



REPORT

# Metropolitan Transportation Sustainability Advisory Workgroup

December 2018

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December 18, 2018

Dear Governor Andrew Cuomo, Assembly Speaker Carl Heastie, Senate Majority Leader John Flanagan, Senate Majority Leader-elect Andrea Stewart-Cousins, Assembly Minority Leader Brian Kolb, Mayor Bill de Blasio, NYC DOT Commissioner Polly Trottenberg, NYS DOT Commissioner Paul Karas, MTA President Pat Foye:

**Workgroup Members**  
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Hon. Fernando Ferrer  
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Hon. Amy Paulin  
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Hon. Andrew Sidamon-Eristoff  
Kathryn S. Wylde

On behalf of the members of the Metropolitan Transportation Sustainability Advisory Workgroup, I am transmitting our report and recommendations regarding the region's mobility crisis. The report summarizes extensive research and discussions we have had over the past 16 weeks focusing on transit and traffic problems and possible solutions. We hope this information is helpful to your deliberations in the coming legislative session and to the broader public understanding of actions required to ensure the continued livability and economic vitality of our New York metropolitan region.

The efforts of this diverse panel are intended be a useful resource to you and your colleagues and to result in better informed public discussion about important transit and mobility issues. We have had the full cooperation of the MTA and its operating agencies in gathering data and developing insight into the deterioration of transit services and what will be required to fix them. We have also benefited from the input and data of a number of other public, private and nonprofit sector experts.

Members of the panel were not in full agreement on all the recommendations in the report, but the 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 creation of a congestion pricing district in the Manhattan Central Business District.

My thanks to members of the Workgroup for giving an enormous amount of time and intellectual energy to this effort and for approaching our advisory work with a commitment to get the facts, understand their implications, and develop our recommendations solely on that basis.

Sincerely,



Kathryn S. Wylde, Chairperson, MTSAW

# Executive Summary

Transit delays and traffic gridlock are not simply daily annoyances for New Yorkers. They are a manifestation of the failure to keep pace with the rapid growth of the city and region over the past two decades.

The Metropolitan Transportation Sustainability Advisory Workgroup (“the Workgroup”) was established in the fiscal year 2019 New York state Enacted Budget for the purpose of highlighting issues and recommending actions, where possible, that state and local government could take to deal with the multiple challenges confronting the transportation system upon which the New York metropolitan region depends. The Workgroup included appointees of the governor, the state Legislature, the New York City mayor, the Metropolitan Transportation Authority (MTA) and the New York state and New York City Departments of Transportation. Its charge was to explore regional transportation needs, including excess traffic congestion, and to suggest new sources of sustainable funding that will be required to stabilize, modernize and expand the region’s public transit system.

The MTA is the state authority created in 1968 to oversee the region’s subway, bus, commuter rail, and bridge and tunnel systems. It essentially functions as a holding company for five operating entities: Triborough Bridge & Tunnel Authority (TBTA), New York City Transit (NYC Transit), Long Island Rail Road (LIRR), Metro-North Railroad (Metro-North) and MTA Bus. MTA Capital Construction (MTACC) is also a subsidiary of the authority.

MTA agencies are currently in the process of updating their projected needs for system modernization, expansion and state of good repair over the next twenty years and preparing their five-year Capital Plan for 2020–2024. The capital program is the primary source of funding for both upgrading of the existing system and expansion projects such as the Penn Station Access (which calls for the construction of four new stations in the Bronx along Metro-North’s New Haven Line), completion of the Third Track on the LIRR, and a new LIRR depot under Grand Central Terminal known as East Side Access.

In addition to their long-term planning process, the MTA’s operating agencies are working on accelerated investment proposals to make more immediate improvements that respond to the public outcry over deterioration in regional transit services. New York City Transit needs to aggressively upgrade the subway signal system to restore dependable service and increase system capacity and subway station accessibility, re-organize bus routes to better meet community needs, and improve the customer experience through more aggressive maintenance and management of stations and equipment. Similarly, the LIRR and Metro-North have plans to purchase new rolling stock, build and renovate yards and maintenance facilities, and fast-track repair of the Grand Central Terminal Train Shed and Park Avenue Tunnel and Viaduct.

MTA leadership has shared with the Workgroup their early budget projections and the difficult choices they believe they will be forced to make if substantial new funding is not available. Absent full funding, they make clear that transit priorities would be deferred or eliminated and services will

continue to decline. MTA estimates of the size of their 2020–2024 capital funding needs range from \$41 billion on the low side to as much as \$60 billion. This is a substantial increase over the 2015–2019 Capital Plan, which was funded at \$33 billion.

Since the Workgroup convened in September 2018, MTA estimates of its capital and operating needs have been a moving target. Its executives acknowledge that their capital plan is essentially an inflation adjusted update of current plan costs. Their estimate for *Fast Forward* is not adjusted for overlap with the capital plan and its costs will depend on whether new technology will work. As of the date of this report, only 21 percent of funding for the current five-year plan that ends December 2019 has actually been expended and another 57 percent is committed, casting doubt on MTA capacity to execute on an even larger capital program within five years. On the operating side, the MTA is legally required to break even, but as of November is projecting a deficit that could reach \$1 billion by 2022, even with regular fare and toll increases.

No final conclusions about the accuracy of the MTA’s estimates of their funding needs can be reached without independent verification and value engineering of cost projections and timing. It is still the Workgroup’s unanimous view that a serious and significant effort to find stable, dedicated funding for the regional transit system must proceed, recognizing that defining precisely how much is required—and how quickly the agencies can actually deploy it—remains open to question. It will ultimately be up to the governor, the New York City Mayor and the Legislature to determine the appropriate allocation of state and city resources respectively to ensure adequate funding is made available. The state and city will have to make this determination and satisfy themselves that the money will be well spent. To do so, a far greater degree of transparency and accountability will be required on the part of the MTA. Therefore, elected officials and the mayor should evaluate the MTA’s estimates and funding needs for future MTA capital plans and determine the appropriate funding levels.

