.

To ensure that the implementation of the TEP is adequately monitored, the SFMTA Board should require staff to provide written updates on status of the TEP implementation, no less than quarterly, at either a SFMTA Board meeting or meeting of the Policy and Governance Committee. These updates should include (a) the status of the TEP California Environmental Quality Act review and completion of the TEP Title VI Civil Rights Act of 1964 review; (b) the status of the FY 2011-FY 2014 TEP Five-Year Roadmap (master implementation schedule); and (c) other TEP implementation requirements.

These updates should not only assist the SFMTA Board in monitoring the implementation of the TEP but would also increase transparency to the public regarding the status of the TEP. The public was significantly involved in the TEP process and should be kept informed of the TEP implementation process.

The SFMTA Board needs to provide more oversight over financial reporting

The GFOA has developed best practices for financial reporting. GFOA recognizes “three main groups responsible for the quality of financial reporting: the governing body, financial management, and the independent auditors.” GFOA recommends that organizations establish an audit committee to oversee the financial reporting process, including the financial statements of the organization. GFOA notes “An audit committee is a practical means for a governing body to provide independent review and oversight of an organization’s financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties may candidly discuss their concerns. By effectively carrying out its responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management’s practices, and that the independent auditors, through their own review, objectively assess the organization’s financial reporting practices.”

The Controller's Office selects and contracts for the annual financial audit. The external auditors perform the financial audit and issue the Comprehensive Annual Financial Report (CAFR). The CAFR includes the financial statements for component units of government and enterprise entities including the SFMTA. The external auditors report the results of the CAFR to the Board of Supervisors Government Audit and Oversight Committee and the Controller's Office forwards the external auditors' report to the Board of Supervisors for their review.

The SFMTA Board has not established a formal audit committee. The SFMTA Board has established one committee, the Policy and Governance Committee, but this committee has not discussed the results of the annual financial audit as a formal agenda item. In fact, the board has not established a process to formally discuss the results of the annual financial audit at either a committee meeting or a meeting of the full Board. According to Board members, the Board Secretary forwards the CAFR to them to review financial statements. Board members reported that they read the CAFR but it is not scheduled for a discussion at a public meeting.

All nine transportation agencies surveyed for this performance audit have established audit committees and discuss the results of the financial audits with the external auditors. Specifically, the eight independent transit agencies have established audit committees and the external auditors present the results of the annual audit to their audit committee. In King County (Washington), like San Francisco, the external auditors report the results of the annual financial audit to a committee of the County Council.

The SFMTA Board needs more audits to assist it in carrying out its oversight responsibilities

Governance best practices recommend that organizations should have an internal audit function reporting directly to the board of directors. The primary responsibility of the internal audit function should be to assist the board of directors in performing its fiduciary duty to monitor management. The internal auditor should primarily function as the eyes and ears of the board of directors.

The Institute of Internal Auditors report, "The Role of Auditing in Public Sector Governance" describes how an audit can assist governing bodies provide better oversight. "Auditors assist decision-makers in exercising oversight by evaluating whether government entities are doing what they are supposed to do, spending funds for the intended purpose, and complying with laws and regulations. Audits focusing on oversight answer the questions, "Has the policy been implemented as intended?" and "Are managers implementing effective controls to minimize risks?" Auditing supports the governance structure by verifying agencies' and programs' reports of financial and programmatic performance and by testing their adherence to the organization's rules and aims. Moreover, oversight audits contribute to public accountability by providing access to the performance information to relevant principals within and outside the organization under audit. Both elected officials and managers are responsible for setting direction and defining organizational objectives. In addition, managers have the duty to assess risks

and establish effective controls to achieve objectives and avert risks. In their oversight role, government auditors assess and report on the success of these efforts.”

The SFMTA does not have its own internal audit function. Instead, it relies on the Controller’s Office to conduct audits of the agency. The Controller’s Office is the auditor for the City, performing financial and performance audits of departments, agencies, concessions, and contracts. The SFMTA and the Controller’s Office have discussed hiring an auditor through the Controller’s Office to provide internal services to the SFMTA. However, the Charter may restrict the SFMTA from having its own internal audit function, as audit responsibilities rest with the Controller’s Office

Since 2005, the Controller’s Office has conducted seven limited scope audits of the SFMTA. These audits have focused on revenues from parking garages, parking meters, and cable car fares. Prior to the issuance of this report, the Controller’s Office completed an audit of SFMTA’s work orders with other departments. The Board of Supervisors requested the Controller’s Office to perform this audit.

The Controller’s Office also assisted the SFMTA in developing the Transit Effectiveness Project (TEP), which was a joint project between the SFMTA and the Controller’s Office. Although not an audit, the TEP was a comprehensive review of the SFMTA’s service delivery service with objectives to make the transit more reliable, contribute to the long-term financial stability of the agency, and develop a roadmap to transform service to better meet customer and employee needs.

In addition to above to the revenue audits and the TEP, the SFMTA has contracted for reviews required by the Charter. Specifically, the Charter requires the SFMTA to biennially contract for an independent review of the quality of its operations. This review has been conducted biennially and reports back to the board on the SFMTA’s reported performance against the performance measures established in the Charter.

The Budget Analyst conducted the last comprehensive audit of the transit agency, Management Audit of the San Francisco Municipal Railway, in 1996, prior to the creation of the SFMTA. In addition, the Budget Analyst issued a report in 2009 on SFMTA’s Proof-of-Payment Program.

All other transit agencies surveyed for this performance audit either had their own internal own internal audit function or have comprehensive performance audits conducted on a regular basis. For instance, Los Angeles County Metropolitan Transportation Authority has 29 audit staff responsible for conducting performance and contract audits, as well as pre-award reviews of potential contractors. The Chief Auditor reports directly to the General Manager of the agency and presents the results of audits to the audit committee of the board of directors.

The King County Council Auditor’s Office reports directly to the King County Council and conducts regular performance audits of the King County Transportation Department. For instance, the Council Auditor recently conducted an audit that identified up to \$37 million in opportunities for annual savings and up to \$54 million in options for increased

annual revenue, in addition to \$105 million in one-time savings. The Council Auditor is currently auditing the King County Transportation Department's process for procuring buses.

According to the Controller's Office staff, the Controller's Office develops an annual work plan that identifies audit priorities. In doing so, the Controller's Office staff annually meets with SFMTA staff to discuss audit priorities. The Controller's Office, however, conducts a number of mandated audits that limit its ability to meet the all audit priorities in the City. Furthermore, the TEP consumed a large portion of the Controller's resources devoted to the SFMTA over the last three years. In developing audit priorities, the Controller places a high priority on audit requests from the Board of Supervisors and other governing boards. According to Controller, the Controller's Office work on the TEP is winding down so in the future the Controller's Office should be able to provide more audit resources to the SFMTA. To improve its oversight of the SFMTA, the SFMTA Board should work with staff to determine the SFMTA's audit priorities and formally communicate these priorities in writing to the Controller's Office for consideration in developing their annual work plan.

GFOA best practices also establish a role for the audit committee in regards to internal audits. Best practices recommend that the audit committee should have access to the reports of internal auditors and to the annual internal audit work plans. Other transit agencies that we surveyed present their reports to their audit committees and the audit committees or the full board review and approve their work plans. For instance, the Los Angeles County Metropolitan Transportation Authority Chief Auditor forwards all audit reports to the audit committee for review and discussion and the board of directors approves the audit work plan.

The Controller's Office generally does not report their audit results to either the SFMTA Board or to the Policy and Governance Committee. The Controller's Office staff is available to present their findings to either a board committee or the board. Approximately three years ago, the Controller's Office presented an audit report on parking issues to the Parking Authority to the SFMTA Board. Nonetheless, the SFMTA Board does not have a formal process to ensure that all internal audits are presented to the SFMTA Board or a committee.

To ensure that SFMTA Board provides sufficient oversight for financial reporting and internal audits, the SFMTA Board should establish an audit committee. This committee could be a Committee of the Whole, which would include the entire SFMTA Board. This committee should have responsibility for discussing the results of external and internal audits, monitoring the status of audit recommendations, and reviewing and approving the audit work plan.

The SFMTA Board needs to ensure that major organizational risks are identified, assessed, and addressed

The SFMTA Board has not established a process to formally identify, assess, and address major risks of the organization. Based on our discussions, board members agreed that formal processes are not in place to ensure that significant organizational risks are identified, assessed, and action taken to address those risks. Board members noted that they have raised their concerns about specific risks and has taken steps to ensure that these risks were addressed. For instance, several Board members voiced their concerns regarding liabilities from accidents. Accordingly, the SFMTA Board directed staff to obtain additional insurance to reduce the SFMTA's liability exposure from accidents.

Best practices recommend that boards ensure that major risks that could prevent the organization from achieving its strategic vision are identified, assessed, and addressed. A risk assessment can assist boards in carrying out their fiduciary responsibilities.

An agency-wide risk assessment is an effective tool for ensuring that all of the major risk factors are considered and addressed. An agency-wide risk assessment is the process of understanding an organization's strategic, operational, compliance and financial objectives and prioritizing risks that could inhibit successful achievement of those objectives.

Several other transit agencies that we surveyed have developed agency-wide risk assessments to assist their organizations in mitigating major risks. For example, the Los Angeles County Metropolitan Transportation Authority Board of Directors requested the Chief Auditor to annually prepare an agency-wide risk assessment for the Board to review and consider. This agency-wide risk assessment is used in developing the audit priorities for the agency. Similarly, TriMet, in Portland, Oregon, prepares a biennial risk assessment to systematically identify and incorporate high and moderate risk areas into their audit plan.

Currently, the Controller's Office is developing a comprehensive risk assessment process to assess risks in several departments including the SFMTA. This process should assist the SFMTA in identifying, assessing, and addressing major organizational risks. The SFMTA Board could also use this risk assessment process to develop and communicate audit priorities to the Controller's Office.

To ensure that the major risk factors that could prevent the SFMTA from achieving its overall objectives are identified, assessed, and adequately addressed, the SFMTA Board should direct staff to work with the Controller's Office staff in identifying the major risk factors of the organization, the magnitude and likelihood of those risks occurring, and proposed actions to address those risks. The SFMTA Board should also request the Controller's Office to present the results of its risk assessment on SFMTA to the SFMTA Board so that it is sufficiently informed on the major risks of the organization and assist it in determining the SFMTA's audit priorities.

