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Tom Nolan | Chairman

Jerry Lee | Vice-Chairman

Carmen Beach | Director

Malcolm Heintze | Director

Bruce Oles | Director

Nathaniel P. Ford Sr. | Executive Director/CEO

May 10, 2010

David Chiu,
President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall
San Francisco, CA 94102-4689

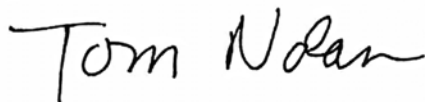
Dear President Chiu:

The San Francisco Municipal Transportation Agency (SFMTA) would like to extend its sincere appreciation to you and the members of the Board for your steadfast interest in the SFMTA, specifically our governance, and the performance of our Muni operations.

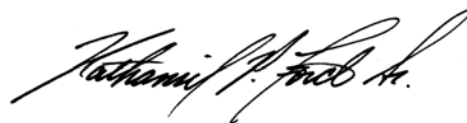
Overall, the audit process presented an opportunity for the Agency to reflect on its major accomplishments, as well as to evaluate many of the obstacles and challenges facing the Agency going forward. With that being said, it is our intent to perform an in-depth review and analysis of the audit report and submit a comprehensive response by May 18.

Please find attached, the Agency's initial audit response. If you have any questions, please contact either of us; Tom Nolan at 415.701.4505 or Nathaniel Ford at 415.701.4687.

Sincerely,



Tom Nolan,
Chairman



Nathaniel P. Ford Sr.
Executive Director/CEO

Cc: Mayor Gavin Newsom
SFMTA Board of Directors
SFMTA Citizen Advisory Council
City Controller's Office

SFMTA

Municipal Transportation Agency

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EXECUTIVE SUMMARY

In February 2010, the San Francisco Board of Supervisors commissioned a limited scope performance audit (audit) to evaluate the San Francisco Municipal Transportation Agency's (SFMTA) governance structure, as well as oversight of the SFMTA and management of overtime associated with the City's public transit system, the Municipal Railway – Muni.

The SFMTA is unique and complex in its governance, organizational structure and services which it provides to the residents and visitors of the City and County of San Francisco. As a “City department” and as a “public transportation agency,” the SFMTA is challenged with efficiently and effectively conducting its business in accordance with various laws, ordinances and regulations to which the Agency must adhere.

Included in this document is the SFMTA's initial response to the audit. It is the intent of the Agency to perform an in-depth review and analysis of the audit findings and submit a comprehensive response no later than May 18.

The SFMTA agrees in concept with the vast majority of the Budget Analyst's recommendations submitted to the SFMTA; however, the Agency would be remiss if it did not clarify some significant issues which impacts the daily business practices of the SFMTA .

Specifically, the Agency currently has governance principles in place, as well as defined roles and responsibilities for its Board of Directors' Policy and Governance Committee. Moreover, the SFMTA's Board– approved five-year strategic plan has a nexus to the overall business plan for the Agency.

In reference to the scheduling of transit operator work time, including, but not limited to overtime; further review of the findings, calculations, and assumptions is required. Scheduling transit operators' assignment is a complex process that must adhere to the Memorandum of Understanding (MOU) between the SFMTA and the Transport Workers Union Local 250-A (transit operators). While the leveraging of part-time operators appears to be the panacea for Muni's current service delivery concerns relating to overtime and absenteeism, the continuation of other prescribed factors, i.e. work rules within the MOU, must be thoroughly evaluated and bargained before this approach can be appropriately implemented.

SFMTA RESPONSE TO AUDIT RECOMMENDATIONS

Item No.	Audit Recommendation	Concur Y/N	SFMTA Response
1.1	Adopt a written statement of governance principles modeled after best practices for governing boards.	N	Governance principles are already in place – see section 1.3.
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.	N	Roles and Responsibilities of the Policy and Governance Committee are already in place - see Section 1.4
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.	N	Strategic Plan is closely tied to the other business plans and every action item brought before the board is linked to the Strategic plan - Section 2.3
1.4	Link tasks in the budget to the specific Strategic Plan objectives that the tasks are addressing.	N	Budget tasks are closely linked to the Strategic Plan and other business plans and every action item brought before the board is linked to the Strategic plan - Section 2.3
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.	Y	Concur
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.	Y	Concur
1.7	Enhance its training to not only include orientation for new members and State and Charter requirements, but also training on governance.	Y	Concur, within resource constraints – See Section 1.5
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.	Y	Concur , although the Board has been involved in the TEP process throughout, we agree that the formal TEP updates should be presented to the Board – See 2.4
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.	Y	Concur, within resource constraints – see Section 2.6. The CAC will expand its responsibilities to include an audit committee.
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 annual work plan.	N	The SFMTA staff already work with Controller's Office to discuss SFMTA audits – See Section 2 summary

SFMTA RESPONSE TO AUDIT RECOMMENDATIONS (Continued)

Item No.	Audit Recommendation	Concur Y/N	SFMTA Response
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.	Y	Concur – See the summary of Section 2. The staff will continue to work with the Controller's Office.
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.	Y	Concur – While the use of part time operators would be a useful tool, other strategies should also be considered for maximum efficiency and effectiveness. However, the use of part time operators was recently pursued in summer 2009 and an agreement was not reached. However, we will continue to analyze how to effectively use part time operators. (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
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	Y	Concur, will begin the analysis for using part time operators. Part time operators would be a useful tool; however, other strategies should be considered - See Section 3.3 (THIS ITEM IS SREQUIRES AN INDEPTH ANALYSIS)
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	Y	Concur. However, this item is subject to Labor negotiations. SFMTA will begin the analysis for using part time operators. Part time operators is a useful tool, however, other strategies should be considered - See Section 3.3 (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
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	Y	Concur. Trapeze is updated when work rules impacting schedules are modified; potential schedules are evaluated. See Section 3.1 (THIS ITEM REQUIRES INDEPTH ANALYSIS)

SFMTA RESPONSE TO AUDIT RECOMMENDATIONS (Continued)

Item No.	Audit Recommendation	Concur Y/N	SFMTA Response
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.	Y	Concur. However, this item is subject to labor negotiations. SFMTA will begin the analysis for using part time operators. Part time operators would be a useful tool; however, other strategies should be considered - See Section 3.3 (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
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.	Y	Concur. However, the use of part time operators was recently pursued in summer 2009 and an agreement was not reached based upon the interpretation of Article 11.3 of the MOU. (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
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.	Y	Concur. However, this item is subject to labor negotiations. (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
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.	Y	Concur. However, this item is subject to labor negotiations. (THIS ITEM IS SUBJECT LABOR NEGOTIATIONS AND REQUIRES INDEPTH ANALYSIS)
4.2	Develop a quarterly measurement of Scheduled Trips Delivered to be reported in addition to the current measure of hours of revenue service.	Y	Concur.
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.	Y	Concur. However, operator availability is a performance metric that is regularly monitored (Daily, weekly, monthly quarterly). Analysis, investigation and increased efficiency are ongoing. – See Section 4.1
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.	Y	Concur. However, operator availability is a performance metric that is regularly monitored (Daily, weekly, monthly quarterly). Analysis, investigation and increased efficiency are ongoing. – See Section 4.1

SECTION 1 – SFMTA MAJOR ACCOMPLISHMENTS

OVERVIEW

The San Francisco Municipal Transportation Agency (SFMTA) is one of the oldest public transit agencies in the world, the seventh largest system in the United States, and the largest transit system in the Bay Area. The SFMTA is comprised of the Municipal Railway (MUNI), the Department of Parking and Traffic, the San Francisco Parking Authority, and the San Francisco Taxi Commission. The SFMTA is responsible for providing transportation services within the City and County of San Francisco to over 200 million consumers annually.

The multifarious transportation services provided by SFMTA include public transit, bicycling, pedestrians, taxi, livable streets, and parking and traffic. The parking and traffic operations include managing 19 City-owned public garages and 21 parking lots, as well as, overseeing all traffic engineering functions within the City and County of San Francisco, including placement of signs, signals, traffic striping, curb markings, and parking meters to promote the safe and efficient movement of people and goods throughout the City.

Ranking second on the “*Top Ten Green Cities*” (mainly for green transportation) in the U.S., the SFMTA strives to maintain its distinctively unique and diverse fleet. The SFMTA fleet includes historic streetcars, modern light vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the “*world famous*” cable cars.

While the SFMTA has accomplished many successes over the years, it continues to strive in transforming into a “World Class” transportation Agency. The SFMTA begin this process by developing several important long range and short range strategic planning documents to path the way. These documents include:

- The SFMTA Strategic Plan – (5-Year)
- The Capital Investment Plan - (5-Year)
- The Short Range Transit Plan (SRTP) - (20 –Year)
- The Regional Transportation Plan (RTP) – (25-Year)
- The Transit Effectiveness Plan (TEP)
- The FY 2010-2011 & FY 2011 – FY 2012 Budgets
- And a variety of federal, state, and local transit standard operating procedures

The interconnectivity of these important documents establishes the framework for how the SFMTA operates, conducts, and manages its daily business affairs. In essence, these documents represent the **“Business plan”** for the agency.

