

# TRANSCRIPT

## INTEREST ARBITRATION PROCEEDINGS

Pursuant to Charter Sections A8.409 & 8A.104(N)

Transport Workers Union, Local 200

And

Municipal Transportation Agency

Saturday, May 7, 2005

Vol. 1, Part 2 (Testimony of Debra Ward, MTA Budget Director)

ARBITRATOR HOH: Okay. Thank you, Mr. Williams. What's next?

MR. SLOAN: Take a three-minute break?

ARBITRATOR HOH: Take a five-minute break.

(A recess was taken from 3:05 p.m. to 3:20 p.m.)

(Whereupon, the witness was sworn.)

ARBITRATOR HOH: Back on the record. Next witness. State your name, please.

THE WITNESS: Debra Ward.

ARBITRATOR HOH: Thank you. Ready to go, Mr. Sloan?

MR. SLOAN: Yes, sir.

ARBITRATOR HOH: If you could identify who you are, Ms. Ward, I'd appreciate it.

THE WITNESS: I am the budget director for the MTA.

ARBITRATOR HOH: Go ahead, Mr. Sloan. Whenever you're ready.

MR. SLOAN: And lead on foundation?

ARBITRATOR HOH: Yeah.

### *DIRECT EXAMINATION BY MR. SLOAN*

MR. SLOAN: Q. This is one long question. Do you have 20 years of budget and finance in the United States, including 15 years in management as a principal analyst, budget director or CFO?

A. Yes.

Q. Did you start working for MTA only recently in February of '05?

A. Yes.

Q. And before that you worked at San Francisco Airport as the capital and operating budget manager for the runway budget, then budget director for the two, total of three and a half years?

A. Correct.

Q. Before that you were the CFO for the San Francisco Fire Department for two and a half years?

A. Correct.

Q. Before that you worked for the Harvey Rose Accountancy Corporation as principal analyst managing audits for four years?

A. Yes.

Q. Four years for Rose. Gee, you must have been patient.

A. I was out of town most of the time.

Q. Before that you were a budget coordinator for Arlington County, Virginia for six years?

A. Correct.

Q. Before that you were a personal retirement account rep for Vanguard Investment Group in Valley Forge, Virginia, two years?

A. Valley Forge, Pennsylvania.

Q. Valley Forge, Pennsylvania. What a difference a V makes. Before that you were research and evaluation analyst for the Seattle Water Department for two years?

A. Correct.

Q. And prior to that you've got an MPA in public policy in finance from the University of Washington?

A. Correct.

Q. So what brings you here?

A. To San Francisco or to the MTA?

Q. To this table?

A. To this table. I am here to provide the detailed information that is required for this arbitration session. I am the -- as the budget director for the MTA, the agency is responsible for providing documentation to the board of directors, to the controller and the mayor for the adoption process for the annual budget.

Q. Okay. So you've heard -- and the difference between your job and Mr. Sunshine's job is...?

A. I am actually the person who is tracking the minute detail of the budget. I am the one who is responsible for making sure that the agency has met all of the requirements, that we understand the costing, that we understand, as an agency, what the controller has included in our baseline as a result of collective bargaining agreements that are currently in play, collective bargaining agreements that may be on the table at the time the budget is processed and providing the oversight of the daily operations of the budget, sort of sparing Mr. Sunshine the necessity of knowing everything.

Q. All right. So I have -- there are two things I want to ask you to cover.

A. Okay.

Q. One is I want you to fill in the detail. In other words, Mr. Sunshine gave the overview. Fill in the detail in reference to the documents that are -- that we have provided to the arbitration panel and to the arbitrator.

A. Okay.

Q. The second thing is, to whatever extent that doesn't get through all of the financial documents that you have either created or reviewed, I'm going to want you to give us at least a sentence explaining the import of those documents.

A. Okay.

Q. Go.

A. All right. Do you want me to start with document 1 for -- or is that how you would like to do this or --

Q. That would be just fine.

A. All right.

ARBITRATOR HOH: This is from your package --

MR. SLOAN: Yes. Well --

ARBITRATOR HOH: -- correct?

THE WITNESS: Yes.

ARBITRATOR HOH: All right.

THE WITNESS: In tab 1 we have the estimate of costing of the proposal for TWU. We do this on a percentage basis. That way we are able to determine how much each percentage increase on the base wage, including fringe benefits, would cost the agency and would add to the annual budget.

MR. SLOAN: Q. Historical calculations, 1 percent is a little bit over \$280,000?

A. Correct.

Q. What is Exhibit 2?

A. Exhibit 2 is the actual payroll from July 1st, 2004, to the pay period ending April 8th, 2005, showing the costing for the members of the Local 200 bargaining unit.

Q. 3?

A. Number 3 is an account of the current filled positions. There was a question earlier about the number of positions within the unit. There are 262.5 budgeted positions. There are 281 authorized positions.

ARBITRATOR HOH: 262.5 and 281 --

THE WITNESS: Yes.

ARBITRATOR HOH: -- filled? 281 budgeted, right?

THE WITNESS: 2 -- yes, 281.

MR. ANDERSON: I'm sorry.

THE WITNESS: 281 are authorized.

ARBITRATOR HOH: Authorized.

THE WITNESS: 262.5 are budgeted. 244 are currently filled. Well, filled as of April 8th, 2005.

ARBITRATOR HOH: Let me catch up. 241 --

THE WITNESS: 244.

ARBITRATOR HOH: -- 4 are actually filled?

THE WITNESS: Yes, we issue paychecks for 244.

ARBITRATOR HOH: And we'll turn to those materials in the packet. I appreciate your interest in going quickly, but this is stuff I at least want to make some notes of given the fact I won't have the transcript over the weekend.

MR. SLOAN: It's the first time I've heard you say we're going too fast, so that's good. It warms my heart.

ARBITRATOR HOH: Glad to be of service. What's next?

THE WITNESS: 5. Number 5.

ARBITRATOR HOH: Oh, number 4. Did I get number 4?

THE WITNESS: This is number 4.

ARBITRATOR HOH: Thank you.

THE WITNESS: No problem. Number 4 is the resolution for Proposition E, which established the MTA as an entity.

MR. SLOAN: Q. And which also designates the service critical units --

A. Yes.

Q. -- service critical classifications and functions?

A. Right. On number 5 we actually have the resolution that designates those service critical functions, dated 6/18/02.

On number 6 we have the charter provisions for article 9 for the City and County of San Francisco, which provide the basis for every single department in order to assure that the departments and agencies are preparing a budget that is fiscally sound, meets all of the federal, state and local regulations and requirements and is submitted in a balanced manner. This is because every jurisdiction in the United States and every governmental entity, save the federal government, is required by law to supply a balanced budgeted, and this sets forth those guidelines.

Q. Okay. We're going to pass on 8. Mr. Williams will cover that at a later time. 9 was our opening proposal. 10 is our prearbitration proposal. 11 is another one of Mr. Williams' related to an assignment of work, as is 12. What is 13?

A. 13 is the tripartite report that is produced by the mayor's budget and the board of supervisor's budget analysts and the office of controller setting forth the economic conditions that they are projecting for the City over the next three years.

Q. Is this the report that the charter alludes to --

A. Yes.

Q. -- that the panel needs to take into account?

A. Yes, it is.

Q. Can you tell us what are -- the most important facet or facets are, in your view?

A. The most important facets are the -- sort of the overall economic conditions, the estimates that the controller has made and the budget analyst and mayor's office regarding percentage increases for cost of living, how they anticipate collective bargaining agreement stipulations moving forward so the departments are able to determine what they are looking at going forward.

Q. Okay. If we go to page 15 --

ARBITRATOR HOH: Page 15 or Exhibit 15?

MR. SLOAN: Page 15 of this report.

ARBITRATOR HOH: Okay. Thank you.

MR. SLOAN: Under the summary.

ARBITRATOR HOH: Hold on. Let me get there. Okay.

