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2019 JOINT LEGISLATIVE BUDGET HEARING

Metropolitan Transportation Sustainability Advisory Workgroup

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Members of the Committees on Finance and Ways and Means: I am Andrew Sidamon-Eristoff, a member of the Metropolitan Transportation Sustainability Advisory Workgroup established in the fiscal year 2019 budget. On behalf of Chair Kathryn S. Wylde and the other members, I am honored to present an overview of the Workgroup's recommendations for your consideration as you review the fiscal year 2020 Executive Budget.

Reflecting some 16 weeks of extensive research and discussion, the Workgroup's final report of December 2018 made a series of recommendations regarding our region's mobility crisis. Although members of our diverse panel were not in full agreement on all recommendations, a majority endorsed recommendations for substantial reform and reorganization of the MTA and transit operating agencies and for reducing traffic congestion and generating a new, sustainable revenue source through the creation of a congestion pricing district in the Manhattan Central Business District.

Let me begin with the two most significant recommendations.

Reform the Governance Structure of the MTA. There was universal agreement that the current structure does not provide for the transparency, discipline, efficiency, or accountability appropriate to run a complex regional transportation system.

There are a variety of options for governance reform. The most obvious is moving to a more centralized organization, with integration and consolidation of redundant agency functions, such as shared procurement and legal functions. A more radical approach would merge the separate operating agencies into a single organizational structure under the MTA Board and executive leadership, or at least merge the commuter railroads. Capital construction functions, which have been so problematic, could be put in an entirely separate entity, like the New York City School Construction Authority.

Alternatively, restructuring could go in the other direction: acknowledge that the MTA construct has failed and call for its dissolution. Some have suggested that the City should assume control of NYC Transit or enter into a permanent joint management and funding arrangement with the state.

In short, the Workgroup concluded that optimizing investment in the MTA requires a new, more accountable and streamlined governance structure. Whatever direction this takes, organizational reform of the MTA needs to be part of any major new funding commitment.

Establish a Congestion Pricing Zone in the Region's Commercial Center. Notwithstanding the adoption of the Payroll Mobility Tax in 2009, the MTA's expenses continue to grow faster than revenues, limiting its capacity to finance its next capital plan (2020-2024) unless it receives new dedicated and sustainable sources of funding. To help meet this need, a majority of the Workgroup recommended that the governor and Legislature adopt a congestion pricing plan.

A cordon pricing zone that would charge vehicles entering the Manhattan CBD could generate $1 billion a year or more while achieving a 15 percent to 20 percent increase in average vehicle speed. This assumes charges during periods of high traffic volume that are roughly comparable to current bridge and tunnel tolls. Variable pricing that correlates the size of fees with traffic congestion would result in minimal charges on most weekends and evening hours, while peak period trips would be at a premium.

Funding from congestion pricing should be deposited in a "lock box" for capital needs and associated operating costs of the MTA and for installation and necessary upgrading of the congestion pricing system.

Any plan must consider the transit capacity required to absorb additional ridership, the need to provide new services to areas that currently lack adequate transit, the possible need for hardship exemptions, and New York City's responsibility to manage its streets and traffic control equipment. Accordingly, the Workgroup made the following recommendations in conjunction with congestion pricing.

Accelerate Expanded Commuter Rail and Bus Service to Transit Deserts. For congestion pricing to be equitable, those who cannot afford the charge for driving into or through the pricing zone must have reasonable public transit options. The MTA and NYC Transit have initiated a planning process to address the needs of "transit deserts," specifically those areas underserved by subways. That process should continue, using the model the MTA and the city and state Departments of Transportation have developed for prioritizing projects in the four boroughs outside Manhattan using $50 million in new annual FHV charges beginning in 2019.

Provide Localities with Greater Flexibility to Enforce Traffic Laws. Local government controls the surface transportation infrastructure (streets, bus lanes) and is responsible for enforcement actions that facilitate MTA surface transit. To maximize congestion relief, the city and MTA need additional automated enforcement authority for bus lane camera enforcement and, for New York City, new automated enforcement authority for block-the-box violations.

Reduce Congestion Caused by Placard Abuse and Bus Activity. The city and state Departments of Transportation should make recommendations regarding vehicle placards, including strict enforcement and a ceiling on the number allowed by city, state and federal agencies. Similarly, new rules should eliminate reserved or dedicated parking for private cars, reduce the use of government vehicles for official commutation, and limit tour buses which obstruct public buses and clog streets. There must also be an effort to find adequate off-street parking for private commuter buses.

Our report offers complimentary consensus recommendations in several broad categories.

<u>Cost Containment</u>

Contain Unsustainable Growth in Costs. Cost containment is critical to the MTA's long-term financial sustainability. Several major expenditure items, such as health care benefits for active and retired employees, require careful examination. The MTA should also examine other savings opportunities, including consolidating civil service administration, leveraging alternative strategies for managing MTA assets, and measures to help control litigation costs, which run about $500 million a year for claims associated with loss and injury.

Management and labor should identify mutually beneficial ways to contain costs, increase productivity and provide increased upward mobility opportunities for all employees. The MTA faces a human resource challenge—how to attract and grow the next generation of skilled and tech savvy transit workers and executives—within the confines of outdated civil service classifications and restrictions on compensation, hiring and promotion. The collective bargaining process should consider investments in professional development and include a discussion of updating work rules, many of which are obsolete and add unnecessarily to MTA expenses.

