

Municipal Railways

INTRODUCTION

The 1998-1999 San Francisco Civil Grand Jury chose to investigate the San Francisco Municipal Railway (MUNI) because of the visible difficulties faced by MUNI and the wide coverage of these difficulties by the local media. The Grand Jury inspected the cable car facilities; the electric trolley facilities at the Presidio and Potrero yards; the diesel bus facilities at the Flynn, Woods, Marin Avenue and Kirkland yards; the light rail facility at the Green yard; the restored street car facility at the adjoining Geneva facility; and the Central Control at West Portal. The Grand Jury reviewed a vast volume of materials, including the following: an excellent management audit prepared in 1995 by Harvey Rose, the City's Budget Analyst; an Action Plan, developed in 1996 by the Board of Supervisors in response to the management audit; a 1999 report to the Mayor by the New MUNI Task Force appointed by the Mayor, maintenance manuals, training manuals, budgets, organization charts, studies, memoranda, schedules, and other documents relating to the operation of MUNI.

The Grand Jury met with the following individuals: Mayor Willie Brown; Supervisor Leslie Katz, chair of the Transportation Committee of the Board of Supervisors; countless representatives of MUNI, including Emilio Cruz, the General Manager until early in 1999; Michael Burns, the new General Manager; and David Stumpo, the Chief Operating Officer; the MUNI Council, composed of Louise Renee, the City Attorney, Edward Harrington, the Controller, Edwin Lee, the Director of Purchasing, Andrea Gourdine, the Director of Human Resources, and Carmen Clark, Executive Director of the Transportation Commission; John E. Hirten, the Chair of the Mayor's New MUNI Task Force; Harvey Rose, the City's Budget Analyst; Cindy Monroe, the newly appointed head of the MUNI Human Resources Division; Andrea Gourdine, the Director of Human Resources for the City; the heads of operations and maintenance for each of the yards where vehicles are stored and maintained; Raymond Antonio, the president of Local 250A of the Transport Workers Union; and many other management personnel and MUNI employees.

The Grand Jury would like to express its appreciation for the extensive cooperation and help provided by the employees of MUNI. The Grand Jury met with a great number of MUNI employees at each location and noted that, despite the existence of many problems, the employees seemed to approach their jobs with a professional attitude and a desire to help make the system work. They seemed extremely frustrated by the failings of the system and deeply concerned regarding the perceived public attitude of despair with regard to MUNI. The employees were very open in our discussions and proved extremely helpful.

Emilio Cruz, the MUNI Director, regrettably left MUNI to enter private industry. He is an experienced civil engineer, who appeared to be an able administrator. He had no prior transportation experience before coming to MUNI, which some considered to be a shortcoming for the position. The Grand Jury found that Mr. Cruz was extremely knowledgeable about the MUNI system and its problems. It appeared that he had been very active in attempting to set MUNI on a steady course toward improvement. He emphasized that MUNI's problems were not of recent origin and that MUNI needed significant time to address them. Mr. Cruz felt that, if a Director is supported by able,

experienced transportation personnel, and if he possesses good leadership and management skills, the lack of prior transportation experience need not be a detriment. The Grand Jury cannot express an opinion as to the impact of Mr. Cruz' lack of prior transit experience on his performance as MUNI General Manager.

The Grand Jury found MUNI to be a Department floundering as a result of many years of neglect by a series of mayors and the Board of Supervisors, all of which utterly failed in their duty to provide it with proper funding, adequate management and support. The Department is a victim of political maneuvering which has sacrificed the best interests of MUNI and the public to further individual priorities. Policy decisions appear to have been made for political reasons. Whenever budgets had to be trimmed, MUNI was one of the primary targets for frugality. Most of all, MUNI has suffered greatly from a lack of effective management over a period of some time.

The current administration has restored some of the needed funding, although the increase appears to fall far short of what is needed to restore MUNI to a respectable, efficient transit system. The current administration has also attempted to create an atmosphere where long range planning might prosper. The Mayor's creation of the New MUNI Task Force and the MUNI Council were positive steps in attempting to cure the present crisis.

THE IMPACT OF ENACTMENT OF BALLOT MEASURES AFFECTING THE OPERATIONS OF MUNI

The operations of MUNI have been severely damaged by two ballot measures, Proposition A, a Charter Amendment in 1991 and Proposition M in 1993, which altered its operations significantly.

In 1991, the voters of San Francisco passed Proposition A which amended the San Francisco Charter to add Section 8.517-2 entitled "Early Service Retirement." Proposition A was placed on the ballot by the Board of Supervisors. This provision, commonly known as "Three Plus Three", encouraged early retirement by City employees by adding three years of service and three years of age for the purpose of calculating retirement entitlement. It also provided for a substantial reduction in employee levels, particularly employees with salaries in excess of \$60,000. This well-intentioned cost cutting measure had a disastrous impact on MUNI, from which, according to many, MUNI has never recovered. MUNI lost many of its most experienced personnel, and apparently has never been able to adequately replace them. Reportedly, the training department has been unable to train sufficient replacement operators and the MUNI Human Resources division has been unable to process or hire sufficient qualified replacements. Service to the public has suffered greatly.

In 1993, the voters enacted Proposition M, which established the Public Transportation Commission, to manage MUNI, separating the functions of MUNI from the PUC. Proposition M was *also* placed on the ballot by the Board of Supervisors. Following its separation from the PUC, MUNI was left with fewer qualified, experienced personnel and, in some cases, lost much-needed equipment, including computers. A number of more experienced personnel chose to stay with the PUC. Apparently, there was a lack of preplanning of the separation. Inadequate supervision by high level MUNI management contributed to a major disaster.

FINDINGS

The Board of Supervisors placed the Early Service Retirement referendum on the ballot in 1991, but apparently took insufficient steps to protect MUNI from loss of a large number of experienced employees. Insufficient measures were provided to be certain that new employees could be hired and trained to take the place of those who seized the early retirement opportunity.

Again, in 1993, the Board of Supervisors placed a measure, Proposition M, on the ballot without ensuring that MUNI would be protected during its separation from the PUC. Certain functions of MUNI, especially its Human Resources operations, were especially impacted. The Human Resources operations have not yet recovered from this event.

RECOMMENDATION

The operations of MUNI should be separated from the political process as much as possible. MUNI should be run by professionals, especially those with significant transit experience, not by politicians. MUNI must have management capable of anticipating, meeting and overcoming major changes imposed by laws enacted by the Board of Supervisors or the electorate.

INADEQUATE FUNDING OF MUNI

MUNI has been underfunded for many years. Mayor Brown expressed the opinion that it has been underfunded since its inception, decades ago.

In November, 1995, Harvey Rose, the Budget Analyst, submitted a report entitled "Analysis of Potential Dedicated Funding Sources For The Municipal Railway (MUNI)", to the Board of Supervisors. (Appendix A)

Mr. Rose stated that one or more of the following steps would have to be taken in order to adequately fund MUNI:

"Increase the General Fund contributions to MUNI;
Implement fare increases;
reduce operating expenses through reductions in service and/or new labor contracts;
and/or
Implement new revenue sources."

