



January 27, 2014

The Honorable Kate Brown
Oregon Secretary of State
136 State Capitol
Salem, OR 97310-0722

Dear Secretary Brown,

TriMet would like to thank you and your audit team for the diligence exhibited during the audit process. The guiding legislation outlined an exceptionally big job and broad task and the result has been a comprehensive and thorough review of our organization.

TriMet is a complex organization that touches everyone in our community, even if they don't ride transit. We are an organization that does everything from helping a commuter get to his job to building a bridge across the Willamette River to making sure one of our LIFT passengers gets to her doctor's appointment on time. We believe your report captures this complexity in an informative and understandable way.

We are also an organization that embraces the concept of continuous improvement, recognizing there is always the opportunity to do better. That is why we welcomed your assessment.

Your report suggests the need for improvements in our communication and relationship with our frontline employees. We know that to be successful, our employees must feel connected, valued and consulted. This is especially true on the topic of safety.

Safety has been and remains our core value. We have made significant progress on this front, but there is more to do. As you report, we have updated our training, re-energized our Safety Committees and created a new process where employees can identify safety concerns through our Request for Safety Assessment (RSA). We did learn from the audit, that although the Committees and RSA process are in place, there are still some employees who are skeptical about their effectiveness. This audit helped us better understand we have to do more to ensure employees are hearing back from us about their concerns, especially on safety related topics.

The audit did a notable job capturing the status of our fiscal condition and the need for continued reform in the area of union benefits. It also noted the improvements we have made to be a more transparent organization, our collaboration with our partners and stakeholders, and our external outreach efforts.

You highlighted some of the issues where we agree there are opportunities to be more cost-effective and efficient. You recommended we work with the Union on streamlining operational issues such as the ability to directly hire experienced maintenance workers that under the current labor agreement requires that they first be hired as bus cleaners.

Below you will find responses to each of your recommendations. We agree with all of them. Our first focus will be on those items that further the delivery of safe and dependable service. As the audit notes, we already have many safety initiatives underway to ensure our equipment and infrastructure are safe.

I have asked our Interim Deputy General Manager to lead an effort to ensure the audit's recommendations are implemented and to regularly report to the TriMet Board and the public on our progress. If resources are needed, these recommendations will be a priority as we prepare our FY15 Budget.

It is important to note that some recommendations require joint agreements between Amalgamated Transit Union (ATU) and TriMet. We know that they are as committed as we are to delivering safe and dependable service and I am hopeful we will be able to find common ground in these areas.

We have a workforce committed to delivering high quality service. A strong transit system is a critical element of a healthy and vibrant community. The audit findings help shape the work ahead of us as we continue to meet our mission of delivering safe, reliable service.

AUDIT RECOMMENDATIONS AND RESPONSE

From Audit Report: The following recommendations relate to areas where we saw the possibility of further improvement. TriMet may need to do additional work to determine the extent of the problem in these areas and whether a cost-effective solution exists.

Administration and Oversight

Audit Recommendation: To improve its administration and oversight functions, TriMet should consider:

- **implementing a hotline or other function to enable employees to make reports of fraud, waste , or abuse of district resources**

Yes. As the Audit notes, late last year the TriMet Board passed a resolution creating an Accountability Committee. The Committee will include a TriMet Board Member, TriMet's General Counsel, and at least one member of TriMet's web services staff. The Committee will convene its first meeting in February 2014, and will discuss the Audit's findings related to improving transparency and oversight functions. The Committee will determine the best way to implement a hotline or other function to enable employees to make reports of fraud, waste or abuse. This recommendation is likely to require resources and will be included in the FY 2015 Budget which we are now preparing.

- **publishing results of internal and external reviews and audits (both performance and financial) on its website**

Yes. Final reports will be posted on the Accountability web page. If a specific report contains sensitive material, such as information about TriMet's safety or security systems, it will be submitted for review to the Accountability Committee to determine appropriateness for posting.