MR. SLOAN: Q. There's a reference to a projection of 102.2 million shortfall for '05/'6 --

A. Correct.

Q. -- a 120.6 million for '06/'07 and 43.8 million for '07/'8.

A. Yes, that's correct. That is significant to the MTA because the general fund --

Q. You knew what I was going to ask?

A. Yes, I did because I've watched this carefully. It is significant to the MTA because the general fund transfer is based on the health of the general fund. The amount, which is provided to the MTA by the City, fluctuates depending on where they think the general fund is in terms of surpluses and deficits.

Q. What makes you say that?

A. In the current year I have approximately -- I have a document that says that the MTA will receive approximately \$98 million from the

general fund. That same document stipulates that in 2006 it will be reduced by approximately \$2 million, and further in this -- in the exhibits there is a report that is produced by the controller on a quarterly basis which sets forth the changes in the transfer from the general fund to the MTA based on the health of the general fund itself.

Q. We're going to skip 14. Let me ask you to turn to 15.

A. Okay.

Q. Generically speaking, particularly when I ask you to turn to the third page of 15, which is a February 21 letter from the executive director of transportation, Michael Burns --

A. Yes.

Q. -- to fellow MTA employee, what's the purpose -- of these sorts of letters from Mr. Burns?

A. These letters are for Mr. Burns to provide the employees of the agency with an overview of where we are in the budget process, how he sees the agency moving forward and then sort of just general information on how we are going to be impacted in the future based on funding and royalties.

Q. Okay. What is 16?

A. Okay. This is the PowerPoint presentation which was given to the MTA board of directors to present the current year budget, which is fiscal year --

ARBITRATOR HOH: Time out. She's referring to 16A?

THE WITNESS: No. I'm referring to 16B.

ARBITRATOR HOH: Oh, I'm sorry. Is 16A not the PowerPoint?

MR. SLOAN: 16A is what Mr. Burns covered -- Mr. -- sorry.

ARBITRATOR HOH: That's all right. Mr. Sunshine.

MR. SLOAN: Yeah, Mr. Sunshine, that guy over there.

ARBITRATOR HOH: Hold on. I may be confused on which is which.

THE WITNESS: This is 16A. This is what Mr. Sunshine covered, which was presented to the -- the MTA board of directors on May 3rd specifying the service cuts which had been included as a lump sum reduction in the baseline budget they approved in March -- or actually February 28th of 2005.

MR. SLOAN: Q. Okay. Now, what is 16B?

A. 16B is the same presentation that would have been given to the board of directors setting forth the -- the status of the budget that was before them for approval for the current fiscal year, which is 2005, and it notes the \$31.9 million deficit which Mr. Sunshine spoke of.

Q. Okay. But -- I know we're moving as quickly as we can, but I want you to pause for just a minute and make sure that we're not missing a detail that would be important for the arbitration panel.

A. Okay.

Q. For example, if you go to the first page beyond the title page --

A. Yes.

Q. -- there's a reference to assumptions used in budget development.

A. Yes, those assumptions are --

ARBITRATOR HOH: Time out here. Maybe mine are out of order. This is what I have first, and it probably shouldn't be that way. This is the beginning of the PowerPoint.

MR. SLOAN: I think you missed a page.

ARBITRATOR HOH: Am I?

THE WITNESS: I think so, yes. Yours is missing a couple.

MR. SLOAN: I'll trade you.

ARBITRATOR HOH: This many pages, or is this the whole thing?

MR. SLOAN: That's it.

ARBITRATOR HOH: 16B.

MR. SLOAN: 16B.

ARBITRATOR HOH: Which is which? This is the whole thing?

MR. SLOAN: That.

ARBITRATOR HOH: Hold on. See, I have portions of it, but not all of it.

MR. SLOAN: Substitute that.

ARBITRATOR HOH: All right. Substitute what you gave me for what I have.

MR. SLOAN: 16B is six pages, front and back.

MR. ANDERSON: Are you saying what's in the book is incorrect?

ARBITRATOR HOH: No, my book is the problem.

MR. ANDERSON: Oh, I see.

MR. DE NARDO: Is that A or B?

ARBITRATOR HOH: I have, apparently, five pages.

MR. ANDERSON: What is originally 16B?

MR. DE NARDO: That's B and A with your hands on it.

THE WITNESS: The current budget.

MR. ANDERSON: Oh, that's the current budget?

MR. SLOAN: Yes.

MR. ANDERSON: That's B.

ARBITRATOR HOH: Okay. I think I now have the proper document, which is six pages. Okay. We're together now. Go ahead.

THE WITNESS: Okay.

MR. SLOAN: Q. Now, let me just ask you: The pertinence of last year's budget to our present situation is what?

A. As an enterprise department or enterprise agency, the goal on an annual basis is to have enough funding at the end of the year to add to fund balance. As a result of \$7 million in service reductions that were not put into place and some budget requirements based on collective bargaining with Local 200 which required the MTA to add 1.5 million, we now have an issue of finding a way to fill those deficits in the current year budget. Again, as we go forward, there will be a document from the controller, which is a six-month report, which sets forth a \$10.4 million proposed deficit for the MTA.

Q. And we'll get to that in just a minute.

A. And we'll get to that in just a minute. But this document here on page 2 sets forth the assumption that will be included in any baseline budget that is prepared by any department within the City and County of San Francisco explaining what the controller and the mayor's office have anticipated with regard to health care, premiums, employer retirement contributions that will be made by the City and by the employees. It sets forth whether or not COLA's step increases will be imposed.

Q. Okay. Now, this is last year's. This was done a year ago --

A. Yes.

Q. -- in anticipation -- in preparation for this year's budget?

A. Correct.

Q. Okay. Now, if we go to the second to the last page, which is called "Proposed Service Adjustments" --

A. Yes.

Q. -- the proposed -- were these proposed service adjustments proposed as a cost savings measure?

A. Yes.

Q. Were they made?

A. No.

Q. Why not?

A. I am not sure. I was not here.

Q. Okay. Can you tell us whether that created a problem?

A. Yes, it created a \$7 million problem because it was not included in the budget.

MR. SLOAN: Okay. Now, Exhibit 17, Mr. Arbitrator, members of the panel and Union counsel, is a declaration from Ed Harrington relating to the City's economic outlook for '05/'6. The controller was unable to be present today. We will have a representative from the Controller's office here on Wednesday to monitor the Union's case presentation and to be available for any questions.

Q. Is there anything in this exhibit that you believe we should highlight?

A. Yes. The controller has provided his discussion on the 2004/2005 proposed budget.

ARBITRATOR HOH: Where are you referring here?

THE WITNESS: It's page -- if you go to attachment 2 -- yes.

ARBITRATOR HOH: "Reserves Detail" on the back of it?

THE WITNESS: No.

ARBITRATOR HOH: Oh, it says, "Attachment 2. See MTA Exhibit 34."

MR. SLOAN: Okay.

ARBITRATOR HOH: So I need to look at 34?

THE WITNESS: Yes.

MR. SLOAN: Evidently.

MS. PRESCOTT: It's in volume II.

MR. SLOAN: Volume II, Exhibit 34.

THE WITNESS: Exhibit 34 is the current year's nine-month report which was provided by the controller. It was produced on May 3rd of this year. It states the changes in the -- the general fund and the general health of the City based on

the current economic conditions. I will note that there has been improvement in the City's financial position. It is reported that it is the result of a sort of one-time increase in taxes for the sale of property, so the transfer tax has actually increased by approximately \$30 million above what was originally anticipated for the current year. As a result of that, the original general fund transfer for the MTA for the current year only was increased by \$3.4 million.

MR. ANDERSON: To the 98 million --

ARBITRATOR HOH: Just --

MR. ANDERSON: -- which includes -- I'm just asking for clarification.

ARBITRATOR HOH: Okay.

MR. ANDERSON: The 98 million includes a \$3.4 million increase over last year?

THE WITNESS: No. That number does not. So it's the 98 plus 3.4.