Mr. Rose examined the following potential funding sources:

"Sales Tax Increase Dedicated to Transit
Increase in Proportion of BART Sales Tax Allocated to MUNI
Vehicle License and Vehicle Registration Fee Surcharges
Downtown Assessment District
Citywide Assessment District
Bay Bridge Toll Increase
County or Regional Gas Tax
Dedication of Possible Airport Payback to MUNI
MUNI Fare Increases"

Mr. Rose set forth the source of MUNI's operating funds for Fiscal Year 1995-1996.

Amount for Percent of Total

Source of Operating Funds FY 1995-1996 Operating Budget

City General Fund	\$35,611,000	12.7
Parking Fines/Meter Revenues	76,955,000	27.4
Fare Revenues (with Paratransit)	91,479,000	32.6
Proposition B Sales Tax Revenues	4,477,000	1.6
Hetch Hetchy Transfer	7,730,000	2.7
Advertising and Miscellaneous	3,617,000	1.3
Transit Impact Development Fee	4,637,000	1.7
State and Regional Subsidies	50,990,000	18.1
Federal Operating Subsidies	5,322,000	1.9
Total Operating Budget	\$289,818,000	100.0

In his report, *four years ago*, Mr. Rose projected MUNI deficits over a ten-year period, extending from fiscal year 1996 - 1997 through 2005 - 2006. The projected deficits foretold an ominous future in which MUNI could not be expected to survive without extraordinary measures by the Mayor(s) and the Board of Supervisors.

Projected Operating Deficits
If General Fund Contribution

Fiscal Year Increases 3.5% Annually Eliminated

FY 1996-97	\$7,159,000	\$44,017,000
FY 1997-98	13,554,000	51,701,000
FY 1998-99	20,202,000	59,685,000
FY 1999-00	27,244,000	68,109,000

FY 2000-01	33,722,000	76,017,000
FY 2001-02	40,397,000	84,172,000
FY 2002-03	46,526,000	91,834,000
FY 2003-04	52,873,000	99,766,000
FY 2004-05	59,333,000	107,867,000
FY 2005-06	66,046,000	116,279,000

Thus, four years ago, the Board of Supervisors and the Mayor were acutely aware of the pending massive deficits which MUNI could expect if they did not take bold steps to provide new sources of financing for the transit system. In Fiscal Year 1995-1996, MUNI was provided funding of \$289,818,000. In Fiscal Year 1996-97 MUNI was provided an original appropriation of \$287,067,000 and a supplemental appropriation of \$3,387,529 or a total of \$290,454,529. In 1997-98 MUNI received \$302,024,780. In 1998-99 it received an initial appropriation of \$333,721,667 and a supplemental appropriation of \$14,784,305 for a total of \$348,505,972.

Since Mayor Brown took office, a little over three years ago, funding of MUNI has increased somewhat in the last two years. Michael Burns advised the Grand Jury that Mayor Brown promised an additional \$15,000,000 to MUNI as a part of the 1999-2000 MUNI budget. Mr. Burns intends to use a portion of those added funds to hire approximately 30 more mechanics and service workers, 5 new employees to work in Human Resources and to expand the space available to Central Control.

According to the Controller, MUNI needs a very large source of *dedicated* funding. A dedicated source of funding means, of necessity, funding which cannot be diverted by the Board of Supervisors to some other use.

The Grand Jury has not attempted an over-all analysis of MUNI's current funding. However, one of its members researched the sufficiency of funding for the narrow purpose of proper maintenance of MUNI's vehicles over a number of years. In particular, inquiries were made at each of the yards as to the number of mechanics available over a given time span. Some of the yards were unable to provide the information needed for the inquiry; however analysis of information from those yards which did provide data shows a steady decline in the number of mechanics available to service vehicles between 1987 and 1997.

Muni's Method of Determining Ridership

Muni has two inter-related procedures to determine the number of riders using its system. Every eight years or so, it analyzes each line on a rotating basis, to establish a baseline. Monitors spread out over the entire route of a chosen line and record the

number of riders on each vehicle at each stop. This method is very labor intensive and Muni lacks the staff to repeat the procedures every year for each line.

Additionally, on an annual basis, monitors check each line, at a strategic stop, to determine the annual variance from the baseline number. MUNI assumes that the variation at the strategic stop will be proportional to the variation at each stop along the line, thus determining the change in ridership for the line, for the year. The changes in ridership on each line are thus calculated on an annual basis until, approximately eight years later, a new baseline determination is made for the line. [1] The main application of those results is for submission to the United States government, as may be required.

Decline in Ridership

There was a steady decrease in the number of riders using MUNI from 1992 to 1997. (1997 was the last year for which data were provided to the Grand Jury.) See Figure 1 in Appendix B. As Figure 1 demonstrates, the major drop in ridership on MUNI occurred at the same time as the initial shortfall in MUNI's funding, relative to the Consumer Price Index, which is a measure of inflation. While the CPI varied from about three to four percent a year, in 1993 -1994, funds available to MUNI were increased by only approximately 1 percent. Therefore, MUNI's budget was, in terms of real dollars, *decreased by the Board of Supervisors and the Mayor, Frank Jordan*. In fact, MUNI's expenditures fell below the CPI for every year from 1991 to 1996 inclusive, *even though the Budget Analyst had warned the Board of Supervisors and the Mayor of impending massive deficits*. The cumulative shortfall in MUNI's expenditures from 1988 to 1997 is calculated to be \$71,300,000. That money was unavailable for spare parts or employee wages. As a result of the reduction in financing of MUNI, relative to the CPI there was thus reduced maintenance and, therefore, reduced service. Although those in City government reduced MUNI's funding, they still demanded the same extensive transit service as before the budget cuts.

It is proper to note that, although funding of MUNI decreased during the mayoral terms of Dianne Feinstein, Art Agnos and Frank Jordan, there has been some increase in funding under Mayor Brown, especially in the latter part of his term, when there was great criticism of the operations of MUNI. Mayor Brown has approved increased funding and initiated other efforts to improve MUNI, such as establishing the New MUNI Task Force and the MUNI Council. The funding is still far below MUNI's needs, as the Mayor acknowledges.

Reduced Funding Of MUNI Has Resulted In Reduced Mechanic Staffing

Mechanic staffing at MUNI yards has declined since at least 1987. The reductions for mechanic staffing at the Presidio trolley yard and the Flynn motor coach yard are shown on Figure 2 in Appendix B. The heavy dashed line indicates the general downward trend. The major decline in mechanic staffing is shown to be in Running Repair. Running Repair is the service group which handles more minor repairs, which can be performed in a short time and thereby allow vehicles to return to the street without undue delay. A shortage of staffing in Running Repair can have a severe impact on MUNI's operations.. The Running Repair staffing was reduced by 30% over a period of about 10 years, while mechanic staffing at the Presidio trolley yard was reduced by 17%. As Figure 1 shows, the funding provided by the Board of Supervisors and a succession of mayors corresponded with the decline in the number of mechanics on

duty. Over the same period of years, the ability of MUNI to maintain service in accordance with its schedules deteriorated until, finally, MUNI advised the public not to expect MUNI to meet its prior schedules.[2]

MUNI's Facilities Have Also Suffered From Reduced Funding

While it is abundantly clear that funding for day-to-day MUNI operations has been extremely deficient, it is less obvious, but even more true, that funding for maintenance of facilities and long term expenditures has been neglected to an even greater extent than for the day-to-day operations. For example, Mr. Cruz mentioned that "there are \$1,000,000 worth of leaks at Forest Hill Station," referring to its accumulation of deferred maintenance. Inspection of the facilities at the Presidio Yard, and others indicates that the Forest Hill Station problem is not unique. Michael Burns commented to the Grand Jury on the deplorable condition of MUNI's facilities.