Financial Challenges

Audit Recommendation: To address its financial challenges, TriMet should continue to consider including a specific strategy for addressing the OPEB and pension liabilities in the strategic financial plan.

Yes. We recognize that we have a significant unfunded pension and Other Post Employment Benefits (OPEB) liability and the TriMet Board continues to develop a Strategic Financial Plan to address these liabilities. These legacy benefits have their genesis when TriMet was first formed in December 1969. Employer paid retiree medical benefits were introduced in 1971.

As we address these issues, we believe there is a fundamental difference between our pension liability and other OPEB liability. Pensions are a funding issue. OPEB (primarily retiree medical) is both a benefit design and eligibility issue and a funding issue.

TriMet has taken several steps in recent years to reduce its OPEB liability. In 2009, TriMet closed retiree medical to all new non-union employees. Medical benefits for non union active and retired employees were scaled back and premium contributions added. With the 2012 Interest Arbitration award some union employee and retiree benefits were scaled back. The combined effect of these changes reduced TriMet's OPEB liability from approximately \$900 million to \$850 million.

TriMet believes that its current contract proposal to the Amalgamated Transit Union (ATU) to bring union retiree medical benefits in line with non-union retiree medical benefits will reduce TriMet's OPEB liability by 50% over the next 15 years while TriMet continues pay-as-you-go premium payments during this same time period.

Regarding pensions, in 1985, an irrevocable pension trust was established, jointly administered by the Amalgamated Transit Union (ATU) and TriMet. Since the trust's inception TriMet has always funded the full Annual Required Contribution (ARC) determined by certified independent actuaries.

With the July 2012 interest arbitration award TriMet's defined benefit pension plan for union employees was closed to new hires. The defined benefit pension plan for non-union management and staff employees was closed to new hires in April 2003. All new TriMet employees are now covered by defined contribution pension plans. TriMet believes pension benefits are now in line with our peers and sustainable for the long-term. Because both defined benefit pension plans are now closed to new hires TriMet has an objective of fully funding both plans.

The TriMet Board is scheduled to consider in February 2014 adopting pension funding plans for each defined benefit plan that would shorten the current funding amortization schedule to approximately match the average remaining working life of active participants (estimated to be six years for the management and staff plan and 11 years for the union plan.)

Labor-Management Relationship

Audit Recommendation: To address its strained labor-management relationship, TriMet should consider the following items:

- **holding formal meetings with the Union outside of the contract negotiations in order to help address ongoing financial and operational challenges**

Yes. TriMet's contract proposal suggests that there be periodic labor/management meetings. Under that provision, either party may call for these meetings as needed for the purpose of discussing the relationship of the parties, improving communication and addressing problems of mutual interest. TriMet originally proposed this language and the ATU's counter proposal has incorporated TriMet's proposed language.

TriMet's relationship with ATU is largely defined by the Public Employee Collective Bargaining Act (PECBA). Under PECBA, the parties' relationship is for the "purpose of negotiations concerning mandatory subjects of bargaining, to meet and confer in good faith in accordance with law with respect to any dispute concerning the interpretation or application of a collective bargaining agreement, and to execute written contracts incorporating agreements that have been reached." Given this, we must be careful about interpreting the recommendation that TriMet engage in formal meetings outside of contract negotiations with the ATU regarding financial and operational issues that properly would be considered mandatory subjects of bargaining. If we interpret the recommendation to engage with the ATU on financial and operations matters as an important stakeholder, the same as we do with other stakeholders, then there should be no conflict.

- **identifying strategies for improving two-way communication and the relationship between TriMet management and frontline employees**

Yes. In March 2013, we commissioned consultant, Barbara Ramirez Spencer, to assess four areas in daily operations where improvements might be warranted. One of those areas was how to better communicate and engage frontline employees. Her findings suggested implementation of the draft Operations Communication Plan which identified a number of ways to better communicate with the frontline. Committees have been formed to review the plan, set priorities and develop an appropriate work plan.