Conclusion

The SFMTA Board of Directors has had to address serious budget shortfalls in FY 2009-10 and FY 2010-11. While these budget shortfalls are faced by other transit agencies, the SFMTA has longer-term budget and financial problems that it needs to address. The SFMTA Board needs to regularly calendar discussion of full TEP implementation and financial audits and reporting. The SFMTA Board also needs to ensure more audits are conducted, and that the SFMTA's major risks are identified, assessed, and addressed.

Recommendations

In order to implement system reliability and service improvement recommendations contained in the Transit Effectiveness Project, the SFMTA Board of Directors should:

- 2.1 Require staff to provide written updates on status of the TEP implementation, no less than quarterly, at either a SFMTA Board meeting or meeting of the Policy and Governance Committee. These updates should include (a) the status of the TEP California Environmental Quality Act review and completion of the TEP Title VI Civil Rights Act of 1964 review; (b) the status of the FY 2011-FY 2014 TEP Five-Year Roadmap (master implementation schedule); and (c) other TEP implementation requirements.

To improve its oversight over financial reporting and operational matters, the SFMTA Board of Directors should:

- 2.2 Establish an audit committee to discuss the results of financial and internal audit reports, monitor the implementation any recommendations resulting from any audits, and review and approve the audit work plan.
- 2.3 Work with SFMTA staff work to determine the SFMTA's audit priorities and formally communicate these priorities in writing to the Controller's Office for consideration in developing their annual work plan.

To ensure that the major risk factors that could prevent the SFMTA from achieving its objectives are identified, assessed, and adequately addressed, the SFTMA Board should:

- 2.4 Direct staff to work with the Controller's Office staff in identifying the major risk factors of the organization, the magnitude and likelihood of those risks occurring, and proposed actions to address those risks. The SFMTA Board should also request the Controller's Office to present the results of its risk assessment on SFMTA to the SFMTA Board so that it is sufficiently informed on the major risks of the organization and so it can determine the SFMTA's audit priorities.

Costs and Benefits

Implementation of the Budget and Legislative Analyst’s recommendations should be achieved with existing SFMTA resources. By implementing these recommendations, the SFMTA Board of Directors would establish processes to better oversee financial reporting and operational matters.

3. Transit Operators' Schedules

- The Budget Analyst's 1996 management audit of the Municipal Railway (Muni) found that Muni schedules an excessive number of transit operator nonproductive and overtime hours. The SFMTA has continued this practice with 6 percent of scheduled runs resulting in scheduled overtime and 6.4 percent of scheduled runs resulting in nonproductive standby time.
- Scheduled overtime and nonproductive standby time is built into Muni's scheduling system to accommodate peak demand for services. Muni operates 630 buses during the morning and evenings and 430 buses during the rest of the day.
- Muni uses split shifts and standby time to meet peak demand. Split shifts can combine straight time pay, unpaid time, scheduled overtime and paid standby time. Currently, 627 out of 1,278 weekday runs include paid standby time, or 49.0 percent of all weekday runs.
- The SFMTA Memorandum of Understanding (MOU) with the Transport Workers Union Local 250A restricts the number of part time transit operators to 12 percent of total operators, but Muni does not have any part time transit operators. This differs from some other major transit agencies that use part time transit operators to some extent. Use of part time transit operators would reduce split shifts, nonproductive standby time, and scheduled overtime.
- Muni's ratio of total paid hours to actual driving hours of 1:23 shows that the current schedules are not cost effective. This ratio is higher than some other major transit agencies that use part time transit operators.
- There are a group of 40 senior operators at six of Muni's divisions (all but the Cable Car division) who operate runs with more than four hours of standby daily and relatively little driving time. The average daily pay for these runs is 15 percent higher than the average pay for all other runs. All but six of these runs have standby time of five or more hours daily. While these transit operators should work for special events or perform other duties during their standby time, SFMTA did not provide evidence that they do so.
- Muni's Kirkland division, which manages motor coaches, has the highest use of standby time, with more than 15 percent of runs with 3 hours or

more of standby. If SFMTA were to replace these runs with part time operators, the SFMTA would save \$1.2 million annually.

As is the case with most public transit agencies, demand for the San Francisco Municipal Transportation Agency (SFMTA) Municipal Railway (Muni) service is highest during morning and evening rush hours and declines during midday and late evenings. Muni operates 630 buses during the morning and evenings and 430 buses during the rest of the day, resulting in a peak to base ratio - the number of vehicles in service during the peak period divided by the number in service during the base period - of 1.5.

To develop transit routes and transit operators' daily runs that meet Muni service demands, the SFMTA uses a transit scheduling system, Trapeze OPS (Trapeze). Muni schedulers use Trapeze to develop schedules for operators and bus and light rail runs. Trapeze allows schedulers to design bus routes applying a variety of parameters and conditions, including labor cost minimization, in order to generate the lowest cost set of runs for each of the seven transit divisions.¹

In designing schedules that minimize labor costs, Trapeze takes into account work rules and calculates a variety of premium and overtime pay benefits and differentials to which operators are entitled in accordance with various provisions in the TWU Local 250A MOU.

SFMTA can use Trapeze to manage the transit operators' bids for runs as required by the TWU Local 250A MOU; to dispatch transit operators; to record transit operators' time; and to perform other transit management functions. According to the Trapeze users' manual, Trapeze can generate a variety of standard and custom management reports.

Scheduled Overtime in Transit Operators' Daily Runs

Scheduled overtime is built into many bus and rail runs to accommodate peaked service demand and minimize labor costs because it costs less to schedule one driver with overtime than to schedule two or more drivers on these runs. On about half of its runs, Muni uses split shifts which combine straight time pay, unpaid split time, scheduled overtime and paid standby time. Standby between split shifts ranges from a few minutes to 6 hours. Overtime is paid at time and a half.

¹ As noted in the Introduction, the Transit Division has seven divisions for buses, light rail, and cable cars: (a) the Green division manages street cars (one route) and light rail routes (six routes); (b) the Cable Car division manages the City's three cable car routes; and (c) the Potrero and Presidio divisions manage Muni's 16 electric trolley coach routes; and (d) the Flynn, Kirkland, and Woods divisions manage Muni's 54 motor coach routes.

Some routes, as illustrated in Tables 3.1 through 3.3, include standby hours and scheduled overtime, but require fewer total pay hours than if the route were designed without overtime.

The scheduled overtime premium for a particular run is built into the run's daily pay rate and is budgeted in SFMTA's operations budget. Operators bid on runs based on seniority during the General Sign Up. They may bid on a different run within their Division on a quarterly basis.

Unscheduled overtime

Operators may also incur overtime that is not scheduled. Unscheduled overtime can result from a variety of unforeseen factors such as traffic congestion, police incidents, accidents, demonstrations, routing changes or delays due to planned events such as street fairs. But typically, unscheduled overtime occurs when an operator works on his or her regular day off (RDO) to replace an operator who is absent due to illness or other categories of planned or unplanned leave. The impact of unscheduled overtime on the SFMTA is discussed in Section 4 of this report.

In the absence of part time drivers, scheduled overtime can be less expensive than straight time

As shown in Table 3.1, two drivers would require 16 pay hours including substantial paid standby time to provide service on a 12 hour run if overtime is not used.

Table 3.1
Split Run: Bus Service from 6 a.m. to 9 a.m. and 2 p.m. To 6 p.m.
with 2 Operators and No Overtime

	Shift	Driving Hours	Standby Hours	Overtime Hours	Pay Hours
Operator 1	6 am to 2 pm (8 hours)	3	5	0	8
Operator 2	10 am to 6 pm (8 hours)	4	4	0	8
Total		7	9	0	16

Source: SFMTA

For split runs that are ten hours or longer, as is the case in this example, current work rules require that after two hours of split time, operators standby in the report room to accept any assignment within their competence before the start of the second shift. This standby time is paid. The split time is not paid.

As seen in Table 3.2, one full time operator could deliver the same seven hours of driving service for only 11 pay hours using unpaid split time between the two shifts and paid standby time.

Table 3.2
Split Run: Bus Service from 6 a.m. to 9 a.m. and 2 p.m. To 6 p.m.
with One Operator Using Overtime and Standby Time

	Shift	Driving Hours	Unpaid Split Time	Standby Hours	Overtime Hours	Pay Hours
Operator 1	6 am to 6 pm (12 hours)	7	2	3	2 hrs x 1.5	11

Source: SFMTA

Alternatively, two part time drivers could deliver the same service without overtime pay, unpaid split time or paid standby time for a pay hour total of seven hours, as seen in Table 3.3. However, Muni has not employed part time drivers since 2002.

Table 3.3
Split Run: Bus Service from 6 a.m. to 9 a.m. and 2 p.m. To 6 p.m.
with Two Part Time Operators

	Shift	Driving Hours	Standby Hours	Overtime Hours	Pay Hours
Part Time Operator 1	6 am to 9 pm (8 hrs)	3	0	0	3
Part Time Operator 2	10 am to 6 pm (8 hrs)	4	0	0	4
Total		7	0	0	7

Source: Budget and Legislative Analyst

Scheduled Overtime for Buses in Continuous Service

Scheduled overtime is also used for long runs where a bus or rail line is in *continuous* service and the driver's shift is not split, as shown in tables 3.4 and 3.5. SFMTA schedulers currently design these runs with the lowest labor costs within the constraints of work rules, the absence of part time drivers and peaked service demand.

Table 3.4
Continuous Service: Bus Service from 5 a.m. To 1 a.m.
with Two Operators Using Overtime

	Shift	Driving Hours	Standby Hours	Overtime Hours	Pay Hours
Operator 1	5 am to 3 pm (10 hours)	10	0	2 hrs x 1.5	11
Operator 2	3 pm to 1 am (10 hours)	10	0	2 hrs x 1.5	11
Total		20	0	4 hrs x 1.5	22

Source: SFMTA

If scheduled overtime is not used, total pay hours increase for this service, as seen in Table 3.5. The work rule that drivers are entitled to 8 hours of work a day generates the standby hours in this case.

Table 3.5
Continuous Service: Bus Service from 5 a.m. To 1 a.m.
with Two Operators and No Overtime

	Shift	Driving Hours	Standby Hours	Overtime Hours	Pay Hours
Operator 1	5 am to noon	7	1	0	8
Operator 2	Noon to 7 pm	7	1	0	8
Operator 3	7 pm to 1 am	6	2	0	8
Total	5 pm to 1 am	20	4	0	24

Source: SFMTA

Scheduled overtime makes up 19 percent of total transit operator costs

The SFMTA transit operator schedules use a significant percentage of overtime hours to meet scheduling requirements. As shown in Table 3.6, the percentage of scheduled overtime included in transit operators' schedules varies from 26.6 percent for street cars and light rail vehicles (Green division) to 16.1 percent for the Woods motor coach division.