Inspection of facilities also revealed that they all lack necessary space to permit employees to carry out their duties efficiently. At night, when MUNI vehicles return to their yards, there is insufficient space to park them, and still have room for mechanics and other maintenance personnel to easily move vehicles and work on them. Many man-hours are wasted moving vehicles to allow ordinary work to proceed; man-hours that represent a waste of taxpayers' money. Yet, the Grand Jury was advised by Mayor Brown that there is no move afoot to increase the capacity of these facilities.

Michael Burns advised the Grand Jury that there are, in fact, two planned facilities that may offer some relief. A new yard is planned to support the new Third Street Line light rail vehicles and related maintenance functions. MUNI hopes to make it larger than will be needed to service the vehicles serving the Third Street Line so that it may alleviate the crush at the Green facility. MUNI also plans to build a new facility at Islais Creek to replace the Kirkland facility. MUNI hopes to make that facility large enough to ease the burden on the Woods diesel bus facility. There are, however, no present plans to add another facility to accommodate overcrowding at the two trolley yards. Mr Burns advises that overcrowding at the Presidio Avenue facility is particularly severe.

Everyone interviewed, including Mayor Brown, advised the Grand Jury that MUNI needs an ample source of revenue it can count on, year in and year out. That source must be independent of the City's General Fund, which is subject to the demands of all City departments. To the extent that MUNI is dependent on the General Fund for its financing, it is subject to the political process and cannot plan its own destiny. Because MUNI does not have, and has never had, a sufficient, fixed revenue source, and has often been denied funds necessary to maintain proper service, when funds are received, they are applied where most needed to prevent some current catastrophe. Deferred maintenance continues to accumulate and seemingly is never addressed. MUNI always operates on an emergency, band-aid basis, as if it is held together with baling wire.

FINDINGS

MUNI needs a guaranteed, annual source of funding, which is not subject to the whims of the local political process. MUNI needs the ability to raise funds by assessment or other guaranteed sources so that it need not compete with other City Departments for a share of monies available in the General Fund.

RECOMMENDATIONS

The Grand Jury believes that MUNI should become an independent agency, either within the government of the City, or independent of the City, with separate funding sources and the ability to raise its own tax revenues. Ideally, *no portion* of MUNI's funding would be dependent on the General Fund.

DEFICIENCIES OF MUNI'S HUMAN RESOURCES

Whenever the Grand Jury met with employees of MUNI to learn what problems might exist in MUNI facilities or operations, a familiar theme recurred. While each MUNI division faces its own individual problems, in each instance those contacted cited the continuing failure of MUNI's Human Resources (Public Transportation Department Human Resources or PTD HR) to do its job as the source of many of its problems. Many MUNI employees are simply resigned to the fact that the PTD HR cannot fulfill its role of providing sufficient, competent employees in a timely manner. The Civil Service system must bear its share of the blame. Arcane, cumbersome regulations seem to predetermine that MUNI will always be unable to resolve its personnel disaster. No one interviewed was able to explain why the Board of Supervisors, or a succession of Mayors, have been unable to rectify these problems and streamline applicable regulations. However, other City departments labor under many of the same regulations and serve the public in a more satisfactory manner.

The Grand Jury learned that the PTD HR operates separately from the Human Resources office for the City in many respects. Apparently the Equal Employment Opportunity functions of the PTD HR are also separated, and Labor Relations is severed from personnel operations. It appears that this decentralization of administrative functions may be very inefficient. It is not clear why this decentralization exists or what benefit it serves.

The Grand Jury was advised that the Human Resources functions at MUNI operated in a more efficient manner in the early 1990s, although there was no verification of that fact. At that time MUNI was part of the Public Utilities Commission. Andrea Gourdine, the director of the City HRD, advised the Grand Jury that, prior to 1995, the MUNI personnel operation was more satisfactory than it is today. However, as noted above, in 1995, as a result of a City and County referendum measure approved by the voters, MUNI was separated from the PUC. It is not clear why the Supervisors, who placed the measure on the ballot by a 6 to 4 vote, thought such a realignment would benefit the City. In fact, the separation caused severe problems for the operation of MUNI. The impact on MUNI Human Resources was particularly traumatic. The more experienced personnel stayed with the PUC, and there was insufficient preparation for those who remained in charge of the operation at MUNI.

While needed PUC operation used computer equipment and a Local Area Network (LAN), until very recently PTD HR personnel were keeping records manually, and had no access to a LAN. The result is that PTD HR has no effective position control. At any particular time, PTD HR does not know the status of the 3600 positions at MUNI.

Without the equipment, PTD HR staff is also unable to interface with the City HRD to take advantage of the information on various employee categories, as do other City Departments that are better equipped.

While drafting this report, improvements have been made and all but 3 of the 32 staff members of PTD HR now have personal computers. Three more computers are on order and software to enable better operation is now being tested. The group has moved from its cramped Presidio offices to 401 Van Ness Avenue. With assistance, PTD HR has pieced together software to aid in establishing position control. Use of this software is a temporary measure pending installation of software being developed and installed by the City's HRD.

The City's Department of Human Resources is installing and testing a new software program, licensed from PeopleSoft, a company which creates and licenses an array of applications. The City has licensed a portion of the available programs, including the Benefits Administration and the Human Resources Management System (HMRS) modules. These programs are currently being tested to determine how they may best serve the City's needs. A "fit/gap analysis" will determine the degree to which the licensed software fits with the City's needs and to what extent the software should be modified to meet the City's requirements.

The City signed agreements with PeopleSoft on July 1, 1998. The implementation of the programs appears to be proceeding as planned, except that a proposed contract for systems integrator services related to conducting the fit/gap analysis was not finalized. Instead, the City entered into an agreement with BIT (Business Information Technologies) to perform that analysis.

It is expected that, once HRD has the PeopleSoft programs tested and up and running, PTD HR will be able to be connected to the system and enjoy its benefits. The program should provide a work flow management ability and enable MUNI to expedite job requisitions, submissions review and approval on an expedited basis.

The Grand Jury was advised that the HRD staff is in drastic need of training. Proper personnel procedures must be established. Severe overhaul of staff is required. In many cases, replacements are drastically needed. At present, some of the HRD functions are being handled by personnel temporarily assigned from other departments. Cindy Monroe is the newly appointed head of the PTD HR. She was appointed to her position only three weeks before she was first interviewed by the Grand Jury and was in the process of prioritizing the problems and taking first steps to try to effect a turnaround. She is being assisted by Andrea Gourdine, who heads the City HRD.

