

DATE: June 16, 2015

TO: Metropolitan King County Councilmembers

FROM: Kymber Waltmunson, King County Auditor

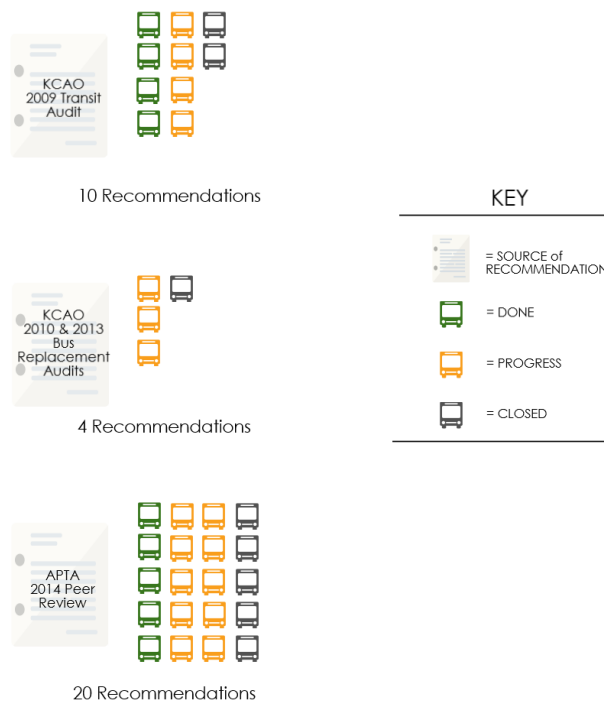


SUBJECT: Follow-up on Implementation of Recommendations from Recent Auditor's Office and American Public Transportation Association Reviews of Transit

Transit has made considerable progress implementing recommendations made both by our office and those resulting from a peer review conducted by the American Public Transportation Association (APTA). However, Transit must do more to fully implement and therefore realize the benefits of these recommendations.

Exhibit 1: Source and status of 34 recommendations

While Transit has made progress on the 34 recommendations (14 from the Auditor's Office and 20 from APTA), a number are still not fully resolved.¹ Key recommendations where work remains include recommendations regarding the use of models to make bus procurement, vehicle maintenance, and staffing decisions. Many of the unresolved recommendations were made over five years ago and followed up on in 2011 and 2013. The source of these recommendations is shown in the graphic. A detailed summary of progress is provided in the body of this report. Fully resolving these items prior to our next review will result in a number of benefits including an improved vehicle maintenance process and more comprehensive approaches to asset management.



¹This is the third follow-up we have conducted to review Transit's implementation of our recommendations since 2009. Over this period, our office has made 60 recommendations to Transit, of these Transit has fully implemented 40 recommendations and we have closed six recommendations.

Of the 34 recommendations:

DONE	9	Recommendations have been fully implemented Auditor will no longer monitor
PROGRESS	17	Recommendations are in progress or partially implemented Auditor will continue to monitor
CLOSED	8	Recommendations resolved using alternate approach or no longer applicable Auditor will no longer monitor

Fully Implemented – DONE

Transit fully implemented more than a quarter of the outstanding recommendations we reviewed. Transit made the most significant progress in completing recommendations in three categories: operations, fare policy, and performance management.

Transit addressed all four of the fare policy recommendations during the 2015/2016 budget process. During budget development, Transit provided detailed information to policy-makers showing the estimated tradeoffs associated with various fare scenarios. Based on a review of this information, the County approved a rate increase that is expected to generate almost \$10 million in additional revenue to fund Transit operations during the 2015/2016 biennium.

Transit completed three of four recommendations related to performance management. Transit now includes metrics in its strategic plan related to customer communications, addressing earlier concerns about managing this critical function. Transit also has a number of efforts underway to improve customer experiences with the call center, such as the redeployment of staff and the use of a Customer Service Panel.

Partially Implemented – PROGRESS

Transit has made some progress in implementing 17 recommendations, but more efforts must be made by Transit to achieve the positive impacts of the recommendations.

Outstanding recommendations we made in 2009 remain of concern. Based on our work in 2009 and 2013, Transit commissioned a model from Portland State University to conduct vehicle replacement analysis. However, Transit is unable to use the model and so is planning to create or acquire a new model. As a result, it remains unclear whether Transit is making the most cost-effective bus replacement decisions.