Table 3.6
Scheduled and Unscheduled Overtime in
Transit Operators' Runs by Division
FY 2009-10 Budget

Division	Total Salaries	Scheduled Overtime	Unscheduled Overtime	Total Overtime	Scheduled Overtime as Percent of Total Salaries	Unscheduled Overtime as a Percent of Total Salaries	Total Overtime as a Percent of Total Salaries
Cable Car	\$13,286,306	\$3,457,686	\$264,000	\$3,721,686	26.0%	2.0%	28.0%
Green	18,397,412	4,898,389	374,000	5,272,389	26.6%	2.0%	28.7%
Presidio	19,862,543	4,033,968	308,000	4,341,968	20.3%	1.6%	21.9%
Potrero	26,128,636	4,322,108	330,000	4,652,108	16.5%	1.3%	17.8%
Kirkland	23,444,212	4,033,968	308,000	4,341,968	17.2%	1.3%	18.5%
Flynn	18,932,121	3,169,546	242,000	3,411,546	16.7%	1.3%	18.0%
Woods	30,330,587	4,898,389	374,000	5,272,389	16.2%	1.2%	17.4%
Total	\$150,381,817	\$28,814,054	\$2,200,000	\$31,014,054	19.2%	1.5%	20.6%

Source: SFMTA FY 2009-10 Budget

Actual overtime hours (as compared to overtime salaries) make up approximately 8.7 percent of total transit operator hours, of which approximately 6.0 percent are scheduled overtime hours and 2.7 percent are unscheduled overtime hours. As shown in Table 3.7, the Cable Car and Green divisions have the highest percentage of overtime use.

Table 3.7
Scheduled/ Unscheduled Actual Overtime Hours
as a Percent of Total Hours, March 5, 2010 Pay Period

	Total Hours	Scheduled Overtime	Unscheduled Overtime	Total Overtime	Scheduled Overtime as Percent of Total Hours	Unscheduled Overtime as a Percent of Total Hours	Total Overtime as a Percent of Total Hours
Cable Car	30,468	2,435	1,586	4,021	8.0%	5.2%	13.2%
Flynn	31,355	1,613	262	1,875	5.1%	0.8%	6.0%
Green	45,231	3,337	2,589	5,926	7.4%	5.7%	13.1%
Kirkland	40,465	2,060	320	2,380	5.1%	0.8%	5.9%
Potrero	40,152	2,052	390	2,442	5.1%	1.0%	6.1%
Presidio	35,305	2,370	376	2,746	6.7%	1.1%	7.8%
Woods	49,266	2,313	1,939	4,252	4.7%	3.9%	8.6%
Total	272,242	16,180	7,462	23,642	5.9%	2.7%	8.7%

Source: SFMTA Trapeze System

SFMTA’s ratio of transit operator paid hours to actual platform (or driving) hours shows that Muni service delivery is not cost effective

The ratio of paid hours to platform (or driving) hours is a measure of cost effectiveness used throughout the public transit industry. For Muni, it expresses all paid hours, including the straight time equivalent of overtime pay, relative to driving hours or “hours in the seat”. The Cable Car division has a significantly higher ratio of paid hours to driving hours because it assigns two operators to all cable cars. It was therefore excluded from the calculations in Table 3.8

**Table 3.8
Ratio of Paid Hours to Platform (Driving) Hours by Division
June 2009 and December 2009**

Division	June 2009	December 2009
Green	1.30	1.34
Potrero	1.24	1.18
Presidio	1.21	1.20
Kirkland	1.33	1.31
Woods	1.25	1.17
Flynn	1.34	1.25
Total	1.27	1.23

Source: SFMTA Scheduling Division

Muni’s ratio of paid hours to platform hours is higher than comparable transit agencies surveyed for this performance audit, as shown in Table 3.9. According to King County (Washington) Metro staff, their agency’s low ratio of paid hours to platform hours is achieved through the extensive use of part time operators. All of the comparable agencies employed part time operators.

Table 3.9
Ratio of Paid Hours to Platform (Driving) Hours at Comparable
Transit Agencies

Agency	Ratio of Paid Hours to Platform (Driving) Hours	Comments
SF Municipal Transportation Agency	1.23	
Washington Metropolitan Area Transit Authority	1.15	The 15 percent is associated with the collective bargaining agreement, i.e., meal time, travel time, spread penalty, prep time, etc
King County (Washington) Metro Transit	1.11	
Metropolitan Atlanta Rapid Transit Authority	1.10	(Bus Weekday – 1.103; Bus Saturday – 1.120; Bus Sunday – 1.126.)
Chicago Transit Authority	1.09	(Rail System: 1.0881)

Source: Budget and Legislative Analyst Survey

Transit operators' schedules use nonproductive standby time to meet scheduling requirements

Muni uses both overtime and standby time in daily transit operators' schedules and transit runs to meet peak service demand and to comply with the current operator MOU's work rules that restrict use of part time operators. Additionally, the MOU establishes the basic hours of labor at eight hours a day which in effect disallows the use of trippers which are short blocks of work made up of one or two trips that typically serve peak periods. Instead, all work assignments must be long enough to qualify as a run or as a full day's work. Absence of part time drivers and inability to use trippers forces SFMTA to rely on split shifts and standby time.

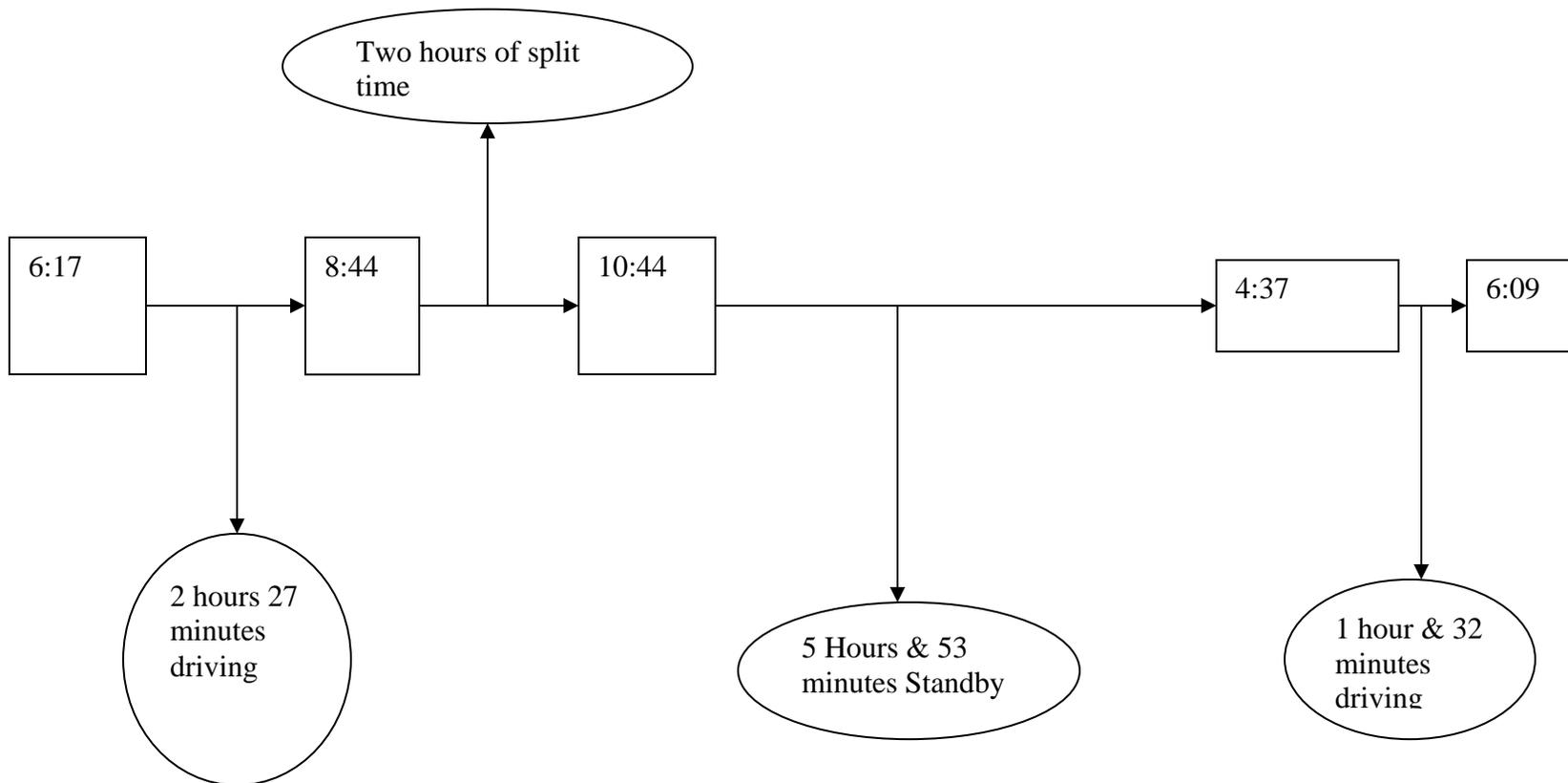
Standby time is used extensively in the absence of part time operators

Operators sign up quarterly for runs within their division based on seniority. Each run requires an operator to drive during either the morning peak service, the afternoon peak service or both. There are currently 627 out of 1,278 weekday runs that include standby, or 49.0 percent. Because MOU work rules require that full time drivers be given a minimum of eight hours work per day and a total of 40 hours over five consecutive days,

runs over eight hours require two drivers if overtime and or standby time are not used. This situation is illustrated in Table 3.1.

Article 17 Section 17.1 of the TWU 250A MOU requires that drivers assigned to split runs that last ten hours or longer be paid time-and-a-half for time in excess of the ten hours. Additionally, after two hours of split time, operators standby, i.e. make themselves available for other possible work, before beginning their second shifts. They are paid for this standby time. Standby time combined with driving time can result in workday in excess of 8 hours. This scenario is illustrated in Table 3.2

The diagram on the following page illustrates how split time generates paid standby and overtime. This diagram is based on the actual scheduled run for transit operator 672 in the Kirkland division.



Run 672

Paid Hours:

Platform Hours	3:59
Standby Time	5:53
<u>Lunch</u>	<u>:20</u>
Total	10:12

[Accessible description: From 6:17, 2 hours 27 minutes driving to 8:44, then two hours of split time to 10:44, then 5 hours and 53 minutes standby to 4:37, then 1 hour and 32 minutes driving to 6:09.]