One of the major problems encountered in hiring new employees has been the practice of hiring provisional employees rather than permanent employees. Provisional employees can be hired without being on a civil service list and without going through a testing procedure. However, provisional employees lack many of the long term benefits enjoyed by permanent employees. Also, because provisional employees can be replaced by permanent employees and have a shorter tenure, hiring provisional employees is false economy and, in the long run, is more time-consuming.

Cindy Monroe and Andrea Gourdine have both adopted a policy of emphasizing hiring of permanent employees. This policy requires formulating tests, giving the tests and establishing hiring lists. PTD HR has been woefully deficient in this regard. Cindy Monroe has advised the Grand Jury that exams are being given and that ten new lists for automobile mechanics and body workers will be out by June 30, 1999. She advises

that during fiscal 1998-1999, twenty five new lists have been created. These lists will be valid for two years.

PTD HR is seeking to streamline the requisition process to speed hiring.

Recently, at the direction of the General Manager, and responsive to the demands of the public, MUNI has emphasized the hiring and training of operators. That process is nearing fruition. It is hoped that the hiring of mechanics, body workers and other service personnel will be addressed soon.

The Grand Jury found Cindy Monroe and Andrea Gourdine to have many good ideas for revamping the PTD HR operation. However, any success will depend on proper financing and other support from the Board of Supervisors and the Mayor. PTD HR needs proper equipment, proper training, proper staffing and the time to carry out its job.

Additionally, the Grand Jury learned that, in the past, PTD HR has been totally deficient in handling discipline. While a disciplinary procedure exists, it has simply not been used, perhaps due to the lack of proper leadership.

FINDINGS

The operations of the PTD HR appear to be so outdated, unorganized and dysfunctional, that they hamper every other aspect of MUNI operations. The cumbersome Civil Service rules for hiring and placement of new employees adversely affect all MUNI divisions. Work rules imposed on MUNI through collective bargaining with its unions hamper the efficient operation of the system. While current efforts are being made to remedy the problems, the Grand Jury believes that the issues are so global that PTD HR lacks the resources and expertise to successfully complete the task. Very recent efforts at modernizing the operations of PTD HR and benefitting from cooperation with the City's HRD are encouraging.

RECOMMENDATIONS

The Equal Employment Opportunity and the Labor Relations functions of MUNI should be consolidated under a single director.

MUNI should seek outside, expert assistance to reshape PTD HR and revamp its Civil Service rules. To the extent necessary, the Mayor and the Board of Supervisors should seek voter approval of amendments to the Civil Service rules and other ordinances or charter provisions which impede MUNI's ability to hire, place, discipline, and fire employees in a reasonable manner.

MUNI should continue to negotiate improvement of the terms of the collective bargaining agreements with its unions to enhance its ability to hire, place, discipline, and fire its employees. While some progress has been made under the current administration, it is not enough.

The Mayor and Board of Supervisors should provide whatever funding is necessary to properly staff PTD HR and provide it with the necessary equipment and software to perform its assigned functions.

MUNI AND ITS UNIONS

The Grand Jury met with representatives of the Transport Workers Union, Local 250A, including the president of the local, Raymond Antonio, to learn the union's position on MUNI's problems and its recommendations. Mr. Antonio seemed deeply concerned with the current problems. The union is troubled by the severe lack of street supervisors, which prevents MUNI from keeping any real schedule. The lack of a proper schedule, which operators can adhere to, is one of the major causes of public discontent. In turn, public dissatisfaction with MUNI's operations has had an adverse impact on employee morale. While the lack of street supervisors is not the only cause of MUNI's inability to maintain a proper schedule, it is a major factor. Lack of sufficient, properly maintained, operating vehicles, sufficient operators and internal procedures also impact the ability to maintain a proper schedule. The union believes that schedules devised by MUNI are not properly prepared in light of existing traffic conditions. Mr. Burns is also concerned that MUNI operate pursuant to a realistic schedule.

The Grand Jury's investigations revealed a popularly held belief that MUNI is dominated by its unions. This belief appears to be justified. MUNI's work rules hinder its proper operation. Its unions assert control into areas which normally are not the proper province of labor unions. For example, its unions not only influence matters relating to wage levels, safety, working hours and the like, they also have a say in MUNI scheduling, an area which should be the concern of management. The unions asserted their influence in the selection of the new General Manager of MUNI, whereas that should be solely the province of the City.

MUNI also suffers from an extremely high absentee rate. Work rules contributing to a high degree of absenteeism are imbedded in agreements with the unions (although some improvement of those rules has recently occurred.) The problem has existed for many years, and a succession of administrations have confronted it inadequately. The resulting cost to the City is high and the operation of MUNI vehicles suffers significantly.

The City is hampered in its negotiations with the unions because those negotiating on the City's behalf are politicians who, at election time, must seek the endorsement of the unions with which they negotiate. Clearly the bargaining position of the City is compromised in such negotiations. The City lacks the ability to be tough and to risk alienating the unions.

At a time when the City is struggling to solve its transportation problems, the Grand Jury was most disturbed to find that union members were opposing the efforts of those trying to obtain signatures to place a proposed initiative measure on the ballot to revamp MUNI.

FINDING

MUNI is currently unable to adequately negotiate with its unions. MUNI will never achieve reasonable, practical work rules with its unions until it is represented by negotiators who are not politically dependent on the good will of those unions.

RECOMMENDATION

MUNI needs to be governed by an independent agency, preferably one which is headed by personnel not appointed by the Mayor or the Board of Supervisors. It should not be subject to the political whims or control of either.

THE MUNI CAPITAL ACQUISITION PROGRAM

The Grand Jury investigated MUNI's lack of a well formulated capital acquisition program. MUNI has no established long term plan for replacement of vehicles, replacing them only in a crisis mode. Rather than replace 20% of the buses every five years, as Mr. Cruz recommends (and as MUNI service employees state is a reasonable and necessary method), MUNI drives its vehicles to destruction and then replaces large sections of the fleet at one time, usually when Federal financial subsidies are available. The result of the lack of a proper and on-going capital acquisition program is that (1) all vehicles tend to wear out at the same time, stressing the maintenance staff and demanding use of unreliable vehicles, (2) major components such as engines and transmissions, tend to need overhaul or replacement at the same time, again stressing the maintenance staff, and (3) demands on sources of capital funding occur at one time, making financing more difficult to obtain. Staggered acquisition of equipment also enables training of operators and maintenance staff to be carried out in a smoother, more efficient manner. These problems have continued through a succession of Mayors and Boards of Supervisors, yet all have failed to successfully address them.

Mr. Burns advised the Grand Jury that replacement of buses and trolleys on a rotating basis makes a great deal of sense. He believes that replacement of about ten percent of the fleet each year would be appropriate. However, he stated that it is more cost effective to purchase rail vehicles in larger numbers because of the large engineering costs and other costs related to acquisition of rail cars which must be paid, whether the system purchases a few or a large number of cars.

Mr. Burns, on joining MUNI, was amazed at the poor condition of the vehicles (and the physical facilities.)