Eliminate the 25 Percent "MTA Premium" in Construction Costs; Reform Procurement Practices. To compensate for the MTA's poor construction management practices, the construction industry has reportedly incorporated a roughly 25 percent premium into their bids for MTA projects. MTA Board committees recently developed recommendations for administrative actions to achieve efficiencies in construction contracting and other procurement practices. Management should adopt these recommendations and the Legislature should consider further actions to support timely and more cost-effective construction and service delivery. In addition to design-build contracting, the MTA should make better use of "best value" procurements and avoid costly over-customization of specifications.

Encourage Public Support for Flexibility in Closing Lines for Construction & Maintenance. NYC Transit is one of only a handful of systems worldwide that runs all lines 24/7. Restricting service interruptions to short periods in the middle of the night or weekends is a major contributor to the MTA's exceptionally high construction costs and delays in completing necessary maintenance, repair, and system upgrades.

The MTA Must Invest to Save. Timely upgrades in technology, preventive or "predictive" maintenance, and prudent capital investments can result in significant ongoing savings. One example is the NYC Transit plan to accelerate subway station accessibility. Although improving accessibility will require a significant investment, it may lead to reduced costs for mandated services currently provided through the MTA Access-A-Ride program, which in 2017 cost the MTA $77 per trip, or a total of $474 million.

<u>Management and Process Improvements</u>

Independent Audits of Capital Costs & State of Good Repair. Independent audits will promote public confidence in the MTA's assessment of its capital costs and help ensure appropriate and efficient investments. The MTA should also apply standard performance reporting metrics to all capital projects and, to guard against the accumulation of deferred maintenance obligations, publish a "state of good repair" budget and spending plan as part of its regular financial reporting.

Allow MTA to Migrate to a Ten-Year Capital Planning Process. Planning and execution of complex capital projects frequently takes longer than five years. Moving to a ten-year capital planning process should be possible without compromising CPRB or legislative oversight. It may also be helpful to move the MTA to the state's rather than a calendar fiscal year.

Encourage Private Sector Innovation. Experience suggests that traditional MTA vendors are unlikely to deliver innovative solutions. The MTA has recently taken steps to modernize operations and project development, including the governor's Genius Award competition and co-venturing with the Partnership for New York City to set up the Transit Innovation Partnership and Transit Tech Lab. The MTA should continue these efforts, with a suggested focus on rapid replacement of the subway signal system.

<u>Revenue Mobilization</u>

Establish an Entrepreneurial Unit to Champion Commercial Revenue Opportunities. London, Boston, and other transit systems around the world use strategic partnerships with the private sector to reduce operating costs and generate revenues. The MTA should emulate these systems in creating an Office of Strategic Partnerships to develop commercial revenue opportunities in stations and other facilities. Only three percent of MTA revenues are associated with income earned from its estimated $1 trillion in physical assets. This includes advertising, retail rentals, real estate payments in lieu of taxes (PILOTs) and contributions from private developers.

Optimize the Value Created by Transit Improvements. Transit capital improvements generate significant increases in nearby property values, which in turn boost real property tax receipts. In recent decades, transit agencies worldwide have leveraged incremental increases in tax receipts to help finance transit improvements. The MTA and the localities it serves should work together, pursuant to existing law, to realize the full potential of "value capture" financing.

Reduce Fare Evasion. NYC Transit estimates that fare evasion resulted in a revenue loss of $215 million in 2018. There are legitimate concerns regarding the disproportionate impact on racial and ethnic minorities in the criminal prosecution of fare evaders; at the same time, tolerance of fare evasion is unfair to other riders and taxpayers who must subsidize fare evaders. The NYPD, MTA, and the state should jointly develop non-criminal sanctions to discourage fare evasion.

MTA Should Not Absorb Losses from Fare & Toll Discounts. Fare and toll discounts represent a net unreimbursed annual loss to the MTA of $314 million, exclusive of federally-mandated discounts for seniors and the disabled. The MTA also provides student discounts and resident discounts for certain bridge tolls that are partially offset by city and state funding. Funding for any additional discounts not originated by the MTA should be funded by entities other than the MTA.

Planning and Intergovernmental Coordination

Establish an Intergovernmental Planning & Real Estate Coordination Office. Coordination between the MTA and local governments on capital planning and construction is an ongoing challenge that will intensify as the MTA seeks to maximize opportunities for Transit-Oriented Development (TOD) and exploit innovative project financing and delivery strategies. The MTA should establish a new office empowered to plan and execute TOD projects in cooperation with local government, expedite mandated MTA approvals of real estate development and construction projects, enlist local planning input, structure station enhancement and other improvements through private development, and maximize federal funding opportunities and private investment through the new federal Opportunity Zones program.

Recognize Commuter Rail Interstate Challenge. New York State needs to extend more assistance to Metro-North and work with promising new leadership at NJ Transit to improve rail services to Rockland and Orange County residents. With more than 1.6 million West of Hudson riders in 2017, NJ Transit trains that provide the service are frequently over-crowded and unreliable.

Reduce Subway Delays & Improve Station Conditions. New leadership at NYC Transit is appropriately focused on addressing issues that contribute to train delays and make the customer experience on subways uncomfortable or unpleasant. This requires close cooperation with the NYPD and other city agencies. The NYPD, FDNY and MTA Police should enhance their protocols for emergency response. In addition, the Department of Homeless Services and NYC Transit should expand their cooperative pilot project for engaging homeless individuals in need of services.

Thank you for this opportunity to share an overview of our recommendations. For additional detail, I invite you to review our complete report at: https://pfnyc.org/wp-content/uploads/2018/12/2018-12-Metropolitan-Transportation-Sustainability-Advisory-Workgroup-Report.pdf