MR. ANDERSON: So it's actually 101.4 million?

THE WITNESS: Correct. However, the documentation from the budget will still have \$98 million because that document was produced from a first -- this is a report for May 3rd updating that position.

MR. ANDERSON: So that's a windfall of 3.4 million?

ARBITRATOR HOH: I'm sorry. Where are you referring to, the 98? I'm not seeing this at all. I'm seeing \$94 million. I'm seeing 24.

THE WITNESS: The \$98 million -- you do not have this document. It's the detailed three-ring document.

ARBITRATOR HOH: If it's 100 pages, I don't want it.

THE WITNESS: There you go.

MR. ANDERSON: She also testified that in breaking out the various sources of revenue from taxes from the general fund, et cetera, that she was going to get 98 million --

ARBITRATOR HOH: Okay.

MR. ANDERSON: -- this year and \$96 million next year.

THE WITNESS: Correct.

MR. ANDERSON: And that is understated, apparently, by apparently \$3.4 million based upon the health of the fund?

THE WITNESS: Right.

MR. ANDERSON: All right. So you've budgeted \$98 million. You're actually going to get \$101.4?

THE WITNESS: In the current year, correct.

MR. ANDERSON: Okay.

THE WITNESS: That has no bearing on '06 whatsoever.

ARBITRATOR HOH: Let's move forward.

MR. SLOAN: Q. Okay. What bearing does it have on '05?

A. The bearing on '05 is the \$10.4 million estimate we have is now reduced by that \$3.4 million, so now there is a \$3.69 deficit.

Q. For this year?

A. For this year. So while the deficit is not as large, it still remains.

MR. ANDERSON: Can I just ask one more question for clarification? The \$98 million, is that for '06?

THE WITNESS: No. The \$98 million is for '05.

MR. ANDERSON: And the -- and for '06 it's \$96 million?

THE WITNESS: It's \$96 million. The \$98 million in '05 will be augmented by the one-time transfer of \$3.4 million, bringing it to \$101.

ARBITRATOR HOH: I've got it. Okay.

THE WITNESS: Do you want to go back in order now?

MR. SLOAN: Q. No.

A. No.

Q. Go to page 32 of Exhibit 34.

ARBITRATOR HOH: Attachment A?

THE WITNESS: No.

MR. SLOAN: No, we're in the same exhibit, 34.

ARBITRATOR HOH: Oh, I'm sorry.

MR. SLOAN: Get to page 32.

ARBITRATOR HOH: Okay. Go ahead.

MR. SLOAN: Q. What's this paragraph doing here relating -- referring to MTA, Muni and parking and traffic operating funds?

A. It's an explanation of the changes that they have made. It states that there is still approximately a \$15.1 million problem in platform costs and a \$2.7 million cost overrun in fuel. Despite the -- the increase in revenue, those projections are still moving forward in terms of cost overruns.

Q. What does that mean?

A. It means that at the end of the year --

ARBITRATOR HOH: I'm asking Mr. Anderson not to interrupt. You can do it on cross examination.

MR. ANDERSON: I apologize. I'm just trying to understand the testimony as it's going on here and how --

MR. SLOAN: That's all right. She won't mind repeating herself.

Q. Proceed.

A. Yes. What it is saying is that, irrespective of the windfall of \$3.4 million --

Q. To use his word.

A. Yes.

MR. ANDERSON: She used it, too.

THE WITNESS: Yes, I did. And if you were to project the expenditures at their current run rate for the MTA, there would still be a \$2.7 million cost overrun in fuel. There is still an anticipated \$15.1 million cost overrun in platform salary and fringe benefits and --

MR. SLOAN: Q. And what does platform refer to?

A. Operators, transit operators, the drivers --

Q. All right.

A. -- transportation.

Q. And this 3.43 referenced in the fourth line of the paragraph on page 32 relating to union --

A. That is --

Q. -- is that the same 3.4 --

A. Yes.

Q. -- you were talking about earlier?

A. Yes.

Q. So that's how they connect up?

A. Right.

Q. Anything further on the nine-month report, since you are talking about it now?

A. Yes. Every department is required, if they are running a deficit, to prepare documentation for the controller's office and the mayor's office on how that deficit will be cured. There is a reference to a \$6.7 million sort of cleanup in purchase orders and a delay of purchases in order to close that gap.

Q. Where do we go next? Anything further on Exhibit 17?

A. Let's get back to that. You know, this is the -- this generally sets forth the conditions for most of the general fund departments in the City. It does make some reference, though not a great deal, to the enterprises.

ARBITRATOR HOH: Including the MTA?

THE WITNESS: Including the MTA.

MR. SLOAN: Q. Just to clarify, when you say enterprise funds, MTA is airport and the port?

A. The airport and the hospital.

Q. All right. Exhibit 18 is a declaration from Ben Rosenfeld about the City's situation?

A. Correct.

Q. Mr. Rosenfeld was unable to be here. But again, as I said, the representative for the City will be present on Wednesday. Is there anything in Mr. Rosenfeld's declaration that you would highlight at this time?

A. I would highlight, if you look at number 13 in his declaration, they are still projecting a \$1.2 million shortfall or gap between revenues and expenses for 2005/2006, which lends credence to the reduction in the general fund transfer fund to the MTA for that year.

MR. ANDERSON: I'm sorry. Can you repeat that?

ARBITRATOR HOH: Number 13 is what he's referring.

MR. ANDERSON: Number 13?

MR. SLOAN: Paragraph 13 --

MR. ANDERSON: Oh, paragraph 13. That's my problem.

MR. SLOAN: -- in Exhibit 18.

ARBITRATOR HOH: It starts out, "The Joint Report." Okay.

MR. SLOAN: Do you want her to repeat that?

MR. ANDERSON: Yeah, if she can just repeat it.

MR. SLOAN: Q. Will you restate that.

A. In the paragraph the mayor's budget director is still anticipating a \$1.2 million gap or shortfall between revenues and expenditures, which lends credence to --

Q. \$102.2?

A. \$102.2 million.

Q. Go ahead.

A. Okay. The -- the deficit in the general fund is the reason for the reduction in the transfer to the MTA from the general fund in 2006.

MR. ANDERSON: Okay. From the \$98 million to the \$96 million?

THE WITNESS: Correct.

MR. SLOAN: Q. The last sentence in paragraph 13, what does that mean? Can you read it?

A. Yeah. Instead of looking for one-time fixes, which tend to cause systemic problems within a budget, it is now time to actually look at the true implementation of reductions that will stem the shortfalls going forward.

Q. Okay. And then -- and that reference to attachment B, in turn, is a reference back to the nine-month report?

A. Correct.

Q. Anything further on 18?

A. No.

Q. What is 19?

A. 19 is the annual appropriation ordinance for the enterprise funds as of May 1st, which was submitted by the mayor's office, to the board of supervisors, as required by charter.

Q. Okay. Let's pause for just a minute. Just for clarity's purpose, if -- if the panel can look at the -- the second -- the third page -- it's front and back -- so you see the third page is called "Table of Contents." Down at the bottom this is actually a little stamp that was stuck in by my office. This exhibit only includes reference to MTA; the others listed in the table of contents have not been included?

A. Correct.

MR. SLOAN: So we just want to be clear. We don't think they're relevant, but if anybody else does, we'd be happy to provide those.

Q. So please turn to the pages relating to MTA and tell us what their significance are -- is.

A. The significance -- if you turn where it says "MTA, Municipal Transportation Agency, Sources of Funds," that is the revenue that the controller plans to certify for the MTA for fiscal year 2006.

Q. Okay.

MR. ANDERSON: Excuse me. Are you talking about the second line there, allocated general fund support?

ARBITRATOR HOH: No, it says on the top, "MTA, Municipal Transportation Agency," and then down lower in bold, "Sources of Fund." It's about the fourth -- excuse me. Yeah, about the fourth page in.

MR. SLOAN: Fourth page in.

ARBITRATOR HOH: So it's a table, Mr. Anderson.