STRATEGIC PLANNING PROCESS

In 2008, the SFMTA embarked on a five-month effort aimed at developing a comprehensive strategic plan that identified what the agency must look like if it is to be successful in the future. We began this process by conducting a comprehensive analysis of the future environment the SFMTA will face in 2012. As a result of the analysis, key assumptions were made as to how these issues would impact the agency. During this process, the SFMTA Board of Directors reviewed its governance structure, crafted a vision statement, and identified six (6) strategic priorities for the agency.

SFMTA Strategic Planning Timeline



The six (6) goals and the detailed objectives, the key performance indicators, and the vision statements were instrumental in focusing the agency resources and efforts towards aggressively transforming the agency. The (six) goals were focused on enhancing and improving customer satisfaction, system performance, community relations, financial capacity, workforce development, and information technology.

3 – MAJOR ACCOMPLISHMENTS

Despite the economic challenges, the SFMTA has been able to achieve major accomplishments over the years. Many of our accomplishments included improving safety, system reliability, and customer satisfaction. Annually, the SFMTA Board of directors, in conjunction with staff, identifies and evaluates the accomplishments of the agency in relation to the six (6) goals and objectives outlined in the strategic plan. The following is a summary of the major highlights and accomplishments of the SFMTA:

EXHIBIT 1: Summary of Major Accomplishments

Expertise	Major Accomplishments	Results/Impact
Leadership	<ul style="list-style-type: none"> ▪ Strategic Planning: Spearheaded the development of the first SFMTA 5-Year Strategic Business Plan. 	<ul style="list-style-type: none"> ✓ Designed the overall corporate vision for transportation services in the City. Focusing the agency resources toward achieving attainable, result-oriented goals and objectives.
	<ul style="list-style-type: none"> ▪ Organizational Development: Restructured the SFMTA leadership team to create a culture focused on customer satisfaction, safety, and financial and operational accountability. 	<ul style="list-style-type: none"> ✓ Improved the management and oversight of the over 5,000 employees. Increased customer satisfaction and improved employee morale and work performance. ✓ Instituted the Employee Recognition Programs, Safety Awards Banquet, March Madness Annual Competition. These programs resulted in increased employee morale and promoted healthy working competitions amongst staff. ✓ Led motivated employees to win the APTA Rail/Bus Rodeo. An honor that has not been won by the SFMTA in over a decade.
	<ul style="list-style-type: none"> ▪ Financial Management: Provided Executive stewardship over all SFMTA assets. Maximized resources by leading 5,000 employees with an combined annual operating and capital budget of over \$1.5B. 	<ul style="list-style-type: none"> ✓ Implemented the first SFMTA 20-Year Capital Investment Plan. The \$25B CIP included plans to rehabilitate, renovate, maintain, and construct over \$25B in infrastructure, equipment, facilities, and fleet assets.
	<ul style="list-style-type: none"> ▪ Peninsula Corridors Joint Powers Board: Provides expertise and leadership to the Board which manages the Regional Commuter Rail Service (Heavy Rail) – Caltrain, serving 31 stations, in 19 cities, over 77 miles of track. 	<ul style="list-style-type: none"> ✓ Leadership and expertise proved invaluable during the initial phases of the Caltrain Electrification Project. A project designed to improve train speed and performance and to reduce noise and air pollution for the heavy-rail train system. ✓ As a Joint Powers Board Member, works closely with other transit agencies and the California High Speed Rail Association to coordinate connectivity between the existing Cal Train commuter rail system and the proposed high speed rail system corridors.
Operations and Maintenance	<ul style="list-style-type: none"> ▪ Transit Effectiveness Project (TEP): Led the development of the TEP Project. The TEP was a joint effort between the SFMTA and the City's Controller Office to undertake a comprehensive review of the transit system. A key objective of the TEP was to develop a five-to seven-year roadmap of the transit system to serve as a blue print for future services. 	<ul style="list-style-type: none"> ✓ Strategically planned the goals and objectives of the project. The project focused on improving the overall reliability and performance of the transit system; reducing travel time, strengthening the ability to respond to current travel needs, and promoting long-term financial stability thereby making transit services more attractive, economical, and cost-effective. ✓ Successfully managed the implementation of major service changes within the transit system. The service changes led to reduced wait times for customers, more reliable service, and significantly improved the Agency's on-time performance.

EXHIBIT 1: Summary of Major Accomplishments (continued)

Expertise	Major Accomplishments	Results/Impact
Operations and Maintenance <i>Continued)</i>	<ul style="list-style-type: none"> ▪ Service Modifications: Using the TEP as a roadmap, strategically implemented major service reductions (5% to 10%) on major routes and corridors throughout the transit system. 	<ul style="list-style-type: none"> ✓ Improved customer service ✓ Improved service reliability ✓ Created efficiencies that resulted in over \$10M in savings ✓ Incorporated the concerns of communities and businesses that were affected by the service modifications into the service modification processes.
	<ul style="list-style-type: none"> ▪ On-Time Performance: Leads the Agency charge to improve the transit system on-time performance. Led transit operations in achieving the highest on-time performance rating for the Agency within the last ten years. 	<ul style="list-style-type: none"> ✓ Led the development and implementation of an improved on-time performance reporting system used to identify and troubleshoot issues affecting the system's performance. The performance system tracks and monitors vehicle failure rates, operator's performance, parking citations issuance, etc.
	<ul style="list-style-type: none"> ▪ Bus Rapid Transit (BRT): Established a new mode of transit for San Francisco. Key components of a BRT include dedicated lanes, exclusive guide ways, modern, low-floor, high capacity buses, quality bus stops, streetscape improvements and amenities. 	<ul style="list-style-type: none"> ✓ Significantly improved customer service, service reliability and overall system on-time performance. ✓ Improve transit speeds by up to 30% ✓ Improve rider and pedestrian comfort, amenity, and safety ✓ Fill a key gap in San Francisco's Rapid Transit Network ✓ Pioneered multimodal, complete streets design standards with State Department of Transportation
	<ul style="list-style-type: none"> ▪ Preventive Maintenance Program - Fleet: Advanced an aggressive preventive maintenance program for the transit system. Restored 143 Light Rail Vehicles (LRVs) to the original operating specifications. Ensured the mid-life overhaul of 62 Neoplan high-floor diesel coaches. 	<ul style="list-style-type: none"> ✓ Improved service reliability and on-time performance ✓ Improved system safety and vehicle performance ✓ Increased budgetary allocations and secured ARRA funding for parts and capital maintenance of the aging fleet. ✓ Extending life cycle of the vehicles ✓ Upgraded critical sub-systems of the motor coach fleet (i.e. propulsion, cooling, suspension and door systems)
	<ul style="list-style-type: none"> ▪ Preventive Maintenance Program - Infrastructure: Used ARRA funding to re-invested into the Agency's infrastructure by rehabbing, enhancing, and replacing deteriorating overhead wiring systems, facilities, components of the automatic train control system, and upgrading pedestrian signal systems for traffic calming measures. Ensured infrastructure assets were returned to a "State-of-Good Repair." 	<ul style="list-style-type: none"> ✓ Significantly improved customer service, service reliability and overall system on-time performance. ✓ Complements sustainable streets projects by enhancing the streetscape
Transportation Development	<ul style="list-style-type: none"> ▪ Third Street Light Rail: Spearheaded the grand opening of the Third Street Light Rail Line (\$748M). Directed the implementation and trial phases of the T-Line – a \$748M construction project to extend the metro rail system by adding 5.4 miles and 18 stations. 	<ul style="list-style-type: none"> ✓ Worked diligently with political leaders, community and business leaders, and the public to fully implement the T-Line. Initiated innovate marketing plans (i.e., free ride programs) to promote ridership and stimulate public support.
	<ul style="list-style-type: none"> ▪ Central Subway Project: Commanded the preliminary Engineering phase of the Central Subway Project – a \$1.6B construction project to extend the metro rail system by 1.7 miles (includes 1.3 miles of underground subway). 	<ul style="list-style-type: none"> ✓ Led the effort to halt a lengthy delay of the preliminary engineering phase of the Central Subway Project. Chaired various meetings with political, business, and community leaders to re-invigorate participation and funding support. ✓ Secured American Reinvestment and Recovery Act (ARRA) funding to advance the final design phase of the project.
	<ul style="list-style-type: none"> ▪ Central Control Communication & Radio Replacement Program: Embarked upon a program to replace obsolete voice and data radio systems with state-of-the-art wireless communications systems that include mobile handheld radios, mobile data terminals and interface with vehicle on-board power, control and communications systems. Total project costs are estimated at \$150M. 	<ul style="list-style-type: none"> ✓ Improved central communications functions within the Transit Operations Control Center (OCC). Results in upgrades to critical priority systems and environmental deficiencies at the existing location. ✓ Integrates communications, security, and transit management systems thereby enhancing coordinated efforts during emergency preparedness, homeland security, and emergency responders.