Part of this effort includes my directive to put in place a process to engage frontline employees on specific topics. These topics cannot involve items related to terms and conditions of employment as described in the before mentioned PECBA regulations, but can focus on other issues and areas of concern for which the agency can gain a broader perspective from those closest to the work. This process is intended to support the agency's overall continuous improvement business model by forming teams comprised of impacted employees from specific

work groups and assembled as needed to discuss issues pertinent to the work group and to obtain employee feedback.

As an example, later this year our renovated Operations Center at our Center Street facility will include a remodeled Operator Report Room designed to make managers more accessible to frontline employees. Under the direction of a consulting team, this design was developed with input from operators and other users of the space. Over the next few years, the other four Operator Report Areas will undergo the same operator involvement process to determine their final design.

Middle management and frontline supervisors direct the activities of frontline employees and are the day-to-day communicators of work related information. To ensure consistency, of communication, we will provide training to managers and supervisors on effective communication techniques and behaviors including ways to solicit feedback.

- **employing strategies other transit agencies, such as the MTA, have identified to better communicate and engage with its frontline employees**

Yes. We have obtained a copy of the MTA's report, dated November 2007 and entitled "Engaging, Recognizing, and Developing the MTA Workforce" prepared by the Blue Ribbon Panel on Workforce Development. We have learned that most of the report's recommendations were not implemented and the report is no longer being used as a framework for moving forward, but will consider the report along with the findings of our consultant, Barbara Ramirez Spencer. Her report, "Measuring Up" compared TriMet in four selected areas to peer transit properties: DART (Dallas), Metro Transit (Minneapolis), RTD (Denver), SDMTSD (San Diego), UTA (Utah), and MARTA (Atlanta). The report delineated six (6) specific recommendations that captured the best practices of the peer transit properties related to improving frontline communication.

A cross-functional TriMet work group was formed to review the recommendations and devise an implementation plan. That work is ongoing and will be augmented by any relevant recommendations contained in the MTA report.

Transparency and Engagement

Audit Recommendations: To improve its transparency and engagement policies and practices, TriMet should consider the following items:

- **identifying ways to communicate to participants how their input affected the decision and explaining the decision in a clear and timely fashion**

Yes. Last year, TriMet updated its Public Outreach and Engagement Framework to incorporate the best practices of the International Association for Public Participation. These include an explicit consideration of stakeholder participation including ways to inform stakeholders how their input was used in a decision-making. We will continue to adhere to this policy and look for opportunities to communicate it in all of our public engagements.

- **conducting the Attitude & Awareness Survey every year to better track satisfaction with its services**

Yes. In the fall of 2013 the Attitude & Awareness Regional Survey was resumed and will once again serve the agency with useful public and rider feedback. Going forward, this survey will become a priority budgeted line item to ensure a timely, consistent review of customer perceptions. In alternate years, we may tag onto other organization's surveys as we have been doing, to save costs.

As the Accountability Committee continues to develop the Accountability Center web page, it should consider soliciting public feedback to identify additional information of interest to the public.

Yes. TriMet's Accountability Committee will develop a formal process for gaining public feedback. This will include reaching out to our riders and other key stakeholders online and through our other outreach venues over the next several months to determine what additional information should be included in TriMet's Accountability Center web page. This targeted effort will be concluded by September, 2014, but there will be ongoing channels for stakeholders to suggest further additions to the page.

Route Planning

Audit Recommendations: To improve its efforts to plan routes, TriMet should consider the following items:

- **formally adopting service guidelines to ensure consistency in how it identifies and executes service changes**

Yes. We have used a consistent approach for service changes for many years, but have more recently begun focusing on formalizing and updating the approach. Planning staff have drafted a set of service planning guidelines intended to better explain the decision-making process including regular opportunities for stakeholder input on how we identify and execute service changes. As part of this effort, we have also been enhancing our analytic tools to better understand the level of demand in different areas and to strengthen our up-front analysis of transit equity needs to inform service change proposals. We will seek stakeholder input on the framework and seek to finalize a set of service guidelines over the next year.