Two of seven Muni divisions have a high percentage of nonproductive standby time

Both the Kirkland and Flynn divisions have a high percentage of non-productive standby time, as shown in Table 3.10. The Kirkland Division weekly schedule contains the highest amount of standby time because, according to Transit Division staff, service demand in this division is more peaked than in other divisions. Overall, standby time for weekday runs makes up more than 6 percent of total scheduled time, with estimated annual costs of \$5.5 million.²

Table 3.10
Weekly Standby Hours as a Percentage of Total Scheduled Hours and Total Driving Hours by Divisions

Division	Total Scheduled Time	Total Driving Time	Total Standby Time	Total Set Up or Travel Time	Standby Time as a Percent of Total Scheduled Time	Standby Time as a Percent of Total Driving Time
Cable	514.7	457.2	8.1	49.5	1.6%	1.8%
Green	1,726.5	1,614.0	44.5	68.1	2.6%	2.8%
Potrero	1,832.8	1,723.1	80.6	29.1	4.4%	4.7%
Presidio	1,509.8	1,411.1	64.8	34.0	4.3%	4.6%
Woods	2,289.4	2,132.1	94.4	63.0	4.1%	4.4%
Kirkland	1,896.5	1,559.3	281.9	55.3	14.9%	18.1%
Flynn	1,363.3	1,183.9	137.5	42.0	10.1%	11.6%
Total	11,133.0	10,080.5	711.6	340.9	6.4%	7.1%

Source: SFMTA Trapeze System

Six Muni divisions have six or more runs with a high percentage of standby time and low percentage of driving time

² The Budget and Legislative Analyst calculated the estimated annual standby costs for each division by multiplying the total annual pay for all weekday runs in the division times the percentage of standby hours for each division.

There are a group of 40 senior operators at six of Muni's divisions (all but the Cable Car division) who operate runs with more than four hours of standby daily and relatively little platform time. Table 3.11 shows that the average daily pay for these runs is 15 percent more than the average pay for all other runs. All but six of these runs have standby time of five or more hours daily. Many of these runs are subject to work for special events and projects, and emergency duties during their standby time. SFMTA staff did not respond to requests for payroll or other documentation accounting for time spent on these duties.

Table 3.11
Runs with More than Four Hours Standby

Division	Number of Runs	Average Division Daily Pay	Average Pay for runs with 4 hours or more of standby	Percent above Average Daily Pay of runs with 4 hours standby
Kirkland	8	\$261	\$314	20%
Potrero	7	\$272	\$313	15%
Woods	7	\$273	\$315	16%
Presidio	6	\$289	\$310	7%
Flynn	6	\$268	\$316	18%
Green	6	\$307	\$344	12%
All divisions	40	\$276	\$317	15%

Source: Trapeze System

Table 3.12 illustrates how little platform (or driving) time these runs require relative to the standby time they generate.

Table 3.12
Average Platform & Standby Time For Runs With More Than Four Hours Standby

Division	Number of Runs with 4 Hours or More of Standby	Average Platform Hours	Average Standby Hours
Kirkland	8	3:44	5:49
Potrero	7	4:26	5:07
Woods	7	4:23	5:10
Green	6	3:53	5:12
Presidio	6	4:21	5:08
Flynn	6	4:08	5:27
Total	40	4:09	5:20

Source: Trapeze System

Although the Trapeze system is programmed to create daily transit runs with the lowest cost, the program must adhere to work rules established in the MOU between the City and TWU. Additionally, changes in transit operator runs are subject to meet and confer between TWU and the City. Consequently, the actual transit operator schedules generated by Trapeze are a compromise between system programming and negotiated agreements.

The SFMTA has approved seven transit operators to serve as TWU 250A chairs at a cost of \$600,000 annually

The City entered into a side letter agreement with the TWU in 1991 that defines the duties and responsibilities of transit operators who serve as union chairpersons. While the MOU provides for employee representatives (or union chairpersons) to represent TWU members in work place issues, neither the MOU nor the side letter agreement specify the number of union chairpersons who are removed from driving duties to perform union work. However, the SFMTA has authorized seven union chairpersons, with annual salary costs of \$608,625, as shown in Table 3.13. There is one senior operator at each division who dedicates 100 percent of his or her time to union work. The estimated cost to Muni in lost productivity is over a half million dollars annually.

Table 3.13
Annual Salary Cost of Union Chairs

Division	Daily Pay	Weekly Pay	Annual
Cable	\$376	\$3,758	\$93,950
Green	\$369	\$3,692	\$92,283
Potrero	\$337	\$3,368	\$84,198
Presidio	\$332	\$3,316	\$82,875
Woods	\$340	\$3,400	\$84,998
Kirkland	\$326	\$3,260	\$81,508
Flynn	\$341	\$3,415	\$88,813
Total			\$608,625

Source: SFMTA

Restrictions on use of part time transit operators increase non productive time and costs

Because Muni only employs full time operators, Trapeze has not been used to design schedules that take part time operators into account in calculating the least expensive weekly schedules configuration. The TWU 250A MOU effectively discourages use of part time drivers as a potential means of reducing overtime use and protects access to overtime by regular drivers by placing a variety of restrictions on employment of part time operators.

Part time operators cannot work more than 25 hours a week, five hours a day during weekdays and 8 hours a day on weekends or four days per week if working Saturday and Sunday. They cannot be assigned to vacation relief or long term sickness relief for regular operators. They cannot receive allowance for split time. The MOU requires part time operators not to exceed 220 or 12 percent of the number of regular operators.

In the fall of 2007, the Transit Effectiveness Project (TEP) Operations Review Findings made a medium term recommendation (six months to 2 years) to evaluate “reintroducing part time operators” to improve operator availability. To date this recommendation has not been implemented.

Part time operators should be a part of the operator work force, and MOU provisions that establish the basic hours of labor at eight hours a day and hence disallow the use of trippers or short blocks of work made up of one to two trips during peak hours, should be revised in order to allow Muni to reduce reliance on scheduled overtime. The lack of part time operators and the restrictions placed on their employment limit SFMTA’s ability to adjust scheduling to reduce reliance on scheduled overtime and standby time. These

restrictions should be lifted or modified to give SFMTA the greatest flexibility possible in using part time operators to reduce the number of split shifts and the unproductive standby and scheduled overtime expenditures they generate.

Use of part time drivers at other transit agencies

Although most agencies interviewed in the course of this audit place some restrictions on the use of part time operators, they all used part time operators to some extent, as shown in Table 3.14.

**Table 3.14
Part Time Operators at Comparable Agencies**

Agency	Full Time	Part Time	Work Restrictions
SF Municipal Transportation Agency	2,172	0	Not to exceed 12% of the number of regular operators
King County (Washington) Metro Transit	1,808	1,022	Cannot work weekends. Cannot work after 8:30 PM or start prior to 3:45 AM. Cannot receive more than 7:59 hours of work in a workday
Los Angeles County Metropolitan Transportation Authority	Bus 3,288 Rail 212	Bus 968 Rail 4	May not work assignments that contain more than 6 hours 59 minutes work time or less than 2 hours 30 minutes work time Sunday through Saturday and no more than 36 hours per week. They are allowed to work in relief of Full Time Operators Friday through Monday or holidays on regular runs.

Agency	Full Time	Part Time	Work Restrictions
Washington Metropolitan Area Transit Authority	2,463	77	May work up to thirty hours a week. Restricted to am or pm trippers not part of a run. Permitted to work regularly scheduled runs on weekends and holidays. Not to exceed 10% of the number of full time employees. May constitute 15% of operators provided Agency employs 1,669 full time operators.
Chicago Transit Authority	3,400 Bus 1,164 Rail	834 Bus 135 Bail	Part time operators not to exceed 25% of full time operators. 30 hours a week limit for rail; 32 hours a week limit for bus operators. No restrictions on days or shifts; Not assigned to a designated work schedule due to long term illness or vacation
Metropolitan Atlanta Rapid Transit Authority	Bus 1,244 Rail 181	Bus 65 PT Rail 0	PT operator can work no more than 30 hours per week
Southeastern Pennsylvania Transit Authority	3,715	12	32 hours a week limit

Source: Budget and Legislative Analyst Survey

SFMTA could increase productivity and reduce costs through use of part time transit operators

Nearly one-half of Muni runs include some amount of standby, and six percent of runs have more than 3 hours of standby. The Kirkland division has the highest percentage of standby hours, as shown in Table 3.15.

Table 3.15
Weekday Runs with Standby by Division

	Total Runs	Total Runs with Standby	Total Runs with Standby > 3 Hours	Percent Runs with Standby	Percent Runs with Standby > 3 Hours
Kirkland	229	171	35	74.7%	15.3%
Presidio	163	49	10	30.1%	6.1%
Green	194	56	9	28.9%	4.6%
Woods	270	130	10	48.1%	3.7%
Potrero	208	98	7	47.1%	3.4%
Cable	52	11	0	21.2%	0.0%
Flynn	163	112	15	68.7%	9.2%
Total	1,279	627	86	49.0%	6.7%

Source: SFMTA Trapeze System

Because demand for transit service at the Kirkland Division is more peaked than at other divisions, Kirkland is the most suitable division to assess the potential labor cost savings of using part time operators on runs with long standby periods that generate overtime pay. The 35 runs with daily standby periods of three hours or more at Kirkland generate 146 hours of standby time and 48.5 hours of overtime while producing only 169 hours of driving time daily.

Potential reduction of salary expenditures at Kirkland division by replacing full time transit operators with more than 3 hours of standby with part time transit operators

If the SFMTA were to replace these 34 Kirkland division runs with standby hours greater than 3 hours per day with part time operators, the SFMTA would save \$1.2 million in avoided standby and overtime costs for full-time transit operators, as shown in Table 3.16 below.

Table 3.16
Estimated Reduction of Salary Expenditures at Kirkland Division³

[Accessibility note: Heading row added and blank row deleted for table accessibility]

Item	Amount
Daily standby time salary costs	\$2,731
Daily overtime costs	2,036
Total daily standby and overtime salary costs	\$4,767
Estimated annual weekday standby and overtime salary costs using full time operators	\$1,215,645

Conclusion

The SFMTA's current transit operator scheduling practices are not cost-effective. The SFMTA's ratio of transit operator scheduled time to driving (or platform) time of 1:23 is higher than comparable transit agencies surveyed by the Budget and Legislative Analyst. These other transit agencies use part time transit operators to meet peak service demand, while Muni schedules split shifts, which include nonproductive standby time and scheduled overtime, to meet all peak service demand.