The transit agencies must also bear significant responsibility for closing their budget gaps and not depend solely on growing public subsidies. The MTA must be better managed and be far more entrepreneurial in generating revenues from its real estate, advertising and other assets. It should seek to replicate the Port Authority of New York and New Jersey’s success in leveraging private investment and expertise, which reduced the need for public funds in rebuilding the Goethals Bridge and LaGuardia Airport. In partnership with local government, the MTA should aggressively pursue opportunities to share in the appreciation of property values that future major transit improvements create.

In terms of generating new, sustainable funding, a majority of the members of the Workgroup agreed that the most promising option is the creation of a congestion pricing zone in the Manhattan Central Business District (CBD) and recommend its adoption. The experiences of other jurisdictions around the world demonstrate the utility of congestion pricing, both to reduce excess traffic and to raise funds for transit. By encouraging people to move from cars to transit, introducing congestion pricing will also contribute to increases in bus and subway fare revenues and provide significant benefits to the economy and the environment. Annual proceeds from a pricing zone are projected to exceed \$1 billion, contingent on the size of the zone and the congestion charge, which would support at least \$15 billion or more in bonded capital financing for the MTA over ten years.

The Workgroup discussed other ideas to modify or expand existing mechanisms of revenue generation, but reached no agreement on recommending them. For example, a “cruising” charge on all for-hire vehicles (FHVs) spending time in the Manhattan CBDs could raise \$400 million a year, which would support another \$6 billion in bonding over ten years. This would be in addition to the flat per ride charge imposed on all for-hire vehicles doing business in Manhattan south of 96th Street that was enacted in last year’s budget.

The state and local governments will also need to determine how much of their own capital budget authority should be dedicated to funding regional transit. The MTA estimates that the federal government will continue to fund about 20 percent of their capital budget. Certainly, there should be collective advocacy to increase federal support for mass transit. Given the particularly desperate condition of the subways, the Workgroup urges the governor, mayor, New York City Council and legislative leaders to work together to quickly find the funds that they determine are necessary to support the MTA.

The decline in subway, bus and commuter rail services is attributable to many things, of which a shortage of predictable, long-term funding is only one. Contributing factors include the age of the system and its equipment; investment decisions that sacrificed maintenance and state of good repair to spending on capital projects that were often poorly executed and grossly over budget; outdated management practices and contract requirements; the dysfunctional structure of the MTA; bureaucratic resistance to innovation; and loss of revenues due to decline in certain tax receipts, loss of ridership to app-based vehicles, and, recently, significant increases in fare evasion.

It will require the combined and sustained efforts of state and local officials, legislators and organized labor—with support from the general public—to correct the dysfunction of the MTA and assure adequate funding for transit. Equally important is to contain costs that are growing at unsustainable rates. The Workgroup has done considerable research, carefully considered the issues and made recommendations that are intended to advance a comprehensive approach to achieving the high-quality transportation system that New Yorkers deserve.

# Introduction: The Transit Crisis

Across America, aging public infrastructure is breaking down, particularly in older urban centers. The nation has \$4.6 trillion in unmet infrastructure needs, but the federal government has done very little to address this fundamental threat to public safety, jobs and the economy. In contrast to countries in the rest of the world, the U.S. government is effectively putting the burden for funding essential infrastructure on state and local governments and the private sector.

In New York, nowhere is this public infrastructure crisis more acute than in the metropolitan region's mass transit and commuter rail systems. The MTA is responsible for the 6th busiest transit system in the world, and also one of the oldest. The original subways—still in service—date back to 1904. With annual economic output of \$1.7 trillion and a population of over 20 million, the New York metro region is among the largest and fastest growing urban centers in the world. This places huge demands on a transit system which has failed to keep pace.

Deterioration of the subways and commuter rail accelerated as population growth and increased economic activity put new demands on an aging system. Multiple subway lines are currently operating at capacity during peak times. Without additional investment, even more of the system is expected to be over capacity by 2035. Damage to the Lower Manhattan subway infrastructure after 9/11 and again after Superstorm Sandy brought new federal recovery funding, but further distracted from the routine capital requirements of the rest of the system. Simultaneously, there was huge acceleration in demand for expanded transit services from new centers of employment and housing in areas that are not well served by the existing system, most notably in boroughs outside Manhattan.

The MTA has struggled and largely failed to meet expectations of the tristate region for dependable, modern and accessible transit. Customer dissatisfaction culminated in 2017, when breakdowns, derailments, fires and service interruptions reached a level that became unbearable, especially to commuters and their employers.

In response to the crisis, Governor Andrew M. Cuomo in June 2017, declared a state of emergency for the mass transit system. Executive Order 168 allowed the MTA agencies to expedite contracts and agreements to immediately repair critical infrastructure assets such as tracks, signals and switches, in order to rapidly improve service on the subway, bus and commuter rail network with new innovative means. The largest intervention was the Subway Action Plan which required more than \$800 million to put boots on the ground for expedited repair of tracks and equipment and is now delivering positive results.

## Exhibit 1: Subway Action Plan Accomplishments, July 2017–December 2018

- Aggressive focus on critical subway system components, performing overdue corrective repairs in accelerated timeframe and instituting an ongoing maintenance cycle
- Implemented operational improvements by better coordinating work and resources, maximizing efficiency and increasing productivity while maintaining safety such as increasing active work hours from 2.2 to 5+ hours per night
- Gathered data and built foundation for better maintenance planning, such as developing a database of drainage maps for the full system for the first time ever

| <b>Track:</b> Cleaning track and improving ride quality  |
|--|
| Cleaned over 450 miles of track  |
| Repaired over 18,000 high priority defects   |
| Installed nearly 39 miles of seamless Continuous Welded Rail, minimizing the number of rail joints and providing strong tracks requiring less maintenance, and a smoother ride for customers |
| Installed nearly 135,000 friction pads to prevent fractured rails  |
| Added 11 specialized, multidisciplinary teams for a total of 19, to improve incident response and recovery times   |

| <b>Infrastructure:</b> Remediates conditions that damages track, signals and power sources |
|--|
| Grouted over 3,600 leaks   |
| Cleared 381 track miles, freeing it of debris blocking drain boxes and pipes               |
| Cleaned nearly 41,000 street grates systemwide   |

| <b>Power:</b> Ensure supporting infrastructure reliability  |
|---|
| Installed nearly 350 voltage correctors and nearly 1,250 transformers, to mitigate the impact of electric voltage variations that could cause signal failures |
| Inspected and repaired more than 600 Energy Distribution and Signal Relay Rooms   |
| Inspected and repaired over 14,600 pieces of signal equipment along 692 track miles   |