- **reexamining their current processes for determining work shifts to ensure adequate time for operator breaks**

Yes. Currently, the agency's schedule writers go to the operating locations monthly to visit with operators and to receive feedback on the route structure. Schedule writers will often ride along with an operator on their route to observe firsthand the conditions that the operator faces, and then will make such schedule adjustments in future schedules to the extent allowed through the collective bargaining agreement. As part of a recent reorganization, a new department called "Service Delivery" was created. By July 2014, a more formal operator engagement process will

be in place to receive feedback on schedule performance and ensure there is a communication loop back to operators on actions taken on scheduling issues, including time in the schedule for operator breaks.

▪ **working with its operators to address adequacy of its bathroom facilities**

Yes. There is a long-standing cross-divisional Operator Restroom Committee. This committee meets regularly to identify appropriate restroom locations for operators and works with the zoning departments of the various jurisdictions to obtain approval to site TriMet operated restroom facilities for its operators. Close attention is given to the security of the site and the adequacy of the design. We will add an operator from each bus garage to the committee by February 2014.

▪ **improving its method for receiving scheduling feedback from operators, and communicating to operators whether TriMet can address the issue**

Yes. In addition to our robust external outreach efforts as noted in the audit, obtaining feedback from operators about route structure and viability is a key component of the agency's continuous improvement business model. As described above, the new Service Delivery department's employee engagement process that will be in place in July will provide another avenue to gain feedback from operators about schedules.

To address the complexity of scheduling operators, TriMet should consider working with the Union to identify and evaluate alternative strategies to reduce the complexity and cost of bus operator signups

Yes. Our current method of operators signing for their work is a long-standing practice that is common in the industry. As part of contract negotiations, discussions have occurred about ways to simplify some aspects of the operator sign-up process that better manages time and costs. Since this is a mandatory subject of bargaining, we cannot make unilateral change; agreement by the ATU is required. Additionally, these changes may have a financial impact and need to be accomplished in a way that does not adversely affect TriMet's already challenged financial situation.

To improve hiring practices, TriMet should work with the Union to consider ways to change entry-level hiring practices for maintenance employees to allow for hiring applicants with prior training or experience.

Yes. As the audit team recognized, virtually all of our maintenance positions must be filled by promoting current employees up from entry level service worker positions and into multi-year apprentice training programs that currently are the sole source of our journey-level workforce. Our initial contract offer dated November 30, 2012, proposed hiring experienced applicants from the outside, including provisional journey workers. After lengthy discussion at the bargaining table, the ATU rejected our proposal.

Our most recent counter offer modifies its original proposal by limiting our right to hire from the outside to apprentices only – not journey workers – and to circumstances only when specified levels of attrition have been exceeded. We have communicated to the ATU that our proposal is intended not only to maintain service commitments and maintenance standards, but also to facilitate building partnerships with veterans groups, community colleges, and other entities involved with promoting employment opportunities in our region. While our proposal would give TriMet the right to hire experienced maintenance workers from outside of TriMet, those new hires would have to be part of our apprentice program at the appropriate level.

TriMet should consider formally documenting its bus operator recertification program by adding it to the standard operating procedures

Yes. As noted in your report, our annual training and recertification program is in the third year. We will document our bus operator recertification program in the form of a Standard Operating Procedure (SOP) by February 1, 2014.

TriMet should consider developing a formal evaluation process for all frontline employees that includes written constructive and positive feedback when warranted.

Yes. We will review best practices within the industry as part of an effort to redesign the current operator personal profile evaluation process. We will pilot this program for our operators in July 2014. Upon evaluation of the pilot, we will make any adjustments necessary and extend the program to include other frontline supervisors and frontline maintenance employees.