Further, although the Trapeze system is programmed to create daily transit runs with the lowest cost, the program must adhere to work rules established in the MOU between the TWU and SFMTA. Additionally, changes in transit operator runs are subject to meet and confer between TWU and SFMTA. Consequently, the actual transit operator schedules generated by Trapeze are a compromise between system programming and negotiated agreements.

Recommendations

In order to provide the flexibility necessary to hire and assign sufficient part time operators to routes with long periods of paid standby and/or overtime, the SFMTA Executive Director and Executive Management Team should:

- 3.1 In the successor MOU to the current MOU with the Transport Workers Union, which expires June 30, 2011, negotiate for the use of part time transit operators by eliminating existing work rules that currently prohibit the use of part time transit operators, including, (a) eliminating the requirement that the basic hours of labor

³ Under this scenario, the SFMTA would hire 68 part time transit operators (within the 12 percent cap placed by the MOU between the SFMTA and TWU) to replace 34 full time transit operators with 3 or more hours of standby pay per run. The Budget and Legislative Analyst assumes that part time operators would receive an hourly rate plus a premium equal to salaries and benefits for full time operators.

are at least at eight hours a day, and hence prevent the use of trippers (short blocks of work made up of one to two trips during peak hours); (b) eliminating the work rules that prevent part time operators from being assigned to vacation relief or long term sickness relief, and (c) eliminating the work rules that limit part time operators to no more than 5 hours of work on weekdays, and no more than four days per week for part time operators scheduled on both Saturday and Sunday.

- 3.2 By September 30, 2010 in preparation for renegotiation of work rules outlined in recommendation 3.1, assign scheduling staff to calculate the number of part time operators necessary to operate all runs that currently have three or more hours of split time.
- 3.3 Negotiate in the successor MOU to the current MOU with the Transport Workers Union, which expires June 30, 2011 an increased limit on the number of part time operators that can be hired to a number sufficient to operate all runs that currently have three or more hours of split time.

In order to determine the additional cost savings of using part time operators to be realized by using part time operators in the seven Muni divisions, consistent with other comparable transit agencies surveyed for this performance audit, and to inform the SFMTA Board and the public of these potential savings, the Director of Operations should:

- 3.4 Instruct the scheduling staff to use the automated scheduling system, Trapeze, to develop one or more potential schedules for each of the seven transit divisions that incorporate the use of part time operators, eliminating the existing MOU requirement that the basic hours of labor be eight hours a day, to determine the savings realized by using part time transit operators.

In order to reduce non-productive standby time and scheduled overtime expenditures, the Director of Operations should, pending renegotiation of the TWU 250A MOU in July 2011, direct his scheduling and training staff to:

- 3.5 Identify an initial set of routes at the Kirkland Division currently scheduled as split shifts with two or more hours of standby time and begin the process of hiring and training sufficient part time operators to provide service on these routes.
- 3.6 Create a plan by July 2011 to hire and train the maximum number of part time operators necessary to provide service on all routes that use two or more hours of standby time and begin implementation of hiring and training in FY 2011-12.

In order to reduce cost and increase productivity, the Executive Management Team should

- 3.7 Meet and confer with TWU Local 250A to provide for only one full time paid union chair instead of the current seven full-time union chairs.

Costs and Benefits

Bus and rail runs are designed in part based on vehicle availability. Reconfiguring runs to produce more eight hour shifts, and fewer long ranges (the period from a run's start to finish) would result in more pieces of work (more runs) and would require additional drivers and vehicles. Muni's vehicle availability is 104 percent of existing runs. Increasing the number of runs would eliminate these extra vehicles.

Converting some current split shifts to trippers, or short blocks of work made up of one to two trips during peak hours, and hiring and assigning part time operators to these shifts will produce savings by eliminating some paid standby time and overtime. It is estimated that by assigning all of the runs with three hours or more of standby at the Kirkland division to part time operators, Muni would save approximately \$1.2 million dollars annually.

Any such realignment would occur in increments corresponding to Muni's rate of attrition, such that savings of the full amount would occur only when and if all these routes were converted to trippers and assigned to part time operators. Additional savings would occur if Muni assigned similar runs at other divisions to part time operators. Hiring new part time operators would be offset by the attrition of current full time operators and by reduction in paid standby time and overtime.

Muni would save approximately \$500,000 annually by meeting and conferring with TWU Local 250A to allow for only one full time paid operator as a Union Chair.

4. The San Francisco Municipal Transportation Agency's Management of Transit Operators' Overtime

- **Despite recommendations in a 1995 audit of Muni and the Proposition E-mandated Municipal Transportation Quality Review, SFMTA has not developed an effective program to manage, report to the SFMTA Board and executive management, and to reduce unscheduled absenteeism and overtime. Muni does not adequately monitor, manage or report on unscheduled absences and use of unscheduled overtime paid to operators who work on their regular day off (RDO) or accurately track the number of drivers available to work vs. the number of drivers who are effectively unavailable to work because they are on some form of paid or unpaid long term leave.**
- **Muni operator wages are set in the Charter by formula in effect as the second highest in the nation, which means that operators have no incentive to bargain over revision of work rules that contribute to maintaining or increasing use of scheduled or unscheduled overtime such as restrictions on the number and employment of part time employees and access to overtime on the basis of approved leave as well as work totaling 40 hours a week. As a result, Muni has a very high rate of unscheduled absenteeism which leads to higher than necessary use of and expenditures on unscheduled overtime.**
- **Absenteeism results in costs to Muni and reductions in service. FY 2009-10 overtime costs resulting from unscheduled absences are estimated to be \$5.5 million. For the pay period ending March 5, 2010, one motor coach division - Flynn - missed more than 7 runs per day on average, or approximately 5 percent of 163 weekday runs, due to unscheduled absences.**
- **By reducing unscheduled absenteeism by 25 percent, Muni could reduce unscheduled overtime expenditures by \$1.37 million dollars annually. These savings require that the incentive in the current work rules to abuse sick leave be removed, and that operator availability be measured accurately and periodically.**

Unscheduled Overtime

Transit operators incur overtime that is not scheduled. Unscheduled overtime can result from a variety of unforeseen factors such as traffic congestion, police incidents, accidents, demonstrations, routing changes or delays due to planned events such as street fairs. But typically, unscheduled overtime occurs when an operator works on his or her regular day off (RDO) to replace an operator who is absent due to illness or other categories of planned or unplanned leave.

Recognizing absenteeism's adverse impact on service and productivity, voters passed Proposition E in 1999, which among other things directed Muni to develop a comprehensive plan to reduce unscheduled absences. Additionally, the current transit operator's Memoranda of Understanding (MOU) states that Muni and the Transport Workers Union (TWU) will review Muni's and on other comparable transit systems' current practices to identify potential improvements and alternative scheduling methods for use at Muni. Neither of these objectives has been accomplished.

Management Tracking and Reporting of Overtime

Monitoring and limiting absenteeism, overtime and unproductive work time are elements of responsive, efficient and accountable management of public resources and are necessary to keep overtime expenditures and labor costs related to unproductive and non-work related activities at a minimum. Unscheduled absenteeism and the ensuing reduced operator availability adversely impact service delivery and contribute to the use of unscheduled overtime and to SFMTA's budget deficit.

Muni's accounting and payroll functions do not enable SFMTA staff to track, monitor and report adequately to executive management, the SFMTA Board and the public on actual expenditures or on the cost efficiency of scheduled and unscheduled operator overtime.

Dispatchers report daily on use of overtime and approved leave and absences. A report on operator absenteeism that contains information on the number of operators scheduled and available at each Division, the number, cause and percentages of planned and unplanned absences, and an agency wide seven day summary of absenteeism is provided to the Director of Operations twice daily.¹

The Director of Operations states that he uses this report for both short term and long term planning. In the short term, the report provides information needed to deal with open runs (potential missed runs due to an unplanned absence), to analyze trends and patterns in absences, and to use this trend information to maintain service delivery goals and standards.

¹ We note that the director of operations has been on the job for less than three months. It is unclear whether this report was generated prior to his arrival and if so to what extent it was used to manage overtime and limit absenteeism.

The Director of Operations states that in the long term, the report is used for workforce planning including decisions on the optimal number of operators at different times of the day and week and the number of operators assigned to the extra board.

Scheduled and unscheduled overtime expenditures are not accounted for separately

As noted in Section 3, different factors generate scheduled and unscheduled overtime. Muni accordingly budgets them separately in its annual budget. Because scheduled overtime is built into the schedule of each of Muni's rail and bus divisions as the schedules are developed, expenditures for scheduled overtime can be calculated more reliably than unscheduled overtime, which must be estimated based on historical patterns of absenteeism and other measures of need.

Although scheduled and unscheduled overtime are budgeted separately, SFMTA's Finance Division does not account for or report actual expenditures separately. Dispatchers at Muni's rail and bus divisions input a variety of leave and overtime pay codes in the daily pay detail, including codes distinguishing many types of scheduled and unscheduled overtime, but there is no mechanism to record scheduled and unscheduled overtime separately in either the Payroll System or in FAMIS, the City's Financial Accounting Management Information System.

Instead, all overtime is rolled into one bucket and reported to FAMIS with no distinction between the two forms of overtime. This greatly overstates the amount of spending on unscheduled overtime and obscures spending on scheduled overtime, as demonstrated in Table 4.1, which presents data provided by SFMTA's Finance and Administration Division.

**Table 4.1
Budgeted and Actual Transit Operator Overtime Expenditures
Muni Operating Budget
FY 2006-07 to FY 2008-09**

Overtime Expenditures	FY 2006-07	FY 2007-08	FY 2008-09
Budget			
Scheduled	\$21,814,054	\$21,814,054	\$21,814,054
Unscheduled	2,200,000	2,200,000	2,200,000
Total Budget	24,014,054	24,014,054	24,014,054
Actual			
Scheduled	Not Available	Not Available	Not Available
Unscheduled	27,078,547	29,364,709	28,905,616
Total Actual Expenditures	27,078,547	29,364,709	28,905,616
Actual Expenditures Exceed Budget	\$3,064,493	\$5,350,655	\$4,891,562

Source: SFMTA

The original SFTMA FY 2009-10 overtime budget is \$31.0 million, which includes \$28.0 million of scheduled overtime and \$2.2 million unscheduled overtime. The SFMTA reduced the budget midyear to \$29,573,354, a reduction of approximately \$1.5 million. As of the pay period ending March 5 2010, the SFMTA reported \$18,742,912 in “unscheduled” overtime expenditures with estimated year-end overtime expenditures of approximately \$27.6 million.