| <b>Signals:</b> Improves signal reliability                               |
|---|
| Repaired over 1,700 signal components and rebuilt over 200 signal stops   |
| Inspected over 700 air switches, and instituted a 30-day inspection cycle |
| 123 new signal positions added, including 91 for maintenance and repair   |

| <b>Cars:</b> Reduce downtime and upgrade critical components   |
|--|
| Accelerated the major car overhaul cycle from 7 years to 6 years for nearly 2,200 cars   |
| Inspected over 6,400 doors to help reduce preventable door failures  |
| Completed replacing unreliable equipment in our fleet—including nearly 1,000 limit switches, and installing improved shielding on 700 master controllers |
| Refurbished 38 work trains, increasing the availability of flat cars for essential maintenance and capital work  |

Despite these actions, New York’s transit crisis is far from over. Solving it is made more difficult by the pervasive lack of trust in the MTA that has built up over many years and persists regardless of who is running the system. Virtually all concerned parties have recognized that any new commitment of funds to the agency must be conditioned on profound changes in its organizational structure, management practices and financial controls.

When asked, “What is the single factor that could do the most to change the perception and performance of the agency?” MTA executives cite the need for “culture change”—away from risk-averse bureaucrats and toward innovators, decision-makers, strong managers and team builders. Overhaul of organizational culture is necessary to keep pace with the needs of customers, ensure efficient business operations, and establish and develop systems that include the most up-to-date technology trends. Senior management must foster an environment where employees are encouraged to share new ideas and perspectives. The “old way of doing business” is no longer acceptable.

## **Recommendation: Reform the Governance Structure of the MTA**

While there is no consensus on how the MTA should be reorganized, there is universal agreement among the Workgroup that the current structure does not provide for transparency, discipline or efficiency that is required to run a complex regional transportation system. Additionally, the resultant makeup diffuses accountability.

The MTA was created in state statute as a public authority and is made up of 17 board members. The governor nominates the chairman and five other members of the board, each entitled to cast full votes, while certain other members are nominated by local governments: the New York City Mayor nominates four members; Nassau, Suffolk and Westchester counties each appoint one member, each of whom are entitled to cast a full vote; and Putnam, Orange, Dutchess and Rockland counties each appoint one member, and such four members cast one collective vote. Board nominees are subject to approval by the governor and the State Senate.

The MTA Board’s job is to exercise budget and oversight responsibility for the authority and its five independent operating entities that collectively employ about 75,000 people, the majority in NYC Transit. With respect to the capital budget, there is additional oversight through the Capital Program Review Board (CPRB), a six-member body (two non-voting) with appointees from the governor, Senate, Assembly, and the NYC Mayor. The appointees of the governor, Senate or Assembly may veto the entire MTA capital plan, whereas the mayor’s appointee may veto only the NYC Transit and Staten Island Railway portion of the capital plan.

The MTA has intergovernmental relationships with units of government that require coordination on a daily basis. One example of such a relationship is policing. The New York Police Department (NYPD) polices the subway, while the MTA Police control terminals (Grand Central and Penn Station) and the commuter lines, and also have joint jurisdiction in the subways. Another example is engaging the homeless population which is a multi-agency effort at all MTA facilities that includes social service agencies, not-for-profit organizations and law enforcement. Likewise, emergency operations require coordination. The MTA management is responsible for managing the stations, but is reliant on close cooperation from government and non-government partners to address this issue. One final example

is labor and civil service. The MTA has 70 union contracts and all hiring for the New York City subway and bus system is handled through New York City's civil service process, which designates the city as the municipal oversight entity for the Transit Authority pursuant to state law. It should also be noted that in most instances MTA and its subsidiaries own respective assets while in other instances assets are controlled pursuant to a master lease.

The operational and governance structure is not conducive to effective management for an organization of this size and import. The need for major reform is evident but beyond the scope of the Workgroup. In addition to all of the aforementioned, the operating agencies have to deal with layers of MTA bureaucrats who routinely intervene in agency management and slow decision-making. Each agency has its own legal division and other professional managerial staff with no streamlined operation to eliminate redundancy.

There are a variety of options for governance reform that the governor and Legislature should explore. 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 move would be to 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, including the New York City Council Speaker, have suggested that the city should assume control of NYC Transit or enter into a permanent joint management and funding arrangement with the state. The Port Authority of New York and New Jersey is an example of joint control of a transportation agency with clear lines of responsibility and accountability that seems to be working relatively well.

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.

# Unsustainable Growth in Operating and Capital Costs

The MTA has a \$17 billion annual operating expense budget. Over the past five years, MTA operating costs have grown 4.2 percent per year. Despite initiatives undertaken since 2010 that the MTA indicates have achieved \$2 billion in recurring cost savings, the MTA has recently projected an operating deficit of \$510 million in 2020, growing to \$1 billion by 2022 even with the proposed 4 percent fare increases in 2019 and 2021. (These figures have not been subjected to independent scrutiny.)

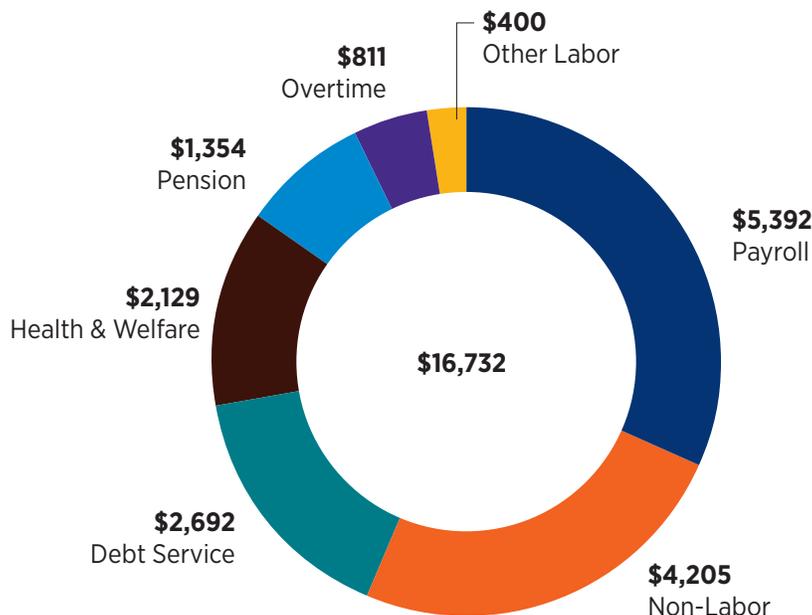
Chapter 314 of the Laws of 1981 set forth a capital planning framework that generally authorized the MTA to develop capital plans and to finance them through the issuance of bonds. The MTA currently has bonded debt of \$39 billion and debt service is 16 percent of its operating budget. It has little capacity for additional borrowing without new revenue streams to support it. The MTA receives over \$6 billion a year from dedicated city and state taxes.