In 2015, Transit has plans to complete recommendations related to reserve policies, bus procurement, and service guidelines. We will continue to monitor Transit's progress on these items as well as its progress on new APTA recommendations related to vehicle maintenance, which could have significant impact on how Transit maintains its revenue fleet. In future audits we also plan to conduct further review of issues stemming from two recommendations related to facility master planning and capital projects.

No Longer Tracked – **CLOSED**

We determined that eight recommendations have been resolved using alternative approaches or do not warrant further action by the auditor. These recommendations will no longer be actively monitored by our office.

Implementation Status as of June 2015

#	Quick Status	Recommendation	Status Detail
Category I: Bus Replacement			
1	PROGRESS	Transit should annually update and run a vehicle replacement model as Portland State University recommended.	Transit was unable to use the Portland State University vehicle replacement model for technical reasons; however, it currently plans to create or acquire a vehicle replacement model that it can use to inform vehicle replacement decisions. In 2016, Transit intends to utilize a vehicle replacement model to develop its 2017/2018 budget proposal.
2	CLOSED	Transit should generate data on operating costs by route type in order to determine whether diesel or hybrid buses are most economical by route type, as Portland State University recommended.	Transit's current fleet planning transitions to an all hybrid fleet by 2018, therefore, this recommendation is no longer applicable.
3	PROGRESS	In conducting economic vehicle replacement analysis, federal subsidies that are received regardless of whether they are used for bus purchases should not be considered a purchase subsidy.	Transit intends to utilize a vehicle replacement model to develop its next budget proposal. We will continue to monitor this recommendation and will evaluate the extent to which it is utilized in Transit's model.
4	PROGRESS	Transit should conduct and document annual retrospective processes to calculate and evaluate procurement performance measures and should develop action plans to improve outcomes; these processes should also consider the effectiveness of the measures and targets, and revisions that may make them more effective.	Transit developed performance measures for bus cost, quality, and timeliness and tracked them for various procurements back to 2008 for cost and 2011 for quality and timeliness. Given the timing of bus procurements, Transit has not yet had the opportunity to use or refine these measures. However, bus procurement starting this year will provide Transit an opportunity to conduct and document retrospective analysis to

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			determine the extent to which it was able to achieve its procurement goals. We will continue to follow up on this recommendation.
5	CLOSED	Transit should create economic replacement analysis models to inform its vehicle replacement decisions starting with a model for the Revenue Fleet.	The focus of this recommendation is covered in recommendation 1; therefore, we are closing this recommendation but will continue to monitor progress in this area in the course of following up on recommendation 1.
Category II: Operations			
6	PROGRESS	In its 2010 update to the Transit Comprehensive Plan, Transit should ensure that it fully incorporates all elements of facility master planning. This is comparable to a recommendation made in 2005.	Transit has made progress in this area. For example, it has updated its fixed asset condition assessment approach and has completed condition assessments for 40% of its fixed assets. We have recently started an audit looking at Transit's Asset Management Program and will fully review the status of this recommendation during that audit.
7	DONE	Transit should develop a process and procedures for periodic global optimization of its bus system schedule. This should include reviewing and completing the deadhead matrix.	Transit has purchased a HASTUS module, GEO, to help it conduct global optimization of its bus system schedule and to make the transition to stop-based scheduling. Included in this analysis is completion of the deadhead matrix. Transit anticipates that the GEO module will reduce errors and improve route data.
8	DONE (APTA)	...recommends that Metro and Sound Transit continue to explore opportunities for planning and management synergies/integration between the two organizations.	In September 2014, Transit and Sound Transit jointly published a transit integration report. The report identified areas of potential collaboration, and methods for achieving integration goals. The agencies stated they plan to facilitate transit integration through monthly leadership meetings, a transit summit, and an annual report on transit integration.