The SFMTA Finance Division needs to work with the Controller to capture the SFMTA’s transit operator scheduled and unscheduled overtime in the City’s payroll system and in FAMIS. This would allow the SFMTA to more accurately record and report transit operators’ scheduled and unscheduled overtime. The Public Utilities Commission (PUC) has recently worked with the Controller to differentiate PUC scheduled and unscheduled overtime in FAMIS. Similar to SFMTA, the PUC uses a proprietary time system, ETime, rather than the City’s time system, Time Entry Scheduling System or TESS, that records several payroll codes for PUC’s different categories of overtime, and according to PUC Human Resources staff, PUC will now be able to record and report scheduled and unscheduled overtime in FAMIS.

Budgeting of overtime is based on formula instead of historic trends

Budgeting for overtime appears to be based on a formula instead of historical trend data or usage patterns. In the budgets for the last four fiscal years, unscheduled overtime is consistently the same proportion of total overtime regardless of the bus or rail division. In FY 2009-10, unscheduled overtime was budgeted at 7.1 percent of total overtime as shown in Table 4.2. In FY 2007-08 and FY 2008-09, unscheduled overtime was budgeted at 9 percent of total overtime for all divisions.

**Table 4.2
Scheduled Overtime as a Percentage of Unscheduled Overtime
FY 2009-10 Original Budget**

Division	Total Salaries	Unscheduled Overtime	Scheduled Overtime	Total Overtime	Overtime as Percent of Total Salaries	Unscheduled Overtime as a Percent of Total Overtime
Cable						
Car	\$13,286,306	\$264,000	\$3,457,686	\$3,721,686	28.0%	7.1%
Green	18,397,412	374,000	4,898,389	5,272,389	28.7%	7.1%
Presidio	19,862,543	308,000	4,033,968	4,341,968	21.9%	7.1%
Potrero	26,128,636	330,000	4,322,108	4,652,108	17.8%	7.1%
Kirkland	23,444,212	308,000	4,033,968	4,341,968	18.5%	7.1%
Flynn	18,932,121	242,000	3,169,546	3,411,546	18.0%	7.1%
Woods	30,330,587	374,000	4,898,389	5,272,389	17.4%	7.1%
Total	\$150,381,817	\$2,200,000	\$28,814,054	\$31,014,054	20.6%	7.1%

Source: SFMTA FY 2009-10 Budget

Another indication that overtime budgeting is not based on past spending patterns or accurately calculated based on future projections of overtime use is seen in overtime spending to date shown in Table 4.3. With 68 percent of the year elapsed, the Cable Car and Green divisions are overspending their overtime budget allocations having spent 91 percent and 80 percent respectively of their budgets. While the Woods and Green Divisions were budgeted the same amount for overtime, but Woods has only expended 53 percent of its overtime budget.

Table 4.3
FY 2009-10 Transit Operator Overtime Expenditures as of March 5, 2010

Division	FY 2009-10 Budget (Revised)	Actual Expenditures as of March 5, 2010	Percent of Year	Percent Actual Expenditures
Green	\$5,027,470	\$4,558,396	68.0%	90.7%
Cable Car	3,548,802	2,855,972	68.0%	80.5%
Flynn	3,253,069	2,002,026	68.0%	61.5%
Presidio	4,140,270	2,344,269	68.0%	56.6%
Woods	5,027,470	2,683,994	68.0%	53.4%
Kirkland	4,140,270	2,111,536	68.0%	51.0%
Potrero	4,436,003	2,186,719	68.0%	49.3%
Total	\$29,573,354	\$18,742,912	68.0%	63.4%

Source: SFMTA

Reporting on overtime is insufficient for management control of potential excessive overtime use

The SFMTA Finance Division does not report regularly on scheduled and unscheduled overtime hours and expenditures, either to the public or to the SFMTA Board of Directors. A review of the minutes of all Board meetings from calendar year 2008 through the present indicate that there was one report dated April 21, 2009 to the Board regarding use of overtime. However, the minutes for this meeting indicate that the item, which was to be part of the Executive Director's report, was removed from the agenda.

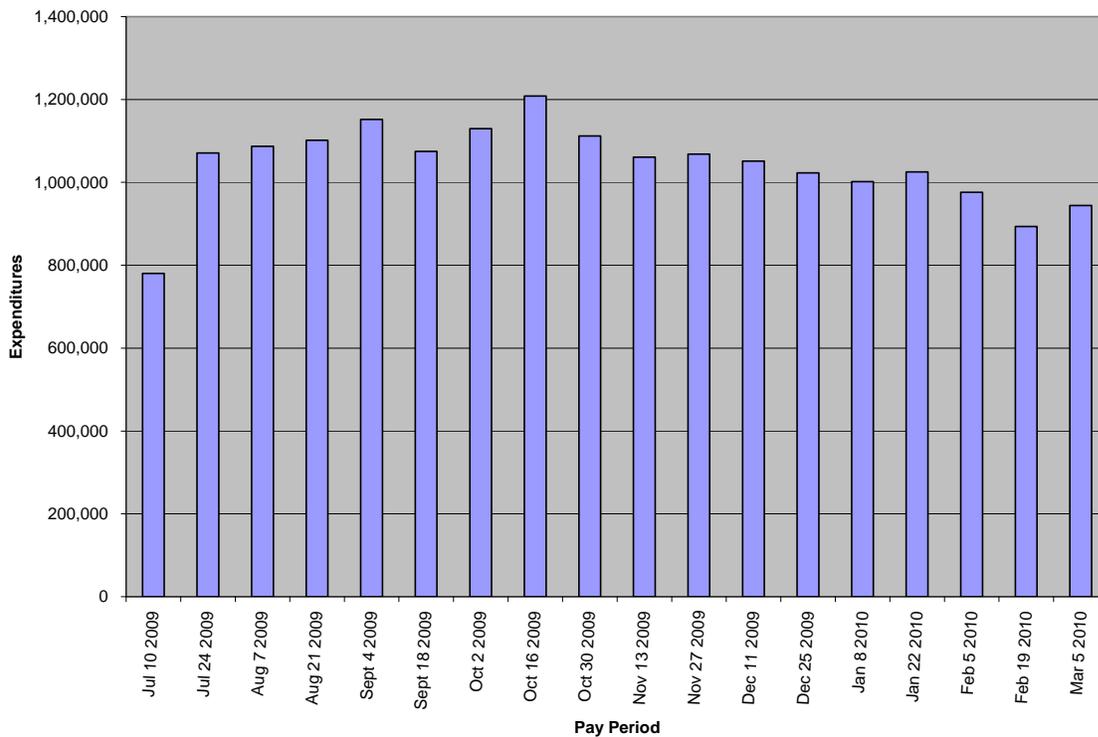
The report set a goal of a ten percent decrease in transit operator overtime and a 50 percent decrease in non-transit operator overtime to be accomplished using Trapeze (Muni's scheduling software) and schedule changes related to the Transit Effectiveness Project (TEP). However, the report did not propose a timeframe for accomplishing these objectives and did not provide benchmarks against which to measure declines in overtime use.

The report noted a decrease in Transit Division overtime hours from a high of 42,000 hours in the October 17, 2008 pay period, when an overtime reduction program was launched, to 24,000 hours in the March 20, 2009 pay period or approximately 43 percent reduction. These figures presumably include scheduled, unscheduled and RDO, but this is

not made clear. It is also not clear what other employment categories in addition to operators these numbers represent.

Although SFMTA has not provided documentation confirming that a formal overtime reduction program is underway, overtime hours for operators have averaged 24,000 hours a pay period inclusive of scheduled, unscheduled and regular day off (RDO) overtime from July 1, 2009 through March 5, 2010. As shown in Chart 1, total FY 2009-10 overtime expenditures for scheduled, unscheduled, and RDO overtime by pay period have decreased since October 2009.

Chart 4.1
Total FY 2009-10 Overtime Expenditures by Pay Period



Source: SFMTA Finance Division

Reporting and tracking of leave is not linked to controlling costs of unscheduled overtime

Although the Director of Operations and his staff track the amount and causes of absenteeism, this audit revealed no indication that data on absenteeism or overtime has been used as a tool either to limit the use of unscheduled overtime or to assess the potential savings of using part time operators instead of scheduled overtime to accommodate peak service demand.

SFMTA has recently drafted a policy on sick leave and attendance that would limit unscheduled leave through progressive discipline. SFMTA plans to implement this policy on July 1, 2010 after meeting and conferring with TWU Local 250A.

In the context of operating deficits for FY 2010-11 and FY 2011-12 that are projected at \$52.7 and \$45.3 million respectively, 100 percent operator availability combined with greater use of part time operators would reduce the agency's expenditures on RDO unscheduled overtime. As we have noted, the management reporting necessary for the surveillance and control of inappropriate use of unscheduled leave has only recently been put in place.

Muni Transit Operators' Overtime and Salary Deficits

Muni transit operator overtime makes up approximately 65 percent of total SFMTA overtime, as shown in Table 4.4. While Muni transit operator overtime increased by 6.7 percent from FY 2006-07 through FY 2008-09, total SFMTA overtime increased by 8.8 percent.

Table 4.4
Transit Operator Actual Overtime Expenditures
Compared to Total SFMTA Actual Overtime Expenditures
FY 2006-07 to FY 2008-09

Division	FY 2006-07	FY 2007-08	FY 2008-09	Increase/ (Decrease)	Percent Increase/ (Decrease)
Cable Care	\$3,267,426	\$3,629,407	\$3,824,416	\$556,990	17.0%
Flynn	2,986,164	3,524,765	3,316,084	329,920	11.0%
Kirkland	3,625,439	3,797,878	3,500,566	(124,873)	(3.4%)
Green	4,836,004	5,066,652	6,591,213	1,755,209	36.3%
Potrero	3,987,008	4,202,544	3,557,099	(429,909)	(10.8%)
Presidio	3,787,394	4,117,538	3,862,725	75,331	2.0%
Woods	4,589,112	5,025,925	4,253,513	(335,599)	(7.3%)
Total Transit Operator Overtime	27,078,547	29,364,709	28,905,616	1,827,069	6.7%
Total SFMTA Overtime	\$40,725,263	\$46,532,421	\$44,328,008	\$3,602,744	8.8%
Percent Transit Operator Overtime to SFMTA Overtime	66.5%	63.1%	65.2%		

Source: SFMTA

FY 2009-10 scheduled and unscheduled overtime hours

The SFMTA's Trapeze scheduling system captures scheduled and unscheduled overtime hours, although this information is not recorded in the City's financial system, FAMIS. The Budget and Legislative Analyst estimated transit operator overtime expenditures in FY 2009-10 through March 5, 2010 by type of overtime, as shown in Table 4.5.