While still a strong credit, the MTA rating has been downgraded by S&P twice in the past year and remains on “Negative Outlook”. The MTA’s overall expenses are expected to increase 3 percent next year, while debt service is projected to grow by 5 percent.

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## Exhibit 2: MTA Operating Budget Expenses—2019 Final Proposed Budget *in millions*

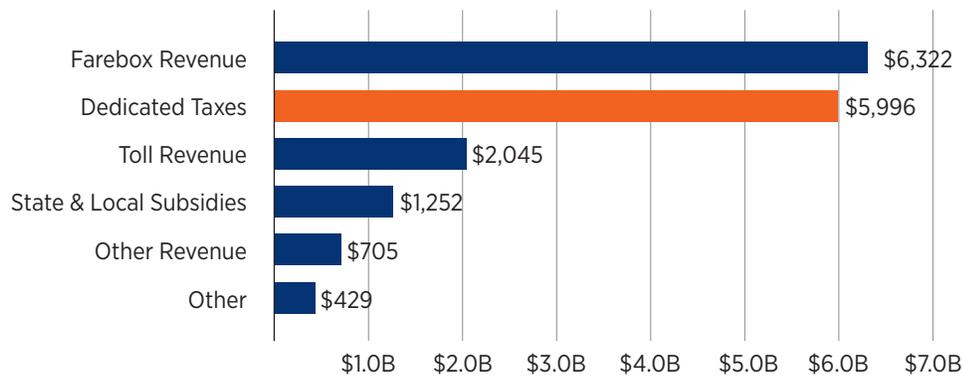
**Total Operating Expenses: \$16,732M**  
*Below the line adjustments of ~\$251M*



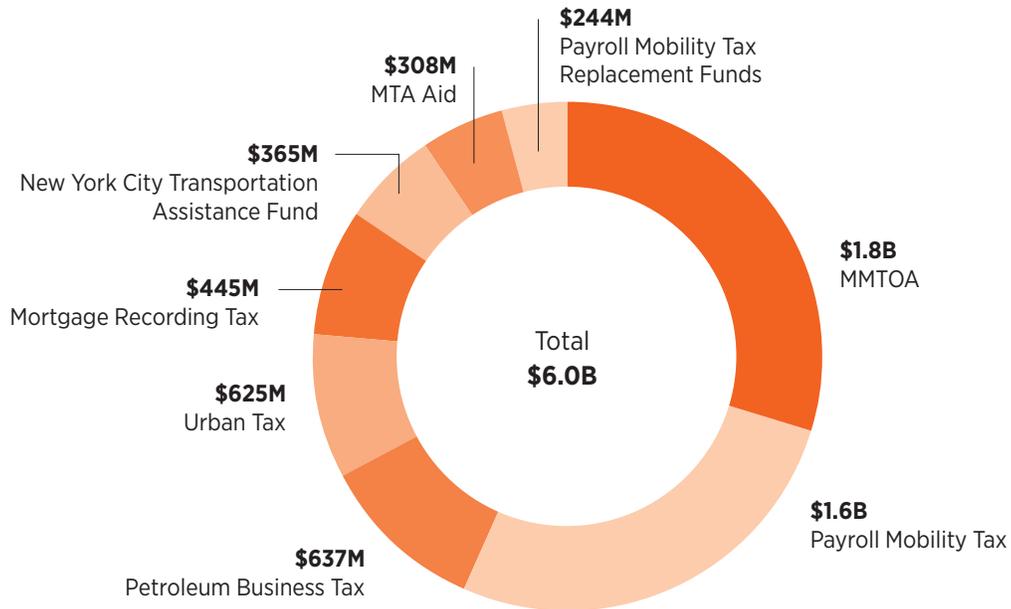
Labor is 60 percent of the MTA expense budget. The authority and its agencies have 70 union contracts with 32 unions and 82 locals/lodges. The important Transport Workers Union Local 100 contract covering NYC Transit employees is coming up for renewal the first quarter of 2019. The MTA's collective bargaining partners in labor tend to share the public's distrust of the agency.

**Exhibit 3A: MTA Funding Sources–2019 Final Proposed Budget**  
*in millions*

**Total Revenue Sources: \$16,750M**



**Exhibit 3B: MTA Dedicated Tax Revenues**



*Details in appendix*

**Exhibit 4: MTA Operating Costs Per Trip Versus Fare by Transit Mode**

| <b>Transit Mode</b>              | <b>Operating Expense* (2017)</b> | <b>Ridership (2017)</b> | <b>Revenue (2017)</b> | <b>Operating Cost per Trip (Operating Expense/Ridership)</b> | <b>Fare Per Rider (Revenue/Ridership)</b> |
|----------------------------------|----------------------------------|-------------------------|-----------------------|--|---|
| MTA Subways                      | \$4,709,987,000                  | 1,727,366,607           | \$3,546,908,000       | \$2.73   | \$2.05                                    |
| MTA Express Bus                  | \$230,143,000                    | 10,863,369              | \$60,584,000          | \$21.19  | \$5.58                                    |
| MTA Bus Service (Select/Regular) | \$2,716,625,000                  | 591,756,987             | \$945,754,000         | \$4.59   | \$1.60                                    |
| LIRR                             | \$1,912,893,622                  | 89,158,421              | \$727,600,000         | \$21.45  | \$8.16                                    |
| Metro-North Railroad             | \$1,301,476,881                  | 86,494,753              | \$733,409,000         | \$15.05  | \$8.48                                    |

*Note: This chart and these calculations are based on operating costs only and do not include capital costs.*

The MTA and its agencies have a checkered history when it comes to management of their capital program, as noted in the October 2018 report by the New York State Comptroller, “Financial Outlook for the MTA”. The approach to construction procurement has been conventional design-bid-build, with all risk and liability on the contractor. While this sounds advantageous to the authority, it has not turned out that way. MTA projects, whether expansion projects or improvements to the existing system, have been generally late and over budget for as long as anyone can remember. Reports from contractors, workers and unions directly involved in both mega projects and upgrades of the existing systems are consistent. This has been the case regardless of the leadership of the authority, suggesting that the problems are endemic to the procurement, contracting and project management system of the MTA. Unsurprisingly, contractors build these risks and dysfunctions into their bids.