EXHIBIT 1: Summary of Major Accomplishments (continued)

Expertise	Major Accomplishments	Results/Impact
Transportation Development	<ul style="list-style-type: none"> ▪ SFgo: Incorporates innovation and information technology into the development of a citywide intelligent transportation management system. This system is used to gather real-time information on current traffic flow and congestion, roadway conditions, and disseminate information to the public. 	<ul style="list-style-type: none"> ✓ Ensures over 500 traffic signals at 500 key intersections in the City were upgraded including traffic signal controllers, fiber optic communications cables, pedestrian countdown signals, and accessible pedestrian signals for the visually impaired, resulting in improved pedestrian safety and reduced fatalities.
	<ul style="list-style-type: none"> ▪ SF Pedestrian Master Plan and Bike Plan: Implemented and executed the City's master pedestrian and bike plans designed to promote safety and convenience for walkers and bicyclist. 	<ul style="list-style-type: none"> ✓ Developed new policies, created the Better Streets Program (BSP), implemented various school pedestrian safety projects, and tested a number of innovative pedestrian signaling technologies.
Safety and Security	<ul style="list-style-type: none"> ▪ System Safety: Provides executive-level and hands-on expertise in resolving system safety issues. Personally manages each major safety incident with the Executive Team and the City Attorney. Instituted new and improved safety efforts such as enhanced safety training programs, new video surveillance systems, and improved accident investigating procedures. ▪ Fare Evasion Survey: Conducted the first-ever system-wide fare evasion survey/study. The study provides a platform for the Agency to make future decisions regarding fare policy, and how to effectively and efficiently deploy fare inspectors and/or police. ▪ The SFMTA lead the charge in promoting transit system safety by hosting the USDOT/Federal Transit Administration, Training Safety Institute Safety Training sessions. 	<ul style="list-style-type: none"> ✓ Efforts results in improved safety practices, improved communications and responses with regulatory agencies, media, and the families of victims. ✓ Improved accident investigations to look at all factors in determining the root cause of the accident rather than mere fault. ✓ Resulted in a 28% decline in injury collisions from 174 in calendar year 2008 to 125 in calendar year 2009, the lowest in five years for the SFMTA. ✓ In calendar year 2009, the SFMTA had 8 % fewer accidents (including collisions with vehicles, pedestrians, bicycles, derailments, and dewirements) system wide. ✓ Instituted the new DriveCam system which uses interior and exterior cameras to record collisions and other unsafe driving behaviors. This system is in use on all 819 vehicles within the SFMTA bus fleet. ✓ Ensured all safety instructors were trained to national standards on topics related to "accident avoidability and preventability." ✓ Implemented and developed the SFMTA Proof of Payment (POP) Program on the transit system. ✓ Conducted the first-ever system-wide fare evasion survey/study. The study resulted in targeted deployment of fare inspectors and police officers.

SECTION 2 – SFMTA LIMITED SCOPE PERFORMANCE AUDIT - GENERAL COMMENTS

INTRODUCTION

Audit Scope

In February 2010, the Board of Supervisors authorized the Budget and Legislative Analyst Office to conduct a limited scope performance audit of the SFMTA governance structure and management of overtime to determine if the agency is efficiently and effectively managing its resources. The audit period covered fiscal year 2006-07 through 2009-10.

The entrance conference was held on February 25, 2010, the field work began on March 1, 2010 and continued through May 5, 2010, the exit conference was held on April 29, 2010 and the final draft report was issued to the SFMTA on May 5, 2010.

In such a politically-sensitive environment and with an extraordinary amount of federal, state, and local funding for capital projects and operating expenses at risk, it would be in the best interest of the SFMTA and the City and County of San Francisco for the Agency to issue a two-phase response to the audit report. Phase I - General Comments will highlight the major issues within the audit report. Phase II - Comprehensive Response will include a comprehensive assessment of the recommendations and findings, comparative analysis, and in-depth cost and benefits analysis. The Comprehensive Report will be released by May 18th, 2010.

THE EVOLUTION OF THE SFMTA

The San Francisco Municipal Transportation Agency (SFMTA) is one of the oldest public transit agencies in the world, the seventh largest system in the United States, and the largest transit system in the Bay Area. The SFMTA is responsible for providing transportation services within the City and County of San Francisco to over 200 million consumers annually.

The diverse transportation services provided by the SFMTA include public transit (both bus and rail), bicycling, pedestrians, taxi, livable streets, and parking and traffic. The parking and traffic operations include managing 19 City-owned public garages and 21 parking lots, as well as, overseeing all traffic engineering functions within the City and County of San Francisco, including placement of signs, signals, traffic striping, curb markings, and parking meters to promote the safe and efficient movement of people and goods throughout the City.

The SFMTA is uniquely structured and governed. As a “city department” and as a “public transportation agency”, the SFMTA is challenged with efficiently and effectively conducting its

business in accordance with the various laws, ordinances, and regulations that influence its daily operations and services.

Over the years, voter-approved mandates and amendments to the City Charter has changed and shaped the governance principles, collective bargaining agreements and performance standards of the Agency. Below is a summary of three (3) voter-approved initiatives which have significantly impacted the SFMTA:

EXHIBIT 2: Summary of Voter Approved Legislation

Legislation	Year	Major Impacts on SFMTA
Proposition J	1995	<ul style="list-style-type: none"> The proposition authorized a full audit of Muni Management business practices. Mandated the creation of the Public Transportation Commission.
Proposition E	1999	<ul style="list-style-type: none"> Combined the Municipal Railway (MUNI) and the Department of Parking and Traffic to create the SFMTA. Created the SFMTA Board of Directors - a seven (7) member governing body appointed by the Mayor and confirmed by the Board of Supervisors. <i>(Note: abolishing the Public Transportation Commission and repealing the establishment of the Parking and Traffic Commission.)</i> Created the Citizen's Advisory Council to assist the Agency – a fifteen (15) member council appointed by the Board of Supervisors (11) and the Mayor (4). Enshrined the City's Transit First Policy into the City's Charter. Established service standards and performance measures for the Agency. Including On-time performance and service delivery standards and goals. Granted the power, by ordinance to the Board of Supervisors to abolish the Taxi Commission and transfer the powers and duties of the commission to the Agency's Board of Directors. Defined the authority and approval of the Agency's budget. Including fare changes and route abandonments. Generally strengthened the administrative functions of the Agency (i.e. human resources, contracts and procurement processes, etc.)
Proposition A	2007	<ul style="list-style-type: none"> Realigned the Parking Tax revenues that SFMTA would receive a greater portion. Allowed SFMTA to implement a Biannual budgeting process. Established requirements for reducing transportation emissions by 2012. Boards of Supervisor exercised their rights and powers and transferred the Taxi Commission to the SFMTA. Revised the Transit Operator's pay scale. Established the current Transit Operator's salary cap as the salary floor, resulting in the second highest salary for Transit Operators in the nation.

Note: The items listed in this chart represent some of the important provisions of the legislation. See the specific Charter Amendments for the complete language of the legislations.

Although some constituents have branded the SFMTA as a “quasi-autonomous agency,” the term does not accurately describe the Agency. The various propositions that were approved and enacted into the City Charter provided SFMTA with some flexibility to operate self-sufficiently, as a city enterprise department, that is subject to the governance, policies and procedures of the City.

Examples of quasi-autonomous agencies within the City and County of San Francisco governance structure include the San Francisco Unified School District or the San Francisco Redevelopment Agency. These agencies are less subject to the governance structure of the City as exemplified during the recent City-wide layoffs, when these two entities were exempt from the entire process, unlike the SFMTA.

TRANSIT FIRST POLICY

The most prevalent governance principle of the SFMTA Board is the “Transit First Policy” which was enacted into the City Charter, through the passage of Proposition E. The “Transit First Policy” encourages the use and the enhancement of public transit and alternative (other than private automobile usage) transportation modes. The “Transit First Policy” encourages all city governance bodies to incorporate as policy and make a priority the use of public transit while conducting City affairs.

EXHIBIT 3: City’s Transit First Policy

TRANSIT FIRST POLICY

The “Transit First” policy states that all officers, boards, commissions, and departments shall implement the following principles in conducting the City and County’s affairs:

1. To ensure quality of life and economic health in San Francisco, the primary objective of the transportation system must be the safe and efficient movement of people and goods.
2. Public transit, including taxis and vanpools, is an economically and environmentally sound alternative to transportation by individual automobiles. Within San Francisco, travel by public transit, by bicycle and on foot must be an attractive alternative to travel by private automobile.
3. Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights-of-way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
4. Pedestrian areas shall be enhanced wherever possible to improve the safety and comfort of pedestrians and to encourage travel by foot.
5. Bicycling shall be promoted by encouraging safe streets for riding, convenient access to transit, bicycle lanes, and secure bicycle parking.
6. Parking policies for areas well served by public transit shall be designed to encourage travel by public transit and alternative transportation.
7. The City and County shall encourage innovative solutions to meet public transportation needs wherever possible and where the provision of such service will not adversely affect the service provided by the Municipal Railway.