Table 4.5
Estimated Costs of Actual Scheduled and
Unscheduled Transit Operator Overtime
July 1, 2010 to March 5, 2010

Type of Overtime	Hours of Overtime	Percent of Total Overtime	Total Estimated Overtime Expenditures by Type of Overtime
Scheduled	300,718	68.8%	\$12,891,293
Unscheduled RDO	87,353	20.0%	3,744,681
Other Unscheduled	49,149	11.2%	2,106,938
Total Overtime	437,220	100.0%	\$18,742,912

Source: SFMTA Trapeze Scheduling System

As shown in Table 4.5, transit operators working on their regular day off (RDO) to back fill for unscheduled absences and other staffing shortages, make up 20 percent of all overtime use, or an estimated \$3.7 million as of March 5, 2010, with total year-end projected expenditures of approximately \$5.5 million. The Green division, which manages the light rail (or Muni Metro) has the highest percentage of RDO overtime: 31 percent of all Green division overtime is unscheduled RDO overtime.

Impact of the transit operators' MOU on absenteeism, and overtime use

The MOU creates an incentive to use unscheduled leave

The MOU between the TWU and SFMTA allows operators to access overtime after 40 hours a week of either paid work or a combination of paid work and authorized absences, including sick leave for those who have accumulated 80 hours of sick leave or more. In effect operators can use sick leave or any other form of approved leave and then work during one or both of their regular day off at time-and-a-half within the same week. The MOUs for all other Muni employees grant access to overtime based on total number of straight time hours actually worked.

The International Association of Machinists (IAM) MOU specifically excludes the use of any sick leave from determining hours worked in excess of 40 hours a week for determining eligibility for overtime payment. It reads in part "The use of any sick leave shall be excluded from determining hours worked in excess of 40 hours in a week for determining eligibility for overtime payment. Additionally, the MOU specifies that for

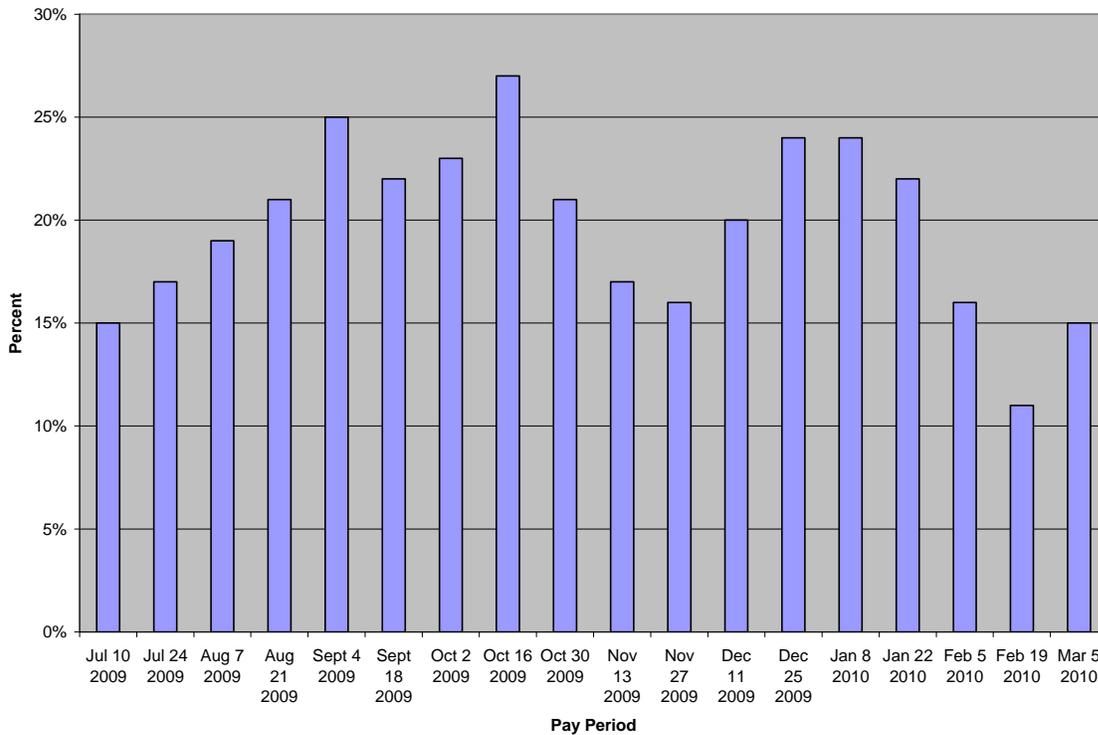
the purposes of determining the rate of pay (i.e., straight time or time-and-one-half), the department will look back to the previous five (5) work days to determine whether sick leave was used.“ Transit Fare Inspectors receive overtime based on total number of straight time hours actually worked

The International Brotherhood of Electrical Workers (IBEW) MOU specifies that “There shall be no eligibility for an overtime assignment if there has been sick pay, sick leave or disciplinary time off on the preceding workday, or if sick pay, sick leave or disciplinary time off occurs on the workday following the last overtime assignment.”

The TWU Local 200 MOU specifies that multiple days vacation taken within a scheduled workweek shall not be considered as time worked for the purposes of calculating overtime earnings.

The following chart illustrates that overtime for work on regular days off this fiscal year to date peaked in October of 2009, reached its lowest point in February and rose to 15% of all overtime in March of 2010.

Chart 4.2
Percent of Total Overtime Attributed to Transit Operators Working on their Regular Day Off (RDO) by Pay Period FY 2009-10



Source: Trapeze

Access to overtime pay at other transit agencies

Access to overtime by operators at surveyed transit agencies varies, but in all instances operators qualify for overtime after 8 hours of work a day or 40 hours in a week. Of the six agencies that responded to an overtime survey, the Chicago and Washington DC transit agencies disallow approved leave as a basis for accumulating 40 hours in a week towards overtime.

Muni's extensive use of scheduled overtime results from a combination of (1) peaked service demand, (2) the current operator MOU's work rules that restrict use of part time operators and (3) an apparent SFMTA management decision to rely on split shifts instead of hiring the number of part time drivers that the MOU permits. Table 1.12 summarizes the proportion of scheduled to unscheduled and RDO overtime used per pay period this fiscal year.

Most unscheduled overtime results from sick calls

Unscheduled overtime makes up more than 25 percent of all transit operators' overtime use, including transit operators working on their regular day off to backfill unplanned absences and other types of unscheduled overtime. The main cause of unscheduled overtime is the unplanned use of sick leave and other unplanned absences. Although it is apparent that absenteeism contributes to RDO overtime, and management receives reports on daily absences, a review of Board meeting minutes from 2008 through the present indicates that this information has not been made available to the Board. Moreover it is only recently that management has begun to address the link between absenteeism and RDO overtime.

SFMTA has a high rate of absenteeism compared to some other transit agencies

Compared to other public transit agencies, SFMTA has a high rate of unscheduled operator absenteeism, which was 15 percent in the first quarter of FY 2009-10 up from nearly 13 percent in the first quarter of FY 2008-09. For the pay period ending March 5, 2010, 261 operators had unscheduled overtime and a sick leave code during the same pay period.

Because operators are entitled to overtime for work in excess of 40 hours a week, it is not possible to determine the extent to which sick leave and unscheduled overtime occurred in the same week for the operators with unscheduled overtime and sick leave codes in the same pay period. Nonetheless, this payroll data are strong indications that operators take advantage of the work rule that allows them to access overtime even if they have not actually worked more than 40 hours in a week.

Table 4.6
Rate of Unscheduled Absence at SFMTA compared to other Transit Agencies

Agency	Reported Absentee Rate
SF Municipal Transportation Agency	15%
Washington Metropolitan Area Transit Authority	13% (scheduled and unscheduled combined)
Southeastern Pennsylvania Transit Authority	11%
Los Angeles County Metropolitan Transportation Authority	6%
Metropolitan Atlanta Rapid Transit Authority	6% to 8%
King County (Washington) Metro Transit	4%. (1.83% for part time)
Chicago Transit Authority	not tracked

Source: Budget and Legislative Analyst Survey

SFMTA has not implemented TEP recommendations to reduce absenteeism

A September 24, 2007 Transit Effectiveness Project Operations Review Findings report took note of Muni's high absentee rate, which at the time was the second highest by a fraction of a percent among a group of eight peer agencies. According to the report 18 percent of operators were absent daily at the Woods Division.

The report established 100 percent operator availability as a critical factor in avoiding missed runs, gaps in service and stress for operators, supervisors and dispatchers. It established the following goals:

- Evaluate reintroduction of part time operators;
- Analyze root causes of absenteeism;
- Develop and staff a program to reinforce on time performance culture and to reduce the number of operators doing non-driving work; and
- Strengthen, broaden and enforce progressive attendance discipline.

Muni's has not implemented these goals, resulting in continuing frequent use of unscheduled overtime.

Absenteeism affects system reliability.

Absenteeism decreases system reliability by decreasing operator availability (the percent of operators on hand to deliver service each day relative to the schedule) and by increasing reliance on operators working on their regular day off. The operator

availability in the most recent service standard scorecard is 97.7 percent for first quarter FY 2009-10, although the unscheduled absentee rate is 15 percent.

We examined payroll data for the pay period ending March 5, 2010 from Flynn Division to determine the main sources of unscheduled absences. Table 4.7 summarizes the findings. There were an average of 61 daily absences and a daily average of 16 sick pay absences at the Division.