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9	PROGRESS (APTA)	Review staffing levels and functions of the Metro Design and Construction group for appropriate alignment to current and projected capital program requirements.	Transit is in the process of surveying other transit agencies to better understand the size and breadth of their workforces. Our office may address this recommendation in a future audit.
10	PROGRESS (APTA)	...encourages Metro to review its current structure and strategies for staffing the operations control center functions to functionally change from a "radio control center" to a "service management center."	Transit is in the early stages of planning to transition to an "active service management" model. It anticipates that work will start in earnest on this effort in spring 2016.
Category III: Vehicle Maintenance			
11	PROGRESS	Transit should track and monitor planned and unplanned vehicle maintenance work and formulate a strategic approach to manage unplanned work.	Transit has made progress toward a strategic approach to manage unplanned maintenance work. We will continue follow-up on this recommendation to determine the extent to which standards and performance measures are tracked and targets achieved.
12	PROGRESS	Transit should regularly monitor adherence to vehicle maintenance productivity standards and work to ensure consistency in the standards across bases.	Transit established a systemwide program to track standard maintenance repair times. Supervisors in Vehicle Maintenance are responsible for checking that the standards are met. We will continue follow-up on this recommendation to determine the extent to which standards and performance measures are tracked and targets achieved.
13	PROGRESS	Transit should establish a systemwide vehicle maintenance productivity program, expanding on current productivity standards and performance measures.	Transit established a systemwide program to track standard maintenance repair times. Supervisors in Vehicle Maintenance are responsible for checking that the standards are met. We will continue follow-up on this recommendation to determine the extent to which standards and performance measures are tracked and targets achieved.
14	PROGRESS	[conduct] an independent review by experienced transit maintenance	In December 2014, APTA conducted an independent review of Transit's

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	(APTA)	professionals focusing on the overall Metro vehicle maintenance functions. Within this review...also evaluate potential opportunities to contract for basic services and in support of highly technical systems.	Vehicle Maintenance Division and published a report with 39 recommendations. The APTA review suggested areas that Transit should review for work that could be more efficiently conducted by outside contractors. However, Transit has not yet prepared a work plan for addressing the APTA recommendations.
Category IV: Fare Policy			
15	DONE	Transit and policy-makers should consider further utilizing fare policy changes to generate additional revenues to assist in funding Transit operations.	During 2015/2016 budget development, Transit and policy-makers considered six fare policy options, including fare increases and changes to the rate structure. Transit estimates that the rate changes included in the 2015/2016 budget will result in an additional \$9.9 million in revenue over two years.
16	DONE (APTA)	The panel recommends that Metro and King County re-visit current policies pertaining to discounted fares and fare rates, including differential rates for premium services and DART services.	During budget deliberations in 2014, Transit and policy-makers considered policy options that would affect discounted fares and fare rates. No plans were adopted for raising the fares for premium services and DART services. Transit considers DART services part of the fixed route system with the same fare as regular Transit bus rides.
17	DONE (APTA)	Consideration should be given to a paratransit fare structure that is consistent with ADA and which would thereby encourage greater use of fixed transit route services.	During the 2015/2016 budget development process, Transit provided paratransit fare structure policies and options illustrating potential impacts on Access fares. The 2015/2016 approved budget included a 50-cent increase in Access fares in 2015, which is consistent with the ADA and may contribute to greater use of fixed transit route services. Transit estimates that this will generate \$545,000 in additional revenue over the 2015/2016 biennium.

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18	CLOSED (APTA)	Review Farebox Recovery Policy Ratio: the 25% farebox recover ratio minimum for bus service is lower than Metro's peers.	During the 2015/2016 budget development process, Transit included a discussion of its farebox policy and historical data illustrating the actual farebox recovery rate. Transit's farebox recovery rate has consistently been above the 25 percent target since 2009, and all of the policy options proposed by Transit showed an estimated farebox recovery rate above 27 percent. The decision to raise the minimum requirements for farebox recovery ratio rests with the County Council.
Category V: Performance Management			
19	DONE	Ensure that the update to Transit's strategic plan includes elements related to effective customer communication, standards for Transit's communication of changes in bus schedules or reroutes to customers, and metrics for measuring Transit's performance that include customer feedback.	Transit has metrics in its strategic plan related to customer communications. Officials said they are trying to explore low intensity methods to get customer feedback on a more regular basis. Transit reports that recent changes to the call center have resulted in an increase in calls handled and customer satisfaction.
20	PROGRESS (APTA)	...encourages Metro to regularly review the amount and types of data it generates to ensure that the data is consistent with the changing needs and performance metrics of the organization. ...[Metro should also be] prioritizing its performance measures and ensuring compliance throughout all divisions.	Transit produces an annual strategic plan progress report which provides an update on progress toward meeting the 61 performance measures identified in its strategic plan. Transit recently established a Strategy and Performance work group that is tasked with developing a performance management system.
21	DONE (APTA)	...encourages Metro to review strategies for reducing the current wait times for customers accessing the Metro call center.	Transit is working to address wait times for customers accessing the call center. In 2015, Transit eliminated weekend call center services, and redeployed staff to weekdays. This allows more staff to address call volumes during the week. The agency also deployed a new regional trip planning application (app). Officials said that the County Executive's 2014 Customer Service Panel produced a report with