The MTA created the Capital Construction subsidiary (MTACC) in 2003 to apply special expertise to the management of mega projects, but the results have been unimpressive. Most notably, East Side Access—which was originally conceived as a \$4.3 billion project to bring Long Island Rail Road into Grand Central Terminal—is now projected to cost \$11 billion when completed in late 2022. This has led some to call for complete separation of the MTACC from the MTA or even a spinoff of the function.

New York state has moved to design-build procurement for its capital construction program with incentives for early delivery and sanctions for delay. The state’s new system has been proven effective on projects ranging from both the new Governor Mario M. Cuomo and Kosciuszko Bridges to dozens of road projects. The state’s “debarment” sanction for failed contractors is practical and effective. Losing all state agency and authority work is a powerful disincentive to contractors. The MTA has been slow to change, resulting in extended time for its capital projects, which translate into delayed commutes, traffic congestion, and cost New Yorkers BILLIONS.

The experience on delivery of Phase 1 of the Second Avenue Subway illustrates the problem. After the MTACC missed multiple deadlines for completion, Governor Cuomo effectively assumed operational

control of the project, holding weekly meetings and instilling a culture of accountability on the project managers. The governor instituted a new policy of performance requirements on the firms building the subway and achieved a massive, although isolated, “culture change”, which resulted in unusual on time completion.

The MTA must similarly re-engineer its approach to construction activity, employing design-build and other innovative contracting techniques that promise to bring down the projected costs of its capital program. Where they have done it, success has been achieved, with the LIRR’s 13 mile Farmingdale to Ronkonkoma Double Track project being delivered 15 months early. But the MTA must move much more quickly to implement new contracting and project delivery options that have been available to the agency for a long while, but seldom utilized.

## **Recommendation: Perform Independent Audits of Capital Costs & State of Good Repair**

Despite any organizational changes within the MTA, there remains a skepticism of the MTA’s assessment of its capital costs. Independent third parties should be utilized to examine the MTA’s infrastructure and identify which resources require renovation or replacement in order to maintain a state of good repair. An independent audit of capital costs would help ensure appropriate and efficient investments and help reestablish public confidence.

The MTA should require that all capital projects, including maintenance and good repair, are subject to standardized performance metrics for planning, design, approvals, change orders, project management and delivery with strict transparency and reporting requirements. To avoid deferred maintenance in the future, the MTA should establish and publish a state of good repair budget and spending plan (indexed to inflation) by asset, to report quarterly on expenditures and disclose in financials. These documents should be prepared for readership by the public and not just financial and engineering experts. Furthermore, a chief engineer should sign and stamp certifying the accuracy of the report.

## **Recommendation: Management and labor should identify mutually beneficial ways to contain costs, increase productivity and provide increased upward mobility opportunities for all employees**

Like most public agencies, 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. Union leaders note that there is limited upward mobility opportunity for their members in supervisory positions and point to the aging out and retirement of the real experts on system equipment and operations. This suggests the need for additional investment in professional development of the workforce to reflect changing needs that have come with technology and new equipment. Management is concerned about the disincentives for employees who will not leave the represented ranks due to compensation concerns. The collective bargaining process should consider these issues and also include discussion of updating work rules, many of which are obsolete and add unnecessarily to MTA expenses.

## **Recommendation: Reform Procurement Practices**

This year, committees of the MTA Board focused on the need for administrative reforms of construction contracting and procurement practices and came out with recommendations to achieve cost savings and efficiencies. Management should adopt the administrative actions and the Legislature should consider actions it can take to support them in areas that will have significant impact on 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. Historically the use of traditional “low bid” procurements has been seen as a way to save on costs, but this selection process does not allow for comprehensive assessment of the means and methods of the project, at times resulting in overruns and delays. Another issue is over-customization of specifications for procurement and construction, adding to cost by limiting flexibility and standardization.

## **Recommendation: Contain Unsustainable Growth in Costs**

Cost containment is critical to the MTA’s long-term financial sustainability. There are a number of major expenditure items that should be carefully examined to identify opportunities for curbing unsustainable growth in operating costs. For example, it is reported that New York City has worked with its municipal unions to substantially reduce health care costs without reducing benefits. The MTA’s final proposed budget for 2019 includes \$1.448 billion for health and welfare (principally health insurance for active employees), an increase of almost 20 percent compared to 2017 actuals. An additional \$682 million is projected for retiree health care or other post-employment benefits, more than a 20 percent increase over 2017 actuals. The MTA’s unfunded actuarial accrued liability for all its Postemployment Benefit Plans was \$19.5 billion as of the end of 2017, up 7.3 percent from 2016.

The MTA should also examine other cost containment opportunities, including but not limited to, 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 for which the MTA is largely self-insured through its captive insurance company.

## **Recommendation: Establish an Entrepreneurial Unit to Champion Commercial Revenue Opportunities**

Unlike most other systems in global cities, the MTA has no office of “Strategic Partnerships” with revenue targets and charged with initiating and pursuing commercial endeavors or private sector sponsorships. The New Jersey Legislature recently enacted a law that requires New Jersey Transit (NJ Transit) to establish an office of real estate and transit-oriented development charged with turning property it owns into revenue-generating opportunities. The bill sponsor declared, “Exploring ways to increase NJ Transit revenue without hiking fares on riders is absolutely critical to reforming the agency.” The same could be said of the MTA.