To improve safety and accountability, TriMet should consider the following items:

- **whether it has adequately addressed all of the recommendations in the Task Force Report**

Yes. Our development and implementation of a Safety Management System was designed to ensure the recommendations from the Safety and Service Excellence Task Force are sustainable. An updated review of the actions already taken in response to the Task Force report will be completed by June 2014, and improvements will be made if there are any gaps.

- **evaluating the safety committees to ensure that they are effective and better communicating their purpose to frontline employees**

Yes. We reenergized and reconstituted our Safety Committees as part of our response to the Safety Task Force recommendations. They received some initial training and have worked to develop committee charters. We agree that it is time to re-evaluate these efforts and will do so by May of this year. Part of that review will include obtaining best practices from other organizations that have developed comprehensive safety programs and training like UPS. Recommendations that come from this evaluation will be implemented. This evaluation will ask for ways to train and engage members and to ensure better communication of the Committees' purpose, processes, and outcomes.

- **further communications with frontline employees to explain the RSA process, including its purpose and merits**

Yes. As noted in the audit, we put the RSA process in place with a transparent mechanism for employees to receive feedback about their safety concerns. Even so, audit results indicated some employees may have some reservations about the effectiveness of the program. By April 2014, all Safety Committees will be asked to review and evaluate the current ways we communicate the Request for Safety Assessment (RSA) process, its purpose, merits and outcomes. The recommendations of the Safety Committees will then be implemented along with a communication plan to better communicate the process.

- **continuing to work with the Union to establish a comprehensive hours of service policy that covers all safety sensitive positions**

Yes. We have had in place an Hours of Service (HOS) policy since 2000 covering all safety sensitive positions. In 2013, our agreement with ATU put in place an Interim HOS policy that enhanced safety and accountability for bus operators. We agreed to meet regularly with ATU for the purpose of refining and making a permanent change to the HOS labor contract provisions. Those meetings have been taking place and progress has been made. We are optimistic that a final agreement regarding bus operators can be moved forward during the bargaining process. As part of its November 2012 contract offer, we proposed enhancements to the HOS provisions that align with American Public Transportation Association (APTA) standards for train operators, and expanded the standards to cover all safety sensitive positions.

- **working with the union to develop a policy for bus operators to ensure they are fit to operate a vehicle before their shift**

Yes. The majority of our frontline operators report to an operating facility before they begin work. There are supervisors and managers in the facility to provide observations of an operator's fitness for duty. We also have supervisors available in the field who periodically interface with operators and can observe operator behavior and take the appropriate actions. Pursuant to the Department of Transportation (DOT) drug and alcohol regulations, managers and supervisors receive periodic training on techniques to employ while observing the behavior, speech, and appearance of their employees. Such observations occur regularly in bus operations, and although not formally tracked, are an effective tool in ensuring that bus operators are fit for duty while reporting to work and during an employee's work shift. However, we will explore a more formalized 'fit for duty' observation program for bus operators and deliver a recommendation for a pilot program to augment and strengthen this practice by September 2014.

- **discussions with employees to address their perceptions about safety and communicating practices TriMet is working on to mitigate safety risks**

Yes. Continuous improvement teams are in the process of being organized to examine specific safety concerns. These teams will have frontline representation from the work group closest to the issue or concern. Initial teams will work on a review of the new buses and examine right-of-

way worker safety. Recommendations flowing from these teams will be evaluated and final actions will be communicated to the workforce.

As the elements of the Safety Management System (SMS) are implemented, each will be communicated to employees. Additionally, employee training sessions will take place first for directors, managers and supervisors and will begin for all frontline employees in 2015. This training will include an overview of the SMS components and the role of each employee. Safety risks and control measures will be communicated during these sessions and through other communication channels.

Your audit has been very helpful in both acknowledging the work in progress and identifying where we can improve. I hope our responsiveness during the audit process and our response to your recommendations reflects the value we have gained from the report.

Sincerely,



Neil McFarlane
General Manager

C: Gary Blackmer, Director, Oregon Audits Division
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