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			recommendations to improve customer service, improve working conditions, and encourage frontline fixes to issues.
22	DONE	Transit should develop a long-term vision and plan for the Metro Transit Police that includes a vision, goals, and objectives, as well as, measures and targets to track progress towards achieving these goals and objectives. This should be integrated with Transit's strategic plan.	Metro Transit Police has developed a long-term vision, goals, objectives, and measures. Transit has integrated several of these measures into its strategic plan under Goal 1: Safety. More work can be done to establish and manage performance targets, but this recommendation will not be prioritized for further follow-up.
Category VI: Policy Directives			
23	CLOSED (APTA)	[recommends] an external comprehensive operations analysis (COA) or comparable analysis to ensure that service levels and route configurations are optimized for their respective markets.	We are closing this recommendation as implementation would overlap with the analysis supporting Transit's annual Service Guidelines Report. In addition, Transit conducts annual system adjustments in lieu of external comprehensive operations analysis.
24	PROGRESS (APTA)	...strongly recommends that Metro staff continue to place a high priority on exploring new performance measures for alternative services.	Transit's proposal for an expanded Alternative Service Plan was included in the 2015/2016 budget. The \$12 million, four-year pilot program is a significant expansion of alternative services. It includes activities in Sammamish Valley, Issaquah, Vashon Island, Mercer Island, and others. Transit has committed to produce a report on these projects to the County Council in 2016.
25	PROGRESS (APTA)	Continue to evaluate opportunities to revise Metro service guidelines to compare service productivity by service type...	Transit stated that it will address this recommendation in the development of its 2015 Service Guidelines Report. It is also currently engaged in updating its service guidelines as part of the Service Guidelines Task Force that kicked off in February 2015.
26	PROGRESS (APTA)	...recommends that Metro and King County re-visit its policies that prohibit advertising on transit	In its response to the APTA recommendations, Transit notes that the policies that prohibit advertising

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		shelters...and consider the merits of introducing an "adopt a bus shelter" program. Also evaluate whether building shelters in-house is more cost effective than buying pre-built from a supplier.	on transit shelters are set at the municipal level. Transit had an "adopt a stop" program and found the savings did not offset the administrative costs. However, Transit has not done analysis to compare the cost effectiveness of building bus shelters in-house and buying pre-built ones. Transit noted that it does not consider this analysis a priority for resources in the short-term. We may review this issue as part of a future audit.
27	CLOSED (APTA)	...re-evaluation and prioritization of the current myriad of mandated policy initiatives...also consider the merit of policies that would support and provide greater flexibility for management decision-making.	As a department within King County, Transit is subject to policy directions from both the County Council and the County Executive. In some cases, these policy directions can create cost burdens. We encourage Transit to identify those policies that it feels are particularly burdensome; however, there is little that Transit can do to re-evaluate or prioritize policy initiatives. Therefore, we are closing this recommendation. We may review this issue as part of a future audit.
Category VII: Labor			
28	DONE (APTA)	The panel recommends that Metro continue its efforts to develop labor contract proposals that address current inefficient work rules and eliminate inefficient position classifications as well as to align wages with comparable national transit agencies.	Transit will continue to work on improving position classifications and other issues through the negotiation process. Transit plans to work in collaboration with labor to address these issues.
29	CLOSED (APTA)	Consideration should be given to regularly explore contracting out opportunities as a general cost-efficiency measure as well as an alternative to future service elimination.	Transit currently contracts out several services including DART and paratransit. Its collective bargaining agreements constrain Transit's ability to contract out additional work above current levels, thus limiting its ability to implement this recommendation further.