FINDING

MUNI has no proper capital acquisition program. The practice of driving vehicles far beyond their useful lives is not cost effective and results in excessive maintenance costs. Buses and trolleys should be replaced on a periodic basis, using information gathered from a proper vehicle maintenance system.

RECOMMENDATION

Creation of an independent agency to operate MUNI would remove capital acquisitions from the political process.

It is essential that MUNI establish, and follow, an effective capital acquisition program, based on a proper vehicle maintenance system which tracks all repairs made to each vehicle together with all costs of repairs and maintenance, and a sound preventative maintenance system.

INADEQUATE WORKING FACILITIES

FINDINGS

MUNI offices are cramped, generally without proper computerization. Facilities are dingy, poorly laid out and lack sufficient space for proper storage of records and materials. Premises are uninviting. Their poor condition is hardly likely to improve employee morale or productivity. In many cases, better working conditions are deemed vital to the success of MUNI. There has been a recent transfer of some groups to

improved temporary quarters at 401 Van Ness Avenue. However, further improvement in this area is critical.

MUNI's Central Control represents an excellent example of the inadequacy of MUNI's facilities. The Central Control facilities are located underground, near the West Portal Station. There is insufficient space for storage of materials; employees must work in overcrowded stations, bereft of proper functional design. The conditions are cramped and claustrophobic, with little effort to provide a comfortable working atmosphere. Apparently there are plans to expand this facility in the near future, and to move it in a few years. Expansion and redesign cannot come too soon.

The offices at each of the yards are antiquated, small and inefficient. Offices at the Presidio yard are an example of this problem and are hopefully destined for early replacement.

RECOMMENDATIONS

Central Control serves a vital function in the operations of MUNI. MUNI's Central Control must be expanded and should be redesigned, with an effort to make it functional and to provide an efficient, pleasant atmosphere for its employees. Sufficient storage space must be provided to eliminate the ubiquitous clutter. MUNI should seek professional assistance in the design of an efficient proper facility.

Other MUNI offices and facilities need to be modernized, expanded and redesigned. Additional space must be provided at most of the yards so that maintenance work may be performed efficiently at night, when all of the vehicles are parked in the yards.

MUNI'S PREVENTATIVE MAINTENANCE PROGRAM

Fifteen years ago MUNI devised a computer system for keeping track of its preventative maintenance, daily work orders, breakdowns and periodic maintenance. It was designed to service the needs of all of the major MUNI modes of transit (light rail, diesel bus, trolley and cable car), but maintenance employees in all divisions complain that it does not serve their needs adequately. The Vehicle Maintenance System (VMS) cannot be run on a personal computer. The employees maintain that a new, personal computer based, system could be designed and implemented inexpensively, allowing for the proper tracking of maintenance records and requirements.

At present, most of the records for tracking of maintenance work on vehicles are handwritten on forms in triplicate. One copy is deposited in a binder labeled with the applicable vehicle number. One copy is forwarded for inputting into VMS by highly paid personnel. Apparently the system is too complicated to permit inputting by clerks.

The Grand Jury was advised that when a mechanic needs to determine the history of a breakdown, he must review all handwritten notes in the binder relating to the particular vehicle. The notes are not always in chronological order. The process can, therefore, be very time-consuming, leaving less time for the mechanic to perform his assigned work and delaying return of vehicles to service.

At each yard, the Grand Jury attempted to determine whether it is possible to track the *costs* of maintaining a particular vehicle over the period of a year. It learned that it is possible, though difficult, and time-consuming, to *generally* determine the *nature* of the work performed on a vehicle. However, there are no records setting forth the cost of the

maintenance, either for labor or replacement parts. There is no effective inventory control. In effect, the cost of repairing and servicing a vehicle is not reflected in the maintenance records. Therefore, MUNI is unable, at any given time, to evaluate which vehicles need to be replaced based on excessive cost of maintenance and repetition of breakdowns. The most effective means of tracking troubled vehicles is the experience and memories of mechanics, but they cannot know the costs involved in repeated repairs.

On a visit to a yard, the Grand Jury observed the results of MUNI's lack of inventory control. A mechanic was working on a vehicle. When asked for the work order, he advised that there was none. He stated that it would be prepared later. (A work order should be completed *before* the work is performed). When the worker needed a part, he did not request one from the storekeeper. Instead, he asked another mechanic for a part taken from another job. It seems to be common procedure for mechanics to hoard parts, particularly for use during graveyard and swing shifts, when storekeepers are not on duty. As a result, it is impossible to track parts used for maintenance and repair of particular vehicles. No proper accounting is kept of parts used.

Even when storekeepers are on duty, inexplicably, they do not report to the yard superintendent. The superintendent therefore cannot maintain accountability for parts used.

In some yards, the superintendent has the keys to the tool crib at night, when no storekeeper is on duty. It is common practice to loan out keys to the tool crib to mechanics when the yard superintendent is too busy to distribute parts. All of these practices prevent proper accountability.

Mr. Burns advised the Grand Jury that he initiated installation of a computerized vehicle maintenance system at Boston and at Philadelphia, which integrated a number of functions. In Philadelphia, a larger system than MUNI, it is estimated that when the system is fully operational, it will save the transit authority \$6,000,000 a year.

FINDING

MUNI's preventative maintenance system is not cost effective. Its Vehicle Maintenance System should be replaced by a modern, properly designed system which will meet all of MUNI's maintenance needs. It is vital to track the costs associated with all maintenance and repair of vehicles to permit proper planning for replacement of vehicles. The system should be designed so that mechanics and other service workers can input data.

RECOMMENDATION

A personal computer software system should be designed for use in all yards and on all vehicles. It should use a Cost Classification number to keep track of all preventative maintenance, regular maintenance, and repairs including all costs pertaining to each vehicle. With that system, MUNI could determine whether a vehicle should be scrapped or whether it is cost effective to continue maintaining it. All spare or replacement parts used should be tracked and the system should serve as an inventory control to alert the purchasing department of the need to reorder parts.

The system should be capable of tracking all information necessary for maintaining and enforcing warranties on all parts and vehicles. It should alert management when

warranties are due to expire so that enforcement procedures may be scheduled and pursued.

While such a system should not be difficult to create, sufficient prior input should be elicited from those who will actually use the system. It should adequately address the needs of service and maintenance personnel and allow them to run a well ordered shop.

MUNI should consult with other transit agencies to determine what systems are in use elsewhere. It would be a great mistake for MUNI to attempt to reinvent the wheel and design a new system from the ground up. MUNI should look to successful systems and adopt proven methods.

To permit better tracking of parts, storekeepers should be on duty at all times that maintenance and service work is performed. Storekeepers should report to the yard superintendent. No parts should be taken from the tool crib without accurate recordation. Whatever system is finally adopted, it must be a system where there is a clear chain of accountability.

MUNI should work with the City Attorney to establish a system for the tracking and enforcement of warranties on vehicles, and other major purchases, so that the City Attorney is alerted in a timely manner to permit enforcement of warranties.