I - GOVERNANCE

GOVERNANCE STRUCTURE OF THE SFMTA BOARD OF DIRECTORS

- While SFMTA staff generally concurs with the auditor’s recommendations, we disagree with many of the assumptions and findings that support the recommendations.
- The comparison of the SFMTA to CALPERS is inadequate. The SFMTA is a “City Department” governed by a 7-member Board appointed by the Mayor with its mission focused on providing transportation services to the general public. Conversely, CALPERS is a “State Agency” with a 13-member Board consisting of 6 elected officials, 3 appointed members, and 4 “ex officio” representatives with its mission focused on administering the retirement and health benefits for its membership.
- In 2008, the SFMTA adopted its first-ever Strategic Plan 2008-2012. The plan covers a five-year period and includes the vision statement, mission statement, core values, strategic goals and objectives, key performance indicators, and assumptions regarding the future environment of the SFMTA. The connectivity between the Strategic Plan, Transit Effectiveness plan (TEP), Short Range Transit Plan (SRTP), Capital Investment Plan (CIP), and the biennial budgets encompass the Business Plan for the Agency.
- In accordance with the City Charter (Proposition E), the Citizens Advisory Council (CAC) was created to assist the SFMTA Board with managing the complexities of the Agency. The CAC has various committees designed to review, discuss, and analyze various reports, documents, and business decisions under the jurisdiction of the SFMTA.
- The SFMTA recognizes the need to enhance the SFMTA Board training and self-assessment programs. However, a broader perspective and more efficient recommendation would include instituting a city-wide training and self-assessment program for all city boards and commissions. A city-wide board training and self-assessment program would serve more efficient in reducing the administrative burden of developing and administering various departments. The city-wide board training and self- assessment program would reduce duplication of efforts and maximize the use of city funds.

I.I - SFMTA Board Structure

Qualifications and Experience

The SFMTA comprises seven (7) directors appointed by the Mayor and confirmed after public hearing by the Board of Supervisors. At least four of the directors must be regular riders of the Muni, and all directors must ride the Muni on the average once a week during their term. Similar to the Board of Supervisors who also serves as the Board of Directors for the San Francisco County Transportation Authority, the SFMTA Board (7 member board) also serves as the San Francisco Parking Authority.

The directors must possess significant knowledge of, or professional experience in, one or more of the 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. The following is an overview of the qualifications and experience of the current SFMTA Board of Directors.

EXHIBIT 4 – Summary of SFMTA Directors

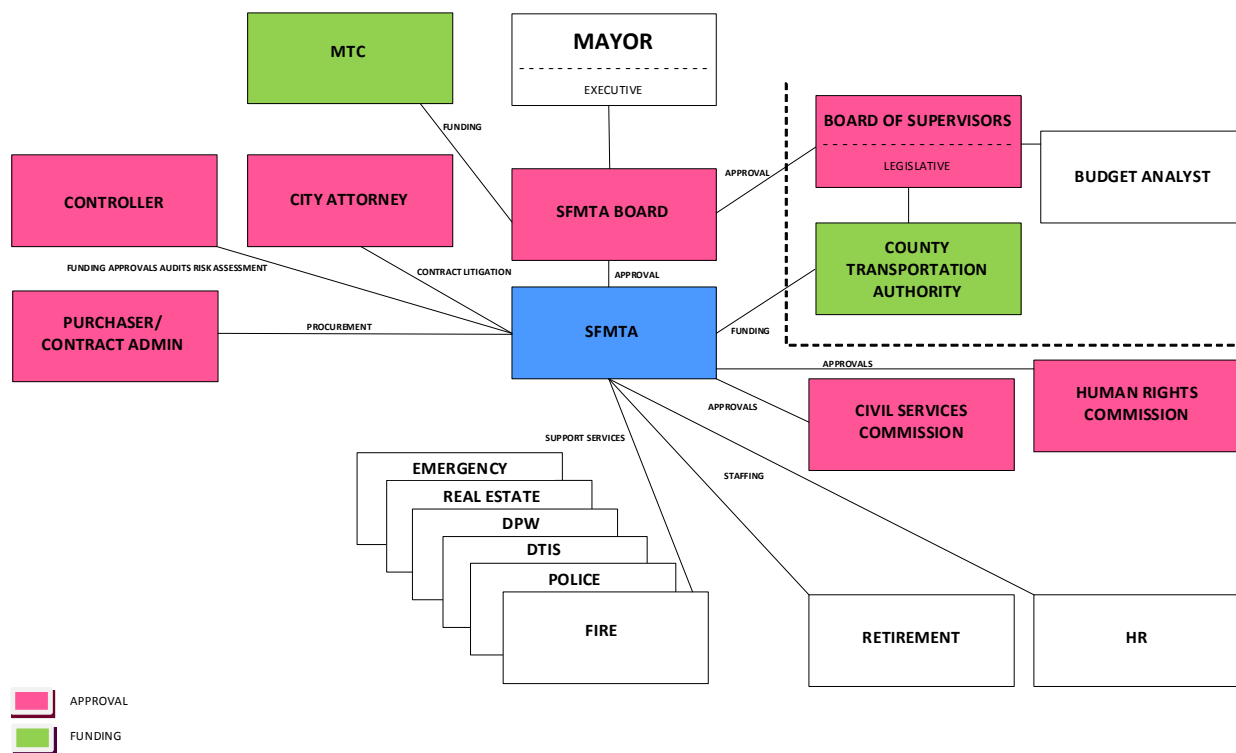
Member	Appointment Date	Profile
Tom Nolan (Chairman)	2006	<ul style="list-style-type: none"> Executive Director, Project Open Hand Previously Supervisor for San Mateo County, member of the Metropolitan Transportation Commission, the SamTrans Board of Directors, and the Caltrain Joint Powers Board
Reverend Dr. James McCray	2002 – April 2010	<ul style="list-style-type: none"> Former Chair of the SFMTA Board of Directors Former President and member, Parking and Traffic Commission
Cameron Beach	2007	<ul style="list-style-type: none"> Principal of Beach Consulting, has worked in transportation for 44 years, including 25 years with Sacramento RTD Chair, California Operation Lifesaver's board of directors, a nonprofit devoted to educating about rail crossing safety He has served in various committees of the American Public Transportation Association (APTA) including as chair the Light Rail Committee, vice chair of the Committee on Public Safety, and member of the Alternate Fuels Committee, the Heritage Streetcar Subcommittee, and the Light Rail Transit Technical Forum.
Malcolm Heinicke	2008	<ul style="list-style-type: none"> Joined the SFMTA Board of Directors after the dissolution of the SF Taxicab Commission. Previously a member of the Taxicab Charter Reform Working Group and chair of the San Francisco Human Rights Commission Partner in the San Francisco office of Munger, Tolles, and Olson and specializes in employment and labor litigation
Jerry Lee	2008	<ul style="list-style-type: none"> Special assistant to Mayor Art Agnos from 1988 to 1992 when he worked to help establish the Department of Parking and Traffic and served on the mayor's Taxi Committee Previously a member of the Citizen's Advisory Committee for the Metropolitan Transportation Commission Manager of community affairs for UPS and has knowledge of the challenges and issues surrounding urban commercial delivery
Bruce Oka	2008	<ul style="list-style-type: none"> Previously chair of the Muni Accessibility Advisory Committee and the Paratransit Coordinating Council Previously a member of the Expenditure Plan Advisory Committee overseeing capital program planning for the SFCTA sales tax reauthorization. Advocate for the rights of people with disabilities for over forty years. He has helped with Muni operator and taxi driver disability sensitivity training for many years and was a longtime member of SFMTA's Citizen's Advisory Council
Shirley Breyer - Black	2000 – April 2010	<ul style="list-style-type: none"> Original Member of the SFMTA Board of Directors Previously President and Vice President of the Union Local 790, San Francisco Previously delegate on the San Francisco Labor Council Previously a Commissioner for the Commission on the Status of Women

I.2 - SFMTA Board Interactions with City Governance

As a City department, the SFMTA Board interacts with various other City and County governing bodies, including the Mayor’s Office, the San Francisco Board of Supervisors, and the San Francisco County Transportation Authority. The San Francisco County Transportation Authority (which consists of the 11 members of the San Francisco Board of Supervisors) administers the Proposition K half-cent local transportation sales tax approved by the voters in 2003. The Prop K funding represents the largest portion of the SFMTA’s capital funding.

Several aspects of the Agency’s policy development and implementation process are reviewed and, in some instances, approved by the Mayor’s Office, City Controller’s Office, City Attorney’s Office, Board of Supervisors, Civil Service Commission, San Francisco County Transportation Authority (SFCTA), San Francisco Bay Area Metropolitan Transportation Commission (MTC), and the Federal Transportation Administration (FTA).