MR. ANDERSON: I'm still --

MR. DE NARDO: Keep going.

THE WITNESS: Yes. So on -- on the left side you will see a page that says, "Appropriation Detail." Following the appropriation detail is the appropriated -- appropriation detail for revenues. The following page will show the sources of the funds. The page following that will show the uses of the funds. Since this is the mayor's document -- document and the controller's AAO for May 1st, which will change upon adoption, it is at a very high level. There is --

MR. SLOAN: Q. What does that mean?

A. There is no detailed line item explanation other than for revenues.

Q. Okay. So is there any other aspect of this that you would highlight in terms of showing the magnitude of the problem?

A. Yes. In the administrative provisions, all departments are required to provide information on the changes in revenues, fees, fines, et cetera. Those are all detailed in the tables on those two pages.

Q. All right. When you say the administrative provisions, that is a reference to what appears in the sixth page?

A. Correct.

Q. The sixth page is titled -- it bears the title "Administrative Provisions"?

A. Correct.

Q. And behind administrative provisions we see two pages which uniquely sound in transportationees?

A. Correct.

Q. So can you -- can you explain that?

A. On section 26 it talks about the fares and past policies that will be implemented in order to generate the revenue that the controller has certified for 2006. It specifies how the services for New Year's Eve will be provided. This is something that is done on an annual basis. It specifies some of the programs that will be put into effect, the Class Pass program, which is the program for college students. It is the short-term experimental fare. This is something that we are going to implement. It talks about the fixed route and paratransit fares, and below that is a detailed schedule of the current fare and the proposed new fare for '06.

Q. Okay. So in virtually all areas the fares are going up?

A. Yes, save the monthly pass for the general assistance recipients.

Q. And the cable car surcharge?

A. Correct.

Q. And the cable car senior and disabled fares?

A. Yes.

Q. Everything else is going up?

A. Everything else is going up.

Q. Have you already -- oh, and the paratransit fare is for the lift van and the group van and the taxi?

A. Right.

Q. Have you fully testified about why this is happening?

A. This is happening as a result of reducing the impact of the service reductions. We have -- as Mr. Sunshine spoke, we have a \$57.3 million gap between revenues and expenditures. In order to close that gap, approximately \$13 million in fare increases were proposed and accepted by the MTA board. These detail how those -- how that \$13 million would be generated for fares.

Q. Are these fare increases in the bag?

A. No, they're not.

Q. Why not?

A. We have a hearing before the Board of Supervisors Finance Committee on --

Q. Is that May 12?

A. Pardon?

Q. May 12th?

A. May 12th.

Q. What's that about?

A. It's about the parking fines and fees. These may be adjusted depending on whether or not the board of super -- these fares the MTA board has the ability to act on without the authority of the Board of Supervisors. However, there is a \$20 million package of increases in parking meter rates and parking citation fines which they do have the ability to act on.

ARBITRATOR HOH: "They" being the Board of Supervisors?

THE WITNESS: The Board of Supervisors. If the board of supervisors does not approve those increases as presented, then there is a hole of whatever they do not approve, so there --

MR. SLOAN: Q. Can't they go higher than what has been proposed?

A. Which ones? The -- the transit?

Q. Yeah.

A. These can, yes. The parking, no. We have to take it to the board of supervisors.

Q. I'm glad Mr. Anderson enjoyed the joke.

A. There you go. Yes, they can.

Q. Anything further on this document?

A. No, just the summary page talks about the bonded indebtedness for the City, the Municipal Transportation Agency. If you go to the next page --

Q. It's the last page front?

A. Yes. It talks about the Municipal Transportation Agency. There is some debt service and some bonded indebtedness in parking and in traffic.

Q. Is that it for 19?

A. That's it.

Q. 20, please. What is 20?

A. 20 is actually the mayor's proposed budget.

Q. Did this get off -- come off of the mayor's web page last night?

A. Yes, it did. Yes.

Q. Okay. Can you highlight any important aspects of it insofar as they relate to this proceeding?

A. Yes. There would be questions regarding the difference in the total amounts that are shown in the February 28th submission from the MTA board to the controller and the mayor as opposed to the numbers that are currently proposed by the mayor.

There is approximately a \$2.3 million reduction in the mayor's budget as a result of making technical adjustments to balance work orders between departments. And if we were requiring the Department of Public Works to provide us with \$200,000 worth of service, the Department of Public Works came back and said it's actually \$225,000. The mayor's office,

through the technical adjustment, would make that change and notify us of the change. So those changes have been made.

There has been a change in the cost of fringe benefits across the board in the original preparation of the budgets for the City departments. There was an anticipated 15 percent increase in health care and dental premiums. That percentage was actually closer to 12. Those reductions have been made.

Additionally, at the line item level in the budget that was presented to the MTA board, the service reductions had not been specified, nor had the – the layoff notices been issued to the transportation – to the transit operators. Once those were made, the mayor's office requested that we actually go into the budget, make the changes at the line item level and delete the corresponding number of FTEs, which was 145.5.

So those are the changes you will see between the submission from the MTA.

Q. February 28 --

A. The 28th --

Q. -- to --

A. -- to what has gone to the Board of Supervisors for their review.

Q. Okay. Turn to page 21 of Exhibit 20.

A. Yes.

Q. How do these pages relate to the issues in play in this arbitration?

A. These pages actually state the mission for the Municipal Transportation Agency. The City has a policy of developing a mission-based budget. These are the services that we will be required to provide based on the budget that was presented to the -- the mayor's office, the controller's office and, subsequently by them, to the board of supervisors that specifies the budget data. It shows the change and anticipated appropriation from current to proposed -- to the next fiscal year, which is approximately \$25 million. It's about a 4.43 percent increase. That increase is primarily driven by the cost of fringe benefit increases for health insurance. It is being driven by the mandatory increases in the collective bargaining agreements that were approved. The controller actually adds the cost

of living to the baseline. The departments have no choice. Those monies are there. There is an additional amount of funding for fuel since we know that we have a \$2.7 million problem in the current year.

So looking at the \$25 million, approximately \$22 million of that is beyond the control of the MTA. The rest is simple CPI adjustments in contracts.

Q. Go to page 22.

A. Yes.

Q. Talk about it.

A. Service level changes.

Q. Is that simply further confirmation of the level of the gap and what is being done to address it?

A. Yes, it is.

Q. Anything else in this document that you wish to highlight to the panel?

A. No, we -- we do on an annual basis provide them with some historical comparisons year to year. We provide them with the performance measures, which are the service levels that we intend to attain for the current year and what we have proposed for '05/'06.

Q. So that's in here?

A. Yes, it is.

Q. Where is it?

A. It's on page 25. So they take each -- each division and each agency or department of the City is required to provide performance levels. The mayor -- the mayor's budget office actually selects measures that they want to include in their document to highlight for each agency or department. For the Municipal Transportation Agency, they have taken safety and security for the executives' office. They have looked at the standards that we need -- that the agency would like to attain for maintenance. They look at the transportation, and then they look at parking enforcement. So given the -- sort of the mission of the MTA, the mayor's office has determined that these are the critical performance measures which they would like to highlight.

Q. Anything further on that document?

A. No.

Q. Okay. What is 21?

A. 21 is the new fund summary that we will attach to any documentation going forward to the MTA board specifying how the mayor's budget has changed at this sort of gross level as compared to the original chart in the 2/28 budget.

Q. Okay. So this conforms the content of the 2/28 budget --

A. Correct.

Q. -- to what the mayor's adjustments were?

A. Right. So this is at a very high level. We do not go back and do a detailed adjustment on the submission to the MTA board mostly because there are probably 500 iterations of the budget before it goes forward. There will be further iterations as the general fund departments go through their hearings in June. Once there is an appropriation and we know the exact amount of all of the general fund transfers to all of the departments and we know what the final cut is on benefits and how those are trued up, whether or not all of the work orders that were proposed will go forward, we will then do an adopted budget.