Only 3 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. Grand Central Terminal, which is the highlight of the MTA’s

asset monetization efforts, represents 42 percent of all its system wide retail and land license revenue income. The majority of MTA stations have no commercial activity.

London, Boston and many other transit systems around the world reduce operating costs and generate commercial revenues through strategic partnerships with the private sector to develop commercial activities, including retail and advertising, in stations and other facilities.

In 2017, the MTA concluded a new deal to install digital advertising and customer information signage throughout the entire bus, subway and commuter rail system. However, the revenue potential hinges on the pace of installation, which the MTA needs to accelerate.

On the real estate front, a few years ago the MTA made a first attempt with “Turnstyle”, a small cluster of food stands that a private developer created in an unused subway passage under Columbus Circle. While a charming amenity, the project was so encumbered with MTA bureaucratic requirements and delays that it almost failed and the MTA had to reduce its rent to avoid the project going bankrupt.

Until recently, Turnstyle had no advocate within the MTA and its developer struggled to navigate pervasive bureaucratic resistance to accommodating business intrusion. The MTA offices responsible for this type of development need to be empowered to aggressively promote and expedite commercial projects like this that could be sources of income and make stations far more attractive to the riding public.

## **Recommendation: In Certain Cases, the MTA Must Invest to Save**

The Workgroup heard from experts about a number of areas where timely investment can result in significant ongoing savings. These opportunities are often tied to upgrades in technology, preventive or “predictive” maintenance, and prudent capital investments.

One example is the NYC Transit plan to accelerate investments in making subway stations more accessible, which will allow more people with disabilities and mobility needs, such as the growing aging population of New York, to use the subway system. Improving accessibility—with capital investments such as elevators or ramps, improved Paratransit service, and other audio and visual improvements—will require a significant investment. At the same time, mandated services currently provided through the MTA Access-A-Ride program cost the MTA \$77 per trip, or a total of \$474 million in 2017. Despite the cost, there is a high level of customer dissatisfaction with the current service.

The MTA is conducting an e-hail pilot offering on-demand trips with a limited group of customers that costs a fraction of the traditional service on a per ride basis. It has been so well received that customer utilization has increased dramatically, driving overall costs up. It is important to refine the model for a cost effective on-demand paratransit services program, which tech mobility companies are prepared to help with, at the same time accelerated investment in station accessibility moves forward.

Technology and communications systems also require big up-front investments but can result in significant long-term savings and productivity gains. One place this principle should be applied is upgrading the subway Rail Control Center which relies on a system of yellow Post-its, pagers and

walkie talkies to manage system emergencies. Half of the subway lines cannot be tracked on real-time dynamic screens. The MTA and the governor's Genius Transit Challenge are exploring alternative new technologies that could, if proven, expedite signal system innovation even further. The process for amending the capital plan should be transparent with regard to which projects are being added or removed, and how additional projects will be paid for.

## **Recommendation: Reduce Fare Evasion**

In 2018, NYC Transit estimates \$215 million of revenue loss on subways and buses due to fare evasion. Official observations are conducted on a quarterly basis where staff visit a sample of subway stations and bus routes to record various instances of evasion. In addition, special Eagle teams for Select Bus Service conduct periodic exercises where there are counts of paid versus unpaid passengers boarding a bus. Based on these methods, NYC Transit estimates 350,000 (16.3 percent) daily evaders on the bus system and approximately 200,000 (3.8 percent) daily evaders on the subway. There are legitimate concerns about 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 have to subsidize fare evaders. Since summer 2018, the NYPD has changed its Theft-of-Service policy to provide officers with greater discretion to write summonses rather than make arrests, with the effect of officers spending more time in the transit system. Nonetheless fare evasion continues to increase. Non-criminal sanctions for discouraging fare evasion should be jointly developed by the state, MTA and the NYPD.

## **Recommendation: MTA Should Not Absorb Losses from Fare & Toll Discounts**

Fare and toll discounts are a substantial cost to the MTA, totaling a net unreimbursed annual loss of \$314 million, exclusive of discounts for seniors and the disabled the MTA must provide as conditional on federal grants. The MTA has some discount mandates associated with federal funding, including discounts for seniors in off peak hours. It also provides student subway discounts and resident discounts for certain bridge tolls that are partially offset by city and state funding. In the future, funding for any additional discount programs not originated by the MTA should be funded by entities other than the MTA.

## Exhibit 5: Current Fare and Toll Discounts

| Agency                                   | Program/Outside Contributions   | MTA Net Revenue Loss* (2017, in \$M) |
|--|---|--------------------------------------|
| Agency Provided Discounts                |   |                                      |
| NYCT                                     | Student Fares<br><i>Contributions: City \$47M, State \$25.3M</i>  | \$167.4                              |
| NYCT                                     | Peak Period Reduced Fare & Zero-Fare MetroCard<br><i>Contributions: City \$13.8M for overall Reduced Fare program</i> | \$49.5                               |
| Metro-North                              | School/Student Programs   | \$1.2                                |
| Metro-North                              | Charity/Military Program  | \$0.1                                |
| LIRR                                     | School/Student Programs   | \$1.0                                |
| LIRR                                     | Charity/Military Program  | \$0.4                                |
| B&T                                      | Staten Island Resident Discount/Carpool Discount<br><i>Contributions: State \$10.4M</i>                               | \$80.5                               |
| B&T                                      | Verrazano Commercial Vehicle Discount<br><i>Contributions: State \$3.4M</i>   | \$3.5                                |
| B&T                                      | Rockaway Resident Discount  | \$10.4                               |
| <b>Total (Agency Provided Discounts)</b> |   | <b>\$314.1</b>                       |

\* MTA Net Revenue Loss does not include City or State contributions noted in “Program/Outside Contributions”

## **Recommendation: Eliminate the 25 Percent “MTA Premium”**

To compensate for poor construction practices at the MTA, the construction industry has reportedly incorporated a roughly 25 percent premium into their bids for MTA projects. This was largely confirmed by the MTA Board’s intensive review last year of the reasons for high construction costs and delayed project delivery. The board came out with recommendations that can and should be implemented through administrative actions.