EXHIBIT 5 - SFMTA Relationship to Other City Governance



1.3 - Governance Principles

As a city department, the SFMTA Board of Directors, similar to other city department boards and commissions are guided by numerous governing principles. The most prevalent governing principle is the ***“City’s Transit First Policy”***. In addition, the City Charter Article VIII A Section 8A.102 – Governance and Duties define other governance principles for the Agency, as follows:

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 document “Rules of Order” specify the appointments of the officers, director and secretary, their powers and duties, the meetings, voting and other rules of order and procedures. Many other governance principles include the San Francisco Administrative Code, the City Charter, the Sunshine Ordinance, the Brown Act, the Lobbyist Ordinance, the City Attorney’s Handbook for Good Governance, and the Civil Service Rules, along with a host of other federal and state mandated policies and governing principles. In most instances, these governing principles strongly influence the decision-making authority of the Board of Directors in carrying out its roles and responsibilities of managing the Agency.

1.4 - Governance and Committees

In addition to the varying governing principles, there are several committees and oversight bodies of the SFMTA, as stated in Section 1.2. The SFMTA Board on occasion establishes ad hoc committees to review and analyze various programs, projects, and reports prepared by the SFMTA staff. The most notable support committee structure is the SFMTA Citizen Advisory Council.

Citizen Advisory Council

In accordance with the City Charter (Proposition E), the Citizens Advisory Council (CAC) was created to assist the SFMTA in managing the complexities of the Agency. The CAC serves as an advisory body to the SFMTA and provides recommendations to the Agency with respect to any

matter within the jurisdiction of the Agency. The CAC is governed by “Rules of Order” that was adopted on August 3, 2000. The CAC is composed of a fifteen (15) member body appointed by the Board of Supervisors (11 Appointees) and the Mayor (4 Appointees) in accordance with the City Charter Section 8A.111. The CAC has several committees that support the SFMTA Board and make recommendations that influence the decision-making process of the Board.

The CAC committees include:

- Finance and Administration Committee (FAC)
- Engineering, Maintenance & Safety Committee (EMSC)
- Operations & Customer Service Committee (OCSC)
- Taxicab Committee (TAXC)

The CAC plays a critical role in the oversight of the agency; it serves as the nexus between the SFMTA staff and the SFMTA Board of Directors. The SFMTA staff works closely with the CAC committees to review, discuss, and analyze various reports and business decisions under the jurisdiction of the SFMTA. In addition, the Chair and Vice-Chair of the SFMTA CAC meets regularly with the SFMTA Executive Director/CEO including member of the senior staff, as appropriate, to discuss CAC policy recommendations and operations of the Agency. The CAC Chairperson presents all recommendations and reports (as a calendared item) at the SFMTA Board meetings. In accordance with the City Charter, the CAC makes recommendations and presents such recommendations to the Board regarding the Agency’s budget.

SFMTA Board Policy and Governance (PAG) Committee

The SFMTA Board established a Policy and Governance Committee in April 2008. The Policy and Governance Committee defined its roles and responsibilities in a memo as follows:

- Assist the Board in the task of overall governance, including considering and recommending policies and procedures concerning the Board’s operations and standards.
- Assist the SFMTA as it assumes new responsibilities including the implementation of Prop A, the TEP, the Blue Ribbon Panel recommendations and the potential addition of the Taxi Commission responsibilities and coordinate the impacts of the various changes at an appropriate level.
- Monitor the implementation of the strategic plan.
- Serve as a sounding panel for the Executive Director and Senior staff as appropriate.

Other Advisory Committees

Other advisory committees include the Bicycle Advisory Committee, Pedestrian Safety Advisory Committee, Muni Accessibility Advisory Committee, and the Paratransit Coordinating Council.

1.5 – SFMTA Board Evaluation and Training

The SFMTA Board of Directors is required by Charter, as with other City boards and commissions to attend various formal trainings such as ethics, governance, and equal opportunity. New Board members receive orientation packet and attend various formal trainings at the American Public Transportation Association (APTA). However, we agree that Board of Directors could enhance the formal training for the board members.

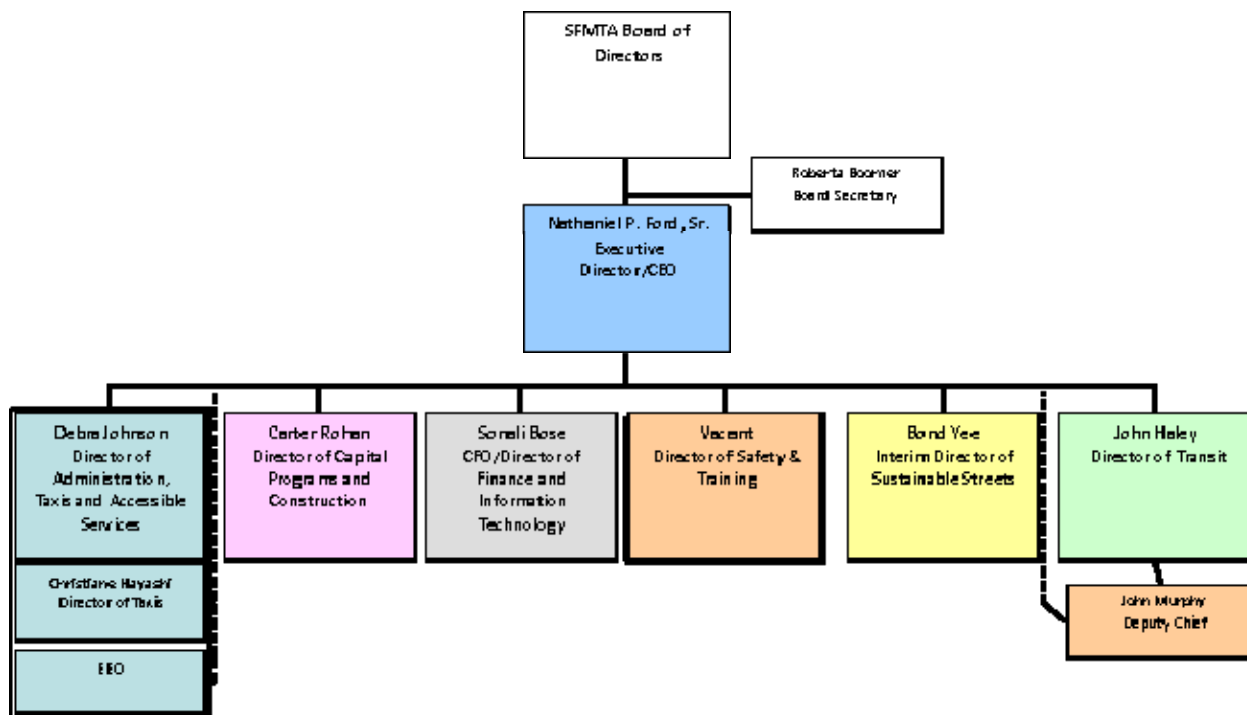
With the economic downturn, the SFMTA has been forced to drastically reduce its expenditure. To preserve funding for operations for the agency, the SFMTA has over the years reduced its travel and training budgets to less than 1% of the total operating budget. The cost to enhance the formal training for the Board of Directors would impose an additional cost to the agency.

The SFMTA Board has held several retreats to discuss policy issues and has not formally evaluated its effectiveness. The Board will review the processes to evaluate its effectiveness as a governing body. The Board will use best practices as most appropriate for a transportation governing body.

1.6 - SFMTA Organization Structure

The organization structure of the SFMTA has changed over time, keeping pace with the evolution and increasing roles of the Agency. The Agency is charged with integrating all modes of transportation with a focus on the environment, efficiency and sustainability. Since the Municipal Railway and the Department of Parking and Traffic were merged under the SFMTA, the organization has gone through several revisions. The current organizational structure provides a cohesive alignment of core services and significantly reduces the various levels of executive and middle management oversight that previously existed within the organizational structure. The latest organization is shown below.

EXHIBIT 6 – SFMTA Organization Chart



1.7 - SFMTA Executive Director/Chief Executive Office (ED/CEO)

Compensation

The charter mandates that the ED/CEO salary be comparable with other transit agencies:

“ His or her compensation shall be comparable to the compensation of the chief executive officers of the public transportation systems in the United States which the Board of Directors, after an independent survey, determine most closely resemble the Agency in size, mission and complexity. ”

The diversity of public transportation services under the leadership of the SFMTA ED/CEO makes performing a comparable analysis difficult. The SFMTA is unique in its governance, organizational structure, and complexity of the various modes of transportation services it provides to the public (i.e. bus, rail, cable car, paratransit, parking, traffic, pedestrian, bike, and taxi, services). Despite the complexity of the Agency, the charts below indicate that the SFMTA ED/CEO salary is within salary range with similar transit agencies across the nation.