THE MUNI TUNNEL AND ITS PROBLEMS

Current public disapproval of MUNI has been nurtured by repeated problems encountered in installing and operating MUNI LRVs in the main tunnel from West Portal to the Embarcadero Station. The inability of the new computer software to control operations of vehicles while in the tunnel is well publicized and remedial efforts have been ongoing for some time. Because the situation is in a state of flux and many of the problems may be resolved when the entire fleet of new Breda cars is operational and noncommunicating Boeing cars have been retired or limited in use outside of the tunnel, this report will not comment extensively on that problem. Nor will this report address the decision of the Mayor and the Board of Supervisors to employ Booz-Allen as the city's consultant to help solve this problem. The Grand Jury does note, however, that the Budget Analyst has publicly indicated that employing Booz-Allen on lucrative terms may have been premature and ill-advised and that the tunnel problems will probably resolve themselves as the Breda cars are incorporated into the system. Apparently Mr. Cruz reached the same conclusion. Although Harvey Rose was publicly criticized by the Mayor and others for his remarks about the Booz-Allen contract, he repeated that opinion before the Grand Jury. The Grand Jury further notes that Booz-Allen was consultant to MUNI at the time that the computer problems arose (although it may be that the problems were not the fault of Booz-Allen.) There apparently was no attempt by the Mayor to find another consultant or put the contract out for competitive bidding. Perhaps this decision was driven by the fact that Booz-Allen was already familiar with the flawed system, whether or not it has any responsibility for that condition.

Mr. Burns advised the Grand Jury that, in the short time he has been with MUNI, there have not been many problems with the MUNI Metro Tunnel. However, he advised that the system still suffers from a design failure which MUNI is trying to correct. The system was not provided with the capability of recovering quickly following a stoppage of

service. A relatively minor problem can cause the system to shut down and there is no way to quickly restart it.

Mr. Burns feels that Booz-Allen is doing a satisfactory job. In some cases, Booz-Allen is forcing MUNI to take steps it has been reluctant to take, which, at times, prove to be beneficial to the system.

RECOMMENDATION

The 1999-2000 Civil Grand Jury should monitor the progress of the Booz-Allen contract and resolution of the problems encountered in phasing in the new Breda cars, the operation of the Automatic Tracking System and the performance and payment of Booz-Allen. It should evaluate whether the Mayor was correct in letting the contract to Booz-Allen without competitive bidding.

THE NEW MUNI TASK FORCE

The Grand Jury met with a representative of the New MUNI Task Force, which was appointed by Mayor Brown to assist him and the Board of Supervisors in seeking innovative and forceful approaches to solving the mess at MUNI. The efforts of the Task Force and its recommendations are impressive. The Task Force was designed to consist of thirty members, but finally consisted of twenty seven, a number which appears to be so large as to be unworkable. Apparently that was not the case. Happily, the large number of members enabled the Task Force to address the interests and concerns of many areas of the community.

The group consisted of some experts in transportation, representatives from labor, and others who contributed useful experience and skills. The Task Force broke down into various committees and met frequently. Ultimately it produced a report, which it presented to the Mayor entitled "A Plan To Fix MUNI" (Appendix C). When asked by the Grand Jury whether he approved of the Plan, the Mayor would not respond directly, but simply said that the Plan was to be referred to the Board of Supervisors. At the same time, a public group called "Rescue MUNI" drafted a plan for solving the MUNI crisis, which it intends to place on the ballot. Efforts are currently under way to resolve the differences between the two plans, with the hope that only one, mutually agreeable to all interested parties, will be placed on the ballot for voter approval.

The Task Force considered four options:

1. Maintaining MUNI as a City Department, as it is now;
2. A City Department to control policy, with MUNI to be operated by a non-profit organization;
3. A Municipal Transit Agency; and
4. An independent transit district.

Under Option 3, creation of the Municipal Transit Agency, which is recommended by both the Task Force and Rescue MUNI, the Report states that it "would provide more autonomy and managerial scope than the present City department (Option 1), but less independence than a completely separate transit district (see Option 4 below.)" The Mayor would appoint the Agency's seven board members and their appointment would

be confirmed by the Board of Supervisors. They could be removed by a concurrence of the Mayor and two-thirds of the Board of Supervisors. The Mayor and the Board of Supervisors would appoint a Community Advisory Committee.

Option 4 would create an Independent Transit District, analogous to BART, the San Mateo Transit District or the Golden Gate Bridge District. It would be created by state legislation. The Task Force Plan does not state how the directors of such a district would be chosen.

Under the Rescue Muni Plan, the Agency Board would also be appointed by the Mayor and the Board of Supervisors, but directors could only be removed for cause.

The Task Force proposes that the new Agency would merge with the City's Department of Parking and Traffic three years after its creation. Its plan would set specific goals which the Agency would be expected to meet three to five years after its creation. The Agency would honor Transit First provisions, placing the needs of public transportation over the needs of private vehicles.

The Task Force plan would empower the Board of Directors of the Agency to develop and negotiate with the union(s) to establish principles for merit pay and employee incentives, based on achieving service and performance goals. It would also establish a Community Advisory Council of representative citizens and handicapped persons.

Certain issues separate the two groups. First, Rescue MUNI wants the merger of the Agency and the Department of Parking and Traffic to occur at the outset. The Task Force wants the merger of the two functions to wait for a period of three years, allowing the Director of the Agency time to launch it and resurrect MUNI from its present morass.

The merit pay and incentive issue is a thorny one. While it is not clear from the proposed ordinance, apparently payments for merit pay under the Rescue MUNI plan are to be authorized only on a group basis, not on an individual basis. There is also a difference of opinion as to whether union work rules should be written into the legislation or to be negotiated between the union(s) and the new Board. Rescue MUNI favors writing the union work rules into the legislation, while the Task Force favors negotiation by the unions and the Board. Under either scheme, union work rules will no longer be directly negotiated between the union and elected officials who depend on union support for their reelection.

Both groups agree that there must be service and performance standards, but there is disagreement as to whether the standards should be written into the legislation, set forth as objectives to be negotiated or be adopted by ordinance.

Finally, the two groups differ on how to further Transit First policies. The Task Force believes that the policies should be developed by the Board of Supervisors.

FINDINGS

The Grand Jury agrees that MUNI should become a separate, independent agency, as recommended by the Task Force and Rescue MUNI. The Grand Jury prefers Option Four, not Option Three, in the Task Force Report. Option Four would create a truly independent Agency, allowing the Agency to be further insulated from the politically motivated Board of Supervisors and the Mayor. Apparently the members of the Task Force also believe that Option Four would be preferable, but believe that it is not

politically attainable. The Task Force suggests that establishment of a truly independent agency would also raise certain funding complexities.

Both plans represent a substantial improvement over the present system. Failure to adopt some plan at this point will probably ensure a continuation of mediocre to bad transit in San Francisco. Removing the Board of Supervisors and the Mayor from the operations of MUNI is the first (and only the first) step in resolving the problem. [3]

Whatever system is adopted, it should not be a system involving divided authority. All authority should rest with the new Agency.

RECOMMENDATIONS

MUNI should be removed from operation as a Department of the City. It should become a separate agency, not answerable to the Mayor or the Board of Supervisors.

It should be granted the greatest autonomy possible.