Table 4.7
Municipal Railway Flynn Division Total Absences
Pay Period February 20, 2010 to March 5, 2010

<u>Category</u>	<u>Operator Day Absences</u>	<u>Percent of Total</u>
Sick Pay	227	26.5%
Unknown Status	198	23.2%
Leave No Medical	116	13.6%
Leave No License	42	4.9%
Vacation	41	4.8%
Family Medical Leave	39	4.6%
Claims Industrial - SP, VP	30	3.5%
Light Duty	28	3.3%
Sick Run Pay	24	2.8%
1 Day Vacation 8-Hour	18	2.1%
Claims Industrial Assault	18	2.1%
Holiday in Lieu	14	1.6%
Floating Holiday	12	1.4%
Funeral Leave	9	1.1%
Birthday	8	0.9%
Vacation Run Pay	6	0.7%
Birthday Working	5	0.6%
Military Active	5	0.6%
Trade Voluntary Pay Worked Run	4	0.5%
1 Day Vacation Run Pay	3	0.4%
Jury Duty	2	0.2%
on Loan Pay Worked Run	2	0.2%
Military Leave	2	0.2%
Joint Labor management Board	1	0.1%
Non Driving Status	1	0.1%
Total	855	100%

Absenteeism results in missed runs

We examined missed run data to compare the frequency of missed runs to unscheduled absenteeism and found 228, or an average of 16 runs daily without drivers at the Flynn Division. Of these, 85 or 37 percent were due to sick leave, and 23 or about 10 percent were coded as Family and Medical Leave Act absences.

Muni does not accurately calculate the number of drivers in active driving status

SFMTA does not have adequate extra board (or relief) drivers

Muni uses extra board drivers to back fill vacant runs. Extra board drivers are regularly-scheduled drivers who are available to fill an expected number of vacant runs each day, due to operators on their regularly-scheduled days off, planned leave, expected number of unplanned absences, and other reasons for vacant runs. Muni staff did not provide evidence of a formal method or written policy that determines the number of extra board Operator slots assigned to each Division or on the floating Extra Board (operators on call system-wide). Operators on the extra boards replace operators who call in sick or are otherwise absent from work. To fill operator absences, dispatchers at each Division assign operators from the extra board to specific open runs the day before the run; place some operators from the extra board “on report” without a specific assignment but with the expectation that they a run will come open the following day; draw from a list of employees who have signed up to work on their regular day off (RDO); and make assignments from a roster of operators seeking to trade shifts.

Calculating the optimal number of extra board operators is key to controlling unscheduled overtime expenditures by limiting the number of operators who are needed to work unscheduled overtime in order to avoid missed runs. Operators on the Extra Board do not contribute to unscheduled overtime expenditures because they are full time employees with regular forty hour a week schedules.

During the course of this audit, Muni Operations staff was unable to provide information on the specific number of extra board operators at each division or on the floating Extra Board, but estimated that they were 7 percent to 10 percent of the number signed with each division.

The current operator’s MOU provides for an “Available Operator Force equal to the number of scheduled runs and blocks plus an “extra board” equal to 27.5% of the number of scheduled runs and blocks”. By this measure, the current extra board is 17 to 20 percent below the number required by the MOU if the extra board estimate of 7 percent to 10 percent is accurate. Nonetheless, based on the number of currently filled operator positions, there are 86 operators in excess of the required Available Operator Force as demonstrated in Table 4.8.

Table 4.8
Extra Board Calculation as of March 2010

Blocks and Runs	1,636
27.50% of scheduled blocks and runs	450
Available Operator Force Required by MOU	2,086
Filled Positions	2,172
Available Operators in Excess of MOU requirement	86

Source: Budget and Legislative Analyst, based on data provided by SFMTA

Muni does not maintain accurate data on the number of available transit operators

The current number of filled operator positions appears to fulfill the MOU requirement for an operator force equal to the number of blocks and runs plus 27.5 percent. However, Muni does not maintain an accurate measurement of drivers available for work also known as “Driving Drivers”. The Muni Transportation Quality Review 2006-2008, mandated by Proposition E reported that “Muni consistently reports a vacancy rate of 0 percent for operators but does not make a distinction between operators who are available and those who are not.” The report estimated the number of drivers on payroll but not able to drive to be between 200 and 300 a day or approximately 9 percent to 14 percent of the currently filled operator positions. During the exit conference for this interview, SFMTA staff estimated that up to 400 drivers on payroll were not available to drive. Information for the most recent sign up indicates that there are 1,925 operators available but does not indicate how many drivers are effectively unavailable.

A previous recommendation that Muni cease reporting the vacancy rate because it was misleading had not been implemented. Instead, Muni reports on the Effective System Wide Percent of Extra Board Operators, which according to the first quarter FY 2009-10 Service Standards Quarterly Report FY2010 was at 12 percent which, based on 1,636 scheduled blocks and runs, results in an Extra Board of 196 operators and an available operator force of 1,832 operators. This is still below the 2,086 required by the MOU. Additionally, Muni reports operator availability as a percentage of scheduled hours and rates of unscheduled absenteeism among operators. Operator availability during the first quarter of FY10 was reported as 97.7 percent. Given that on average 15 percent of drivers are absent daily, operator availability is not a measure of daily availability of drivers as a percentage of all filled driving positions.

We have calculated a range of daily available drivers based on the 200 to 300 drivers on payroll but not able to drive according to the Muni Quality Review (9 percent to 14 percent of the current number of filled positions). As seen in Table 4.8, the number of daily available drivers according to this calculation is well below the Available Operator Force Required by MOU and minimally covers the number of runs and blocks.

Information from the most recent sign up provided by SFMTA indicates that there are a total of 1,925 available operators or “driving drivers” who signed up for a run or for the Extra Board. This number is close to the 1,976 driving drivers that we estimated in table 4.8. However, this data is incomplete because there are an additional set of 300 “blocks” (a grouping of individual pieces of work comparable to a run).

**Table 4.9
Estimated Available Operator Force**

[Staff note: table edited for accessibility]

	Actual	Minimum	Maximum
Filled Positions	2,172		
Available Work Force Required by MOU	2,086		
9% to 14% inactive		195	304
Driving Drivers		1,976	1,868
15% Absentee rate		278	2,96
Daily Available Drivers		1,569	1,679
Runs and Blocks		1,636	1,636
Overage (Shortage)		(67)	43

Source: Budget and Legislative Analyst, based on data provided by SFMTA

Extra boards at surveyed transit agencies place a lower percentage of operators on call as shown in Table 4.10 and explicitly base the number of extra board employs on historical rates of absenteeism.

**Table 4.9
Calculation of On Call (Extra Board) Operators at Comparable Agencies**

Agency	Extra Board Calculation
SF Municipal Transportation Agency	27.5% of the number of scheduled runs and blocks
Los Angeles County Metropolitan Transportation Authority	18% of all scheduled assignments
Washington Metropolitan Area Transit Authority	12.99% based on historic rate of both planned and unplanned absences
King County (Washington) Metro Transit	18.5% for both planned and unplanned absences, based on historical absentee rates.
Chicago Transit Authority	45% Rail 25% Bus
Metropolitan Atlanta Rapid Transit Authority	Based on historical absentee rate (10-12% for scheduled absenteeism and 6-8% unscheduled)

Impact of drivers in non driving status

Information on driving drivers is a vital piece of information in making management decisions. We endorse the original recommendation of the Municipal Transportation Quality Review report to implement a quarterly. "Driving Drivers" measurement A Driving Drivers calculation measures the average number of operators available to drive

on any given day and accounts for drivers on long term leave such as workers comp, transitional work assignments and non driving assignments.

Muni does not adequately report and measure the causes of missed service

Although at 98.75 percent (AM) and 98.65 percent (PM) Muni is close to its Service Delivery standard goal of 99 percent or greater, Muni has not implemented the recommendation of the Quality Review to measure Scheduled Trips Delivered in addition to measuring hours of revenue service.

The Quality Review notes that Scheduled Trips Delivered would lead to better reporting on the cause (including no driver available) location and frequency of missed trips, information, which measurement of hours of service delivered has not provided and which is a more accurate measurement of service delivery from the perspective of individual customers.

A program to review and dispose of cases of long term absences is under development

SFMTA staff have begun recently to address the need to measure accurately the number of drivers who are unavailable, and is meeting and conferring with TWU Local 250A as they develop a Return To Work Program. The goal of the program according to SFMTA staff is to review cases of long term absences such as absences due to workers comp claims, to determine when and if individual operators will return to work and to counsel employees accordingly in order to develop a reliable estimate of drivers who are available to work.

Conclusion

Unscheduled operator absenteeism is high and is the principle cause of unscheduled overtime. Absenteeism decreases operator availability and contributes to service interruptions including missed runs. The operators' work rules allow operators to work overtime even if they have not actually worked 40 hours in a week. This incentive to miss work on a regular work day and work overtime on a regular day off would be removed if operators qualified for overtime only after actually having worked 40 hours in a week.

Muni does not adequately, report on and manage absenteeism, the use of overtime or the number of drivers available to work. Reporting a quarterly measure of "driving drivers" would allow for better planning and more efficient dispatching.

Muni does not report the two types of overtime expenditures separately, which overstates unscheduled overtime and underreports scheduled overtime. Nor does Muni manage absenteeism adequately. Additionally Muni does not adequately measure the number of

drivers available to drive which has a negative impact on timely and efficient transit service delivery.

Recommendations

In order to discourage absenteeism and to reduce unscheduled overtime expenditures, the Executive Director and his designees should:

- 4.1 Negotiate MOU provisions in the successor MOU to the current MOU with the TWU Local 250A, which expires June 30, 2011, that (a) requires transit operators to work more than eight hours in a day or forty hours in a week in order to accrue overtime, and (b) disallows authorized absences as a basis for overtime.

In order to strengthen reporting on the impact of unscheduled absenteeism on service delivery and the causes of missed trips, and to monitor and manage absenteeism, the Executive Management Team should

- 4.2 Develop a quarterly measurement of Scheduled Trips Delivered to be reported in addition to the current measure of hours of revenue service.

In order to increase driver availability and facilitate efficient scheduling and dispatching, the Director of Operations should:

- 4.3 Create and publish on a quarterly basis a measure of drivers available to work within each division and report this information to the SFMTA Board and to the divisions.

In order to achieve an average operator availability of 100 percent, the Executive Management Team should:

- 4.4 Develop a comprehensive transit operator availability plan including (a) analysis of root causes of absenteeism, (b) reintroduction of part time operators, (c) investigation of new training programs and methods, (d) reduction of the number of operators doing non driving work including union work, and (d) strengthening, broadening and enforcing progressive attendance discipline.

Costs and Benefits

Savings would accrue with reductions in use of unscheduled overtime. At the current rate of spending, RDO overtime expenditures will total approximately \$5.5 million dollars in FY 2009-10. The number of extra board operators now available is not sufficient to cover missed runs and Muni relies heavily on RDO. A 25 percent reduction in absenteeism and a corresponding reduction in use of Regular Day Off overtime would result in reduced salary spending totaling approximately \$1.37 million.