

August 30, 2011

Honorable Katherine Feinstein
Presiding Judge
Superior Court of California
400 McAllister Street, Room 008
San Francisco, CA 94102

Subject: Civil Grand Jury Report – Central Subway – Too Much Money for Too Little Benefit

Dear Ms. Feinstein:

This letter is in response to the subject report as required by California Penal Code, Section 929. As directed, our responses are confined to the findings and recommendations specifically identified as requiring our response. We note that despite the Civil Grand Jury Report's being titled "Central Subway," few of the findings and recommendations in the report, and none of those for which the Court has specifically mandated an Authority response, are directly related to the Central Subway project.

Finding 3

Muni is not providing adequate service to its customers.

The Authority disagrees with this finding. Muni's organization and performance reflect a balance among competing goals. The agency serves more than 700,000 riders each day and provides service to all areas of the city, most of it within walking distance of homes and businesses. Muni is a public agency that must respond to the public will as expressed through decisions taken by elected and appointed officials. Reducing costs, increasing service or improving efficiency must be balanced against the agency's charter-mandated responsibility to provide service everywhere in San Francisco and against the constraints inherent in binding collective bargaining agreements and in local, state and federal regulations intended to ensure the well-being of the SFMTA's employees and the traveling public.

Still, improvements are possible and highly desirable, particularly as regards speed and on-time performance. The SFMTA has never been able to achieve the on-time performance standard mandated by Prop E (1999), but it has taken steps to move Muni service performance in the direction of those standards. Improvements in service and performance can be expected with implementation of the Transit Effectiveness Project, the first enterprise-wide overhaul of Muni's system in 25 years. The Central Control Center project, currently underway, will replace the outmoded transit management center with a state-of-the-art command and control facility and bring about additional efficiencies and improvements in service. Implementation of the two bus rapid transit lines, currently being cleared environmentally by the Authority, will also likely result in tangible improvements in service levels and service reliability. Ultimately, we believe that service adequacy is not the relevant question. As the City begins to address climate change imperatives and the implications of continued demographic growth, there will be pressure on transit to provide an increasingly more attractive and viable option to

driving. Transit may have to evolve from its current state to meet that challenge, well beyond adequacy.

Recommendation 3

Either the City and SFMTA need to increase Muni's funding, or the City and SFMTA need to lower their expectations for Muni's performance.

The Authority agrees that additional public funding will be needed in order for Muni to continue operating, because costs are increasing at a faster pace than revenues. The Authority notes that not all performance improvements will require additional ongoing operating funds. Some improvements in performance should be possible through efficiency and streamlining.

Finding 4

Muni has had financial troubles in recent years and, absent an unforeseen windfall, will continue to have financial troubles in the foreseeable future.

The Authority agrees with this finding.

Finding 5

Given the current and projected state of Muni's funding, difficult times lie ahead. This will impact the agency's ability to deliver the level of performance demanded by the charter.

The Authority agrees that difficult times lie ahead. A continuing weak economy, federal retrenchment and operating costs that grow faster than inflation and revenues present challenges to the SFMTA. The SFMTA has been working on ways to improve service and performance that may lessen the adverse effects of these conditions.

Finding 6

Raising passenger fares can only have a minimal impact on Muni's financial shortfalls.

The Authority agrees. However, given the financial challenges facing Muni, it might be time to at least analyze alternate approaches to meeting the city's transportation needs. A full-spectrum review could consider strategies such as value pricing, use of privately-operated shuttles, further service optimization, and other innovations.

Recommendation 4 (covers Findings 4 - 6)

The SFMTA should hire an outside auditor to evaluate the potential gains in revenue brought by higher fares

The Authority disagrees with this recommendation. Although it would be useful to look at ways in which Muni could optimize its service and fare structure, it is unlikely that an auditor would be best qualified to perform this analysis. Financial audits are appropriate for evaluating compliance but a useful study of costs and revenues would involve other financial and transportation consultants.

Finding 11

Following the manufacturer's suggested preventive maintenance program is inadequate for maintaining Muni's fleet. This inadequate preventive maintenance negatively impacts Muni's ability to properly serve its riders.

The Authority agrees that following the manufacturers' suggested preventive maintenance programs

may not be adequate. In particular, San Francisco's topography imposes non-typical operating demands on transit equipment that can result in additional preventive maintenance needs. The SFMTA is fully aware of this, of course, and has adopted preventive maintenance programs that are, in general, more extensive than the manufacturers' recommendations.

Finding 12

Mid-life overhauls are not enough to properly maintain Muni's fleet. Targeted component rebuilds are essential to their maintenance.

The Authority agrees but Muni is already operating in a manner consistent with this finding. Muni has implemented a targeted component rebuild program in addition to the mid-life overhauls.

Recommendation 8 (covers Findings 11-12)

The Board of Supervisors, Authority, and SFMTA should determine how to fund adequate preventive maintenance and a targeted component rebuild program on an ongoing basis.

The Authority disagrees with this recommendation. The Authority exists as a result of a voter mandate to fund and implement transportation capital projects and cannot legally fund day-to-day operations and maintenance. The Prop K sales tax Expenditure Plan already includes \$1 billion for the rehabilitation of transit systems and fleet. This local sales tax funding is intended to serve as required local match to leverage other federal and state funding thereby making available multiples of this \$1 billion in seed funding. With these funds, Muni is currently providing preventive maintenance over and above the levels recommended by the manufacturers, resulting in extended life of the vehicles beyond their nominal life expectancy. Muni also has implemented targeted maintenance programs to address high-frequency incidents to improve vehicle reliability.

I trust you will let me know if you require additional information.

Sincerely,



José Luis Moscovich
Executive Director