

**METRO MANAGEMENT RESPONSES TO
FISCAL 2001 – FISCAL 2004 STATE REQUIRED PERFORMANCE AUDIT
OF THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS**

I. INTRODUCTION

Pursuant to Section 451.454 of Chapter 451, Texas Transportation Code. METRO must have an independent auditor perform a management audit every four years. The audit must include three elements, as follows:

1. Examination of compliance with Chapter 451 and other state laws
2. Review of state-defined performance indicators
3. Performance audit of one of three specified areas – transit operations; system maintenance; or administration/management

Transit Operations was selected as the area for this performance audit.

Upon completion of the audit, management must prepare a written response to the report. The final report for the period from Fiscal 2001 through Fiscal 2004 has been completed by an audit team headed by Booz.Allen & Hamilton, Inc. and contained several recommendations. The attached document is METRO management's response to these recommendations.

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II. RECOMMENDATIONS

Recommendation 1 – Augment the results of the review of METRO's Transportation Operations with an audit of the maintenance functions.

- **Response** – Management concurs that a detailed review of Maintenance along with Transportation would provide for a more comprehensive evaluation of performance.

Recommendation 2 – Identify work rule and contract changes that will enable METRO to achieve the productivity improvements needed to continue to hold operating costs in line.

- **Response** – Management concurs with this finding and efforts are currently underway to review work rules and union contractual items in preparation for the upcoming negotiations in order to improve cost control and efficiencies. Areas being reviewed are daily overtime, roistering of operator work, absentee policy, and overtime list management. Labor Relations is the project manager of this effort and is surveying all levels of management and supervisory staff for input.

Recommendation 3 – Increase BOF superintendents' responsibilities for cost performance.

- **Response** – Management concurs with this recommendation. Superintendents, and the Senior Director, along with support from Operations Management Support, will develop benchmarks for an average operator and reports for use in budget and cost control for such items as absenteeism, unscheduled overtime, show up and guaranteed time.

Recommendation 4 – Evaluate ridership trends and identify opportunities to target new transit markets.

- **Response** - METRO has contracted with a consultant to assist with analysis of ridership issues. Survey analysis will provide data on why individuals do not select METRO for their commutes. Once data is provided, Marketing will develop targeted strategies to improve ridership.

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Recommendation 5 – Implement a strategic plan based on a system of integrated goals and objectives.

- **Response** – For FY06, METRO's plans will be formalized into an integrated strategic plan with coordinated layers of goals and objectives. Already underway is the development of individual salaried employee goals for FY05.

Recommendation 6 - Enhance performance evaluations by aligning evaluations with system wide success in achieving goals and objectives.

- **Response** - METRO is implementing the FY05/06 Performance/Development Management Program. The METRO Senior Management team will align their functional goals to the goals published for Metro by our CEO. Senior management then will cascade their functional goals to their managers who will then create department goals linked to functional goals. All employees will have an individual performance plans (goals and objectives) supporting their department goals. We will use the 05 calendar year to transition all employees to a common review date and link our reward's practice to the Authority's and employee's performance in 2006. Human Resources will create the tools and facilitate the process and all managers will be responsible for the implementation of the process in their areas.

Recommendation 7 – Formalize the bus substitution plan for rail service interruptions to minimize impacts on passengers.

- **Response** – A Bus Bridging Plan to address rail service interruptions has been in place since the start of rail service. It is currently being updated taking the factors noted by Booz.Allen & Hamilton into account.

Recommendation 8 – Develop a process that provides accountability and speedier resolution of complaints while relieving superintendents of routine, time-consuming complaint processing responsibilities.

- **Response** – Customer Service will meet with Operations to determine which routine matters can be handled by customer service representatives, allowing them to close out such complaints, and which complaints could be pushed down to the first level of supervision, relieving Superintendents and Assistants from such time consuming activity. All customer service data will continue to be provided to the BOFs as management information.

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Recommendation 9 – Refine extraboard calculations to consider absences and optimize cost efficiency.