To the extent that the recommendations of the Task Force differ from those of Rescue MUNI, the Grand Jury recommends that the proposals offered by the Task Force be adopted. It seems reasonable to wait for two or three years before merging the operations of the Department of Parking and Traffic into the operations of MUNI. The new director of the Agency will have his hands full launching the new entity. It seems unnecessary to add to his startup problems.

The Grand Jury favors individual merit pay, but is wary of an effort to establish fixed goals which, if met, could cost the City immense sums. If merit pay is to be provided, the Board of Directors of the Agency and the General Manager should establish the procedure. Merit pay and incentives should not be part of the established in the law creating the Agency.

SAFETY AND SECURITY

It is important that MUNI make a commitment to safety. While the Grand Jury did not concentrate on the question of safety during its inspection, in many facilities open, obvious safety hazards were encountered. The Grand Jury also became aware of MUNI's inability or lack of commitment to enforce safety rules.

The Grand Jury found little evidence of security measures at any MUNI facility.

1. DRIVER VEHICLE INSPECTIONS

Section 392.7 of the Federal Motor Carrier Safety Regulations requires that "no commercial

vehicle shall be driven unless the driver shall have satisfied himself/herself that the following parts and accessories are in good working order, nor shall any driver fail to use or make use of such parts and accessories when and as needed:

Service brakes, including trailer brake connections.

Parking (hand) brake.

Steering mechanism.

Lighting devices and reflectors.

Tires.

Horn.

Windshield wiper or wipers.

Rear-vision mirror or mirrors.

Coupling devices."

The Grand Jury was advised that MUNI has regulations which mimic the Federal rules.

Operators are paid to conduct fifteen minute pre-departure safety checks each day before leaving the yard. Inquiries of supervisors, superintendents and others reveal that they believe that not all of the regulations requiring pre-departure inspections are complied with, in that many drivers do not conduct such inspections. Some believe that the better, more experienced drivers conduct inspections, realizing the benefits they provide in terms of maintenance and safety. Most who were interviewed expressed the belief that the safety regulations could not be enforced. Others believe that MUNI could enforce the requirement of pre-departure inspections if MUNI management really wanted the regulations enforced. Enforcement would require MUNI to provide inspectors to monitor inspections. The better view is that inspections should be monitored to ensure that they are actually performed by operators, *both before and after each run* and that accurate reports are filed to permit tracking of the condition of all vehicles.

FINDING

For the safety of the public and MUNI's vehicles and for improved performance of vehicles, it is important that *all* vehicles be inspected by operators, before leaving the yard and after each run. It is important that an inspection system be established and that MUNI receive proper staffing to enable the system to be implemented. An inspection system which lacks constant verification cannot be successful.

RECOMMENDATION

The Grand Jury recommends that MUNI establish a procedure whereby supervisors verify, daily, that drivers have in fact conducted vehicle inspections, both before and after their runs. Results of such verified inspections must be entered into a computer program which tracks the maintenance history of each MUNI vehicle.

2. SAFETY HAZARDS

The Grand Jury noted that most drums storing fluids are not properly grounded and that wires are often left lying on the ground. Often drums are not stored on double-containment pallets, as required. These hazards were particularly noted at the new Marin Avenue facility. At Marin Avenue, a Safety Shut-off Switch for a large double-contained concrete tank was located behind a column, accessible only by climbing over drums stored around the column.

Employees were found smoking inside shop areas, near possibly dangerous liquid chemicals. In one case a supervisor, when notified of such a problem, seemed unconcerned, replying that the offender was not a MUNI employee, but a contract employee working on a Breda car.

The Grand Jury frequently noted accumulations of dirty rags thrown into empty boxes rather than being stored in safe, enclosed containers. Old florescent tubes were seen discarded in open trash containers, instead of being crushed and disposed of safely.

At one location, the Grand Jury found an out-dated hazardous material certificate which was twenty-two months overdue.

FINDING

MUNI seems to lack a dedication towards safety in its yards.

RECOMMENDATION

Either MUNI or an independent agency should perform a study and take proper corrective measures. The 1999-2000 Civil Grand Jury should focus in depth on the problem of MUNI safety

3. SAFETY ON THE STREETS

The Grand Jury did not spend significant time investigating the problem of safety of MUNI vehicles while operating on the streets. However, it is apparent that, in the past twelve to twenty four months, there have been a number of serious accidents. Many accidents have involved drivers with inferior driving records. Mr. Burns advised the Grand Jury that it is his intention to create a Safety and Training Department which will report directly to the General Manager.

The Grand Jury recommends that the 1999-2000 Civil Grand Jury focus on this problem.

4. SECURITY

The Grand Jury found security to be incredibly lax in the various MUNI yards. For example, at the Woods yard, where many vehicles are stored, there is a ten foot high chain link fence, topped with razor wire, but the gate is wide open and unmanned. It is an open invitation for vandals and graffiti artists (taggers) to damage vehicles. Despite the fact that, in the past, a MUNI vehicle was stolen for a joyride, there are no obvious procedures to prevent other vehicle thefts. At the Marin Avenue yard, there appeared to be no attempt to prevent unauthorized access to the facility

Employees park their cars in MUNI yards. While available parking space in neighborhoods near the yards may be limited or non-existent, parking of private cars in the yards may present a security risk. Also, employees wash their cars in the yards, creating liability problems. The Grand Jury was advised that employees service their own cars or the cars of others in yards and on working time. There is no confirmation of that information.

RECOMMENDATIONS

Gates should be locked or under guard at all times. Offices should be locked when unoccupied. Security guards should be on duty at each facility, with regular routes designed to protect MUNI property from theft and vandalism. There should be procedures to prevent employee theft.

Alternate parking accommodations should be provided for employees, outside of yards or in segregated areas. Washing or servicing of private vehicles should not be permitted on MUNI property.

THE FINANCIAL IMPACT OF THE AMENDMENT OF ADMINISTRATIVE CODE SECTION 12B ON THE OPERATIONS OF MUNI

In 1996 and 1997 the Board of Supervisors modified Administrative Code Section 12B by at least six separate amendments to provide that, with certain exceptions, the City would not purchase goods or services from vendors who discriminated in the way that they treated married employees from their treatment of employees with domestic partners, in granting various employee benefits, as described in Section 12B. The Grand Jury was advised by middle management MUNI personnel, and by those involved in purchasing parts, materials and supplies that, since the amendments by the City of Administrative Code Section 12B, the cost of purchasing such items has substantially increased. The rough estimates which were given were generally in the 10 to 15% range, but some thought the additional cost was much higher, reaching 30 or 35%. The Grand Jury found no one in any maintenance facility who did not believe that the cost of acquiring parts, tools, and other items had gone up substantially.

In one MUNI facility, the Grand Jury was advised that, before adoption of the amendments to Section 12B, many parts, tools, nuts, bolts, other hardware items and supplies were purchased through the Grainger Supply catalog, a standard source for purchase of such items. Apparently, Grainger Supply has not qualified as a vendor under Section 12B. Since amendments of Section 12B, such items are purchased through a broker, involving a time delay. A salesperson for the broker comes to the facility with the Grainger Supply catalog in hand. Items are selected from the catalog and ordered from the broker. MUNI pays 30% more than it paid before, for the same items, from the same source and with a slower delivery time.