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30	PROGRESS (APTA)	...encourages Metro to continue its efforts to work with labor to explore opportunities to further reduce and control health care costs.	Transit has worked with labor to explore opportunities to reduce and control health care costs. However, more work could be done to encourage higher participation in county programs that aim to reduce health care costs. We may review this issue as part of a future audit.
Category VIII: Financial			
31	PROGRESS (APTA)	Review Transit Revenue Stabilization Reserve: There is no qualified target amount for this reserve. Typically uses of operating reserve funds requires notification to/or approval of the governing body.	Transit states that this issue will be addressed in the 2015 Fund Management Policy Review. The policy review will be managed by the Office of Performance, Strategy and Budget and will be published in summer 2015. We will review and comment on this report.
32	PROGRESS (APTA)	The panel encourages Metro to review its current revenue fleet replacement strategy and sub-fund target to ensure that it is appropriately aligned to Metro's need and effective industry practices.	Transit states that this issue will be addressed in the 2015 Fund Management Policy Review. The policy review will be managed by the Office of Performance, Strategy and Budget and will be published in summer 2015. We will review and comment on this report.
Category IX: Paratransit			
33	CLOSED	Transit should develop a thorough staffing model that incorporates workload factors and processes, efficiency benchmarks, impacts of workload changes on staffing needs, and effects of staffing changes on Access performance.	Transit has received a consultant report on staffing level for Access' internal staff. However, Transit does not plan to develop a thorough staffing model for the overall Access program. Because it uses a performance-based contract to provide Access services, Transit does not recognize the utility of developing a more comprehensive staffing model. We may examine paratransit service in future audits.
34	CLOSED (APTA)	[consider] appropriately sizing or pricing services that exceed ADA requirements.	Following fare policy goals, Transit is working to achieve parity between the Access fare and the off-peak adult fare over time and recently increased Access fares by 50 cents. Under current policy, Transit does not plan

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			to change the cost or resize paratransit services. This recommendation will not be prioritized for further follow-up.

Sean DeBlieck, Senior Management Auditor, and Chelsea Lei, Management Auditor, conducted this review. Ben Thompson, Deputy Auditor, was the project supervisor. Please contact Sean DeBlieck at 477-6486 or Ben Thompson at 477-1035 if you have any questions about the issues discussed in this letter.

Attachment: Appendix 1, Source and Status of Recommendations

cc: Dow Constantine, King County Executive
Fred Jarrett, Deputy County Executive
Rhonda Berry, Assistant Deputy County Executive
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Kevin Desmond, General Manager, DOT
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John Resha, Policy Staff Director, King County Council (KCC)
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Appendix I

Source and Status of Recommendations

Current Recommendation Number	Source of Recommendation	Previous Recommendation Number	Status
1	KCAO	1	Progress
2	KCAO	2	Closed
3	KCAO	3	Progress
4	KCAO	3	Progress
5	KCAO	A6	Closed
6	KCAO	A10	Progress
7	KCAO	B1c	Done
8	APTA	OP1	Done
9	APTA	OP3	Progress
10	APTA	OP4	Progress
11	KCAO	E2	Progress
12	KCAO	E3a	Progress
13	KCAO	E3c	Progress
14	APTA	OP2	Progress
15	KCAO	A12c	Done
16	APTA	FA1	Done
17	APTA	FA2	Done
18	APTA	FA3	Closed
19	KCAO	F2a	Done
20	APTA	PM1	Progress
21	APTA	PM2	Done
22	KCAO	C8	Done
23	APTA	PO1	Closed
24	APTA	PO2	Progress
25	APTA	PO3	Progress
26	APTA	PO4	Progress
27	APTA	PO5	Closed
28	APTA	LA1	Done
29	APTA	LA2	Closed
30	APTA	LA3	Progress
31	APTA	F11	Progress
32	APTA	F12	Progress
33	KCAO	D4	Closed
34	APTA	PT1	Closed