- **Response** – A first phase of refinement has already been implemented with the January 2005 service change which takes tripper work into account. Additional refinements for operator absenteeism, service configuration, and other relevant factors is underway for future operator sign-ups.

Recommendation 10 – Investigate opportunities to expand the use of part time operators to control costs.

- **Response** – Management concurs that part-time operators can be used to help control costs. Utilization on weekends and holidays is currently being pursued. Operations and Human Resources are currently pursuing opportunities to increase the PTO staffing levels which will allow for cutting runs more cost effectively through increased tripper work. Additionally during upcoming labor negotiations a review of the pay and benefit structure for PTO will be done in order to potentially increase the ability to attract more candidates for these positions. Management is willing to review the training for PTO but has concern about safety as they operate the same equipment on the same routes as FTO and lowering their training may impede the flexibility of utilization across routes and increase safety risks.

Recommendation 11 – Coordinate additional efforts between operations and risk management to reduce workers' compensation and expedite return to work.

- **Response** – Management agrees that reducing the number of operators out on workers compensation would reduce costs and as noted a reduction of 24% has been achieved over the audit period. Currently the leave of absence policy is being updated to include workers' compensation absences which allow for absences of greater than one year to result in employees to be administratively terminated. Operations will coordinate with Risk Management, Legal and Human Resources to explore opportunities to apply resources and strategies to further help further reduce the number and duration of claims.

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Recommendation 12 – Revise the employee performance code and work rules to improve progressive discipline and increase staff productivity.

- **Response** – Management concurs and as noted in recommendation 3 these are currently under review. A point system for safety items has already been prepared and is currently in the implementation phase where each incident receives a point value. The accumulated points will then be used for assessing discipline. An additional point system is in the development stage where operators will accumulate points regarding attendance and all other work rules for which discipline will be assessed. This will help ensure that the overall work record is properly considered when assessing discipline.

Recommendation 13 – Develop indicators to provide a yardstick for measuring individual operator performance.

- **Response** - Management concurs that it is useful to have measurements that compare an individual operator to an “average” operator. Operations currently uses two indicators – Operator-related Complaints per Operator and Disciplinary Actions per Operator. METRO agrees that expanding this list would be of value, particularly in assessing overall job performance, and will incorporate accident and attendance indicators into our processes.

Recommendation 14 – Identify and formalize the operating procedures that currently exist throughout the Authority for managing circumstances with safety implications, and develop a process for creating additional SOPs and EOPs as needs are identified.

- **Response** - Currently we have 78 SOPs developed within METRORail. It appears that the noted circumstances have already been developed and are in use but under another title. For example, “reduced visibility operation” is found under SOP 204 – Inclement Weather.

Recommendation 15 – Review and modify the rail safety certification program plan to comply with FTA guidelines for transit safety and security certification.

- **Response** – Management concurs and a recommended approach to management regarding expansion of rail activity has been submitted to the Executive Vice President for review.

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Recommendation 17: Leverage upcoming data management capabilities to improve data collection efficiency and quality.

Recommendation 18: Develop and use a centralized database for the preparation of internal and external performance reports.

- **Response** – METRO concurs with the findings and recommendations #17 & #18. Beginning in FY2000, METRO undertook a major overhaul of its IT systems including software and hardware. The effort was divided into two phases: Phase I – replace, upgrade or add systems designed to collect and store a large array of data necessary for the effective and efficient operation of the multi-model transit system. Phase II – add software capable of allowing flexible analysis of the collected data.

Phase I has included a wide array of major IT projects including:

- * MAPs (in operation June 2001) – system to support contracts and procurement
- * SEMA (in operation November 2002) – system to support maintenance and materials management
- * Trapeze (major update completed 2004) – bus scheduling system
- * Operator Timekeeping System (replaced 1997) – provides data to financials and SEMA
- * IVOMS (scheduled for completion June 2005) – includes 4 functions: AVL – Automated Vehicle Location; APS – Automated Passenger Counting; Automated Bus Stop Annunciation; Signal Preemption

Phase II will not start until all of the Phase I systems are fully operational and successfully interfaced so that one set of consistent data is being collected, stored and reported. The initial set of work in Phase II will be: (1) replacement of the OMB database to collect, store and report one enlarged set of data that can be accessed for multiple reporting functions and definitions; (2) Voyager II – a standardized reporting and trend analysis tool that will use SEMA generated data to help improve performance management.