The Grand Jury met with the MUNI Council, consisting of the Controller, the City Attorney, the Director of Purchasing, the Director of Human Resources, and the Executive Director of the Transportation Commission, and learned that no attempt has been made to determine the cost to the City and the taxpayers due to the amendments to Section 12B, since actual cost data has become available. The Controller has twice advised the Grand Jury that it is probably impossible to accurately determine the additional cost to the City due to the amendments to Section 12B, although another department head privately advised the Grand Jury that it *would* be possible to determine the financial impact. The Controller did concede that, in some situations, it would be possible to determine the *minimum* additional cost to the City, but perhaps not the total additional cost. He attributed the difficulty in determining the total additional cost to the fact that it is not always possible to know which vendors refuse to bid on City contracts because of the burden added by the amendments to Section 12B and which vendors fail to bid on contracts for other reasons. It seems clear, however, that fewer vendors bid on City contracts since the amendments of Section 12B.

Michael Burns advised the Grand Jury that he was particularly surprised to find that, when MUNI purchased buses on a recent occasion, there were only two bidders. When the Philadelphia system made a similar purchase, it had 6 bidders. One MUNI supervisor advised the Grand Jury that one U.S. manufacturer of diesel buses will no longer bid on *any* MUNI contract.

Members of the MUNI Council expressed the opinion that the additional cost caused by the implementation of Section 12B might be minimized by utilizing alternate procedures

that can be followed to obtain waivers of the provisions of Section 12B when there are insufficient vendors in compliance with Section 12B. It is the sense of the Grand Jury that the waiver procedure is not, in fact, being widely used by MUNI and probably is not being widely used by other City Departments. Those interviewed by the Grand Jury were not employing the waiver procedure and may be unaware of how it works.

The waiver procedure is set forth in Section 12B.5-1 of the Administrative Code. (See Appendix D.) The procedure is time-consuming and could easily subject an employee to second guessing. It is easy to see why service employees may not choose to employ the troublesome waiver procedure, even if they understand it.

The City may be paying a significant price for its implementation of the Section 12B policy, yet the taxpayers (and the City leaders) do not know the magnitude of this additional cost.

No one interviewed by the Grand Jury suggested that MUNI or other Departments, are paying the same prices for purchases since the amendment of Section 12B. However, the Controller advised that MUNI is always complaining about any new procedure relating to purchasing and that MUNI purchasing has always lacked direction. He stated that MUNI always prefers the easier method of purchasing, not the method that saves the City the most money.

A failure to focus on any substantial premium necessarily paid for basic purchases under Section 12B may have resulted in a misuse of funds sorely needed by MUNI for its operations and to maintain its equipment and property. Management has not successfully addressed this problem.

The Mayor stated that the cost of continued implementation of Section 12B is a cost which, he believes, can be determined and that it is information which the public should have. The Mayor said that the public is entitled to information on *all* factors which impact upon the cost which the public must bear when paying taxes.

The Grand Jury has been advised, privately, that such information could be readily determined if any City Supervisor were to ask for it, but that, to date, no Supervisor has done so. The Controller has verified that, to date, none of the Supervisors, nor the Mayor, has asked for the cost to the City (and taxpayers) of the amendments to Section 12B. The Grand Jury has been advised that the question is a political one, a policy matter, and that, for that reason, no Department head would initiate an inquiry, unless asked by a Supervisor to do so.

FINDINGS

The City may be paying substantially more for many of its purchases because of the amendments to Administrative Code Section 12B. Those in charge are unaware of the magnitude of this additional burden on the public.

Certainly the public has been given no information on this matter. It is important that a determination be made of the cost of implementation of the amendments to Section 12B and that the information be made public.

In view of the continuing potential cost to the taxpayers because of the amendments to Administrative Code Section 12B, the Grand Jury finds that an inquiry should be made of the continuing annual cost to the City. That determination would best be made by the

Budget Analyst. The audit should not be limited to the operations of MUNI, but should include the operations of all of the City Departments.

The Grand Jury also finds that efforts need to be made to limit the increased spending and take advantage of provisions in Section 12B for obtaining waivers because of a lack of approved vendors. Perhaps waiver procedures should be streamlined.

Enforcement procedures need to be established to prevent departments from purchasing through brokers when less expensive alternatives are available. Department heads must be held responsible for seeing that such procedures are in fact followed. There must be some accountability.

RECOMMENDATIONS

The City's Budget Analyst should be engaged to perform an audit to determine the cost to the City arising from the amendments of Section 12B, in the operations of MUNI and of all the City's Departments. He should repeat that audit on an annual basis, at least until the City can solve the problem of overspending resulting from the operation of Section 12B.

The General Manager should take all steps to be certain that all personnel involved in purchasing and ordering are familiar with the provisions of Section 12B, especially the waiver procedures. Steps should be taken to ensure that purchases are made in a manner designed to maximize savings to MUNI.

Administrative Code Section 12B should be amended to provide a streamlined waiver procedure which employees can pursue without undue effort. The Purchasing Department should exercise oversight to be certain that existing procedures are understood and followed.

RESPONSES REQUIRED

Mayor
Board of Supervisors
Director of San Francisco Municipal Railway
Director of Human Resources
Controller
Director of Purchasing
Budget Analyst

APPENDICES

APPENDIX A

Budget Analyst's Report to the San Francisco Board of Supervisors Analysis of Potential Dedicated Funding Sources for the Municipal Railway (MUNI), November 1995

APPENDIX B

Comparison Chart of Muni Expenditures
Staffing for Muni Mechanics at Presidio and Green Yards 1985-1998

APPENDIX C

Report of the New Muni Task Force, February 1999

APPENDIX D

San Francisco Administrative Code Chapter 12-B

Footnotes:

[1] All 81 MUNI lines carry an average of 8,430 riders per line per day. For 1995-1996 MUNI made baseline determinations on 10 lines, which averaged 5,780 passengers per day. In 1996-1997, MUNI made baseline determinations on 5 lines, which averaged 22,648 riders per day. Thus, in two years, MUNI performed baseline determinations on 1/4 of its total average daily ridership of 690,000. At that rate, all MUNI lines would receive baseline determinations every eight years.

[2] The accuracy of the determination of staffing levels is subject to some error. Not all MUNI yards were able to provide the needed information. Also, the data received is subject to undercounting or overcounting because the numbers were manually derived from time sheets. There is no consistent method in MUNI for reporting. In general, supervisors were not counted in the calculations. However, in some cases the time of supervisors was recorded on the shifts which they supervised. This makes statistical analysis more difficult. The problem would not exist if reporting was consistent and time records were computerized.

[3] After this report was finalized, the Board of Supervisors adopted a proposed ballot measure which constitutes a compromise between the Rescue Muni group and those favoring the recommendations of the New MUNI Task Force. The Grand Jury has not reviewed the details of the compromise proposal and this report will not address its particulars. However, the Grand Jury is pleased to learn that the Board of Supervisors has at last taken positive action to address the problems of MUNI.