Q. Go to 22. What is it?

A. This is the staff report on the proposed service reductions. This highlights the -- the \$13 million reduction on the transit side in order to achieve the -- a portion of the \$57.3 million in savings. So this actually specifies how the \$13 million would be put into play and what would need to be implemented in order to achieve it.

Q. Go to page 2.

A. Okay.

Q. There's a chart titled "Policy Headways --"

A. Yes.

Q. "-- paren, Minutes." What's a headway?

A. A headway is the time between the buses, so between one stop to the next. That is a headway.

Q. Okay. Go to attachment 2.

A. Which is -- okay.

Q. "Summary of FY 2006 Service Reduction Scenarios."

A. Yes.

Q. What is that?

A. These are the service adjustments that will be made. It specifies how much will be achieved by a full year reduction, how much will be achieved in the 10 months, the service reductions, because they require public hearing. They require some adjustment in staffing. They require possibly some additional training which would not be implemented July 1st. They will not be implemented until September 1st, and it coincides with the timing of the fare increases.

Q. Okay. Now, how does this -- how does this relate to the mayor's budget?

A. The mayor's budget actually includes these reductions. The budget that was provided to the MTA board on February 28th also includes them, but not at this level of detail.

Q. Okay. Now, are these reductions going to the Board of Supervisors on May 12th?

A. No.

Q. Why not?

A. They are not required to approve these reductions.

Q. Why not?

A. By charter --

MR. ANDERSON: Charter --

ARBITRATOR HOH: Let her answer.

THE WITNESS: By charter, the MTA has the authority through their board to affect the day-to-day service of the department.

MR. SLOAN: Q. Okay. Go to 23. What is it?

A. 23 is actually the staff report that was attached to the submission of the 228 budget to the MTA Board of Directors. It specifies what is included in the \$57 million shortfall and how that would be actually closed. So if we look at page 2, page 2 is identical to the chart Mr. Sunshine used in his presentation showing the origin of the shortfall. Page 3 shows the changes in fares, parking fines and fees and service adjustments that will close that \$57.3 million gap.

Q. Go to page 8.

A. Okay.

Q. There's a reference to "fiscal emergency."

A. Yes.

Q. And on the next page there's a draft resolution.

A. Correct.

Q. What's that about?

A. In order to actually affect service changes, there is a CEQA requirement unless there is --

ARBITRATOR HOH: I'm sorry. What requirement?

THE WITNESS: CEQA, the California Environmental Quality's Act --

MR. SLOAN: Quality.

THE WITNESS: -- Quality Act requires that you do a study if you are going to impact the service. In order to avoid having to do that study -- and you would need to declare a fiscal emergency -- there is a procedure that is set up to sort of outline how that emergency occurred. You can't just simply say, "I have no money." There are procedures and policies and equations that would be required. Once that is done, you are free of that requirement, and you could implement the service reductions.

MR. SLOAN: Q. Okay. So if we look to pages 19 through 14, that appears to be text of a resolution declaring an emergency.

A. Correct.

Q. It's not signed?

A. It is signed in its entirety with the budget resolution. I do have a signed copy, which I could supply.

Q. Would you go to -- actually, you could have said, "No, it's not."

A. That's true.

Q. But I would say turn to page -- turn to Exhibit 24. Can you --

A. Yes.

Q. Can you identify Exhibit 24?

A. Yes, it is the same document.

Q. Is it signed?

A. Yes, it is.

Q. And therefore, was there a declaration of emergency?

A. There was a declaration of emergency issued.

Q. Anything else regarding -- backing up to 23?

A. No.

Q. Anything further on 24?

A. No.

Q. What is 25?

A. 25 is the ordinance for the board of supervisors for the health requirements. Each year they actually go to the board of supervisors to specify what the health premiums, et cetera, will be. This is the report from the budget analyst to the board stating how the department of health -- actually, it's the Health Service System, which was in the department of human service -- Department of Human Resources, has set forth their -- their rates for health and dental premiums.

Q. Okay.

A. It is a charter requirement.

Q. I notice that the second page has a page 17 down at the bottom, second full page.

A. Yes.

Q. And that if we thumb through the pages, which are front and back, and go to page 34, there is a chart that's titled "Changes in Health Benefits, Cost, Fiscal Year '05/'06 Budget"?

A. Correct.

Q. Also bearing in the far right column the term "Projected Increase in General Fund Costs"?

A. Correct.

Q. What does this reflect?

A. This reflects the increase in premiums and anticipated payments for all charter contribution employees for all retirees, dependents and active employees in terms of health care.

Q. So this is a citywide number?

A. This is a citywide number.

Q. Does that include MTA employees?

A. No, this is general fund only. The MTA is required to pick up their cost. So while this is the general fund, the MTA has a corresponding amount based on these rates, which they are required to pick up.

ARBITRATOR HOH: Corresponding percentage --

THE WITNESS: Percentage, yes.

ARBITRATOR HOH: -- I assume?

MR. SLOAN: Q. Okay. Anything further regarding this document?

A. No.

Q. Go to 26. What is 26 and how does it relate to this case?

A. This is related to the health service trust fund for the City and County of San Francisco, again, prepared by the Health Service System through the Department of Human Resources. Again, it

is a charter requirement, and it shows what the contribution will be to the -- the trust fund. This is actually for the -- the unified school district and others who make trust fund contributions.

Q. What bearing does that have on us?

A. The MTA has a trust fund which they fund for the transit operators, so these are the surveys that are set forth.

Q. Anything further on that document?

A. No.

Q. Okay. What is 27? This is a letter dated March 1, 2005, from Michael Burns to the budget director of the mayor's budget office.

A. This is the transmittal letter that went along with the 2/28 budget as approved by the MTA board to the mayor and the controller. In it they specify the amount of the budget. They specify the date in order to assure that they have met the charter requirements. They talk about the expenditures. It's pretty much on a very gross level, as the details are provided in the document itself.

Q. I see that on page 2 this has a reference to the proposed budget gap for \$57.3 million --

A. Correct. Yes.

Q. -- the second line from the top.

A. Yes, it does.

Q. Anything further on that document?

A. Yes. It also in the first paragraph under "Expenditures" notes that there are planned service reductions totaling \$13.5 million and the revenues. It notes the proposed increases for both fares, fines and meter rates.

Q. Okay. What is Exhibit 28?

A. Exhibit 28 is the actual submission by the MTA board and the executive director, Michael Burns, to the Mayor and the Controller.

Q. Okay. So this was the February 28 document?

A. The February 28 document.

Q. Is there anything in here that we haven't covered that we need to cover?

A. No, I don't think so.

MR. SLOAN: Mr. Anderson disagrees.

THE WITNESS: Pardon?

MR. SLOAN: I was just deferring to Mr. Anderson. Let us now go to 29.

ARBITRATOR HOH: Let me catch up.

MR. SLOAN: 29 is in binder 2.

ARBITRATOR HOH: Yes, I know that. That's what I meant. These books are large.

THE WITNESS: No. 29 is the original presentation to the MTA board of directors on February 28th highlighting the -- the -- sort of at a high level, the details in the budget that is before them for the --what was before them to approve.

MR. SLOAN: Q. And this is similar to the document that Mr. Sunshine went through --

A. Correct.

Q. -- earlier today?

A. The difference between this document and the one Mr. Sunshine went through today is this document simply references a gross number in terms of \$13.5 million in service reductions. Mr. Sunshine has the document that was put before them that has the detail of that 13.5 million.

Q. Okay. Very briefly, what is 30?

A. These are the technical instructions that are provided by the mayor and the controller prior to the development of any budget by any department in the City and County of San Francisco specifying exactly how they would like it done.

Q. Okay. And when the City is facing tough fiscal times, do you know whether they add specific language about how to -- how a department should be addressing shortfalls?

A. They recommend that they address them with permanent solutions as opposed to one-time fixes. They caught -- they will specify which increases must be absorbed within the current baseline and which increases will actually be provided by the general fund.