EXHIBIT 7 - Comparable Salaries of Transit CEOs

Executive	Title	Agency	Base Salary	Total Compensation
Nathaniel Ford	Executive Director	SFMTA	\$308,837	\$308,837
Arthur Leahy	Chief Executive Officer	LACMTA (Los Angeles)	\$310,000	\$330,000
Richard Sarles	Interim General Manager	WMATA (Washington DC)	\$300,000	N/A
Phillip Washington	General Manager	RTD (Denver)	\$275,000	\$306,449
Dorothy Dugger	General Manager	BART	\$293,992	\$334,857
Michael Burns	General Manager	SCVTA	\$290,000	unknown
John English	Chief Executive Officer	UTA (Salt Lake City)	\$237,752	\$339,179
Harpal Kapoor	Executive Director	Miami-Dade Transit	\$236,292	\$249,798
Kevin Desmond	Division Director, Transit	King County Metro Transit (Seattle)	N/A	\$173,126

Note: The cost of living differs amongst the comparative agencies which affects the compensation.

In recent years, the ED/CEO has voluntarily reduced his salary. In 2008/09, the SFMTA Board and the Executive Director agreed to defer incentive pay of \$26,787 and to defer the proposed cost of living increase of \$13,235 for a total over \$40,022 or 12.6% of his annual salary. Again, In 2009/10, the SFMTA Board and the Executive Director agreed to reduce his base salary by 2% or \$6,303 and defer the incentive pay of \$21,015 to a future date. The total salary adjustments for the ED/CEO during FY 08/09 and FY 09/10 were \$67,342 or 21% of his total salary.

EXHIBIT 8 - Comparable Modes & Services of Transit Agencies

Agency	Ridership & Fleet	Modes	Services
SFMTA (San Francisco, CA)	Ridership: 221 million Fleet size: 2,879	Bus, trolley bus, historic streetcar, light rail, para transit, cable car, bike	Public transit, taxi administration, on street parking, parking garages, traffic control and engineering, and pedestrian and bike
LACMTA (Los Angeles, CA)	Ridership: 476 million Fleet size: 3,598	Bus, heavy rail, light rail, vanpool	Public transit, transportation planning agency, some highway projects
WMATA (Washington DC)	Ridership: 425 million Fleet size: 3,052	Bus, heavy rail	Public transit
RTD (Denver, CO)	Ridership: 101 million Fleet size: 1,861	Bus, light rail, vanpool	Public transit
BART (Oakland, CA)	Ridership: 115 million Fleet size: 669	Heavy rail	Public transit
SCVTA (Santa Clara, CA)	Ridership: 45 million Fleet size: 891	Bus, light rail	Public transit, congestion management agency
UTA (Salt Lake City, UT)	Ridership: 42 million Fleet size: 1,297	Bus, light rail, commuter rail, vanpool	Public transit
Miami-Dade Transit (Miami, FL)	Ridership: 115 million Fleet size: 1,445	Bus, heavy rail, demand response, vanpool	Public transit
King County Metro Transit (Seattle, WA)	Ridership: 123 million Fleet size: 3,147	Bus, trolley bus, vanpool	Public transit

Performance Criteria

The Executive Director/Chief Executive Officer's performance criteria include a qualitative and a quantitative annual review of the ED/CEO's performance. The quantitative analysis includes the performance standards that are outlined in the City Charter (Proposition E – On time performance) and the qualitative analysis include a review of his/her performance in relation to the six (6) goals outlined in the SFMTA Strategic Plan.

1.8 - SFMTA Performance Monitoring

Performance monitoring is undertaken as required by the City Charter, and defined through the strategic plan. Quarterly performance reviews are presented to the SFMTA Board; these reviews show SFMTA's performance against a number of defined metrics, each with specified goals. In addition the City Charter requires a quality review to be performed every two years; this is an independent review which is contracted out. These reports are also presented to the board. The quality review reports are made available through public meetings and the SFMTA website to ensure transparency and accountability.

In 2009, the SFMTA established a new section "Organizational Analysis and Reporting" (OAR) under the Finance and Information Technology Division. The role of this section is to:

- Direct the Agency's operational analysis, management reporting and data collection activities towards
- Internal accountability
- External transparency
- Data quality
- Customer Services
- Advance ED/CEO's four key organizational priorities
- Hold individuals accountable
- Relentlessly pursue improvement
- Refresh commitment to the strategic plan
- Achieve organizational effectiveness
-

The OAR Section gathers and analyzes pertinent service performance data related to the core service areas for the Agency. Many of the major service areas and metrics evaluated include on-time performance, mean distance between failure (MDBF), vehicle and equipment availability, bike network usage, farebox performance, safety, citation issuances, unscheduled absences, and customer satisfaction. This information is reported quarterly to the SFMTA Board and the Policy and Governance Committee.

2 – FINANCIAL AND OPERATIONAL OVERSIGHT

SFMTA BOARD'S FINANCIAL AND OPERATIONAL OVERSIGHT

- While the SFMTA generally concurs with the recommendations, we strongly disagree with many of the assumptions and findings that support the recommendations.
- Transit Effective Project (TEP) represents one of the greatest achievements of the SFMTA. As the first comprehensive review of the transit system in over 25 years, the TEP serves as the route map for the agency and aims to transform the Agency into a first-rate transit system that safely and efficiently meets the needs of our customers. The key objectives of the TEP include making Muni service more reliable, convenient and attractive to our customers; contributing to the SFMTA's long-term financial stability; and developing a 5 year roadmap to transform the Muni service to better meet customer and employee needs. The TEP project was spearheaded by the SFMTA Board of Directors, SFMTA Executive Director/CEO, City Controllers Office, and Mayor's Office. The project was supported by the TEP Policy Advisory Group (PAG), the TEP Citizen Advisory Committee (CAC) and the TEP Technical/Regional Advisory Committee (TAC).
- The TEP was adopted in November 2009 by the SFMTA Board. One year later, on December 5, 2009, the SFMTA successfully implemented service modifications that affected over 35% of the routes within the entire transit system, using the TEP as a route map. In May 2010, the SFMTA will implement proposed service modifications based upon the TEP.
- In accordance with the Charter Section 3.105, the City Controller has jurisdiction over the auditing and risk management functions for the City and County of San Francisco. Proposition E, Section 8A.101 (i) states the following: *"The Agency may not exercise any powers and duties of the Controller or the City Attorney and shall contract with the Controller and the City Attorney for the exercise of such powers and duties."*
- The SFMTA would like to establish an agency internal audit and risk management function similar to most independent transportation agencies. However, the SFMTA is a city department with limitations and cannot implement these functions as stated in accordance with the City Charter. However, the CAC has a Finance and Administration Committee that can work with staff to make recommendations to the SFMTA Board on audit priorities and risk management assessments. Also, the SFMTA staff will continue to work with the City Controller's Office on the Annual Audit Work plan.

2.1 - Transit Effectiveness Project (TEP)

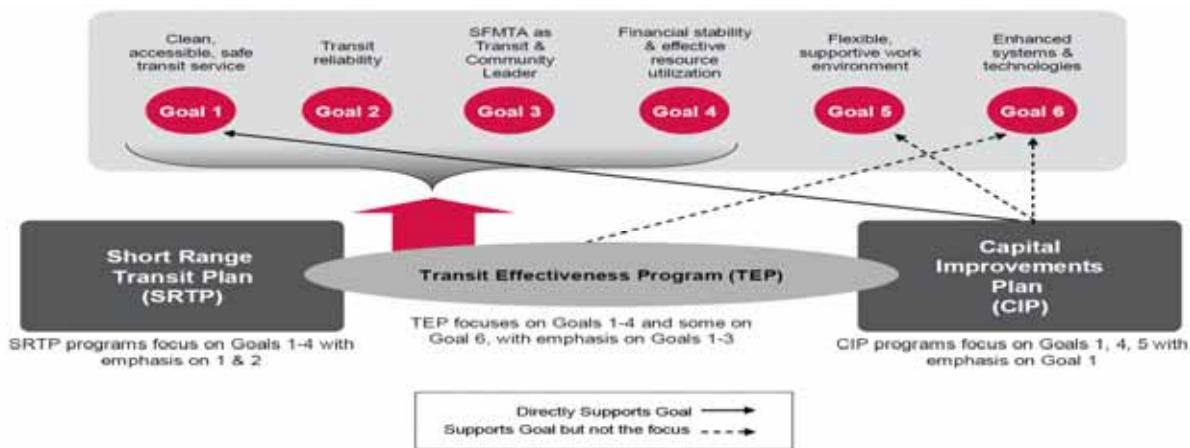
Overview

Transit Effective Project (TEP) represents one of the greatest achievements of the SFMTA. As the first comprehensive review of the transit system in over 25 years, the TEP serves as the route map for the agency and aims to transform the Agency into a first-rate transit system that safely and efficiently meets the needs of our customers. The key objectives of the TEP include making Muni service more reliable, convenient and attractive to our customers; contributing to the SFMTA’s long-term financial stability; and developing a 5 year roadmap to transform the Muni service to better meet customer and employee needs.

The TEP project was spearheaded by the SFMTA Board of Directors, SFMTA Executive Director/CEO, City Controllers Office, and Mayor’s Office. The project was supported by the TEP Policy Advisory Group (PAG), the TEP Citizen Advisory Committee (CAC) and the TEP Technical/Regional Advisory Committee (TAC). Also, the TEP included an enormous outreach effort to the community. The project staff used multiple forms to introduce the public to the TEP process and to gather input on desired improvements. Many of the outreach efforts included community briefings, open houses, consumer surveys, and travel market research with our ridership.