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Recommendation 16: Review the fare structure with the intent of improving the farebox recovery ratio.

Recommendation 19: Continue to identify and implement opportunities to reduce operating costs and improve ridership.

- **Response** – METRO concurs with the findings and recommendations #19 and #16. At the current time, 7 of METRO's nine Board members have been in place only a little over a year, the eighth one came aboard at the beginning of 2005, and the ninth member has 3 years service. METRO's current President & CEO is from outside METRO and came on Board May 1, 2004. The new Board and President & CEO are setting a new pace for METRO – a new beginning, built around implementing METRO Solutions – the 20 year expansion plan approved by voters in November 2003. Attention was immediately focused on ridership and costs, productivity and efficiency. For example, the new President & CEO put in place an operating ratio task force in mid-June 2004 with instructions to look at everything that affects the operating ratio (ridership, fares, services, operating costs) and identify a dozen or so things that could be implemented within a year or so to improve that critical ratio.

Their report was completed and accepted in October 2004. The first item implemented was the elimination of very poorly performing bus routes – especially routes that had been performing poorly for a number of years. This was implemented October 31, 2004 and is estimated to save \$13.3 million per year. Another example was to close the Alief Park & Ride lot and sale of the land. This was an old, very low utilized Park & Ride lot in a poor location. The Board approved this action in November and its implementation is expected to save \$114,000 in O&M costs per year, 2 peak buses, and to generate \$700,000 in cash on sale of the property. The other proposed actions are being processed to be implemented this fiscal year. Some will increase revenue. Some will decrease cost.

The new President has also implemented in the FY2005 budgets a rigorous process for setting measurable goals and objectives for each year, for measuring and evaluating actual progress on a quarterly basis and for rigorous review of progress and determination of needed corrective action, including budget performance.

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The FY05 operating budget was set at the same level as FY04's operating budget despite forecasts for large inflation driven cost increases for fuel, health care and pensions and for contract driven increases for transit services and wages. 107 positions were eliminated saving \$5.9 million.

The aim is to initially focus the Authority's attention on reducing costs and increasing ridership. Following that effort, the entire fare policy and structure will be examined with an eye to simplifying the fare media structure and adjusting the current deep discounts.

Recommendation 20: Institute a change to the official posting location for announcement of board and special meetings. It is recommended that METRO designate the posting at METRO's offices as the one that satisfies the advance posting requirement, since the Authority has greater control over the on-site postings.

- Response: METRO has moved to a new owned facility at 1900 Main. Effective May 1, 2005 METRO will designate the first floor of the 1900 Main building as its official advance posting location.

METRO will continue to post at the Harris County Courthouse.

Recommendation 21: Sponsor legislation to change the performance audit due date to a specified number of months after the end of the authority's fiscal year.

- **Response** – The due date of February 1 cannot be met by METRO. Our fiscal year ends on September 30. It is late October before we have preliminary financial results. The external financial audit starts in early September but is not scheduled to finish until December 31. Frequently (including this year), the financial audit does not complete until late January.

METRO starts the performance audit early in October – the earliest that any FY2004 numbers are available. The auditor generally gets early drafts to METRO for the compliance review and the performance indicators by mid-December, but it is early to mid-January before the functional area draft is available.

By the time METRO staff review the draft, evaluate the recommendations, and prepare management's responses, it is too late to make a February 1 deadline.

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The Board review process and public hearing process can take another 30 to 60 days.

If any unusual findings are noted, it can take several weeks for management to analyze the findings and prepare management's response.

METRO needs at least 6 months from the end of a fiscal year to produce all of the documents required. (3 audit reports, management responses, transcript and public hearing)

During the next 4 year performance audit cycles, METRO will ask the state legislature to change the due date to April 1.