Q. Okay. So if we go to page 4 --

A. Okay.

Q. -- you see as part of the overview that they're identifying a \$130 million shortfall?

A. Correct.

Q. And then on page 56 they're giving instructions about how departments might consider addressing those shortfalls?

A. Correct.

Q. Anything else important about this document?

A. No. With regard to the MTA --

Q. Yes.

A. -- while we are not required to do this by charter, we are a part of the City family, and as a prudent tactic in developing your budget, you would follow these guidelines.

Q. Okay. Anything further?

A. No.

Q. 31.

A. 31 is a memo to the MTA board of directors from Executive Director Michael Burns regarding long-term revenue options. It specifies what those options could be. There are no solutions for the current year. These long-term options would not provide any additional revenues for '06. The earliest would be '07. Several of them would require a vote of the public. Seven -- several of them would require legislation in Sacramento, working with business owners and the City to get these. So these are possible long-term solutions to the ongoing financing for the MTA.

Q. Okay. Now, I note in the first paragraph, second sentence -- second line, Mr. Burns said,

"None of these proposals, even if implemented now, would help with FY 2006."

A. Correct.

Q. Anything further on 31?

A. No.

Q. What's 32?

A. 32 is a statement from Claire Murphy, who is the executive director of the retirement system for the City and County of San Francisco, stating what the retirement contributions by the City will be, the changes from '05 to '06 for the various classes of employees.

Q. Are retirement costs -- employer retirement costs increasing?

A. Yes, they are.

Q. And are we talking -- in terms of the corporate column here, is the corporate column miscellaneous employees?

A. Yes, it would be.

Q. So in '04/'5 the cost is 4.48?

A. Correct. They are going to 6.58.

Q. Well, it says '05/'6.

A. Correct.

Q. Okay. So it's the other issue?

A. Yes.

Q. Okay. Anything further in that document?

A. No.

Q. What about 33?

A. 33 is the consolidated budget and annual appropriation ordinance for the year ending June 30th, 2005. This shows the actual adopted and approved budget for all departments within the City and County of San Francisco, including the MTA.

Q. All right. So this is --

A. This is the law. This is the appropriation ordinance passed by the Board of Supervisors, placing the budget into law.

ARBITRATOR HOH: Current budget?

THE WITNESS: Current budget.

MR. SLOAN: Q. Current budget?

A. Yes.

Q. Anything further on that document?

A. No.

Q. 34.

A. 34 is the controller's nine-month report which we referenced in Mr. Harrington's declaration.

Q. And I already asked you if you've fully discussed it, and you said you have?

A. Yes, I have.

Q. All right. 35.

A. 35 is his six-month report.

Q. Yes.

A. The six-month report also referenced the -- the MTA. There was a -- that is where the \$10.4 million deficit was originally set forth, which began a series of meetings and a series of planning sessions to develop a method of closing the gap.

Q. Anything else --

A. No.

Q. -- of particular importance to this case?

A. Just that it shows --

Q. In exhibit --

A. Yes, in this exhibit. It shows that there is an ongoing issue, that while things are improving, there has been a trend of deficit in the current year. At December 31st it was projected to be \$10.4 million. Most of that was a result of the failure to implement the \$7 million in planned

service reductions and the additional monies we were required to budget in order to fund all of the stipulations in the collective bargaining agreements.

Q. Okay. And is that on page 30, the reference to --

A. Yes.

Q. -- on page 30, the reference to absence of budgeted service reductions?

A. Correct.

Q. What is 36?

A. 36 is the -- the board of supervisor's budget and finance committee's nine-month report and economic update for '04/'05. This is sort of an update of the tripartite report presented to the board of supervisors. It is a PowerPoint presentation.

Q. And how does that relate, in your view, to the MTA's financial condition?

A. It points to the continued problems that the City sees with regard to revenues and expenditures. It highlights, going forward, what they think increases will be in terms of CPI, adjustments that will need to be made in regard to salaries, benefits, et cetera.

MR. DE NARDO: Point of clarification. This is from the Controller's Office to the Board of Supervisors; this is not the Board of Supervisors?

THE WITNESS: Correct.

MR. SLOAN: Q. Okay. 37. 37 reflects sections of the charter on finances. Does this generally set forth acceptable accounting standards and government accounting standards and practices?

A. No, those are actually set forth in another portion of the charter. I'm not -- which number are you on? 37?

Q. I'm sorry.

ARBITRATOR HOH: I don't think --

MR. SLOAN: I've got the wrong document in front of me.

THE WITNESS: Yeah. This is -- this is Mr. Williams.

MR. SLOAN: Oh, yeah. Mr. Williams already talked about that.

THE WITNESS: Yes.

MR. SLOAN: Q. Do you have anything to add to that?

A. No, I don't.

ARBITRATOR HOH: 38.

MR. SLOAN: Q. What is Exhibit 38?

A. It's a comprehensive annual financial report for the City and County of San Francisco for the year ending June 30th, 2004. It provides funds statements for all of the enterprises' funds and all of the other funds for the City, including the general fund, special revenue funds, trust and agency funds, et cetera. It shows -- it is the audited financial picture for all of the City including all of the departments.

Q. Is MTA in here?

A. Yes, it is.

Q. Where?

A. It was actually referenced in several places. The first reference would be on Roman numeral xv. One of the things that is required in the -- is that you list --

Q. I'm sorry. Roman numeral xv?

A. Up near the front, the CAFR --

ARBITRATOR HOH: Apparently, up near the front.

MR. SLOAN: Q. The small Roman numeral.

A. One of the requirements is the financing of a CAFR and any jurisdiction to finance your department.

ARBITRATOR HOH: CAFR?

THE WITNESS: The Comprehensive Annual Financial Report.

ARBITRATOR HOH: Thank you.

THE WITNESS: So you list all department heads, even those who are discretely components of the City. With regard to San Francisco, there are two. There's a Redevelopment Agency, and there is a Treasure Island Development Authority, which is sort of discrete components of the City's budget. There are financial notes. Unless you are actually sort of a finance guru -- the next, if you went to page --

MR. SLOAN: 15?

THE WITNESS: Yes.

ARBITRATOR HOH: Page --

MR. SLOAN: Q. Go ahead.

A. On page 15 they list the operating revenues, operating expenses, changes in operating income. It's sort of the overall balance sheet for all of the proprietary funds. The proprietary funds include all of the enterprise departments. The Municipal Transportation Agency is listed in that schedule on line 4.

Q. Is there a variety of --

A. There are --

Q. -- tables?

A. There are a variety of tables. They're shown on both a financial statement basis and also on a budget statement basis. The financial statement will show you sort of the real cash enterprise type of report. The budget statement shows you the -- the governmental fund sort of cut on any financial document.

Q. Okay. 34 to 36 lists Muni among the major funds --

A. Yes.

Q. -- from MTA, one of the major funds? Is there anything noteworthy in that besides what you've already testified about?

A. No.

Q. Anything else noteworthy in this document so far as you can tell?

A. No.

Q. Okay. Apart from your walking us through the process and all of these complex documents, do you have anything further to add under questioning of MTA's financial condition?

A. Yes. During Mr. Sunshine's testimony, there were questions regarding the -- the manner in which the collective bargaining units are budgeted in terms of their increases and what is required by law. By law, if a bargaining unit is at the table and there is no indication of what the increase would be, that would not routinely be included in the budget. If you were a general funds department, there is a general fund pot that would help to pick up that money on the enterprise side. You are required to find those funds within the current appropriation, as presented by the mayor to the Board of Supervisors, to cover that. So you would either need to make a reduction in expenditures or find a revenue enhancement in order to cover any increase related to those collective bargaining agreements. With relation to 1414, which was --

Q. The machinists?

A. -- the machinists, which was settled two days ago, I believe, I had not informed Mr. Sunshine of the detail on that because at this point we are still -- we do have a costing for it; however, when we cost a proposal or an agreement that has been reached, we still need to provide that information to the Controller's Office because it has an effect on the change in fringe benefits, which is something that we cannot calculate because it may start to roll up. Some of the fringe benefits are calculated based on the number of employees. Some of -- some of them are based on a specific package that a specific employee has. We would need to know the specific anniversary dates of each employee. So the controller's office will give us an indication of what the percentage is. We can determine a gross number, give it to them, give them a sort of list of the members in that bargaining unit. They can then go through the personnel records and figure out how to true all that up for us.