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### **Exhibit 6: Cost Containment-Recommended Reforms**

#### **Reforms Underway**

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Empower project leadership

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Streamline change order process

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Accelerate payments to contractors

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Make contract and design specifications less prescriptive

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Reduce bond performance requirements from 100% to 50%

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Guarantee track outages

---

Allow partial payments for undisputed portion of invoices

---

Allow contractors to submit alternate forms of security

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Move to performance-based compensation with bonuses for success and penalties for poor performance

---

Revise contracts and use expedited dispute resolution process with neutral, third-party arbiter

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## **Recommendation: Encourage Public Support for More Flexibility in Closing Lines for Construction & Maintenance**

NYC Transit is one of only a handful of systems in the world that runs 24/7, and one of a few that operates all lines in such a manner. A major reason for high construction costs and delayed delivery is the pressure to keep the system running or only interrupt service for short periods in the middle of the night or weekends. Closing services can be a significant inconvenience, but the benefits are huge in terms of the ability to complete maintenance and repair upgrades can be greatly accelerated, resulting in far better service over the long term. The MTA has recently almost doubled the amount of time actually worked during planned subway outages, from what had been under three hours to five hours in an eight-hour shift. This is a start on what must be a much greater increase in productivity.

## **Recommendation: Encourage Expanded Private Sector Innovation**

The MTA has taken several steps to modernize its approach to operations and project development in the past year, 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. In October 2018 close to 100 early stage tech companies responded to an invitation to compete for a

spot in the Transit Tech Lab, where winners will have an opportunity to test their solutions for better bus service and subway communications.

One current opportunity for partnering with the private sector is on rapid replacement of the subway signal system in order to run more trains closer together: a higher frequency of train traffic to accommodate high volume demand. This requires a new signal system to be designed and installed on 600 miles of track. Higher subway frequency also requires more safety precautions. There is no proven technology that achieves the combined goals of frequency and safety and a technological solution is unlikely to come from traditional MTA vendors. One idea that emerged from the governor's Genius Award competition and shows great promise is the deployment of ultra-wide band technology, which could significantly reduce the time and cost to re-signal subway lines starting as early as 2019. The state should assemble experts in the field to assess the situation and expedite its testing and development.

## **Recommendation: Establish Intergovernmental Planning & Real Estate Coordination Office**

Coordination between the MTA and local governments on capital planning and construction has been an ongoing challenge ever since the MTA's creation. The need for coordination will only intensify as the MTA seeks to take advantage of innovative project financing and delivery strategies such as public-private partnerships and tax increment financing that necessarily implicate municipal assets and interests. And it is essential for the region's future that MTA investments and local land use policies be coordinated to maximize "bang for the buck"—opportunities for Transit-Oriented Development (TOD) to support a healthy and sustainable pattern of growth.

To provide an institutional framework for enhanced coordination and local input going forward, the Workgroup recommends the establishment of an agency-wide "Intergovernmental Planning and Real Estate Coordination Office" empowered to perform several key functions. Examples could include:

- Planning and executing TOD projects in close cooperation with local government.
- Coordinating and expediting agency review of real estate development/construction projects undertaken by local government or private developers that require approvals from MTA offices before plans can be finalized, permits issued and construction can proceed. Often, MTA agency processes hold these projects up for several years and add considerably to development costs. A faster, more predictable process could also generate revenues, since fast track approvals are likely something that developers would be willing to pay for.
- Enlisting local input into the planning process. During recent months, the MTA and NYC Department of Transportation (NYC DOT) have started working together on allocation of the \$50 million a year that will be available for "transit desert" improvements in the four boroughs outside Manhattan, funded by FHV fees. NYC Transit has recently engaged in community town meetings for ideas to inform major reconfiguration of bus routes. These efforts can be institutionalized to increase trust in the MTA and improve its response to local needs.

- Structuring station enhancement and other improvements generated by private development, such as the \$200 million in subway improvements generated by development of One Vanderbilt, next to Grand Central Terminal; the pending deal to develop the MTA's former Madison Avenue headquarters; and the TOD projects advancing on MTA parking lots in both Westchester and Long Island.
- The Democratic majority that will take over the U.S. House of Representatives in January has as its top priority the funding of a major national infrastructure program. The MTA and New York City and state need to be ready with projects that are in a position to move quickly on a cost-effective basis and able to leverage substantial private funds. The MTA should be preparing RFPs for release immediately upon passage of such a program. The MTA should also be looking to access private investment through the new federal Opportunity Zones program, which, if applied appropriately, should be a source of long term, lower cost funding for transit and TOD in low income areas.

## **Recommendation: Optimize the Value Created by Transit Improvements**

History demonstrates that 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 Workgroup recommends that the MTA and the localities it serves work together, pursuant to existing law, to realize the full potential of such financing alternatives.

New York City has specific, successful experience with tax increment financing. The city used both tax increment financing and a PILOT arrangement to finance the cost of extending the #7 line to the Far West Side and other infrastructure improvements in support of the massive Hudson Yards redevelopment. There are pending projects in the city and around the region that offer similar opportunities for the MTA. Specifically, tax increment financing could support transit-oriented development near new stations along Metro-North's lines, the later phases of the Second Avenue Subway, or the LIRR's Third Track, subject to municipal approval of any forgone taxes.

State law already authorizes tax increment financing for MTA capital improvements. New York State General Municipal Law Section 119-r, enacted in 2016, authorizes local governments in the MTA Commuter Transportation District to enter into contracts with the MTA that redirect local real estate tax revenues to finance future transit improvements within designated mass transportation capital project districts.

## **Other Recommendations**

### **Recommendation: Provide New York City and other Localities with Greater Flexibility to Enforce Traffic Laws**

Local government controls the infrastructure for surface transit (streets, bus lanes) and has responsibility for the enforcement actions that the MTA relies on for surface transit. To maximize congestion relief in the CBD, 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. Any such expanded automated enforcement authority should take into consideration due process rights, adequate public awareness, fair adjudication procedures, reasonable penalties & fines, procurement standards, public safety concerns and privacy protections.

### **Recommendation: Lock Box and Dedicate New Revenues Exclusively for MTA Capital**

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. The same conditions should be applied to any other new revenues that the Legislature might authorize and the dedicated city and state taxes that are already in place. Funds meant for the MTA should not be diverted for other purposes. Assurance of predictable funding is critical to MTA planning, contracting and leveraging of other resources.