The TEP, is a major part of the business plan of the SFMTA and the SFMTA Board ensured it was integrated into the long range planning for the Agency. The TEP integrates service planning into the strategic goals and objectives of the Agency, thereby, connecting the Short Range Transit Plan (which is a 20-year long-range transportation planning document required by the FTA), the SFMTA Strategic Plan, and the capital investment plan (CIP).

Exhibit 9 – TEP Integration



In November 2008, the SFMTA Board of Directors approved and aggressively managed the advancement of the TEP. One year later, on December 5, 2009, the SFMTA staff successfully implemented service modifications and changes that realigned over 35% of the transit system. In addition, the SFMTA proposed (5% to 10%) service reductions as apart of the FY 2010/11 & FY 2011/12 budget process based upon the recommendations of the TEP.

TEP Implementation Challenges

When the SFMTA Board of Directors endorsed the TEP recommendations for the purposes of environmental review in October 2008, the SFMTA was planning to grow expenditures in FY09 and FY10. The TEP informed the two-year budget and anticipated these resources.

The worldwide global recession forced the SFMTA to rethink the TEP work and to implement some changes sooner than expected. However, the TEP also ensured that the changes that were implemented were strategic (surgical) and based on the extensive data collection and community input collected during the TEP planning phase. Although the December 5 service changes did not represent TEP implementation:

- December 5 changes included elimination of routes and route segments identified in TEP
- December 5 changes included new routes, increased service on crowded routes and schedule improvements identified in the TEP

The environmental analysis requires a very detailed understanding of the current conditions and proposed changes. This stability is difficult to achieve while other service changes are being implemented.

- The environmental analysis will take up to 2 years. If we had started when the SFMTA Board endorsed the proposals and not made any other service changes, the work would be complete in October 2010.
- In reality, starting in October 2008 would have required expensive modifications to the consultant contract and environmental documents, as well as timeline extensions. Waiting to start has saved resources.

We have used the additional time to refine the TEP capital projects and create detailed designs for travel time improvements on high priority transit corridors. The planning phase of the TEP did not include this level of project development. This additional work will allow us to clear some travel time improvement initiatives at the project level (similar to the Bicycle Plan),

which will position us to pursue SFMTA Board of Directors legislation and prepare for implementation concurrent with the completion of the EIR.

2.2 - Budget & Revenue Options

The SFMTA Board of Directors passed two-year balanced budgets for FY 2010/11 and FY 2011/12 on April 20, 2010. As a result of the economic downturn, The SFMTA as with other transit agencies has made significant service modifications and expenditure reductions over the past two years. The economic downturn has hit the entire nation, but especially transit agencies, and California agencies in particular where STA state funding was suspended.

Despite these trying conditions, the SFMTA has been proactive in taking steps to identify new funding sources, reduce fare leakage and reduce operating costs:

- Revenue sources include :
 - Leveraging stimulus dollars to fund capital programs and operating costs
 - Revenues from advertising on bus shelters and vehicles
 - Increased revenues from on and off street parking
 - Increased fees through a revised citation process
- Maximizing revenue collection measures include:
 - TransLink implementation
 - New Faregates
 - Paratransit debit card
- Cost savings measures include:
 - A new MOU with the police department
 - Changes to the 311 agreement
 - Reduced workers compensations

2.4 - Strategic Plan

In June 2007, the SFMTA adopted its first-ever strategic plan. This plan set forth the SFMTA's mission and vision and included six customer focused goals which are Customer Focus, System Performance, Community Relations, Financial Capacity, Workforce, and Information Technology.

The implementation process first begins with a commitment of the policy makers and the executive team to implement and support staff in carrying out and achieving the goals. The SFMTA Board of Directors implemented the goals by directing that all board resolutions requiring actions by the Board include the reason for the action and identifying which goal and implementation goal the item is related to. All of the Agencies actions support initiative focused

on the goals set forth in the Strategic plan. A comprehensive list of accomplishments, both qualitative and quantitative, is included in Appendix 1.

To further support the Strategic Plan, the agency established agency-wide performance standards system to track and monitor the progress of the agency on a quarterly basis. These performance standards are related to the goals and objectives identified in the Agency's Strategic Plan.

The strategic plan, budget, TEP, and the capital plan all encompass the business plan for the Agency. In addition, the City has developed a performance based budgeting process that augments the SFMTA Board of directors monitoring of the agency's progress. The performance based budgeting process links the goals and objectives of the budget with measurable, time sensitive tasks.

Given the time elapsed since the first issuance of the Strategic Plan, it is now appropriate to review the Strategic Plan, and update the document as appropriate.

2.6 - Internal Audits & Financial Reporting

In accordance with the Charter Section 3.105, the City Controller has jurisdiction over the auditing and risk management functions for the City and County of San Francisco. Proposition E, section 8A.101 (i) states the following:

"The Agency may not exercise any powers and duties of the Controller or the City Attorney and shall contract with the Controller and the City Attorney for the exercise of such powers and duties."

The SFMTA would like to establish an agency internal audit and risk management function similar to most independent transportation agencies. However, the SFMTA is a city department with limitations and cannot implement these functions as stated in accordance with the City Charter. The CAC has a Finance and Administration Committee that can work with staff to make recommendations to the Board on audit priorities. In addition, staff will continue to work with the City Controller to develop the annual workplan and assist with the risk assessment.

3 – TRANSIT OPERATOR’S SCHEDULES

TRANSIT OPERATORS’ SCHEDULES

- The SFMTA generally concurs with many of the auditor’s recommendations pertaining to the scheduling of transit operators; however, further review and analysis of the auditor’s findings, calculations, and assumptions is required. Therefore, the SFMTA will prepare a comprehensive analysis of the recommendations within the audit’s report by May 18, 2010.
- The use of part-time transit operators is not uncommon within the transit industry. Many transit agencies use a combination of part-time and full-time operators to deliver r services. The use of part-time operators by transit agencies vary depending upon the organizational structure, governance, and terms and conditions of collective bargaining agreements, and the business and operational practices of the agency.
- The Transit Operators’ Schedules are developed based upon the work rules outlined in the collective bargaining agreement. The current Memorandum of Understanding (MOU) for TWU Local 250-A (9163) was negotiated in 2004. The MOU was effective until 2008. Subsequently, the MOU was extended an additional three years until June 30, 2011.

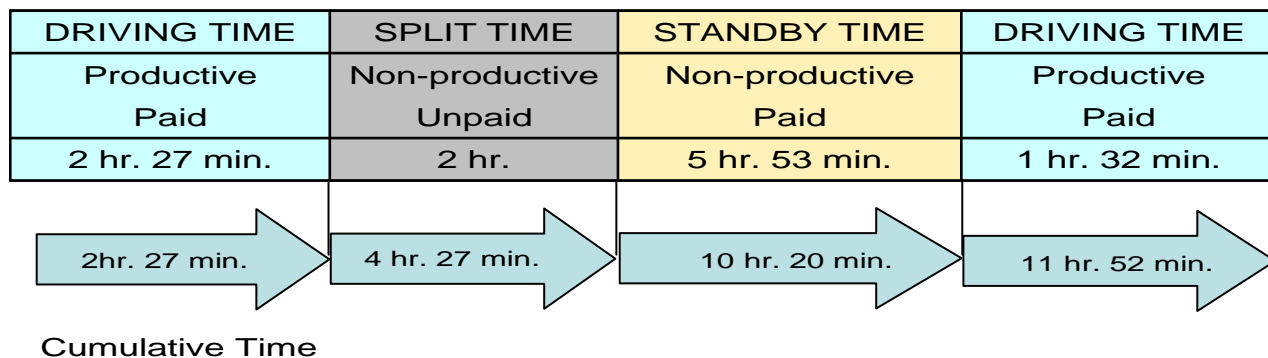
3.1 - Operator Scheduling

Scheduling transit operators’ assignments is a complex process that requires defining service trips (the routes, the length of time it takes a bus to complete its route, the frequency that buses travel along a route, and key connection or transfer points), blocking (the assignment of buses to service trips to form vehicle blocks), and the assignment of blocks to pieces of work that will be assigned to operators through a “pick” process, through which operators choose pieces of work based on seniority. The entire process is controlled by the labor agreement and its work rules, which are unique to transit and which impact overall operating costs.

SFMTA uses Trapeze software to perform the run cutting process. Trapeze is one of the scheduling programs that is used successfully by transit agencies to cut efficient schedules. Doing so requires configuring Trapeze to the work rules specific to the transit agency, and it is the work rules that affect the efficiency of the resulting schedules. SFMTA’s run cutting process takes work rules into account and calculates the various types of pay, including premiums and differentials, to which operators are entitles. SFMTA structures the process to result in

operator assignments that range between 8 and 10 hours of work per day, and which include a combination of productive time (time spent driving in revenue service, when the bus is available to the public) and non-productive time (time when the operator is not operating the bus in revenue service).