Q. Beyond that, anything further?

A. No, unless you have something further.

MR. SLOAN: Not at this time. Thank you.

ARBITRATOR HOH: Do you want a little time?

MR. ANDERSON: Okay. They want to confer with me, so I've got a number of questions for them.

ARBITRATOR HOH: Do you want five minutes?

(A recess was taken from 4:29 p.m. to 4:54 p.m.)

ARBITRATOR HOH: Back on the record. Cross-examine. Go ahead.

***CROSS-EXAMINATION BY MR.  
ANDERSON***

MR. ANDERSON: Q. Ms. Ward, I have a few areas of questions for you. First, I would like you to take a look at Exhibit No. 19. And look to what is the third page in. It says, "Sources of Funds by Service Area and Department."

ARBITRATOR HOH: If you could speak up a little.

MR. ANDERSON: I'm sorry. I have such mellifluous tones that it's difficult.

ARBITRATOR HOH: Please. Third page.

MR. ANDERSON: Q. It's the third page in. I don't know whether it's page 3.

MR. SLOAN: Beauty is in the ear of the beholder, isn't it?

MR. ANDERSON: Yes.

Q. And it says, "Sources of Funds by Service Area and Department." Do you see that one?

A. Yes, I do.

Q. Okay. I'm curious because it says, "the department," and then it says, "allocated general fund support," and it says, "MTA, Municipal Transportation Agency, \$131,871,002 per total department sources of \$584 million."

A. Correct.

Q. All right. And we've been talking -- or you have testified to the fact that the amount of support that you -- that MTA was going to get from the general fund for '06 was \$96 million. I'm sure that there is an explanation for this discrepancy, but I don't know what it is.

A. Because the support is actually split differently between the railway and parking and traffic. When I am talking about allocations for the general fund, I must maintain that separation because the calculations are different. For the Municipal Transportation Agency Railway it is 96 million. The balance goes to parking and traffic, and it's based on parking meter rates, et cetera, and I have no discretion on those funds. So the discretionary funds that I -- as the agency, the discretionary fund from the general fund with regard to wages, et cetera, would be the 96 million.

Q. Okay. Good enough. I want to ask you a few general questions about the budget. If you'll turn to Exhibit No. 3, I believe your testimony was that this showed the actual number of positions filled. Is that correct?

A. Correct.

Q. Okay. We have some dispute with those numbers, but they're not relevant for this particular line of questions. I believe your testimony was that there was something on the order of 280 authorized positions.

A. Correct. 281.

Q. 281. And that you budgeted for 260 --

A. 62.5.

Q. 262.5. Okay. Now, I'm going to make a request, and that is that with respect to the other bargaining units, that if the budget office can tell us, A, how many positions were budgeted for, how many are authorized and how many are actually filled.

A. I would have to get back to you on that.

Q. I understand that. I'm sure you don't have that off the top of your head.

A. No, I don't.

Q. Okay. I'm making that request.

ARBITRATOR HOH: Can we have it by Monday, just out of curiosity?

THE WITNESS: It would be difficult. I might be able to have it by Wednesday.

ARBITRATOR HOH: Can we have it by the end of Tuesday?

THE WITNESS: Yes, I will make sure the Controller helps us out. Yes.

MR. ANDERSON: Q. Okay. Now, just a general question with respect to what the budget anticipates in terms of employee comparables. Does the budget anticipate any increases in the -- in the numbers of employees or does the budget -- are there any plans for an increase in the number of employees over and above what is already anticipated in the budget?

A. No.

Q. Are there plans for layoffs that are not reflected in the budget?

A. No.

Q. Okay. All right. We heard some testimony this morning that there was a 2 percent across-the-board wage increase apparently that was not budgeted, and I want you to go back and take a look at Exhibit No. 37, if you would, please, and to the table 2 that I had requested that Mr. Sunshine look at, and going down to the fiscal year 2005/2006. And I believe your testimony on direct was -- are you there?

A. Yes.

Q. Okay. So you see that in 2005/2006 it says, "Total Base Wages," and it shows the wage increases, 6 percent -- 6 percent across, and it says, "Retirement Giveback," and those are changes from fiscal 2004/2005?

A. Correct.

Q. All right. I believe that your testimony was that all mandated wage increases were contained in the new budget?

A. Correct.

Q. That includes the wage increases that aren't on this chart?

A. Correct.

Q. Okay. Does it also include the increases in the employer pickup of the employee contributions to the retirement system?

A. Yes.

Q. All right. So all of these wage increases and reductions in the amount of the employee giveback have already been -- are in your budget?

A. Yes.

Q. And I assume that -- like your base budget with respect to -- to determining labor costs, that this is based upon budgeted positions when you made those projections as to what these mandated increases were going to be? Was it based upon budgeted positions or was it based upon actual employees employed within those units?

A. I don't make those projections, nor does any other budget director or CFO for the City. Those are made by the controllers. They are automatic.

Q. All right. Does the controller make those decisions based upon budgeted positions?

A. Yes.

Q. Okay. And not on actual positions?

A. Actual filled positions?

Q. Actual filled positions.

A. No.

Q. Okay. The next question I have has to do with the attrition rate, and I think last year there was testimony to the effect the attrition rate that was used in the budget was something in the neighborhood of 6 percent, and we came across a document which indicates that the attrition rate in this budget is 8.1 percent. Is that correct?

A. Correct.

Q. Finally, I'd like -- you say -- I would like you to explain to me how you figure the roll-up on wages.

A. The roll-up on wages --

Q. Yes.

A. -- meaning --

Q. Meaning, for example, you obviously have fringe benefits. You have FICA taxes. You have --

A. So you're talking about the cost --

Q. What's the load?

A. -- of the fully loaded positions?

Q. Yes.

A. You take the base salary or the base hours, if it is a department that has a pay period that has more than the normally defined 80-hour pay period, the base changes. You take that base budget. You multiply it by FICA, which is split into two pieces, 1.45 for --

Q. And 6.2 for OASDI?

A. Correct. So you add that. You take the health benefit premium as projected by the Controller's Office, which initially was 15 percent. You take the dental premiums as projected. You take the benefits that are calculated based on FTE at the rate per FTE. You then --

ARBITRATOR HOH: I'm sorry. What was that last one?

THE WITNESS: There are benefits that are based on the FTE count.

ARBITRATOR HOH: Okay.

THE WITNESS: So for each position there is a specified dollar amount that is budgeted. You take all of those and add them together, and they become a percentage of the base --

MR. ANDERSON: Q. What about --

A. -- to then apply across the board.

Q. Okay. What about retirement contributions?

A. Retirement contributions are calculated by the controller.

Q. So they're not part of the roll-up?

A. Yes --

Q. Okay.

A. -- of course.

Q. Well, you said health and you said dental.

A. And I can --

Q. Actually, you did not include --

A. And I can include --

Q. -- retirement contributions?

A. No, but I can get a list of the mandatory fringes, if you'd like.

Q. What I'm really trying to get at is I'd like to know the elements that are contained in the roll-up. And more importantly was your last statement that you simply find out what the aggregate amount is, find that as a percentage. And you use that percentage whether or not that percentage may apply to a particular group or not because you're using an average?

A. No.

Q. No?

A. No.

Q. Okay.

A. I actually do it by the type of employee. If it is a transit operator, the percentage is different than if it is someone in 790. The percentages are set by the controller. For budgeting purposes, it would take forever to do that by employee. We make an estimate. It then goes to the controller's office, and they true them up based on a human resources information system that allows them to calculate it per employee, which is why it changes after submission. In the fringe benefits we have retirement, Social Security, health service, dental coverage, unemployment and

other fringes such as cafeteria benefits, et cetera. That's what's included in that number.