In some cases, assignments are “split,” creating productive time (time spent driving in revenue service, when the bus is available to the public) and non-productive stand-by time between two assignments. In the following example, the time between sign-on and sign-off is 11 hrs and 52 minutes (12:12), of which 9:52 are paid and 2:00 are unpaid. In addition, the operator receives a 20 minute lunch allowance, and is therefore paid for 10:12 hours, of which 8:00 hours are paid at straight time and 2:12 hours are paid at overtime.



One of the findings of the audit is that reconfiguring runs to produce more eight hour shifts, by reducing the number of longer ranges. In SFMTA’s case, reducing scheduled overtime and standby time would result in more “pieces of work” and would require additional operators and vehicles.

Runs are cut in part based on vehicle availability. More runs will require more vehicles and more storage space for the vehicles than are currently available. Vehicle availability is 104% of existing runs. That is, for every 100 vehicles required for revenue service, SFMTA has four spare vehicles. Increasing the number of runs would eliminate this “float,” which is used primarily to meet vehicle maintenance requirements.

On a day-to-day basis, some operators are absent. These absences may be planned (scheduled) or unplanned (unscheduled). Planned absences are covered by operators who “pick” the Extra Board when they choose their work and are assigned by dispatch in advance to known open runs. Unplanned absences result in the need for dispatchers to cover open runs (scheduled runs with no drivers) on a same-day basis. Unplanned absences are covered by drivers “on

report” (Extra Board drivers who are told to report for work but have not been given a specific run).

3.2 Work Rules

Operator work rules are defined in the Memorandum of Understanding between SFMTA and the Transport Workers Union (TWU Local 250-A). As described above, work rules impact the run cutting process and the resulting costs of operating SFMTA’s service. Some of those work rules are shown in Exhibit 10.

Exhibit 10 - SFMTA Work Rules

Work Rule	Reference	Provisions
Wage Rates	City Charter A8.404; SFMTA/TWU Local 250-A (9163) MOU Article 4.1	<ul style="list-style-type: none"> Transit operator wage rates shall be at least as high as the average wage rate for transit operators in the two highest paying comparable transit systems (Proposition A, 2007)
Part-Time Operators	SFMTA/TWU Local 250-A (9163) MOU Article 11	<ul style="list-style-type: none"> Number of Part-Time Operators: 220 or 12% of authorized regular operators (until 6-30-2004) Hours of Work: May not work more than 25 hrs/wk, or 5 hrs/weekday, or 8 hrs/weekend day, or 4 days/wk. May not work less than 3-1/2 hrs/day. May establish a part-time extra board, but must use all available regular extra board operators first. Must be no less than 100 straight part-time runs in total, and not less than 6 straight part-time runs per division Work Restrictions: May not be assigned to work on cable cars, or vacation or long term sickness relief for regular operators Benefits: Same hourly rate of pay as regular operators, including cost-of-living allowances, but not allowance for split time. Guaranteed 3-1/2 hrs/day. Eligible for all benefits of regular operators; eligibility and pay for holidays, sick leave, vacation and other monetary benefits prorated based on scheduled hours of work in an 80-hr. bi-weekly pay period.
Extra Board	SFMTA/TWU Local 250-A (9163) MOU Article 13.2	<ul style="list-style-type: none"> 27-1/2% of the number of scheduled runs and blocks
Hours of Work Split Time	SFMTA/TWU Local 250-A (9163) MOU Article 17.1	<ul style="list-style-type: none"> 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 said ten (10) hours; a spread penalty of time-and-a-half for all time in excess of 10 hours will not be in addition to overtime pay. After two hours of split time, operators shall standby and be present in the report room to accept any assignments within their competence that MUNI Management requires.
Work on Regular Day Off (RDO)	SFMTA/TWU Local 250-A (9163) MOU Article 18.3	<ul style="list-style-type: none"> An operator required to work on his or her regular days off in any scheduled work week shall be paid no less than eight (8) hours work. Operators working RDO will be paid time and a half for such work only if the operator has worked 40 hours in the same work week, or has authorized absences (as defined below) in addition to working time in the same work week totaling 40 hours. Authorized absences include vacation, holidays, jury duty leave, maternity leave, bereavement leave and absences pursuant to section 9.7(f).

Source: See the complete *Memorandum of Understanding between San Francisco Municipal Transportation Agency Municipal Railway (Muni) and Transport Workers’ Union, Local 205-A* for the complete language.

As the auditor noted, the actual transit operator schedules generated by Trapeze are necessarily a compromise between system programming and the negotiated agreements.

3.3 Part-Time Operators

Many transit agencies do use part-time operators in an effort to operate service more efficiently. Article 11 of the MOU between SFMTA and the TWU includes provisions pertaining to part-time operators, as shown in Exhibit 7, and SFMTA is evaluating how to implement the part-time operators. This process will take into consideration the terms of the MOU as well as factors such as the availability of people interested in working part-time and costs to implement part-time operators, including rescheduling the service, and recruiting, hiring and training staff. Changes like these may result in cost savings, but there will also be costs associated with implementing change.

In addition, the use of part-time operators to operate the two pieces of work that comprise a split shift is only one of the tools available to transit agencies for scheduling service more efficiently. Part-time operators could also be used to operate trippers, which are short blocks of work, usually made up of one or two runs. However, as the auditor notes, the MOU does not allow the use of trippers, requiring all work assignments to be long enough to qualify as a full day's work for a regular, full-time operator.

3.4 Paid Union Positions

The duties and responsibilities of transit operators who serve as union chairs are established by the MOU. These operators are excused from driving duties in order to perform union work, as appropriate. Currently, one operator from each of SFMTA's seven divisions serves as a union chair.

4 MANAGEMENT OF OVERTIME

MANAGEMENT OF TRANSIT OPERATOR'S OVERTIME

- The SFMTA generally concurs with many of the auditor's recommendations pertaining to the management of overtime; however, further review and analysis of the auditor's findings, calculations, and assumptions is required. Therefore, the SFMTA will prepare a comprehensive analysis of the recommendations within the audit's report by May 18, 2010.
- Similar to the transit operator schedules issues, a comprehensive evaluation and analysis is required to determine the effects of managing overtime and absenteeism within the transportation industry.
- The management of overtime is based upon the work rules outlined in the collective bargaining agreement with TWU Local 250-A. The current Memorandum of Understanding (MOU) between the SFMTA and TWU Local 250-A was initially bargained in 2004 for a four-year period. In 2008, the MOU was extended for an additionally three years. The MOU is in effect until June 30, 2011.

4.1 Operator Absenteeism

Absenteeism and the costs associated with it are among the most significant challenges faced by transit agencies. Managing absenteeism requires a combination of monitoring trends and patterns in absenteeism, understanding the reasons behind absenteeism, collective bargaining agreements that assist in managing absenteeism, and enforcing progressive discipline for unexcused absences.

SFMTA has data on operator absenteeism, by type of absence, and by division. The data are reported on a daily basis in the Service Delivery Daily Report and used to monitor and manage absences. SFMTA is developing a program to reduce long term absences and to encourage staff to return to work. As part of this program, staff evaluates absence data to determine when operators will be available to return to work, to allow better workforce planning.

SFMTA's divisions collaborate closely with SFMTA's Human Resources sub-division to track employee absenteeism. From FY2008 to FY2009, SFMTA reduced unscheduled operator leaves by one percent, from 10.25 percent to 9.25 percent.

4.2 Overtime

Overtime occurs as a result of scheduling that yields runs that include “scheduled” overtime. “Unscheduled” overtime is a result of day-to-day service needs and conditions, as traffic conditions may result in runtimes that are longer than scheduled or when overtime is needed to provide coverage for absent operators, if there are not enough report operators on the Extra Board.

Article 18.3 of the MOU provides that an operator required to work on his/her regular day off (RDO) will be paid overtime (at time and a half) if the operator has worked 40 hours in the same work week or *has authorized absences in addition to working time in the same work week totaling 40 hours*. Authorized absences include vacation, holidays, jury duty, maternity leave, bereavement leave, and paid leave.

Because operators are entitled to fixed benefits such as pension benefits, medical coverage, life and insurance, it can be less expensive to use overtime than to hire an additional operator. SFMTA also takes this factor into consideration in determining when to incur additional scheduled overtime.

SFMTA has developed a system for continued tracking of overtime and overtime accountability.

4.3 Operator Pay

Prior to 2007 and the passage of Proposition A, operator wage rates were determined by formula (consistent with a 1956 ballot proposition) that set the ceiling for negotiation. Historically, work rules were collectively bargained in accordance with standard labor relations practices that included the range of floor to ceiling wage allowances.

In 2007, voters in the City of San Francisco approved Proposition A, which stipulates that transit operator wage rates shall be at least as high as the average wage rate for transit operators in the two highest paying comparable transit systems. In effect, Proposition A removed operator wages from the collective bargaining process and mandated that the ceiling (the calculated top wage rate) became the floor. Since that time, SFMTA operators have been assured the top wage rate resulting in a significant increase in salary expenditures for the Agency.