Q. All right. I would like to know what the -- so there is no -- insofar as your budget is concerned, whether or not a -- a particular roll-up number and truing up afterwards is made by the Controller's Office, I'm assuming that you use some methodology for determining, you know, what the roll-up should be on, say, labor costs? Do you do that by unit by unit or do you do that by classification by classification or do you do that on aggregate payroll?

A. I do it based on the instructions that are included in the controller's annual budget instructions. They give us an amount to use.

Q. They give you an amount to use?

A. They give us an amount to use in order to begin the process.

Q. Okay. And the amount --

A. They give it to us by -- if they know that there is a bargaining unit or a classification of employees that has a different rate on fringe benefits, they give that to us. And if my staff or I have any confusion, we can call them and get that.

ARBITRATOR HOH: But it's done on the basis of a bargaining unit and not an individual?

THE WITNESS: Yes.

MR. ANDERSON: Q. Okay. It's done on the basis of bargaining units. Can you tell me what was used for this bargaining unit as a roll-up percentage?

A. Yes, I can. It's the 6 point -- it's roughly 6.5 percent on the employer's pickup on retirement, the normal FICA, the -- the normal health benefits. So for this unit in aggregate it was approximately 23 percent.

Q. Twenty-three percent?

A. As I said, once we calculate that number, it's entered into the B-prep system. The system then trues it up based on the complement of the employees at that time.

ARBITRATOR HOH: I'm sorry. We need an anagram defined again. B-prep; is that what you said?

THE WITNESS: Yes, it's the budget preparation system. It is a part of the financial system for the City and County of San Francisco. It's actually for any on-line financial system. There are two basic ones. One is LGFS. Half the jurisdictions in the country use that. The other half use B-prep. Well, I shouldn't say that. There is a small portion of very small jurisdictions who will use a different program, but for the most part those are the two systems. The budget portion of that system allows you to enter the line item detail that they would need at the controller's office to true up benefits. Once the board has adopted a budget, this system is then downloaded onto the financial side of the system, which is called FAMIS, which becomes the annual appropriation.

MR. ANDERSON: Q. Okay. I'm going to ask you for an additional item, then, to the things that I've asked you for, which was the number of positions within each unit based upon authorized budgeted.

ARBITRATOR HOH: And actual.

MR. ANDERSON: Q. And actual. I'm going to ask you -- since there appears to be a variation of bargaining unit by bargaining unit as to what the roll-up is that you used for budgetary purposes, I would like to have that percentage for each one.

A. For budgetary purposes, we use the percentage for all of them. It is trued up by the controller. I would need to call him for that.

Q. Well, I understand it's trued up by the controller. And I understand your testimony that you come up with a number that --

A. Right.

Q. -- is pursuant to directions from the controller.

A. Right.

Q. But I understood you also to say that it may vary from bargaining unit to bargaining unit.

A. Correct.

Q. Okay. And trued up still. But I'm asking you, For budgetary purposes, what did you use? Did you use this same percentage roll-up for each bargaining unit and then it will be trued up later?

A. Yes.

Q. All right. What was that percentage?

A. Twenty-three percent --

Q. Okay.

A. -- except for transit operators. It was 37 percent.

Q. For transit operators it was 37 percent because of the additional fringe benefits that have to go into the trust fund?

A. Correct.

Q. All right. All right. Now, if you give -- you said that's approximately 23 percent that you use. Could you just verify that for me as part of the --

A. Yes, I can.

Q. -- information request? And if that number comes out to be different, tell me what the different number is.

A. Sure.

Q. Okay. Now, you did testify that if something is in negotiations you obviously cannot come up with a number for what the wage increases would be and what the fringe benefit increases would be. Do you zero that in the budget or do you -- or do you make some guesstimate?

A. It's zero.

Q. It is zero?

A. Yes.

MR. ANDERSON: I had a question. It just slipped right out of my mind. Okay. I'm going to ask for a break for 30 seconds --

ARBITRATOR HOH: Thirty seconds; you've got it.

MR. ANDERSON: -- just to double-check with these folks to see if there was something else I forgot to ask that I didn't.

(A recess was taken from 5:12 p.m. to 5:13 p.m.)

MR. DE NARDO: Can you read the last question back?

(Record read by the reporter.)

MR. ANDERSON: Q. There is one other series of questions, and this may have been already answered in terms of the roll-up. But clearly things like sick leave depend upon utilization. If you have bereavement leave, that depends upon utilization. The other thing is that when we're knocking around numbers, we have to say, "Well, you know, what if everybody took it?" But is there a -- is there a formula that you use to determine the cost, say, of -- not of holidays, because everybody takes a holiday, but sick leave and various other forms of benefits that are available, but not necessarily taken 100 percent by the unit?

A. For paid time off?

Q. For paid time off.

A. It's of absolutely no cost. It's embedded in the base salary.

Q. It's embedded in the base salary?

A. Yes.

Q. So for example, if -- if a proposal of the MTA was to say, "Okay. We're going to take away five -- three to five days of bereavement leave," which is now in the base salary, what does that really mean?

A. Local 200's is not in the base salary because Local 200's is actually paid. They do not take sick leave for bereavement.

Q. But I know that. That's what I'm saying. So essentially they're losing five days of sick leave?

A. As would any other employee. Sick leave is of -- if I'm -- if someone goes on vacation for two weeks, their annual salary does not go up --

Q. That's correct.

A. -- based on utilization. For the other employees in the City, that is not a calculation that we would make.

Q. Okay. What I'm talking about is, here's the proposal. I'll give you a hypothetical --

A. Okay.

Q. -- which is really what a proposal is. MTA has made a proposal that the current collective bargaining agreement, which allows persons to take bereavement leave as a paid benefit for three days if the funeral is local and five days if it's out of state, okay -- the proposal is to say, "No, you must use your sick leave." That has a negative cost so far as the Union is concerned and a cost savings so far as MTA is concerned?

A. Right.

Q. Because they are eliminating those sick days that would have been -- would have been saved by virtue of the fact that the bereavement leave -- the paid bereavement leave was in the contract?

A. We're not eliminating sick days. The sick days are still there.

Q. Okay. Maybe I misspoke. We've eliminated the bereavement days?

A. Correct.

Q. And those are paid days just like sick leave days?

A. Correct.

Q. Just give me how you would calculate that.

A. I would take the value of three days' of pay and add it to the base salary. That is the real -- that is the real benefit or the real payment to the employee. The agency would save the value of those three additional days. It's -- it's the difference between 13 days of sick leave as opposed to 16 days of sick leave.

Q. And how do you value those?

A. It's based on the -- the individual employees' rate of pay times 8 times 3.

MR. ANDERSON: All right. Good. Can somebody get that down? I want to make sure

that we have it because I kind of garbled it as our calculation, and I want to make sure. I think that's it.

ARBITRATOR HOH: Okay. Redirect?

REDIRECT EXAMINATION BY MR. SLOAN

MR. SLOAN: Q. Anything further to add?

MR. ANDERSON: Wait a minute. This is redirect.

MR. SLOAN: Yes.

MR. ANDERSON: You can ask her about the stuff that I --

ARBITRATOR HOH: We're not bound by the rules of evidence. Move on, please.

MR. SLOAN: Q. Actually, I really just meant that. In terms of the questions that he's asked you, are you comfortable with the answers that you've given?

A. I'm comfortable with the answers, yes.

MR. SLOAN: Okay.

MR. ANDERSON: Are you comfortable with the questions?

THE WITNESS: Yes.

MR. ANDERSON: Good.

THE WITNESS: Yes.

ARBITRATOR HOH: Thank you, Ms. Ward.

MR. ANDERSON: We're all very happy. Let's go off the record.

(A recess was taken from 5:18 p.m. to 5:28 p.m.)