### **Recommendation: End Placard Abuse to Reduce Congestion**

New York City and New York State Departments of Transportation should make recommendations regarding vehicle placards, including a ceiling on the number of placards that are allowed by city, state and federal agencies. Reserved or dedicated parking for private cars should be eliminated and there should be strict enforcement of penalties for placard abuses by an entity with independence from the civil servants it would need to enforce. Use of government vehicles for official commutation should be greatly reduced. Private cars with government placards and free E-ZPasses should not be automatically exempted from congestion pricing if implemented. Thousands of government vehicles are used for daily commuting.

### **Recommendation: Relieve Congestion Caused by Tour & Sightseeing Bus Activity**

Tour buses, which obstruct public buses and clog streets in the most congested parts of Manhattan, should be severely limited. There are plenty of transit options for tourists and Manhattan simply cannot accommodate tour bus activity without creating hardship for business and residents. With respect to private commuter buses, there must be an effort to find adequate off-street parking to reduce their contribution to congestion. They should not be assigned curb space needed for commercial deliveries and other purposes.

## **Recommendation: Recognize Commuter Rail Interstate Challenge**

Services that Metro-North provides to customers in the northern suburbs are inter-connected with operations of commuter rail in Connecticut and New Jersey. West of Hudson service in New Jersey, however, is a significant problem. With more than 1.6 million West of Hudson riders in 2017, NJ Transit trains that provided the service were over-crowded and unreliable. There is also a need to improve service where lack of adequate sidings causes conflicts between NJ Transit and New York commuters using the Pascack Valley Line. 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.

## **Recommendation: Allow MTA to Migrate to a Ten-Year Capital Planning Process**

The MTA has a five-year capital planning process that they would like to extend, since planning and execution of complex capital projects frequently takes longer than five years. It should be possible to move to a ten-year capital planning process without reducing CPRB oversight. This could still require legislative review and CPRB approval mid-way through a capital program—much like the current process for amending the capital plan—or the MTA could be required to submit rolling ten-year capital spending programs every five years. The Port Authority of New York and New Jersey has a ten-year planning and budget cycle. It may be helpful to move the MTA to a fiscal year that is consistent with the state, April 1 through March 31, rather than the calendar year.

## **Recommendation: Accelerate Expanded Commuter Rail and Bus Service to Transit Deserts**

For congestion pricing to be equitable to all New York residents, it is essential that those who cannot afford the charge for driving into or through the pricing zone have reasonable public transit options. The MTA and NYC Transit have initiated a planning process to ensure that the needs of “transit deserts”—specifically those areas of the boroughs underserved by subways—are addressed.

A good model for prioritizing specific projects for underserved areas has been developed by the MTA and the New York City and state Departments of Transportation to determine how the \$50 million generated annually from the new FHV charges that will begin in 2019 will be allocated for transit improvements in the four boroughs outside Manhattan. This same type of process should be used to determine the additions to the MTA capital plan that will be necessary to deal with transit deserts.

NYC Transit has also instituted borough consultation to gain community input on its *Fast Forward* plan for updating bus routes, a process that is reportedly providing communities and legislators with welcome input into the MTA capital planning process. A similar process is being developed by the commuter rail lines for consultation with elected officials in the suburbs.

In the longer term, after stabilization and modernization of the transit system, higher prioritization of certain projects with potential to solve the problem will be required—for example, the Metro-North

Penn Station Access project that will provide direct commuter rail connections to four underserved areas of the East Bronx.

The LIRR and Metro-North commuter rails run through transit deserts in Queens and the Bronx where stations should be opened to accommodate riders who have no subway alternative. This will likely add to capital and operating costs of the MTA and raises concerns about capacity of the rail lines and lengthening the commute of suburban passengers. Completion of East Side Access and Penn Station Access should allow for additional capacity. Increasing commuter rail service to city riders is a complicated issue, but worth pursuing.

## **Recommendation: Reduce Subway Delays & Improve Station Conditions**

New leadership at NYC Transit is focused on addressing issues that contribute to train delays and make the customer experience on subways uncomfortable or unpleasant. Several require close cooperation from the NYPD and other city agencies. Routine delays occur when someone gets sick on a train or has a health or personal issue. It can take a long time to address these issues. The NYPD and New York Fire Department have personnel devoted to rail operations 24/7 to address sick passengers and crime scenes and are working closely with NYC Transit to reduce extended service interruptions, balancing law enforcement and transit operational needs. The NYPD, FDNY and MTA Police should enhance their protocols for emergency response.

There is also a growing presence of homeless in the subway system that requires a combination of efforts by the NYPD, the city and nonprofit outreach organizations to bring the homeless to appropriate shelters. The Department of Homeless Services and NYC Transit have established a cooperative pilot project at the terminal station of the E line where homeless individuals are engaged and encouraged to seek services. This pilot should be expanded.

# Sustainable Funding Options

In 2009, the state authorized new funding that was intended to provide both operating and capital program funding. The Payroll Mobility Tax has been completely used to fund operating expenses, pay-as-you go capital funding and debt service for both the 2010–2014 and 2015–2019 Capital Programs. Since that time, MTA expenses have grown faster than these revenues. The MTA's ability to finance the next capital plan will be very limited unless it receives new dedicated and sustainable sources of funding.

There are no easy solutions to the MTA's funding needs. A majority of the Workgroup recommends that the governor and Legislature adopt a congestion pricing plan. The Workgroup has considered a number of other proposals to generate new revenues and to modify or expand existing revenues, but did not reach consensus.

## **Recommendation: Establish a congestion pricing zone in the region's commercial center, with revenues exclusively dedicated to the MTA capital program and associated operating expenses**

The theory behind congestion pricing is that, as cities grow, their streets are an increasingly scarce resource and should be priced accordingly. Owners of private and commercial vehicles that traverse the city contribute far less than their fair share toward funding the high-value infrastructure and public services that are necessary to maintain the Manhattan CBD and the rapidly growing communities that surround it. Congestion pricing should be a win-win solution since those who pay the charge benefit directly from the productivity gains and cost reduction that result from reduced traffic. This is not a small benefit, since excess congestion currently costs the region more than \$20 billion a year.

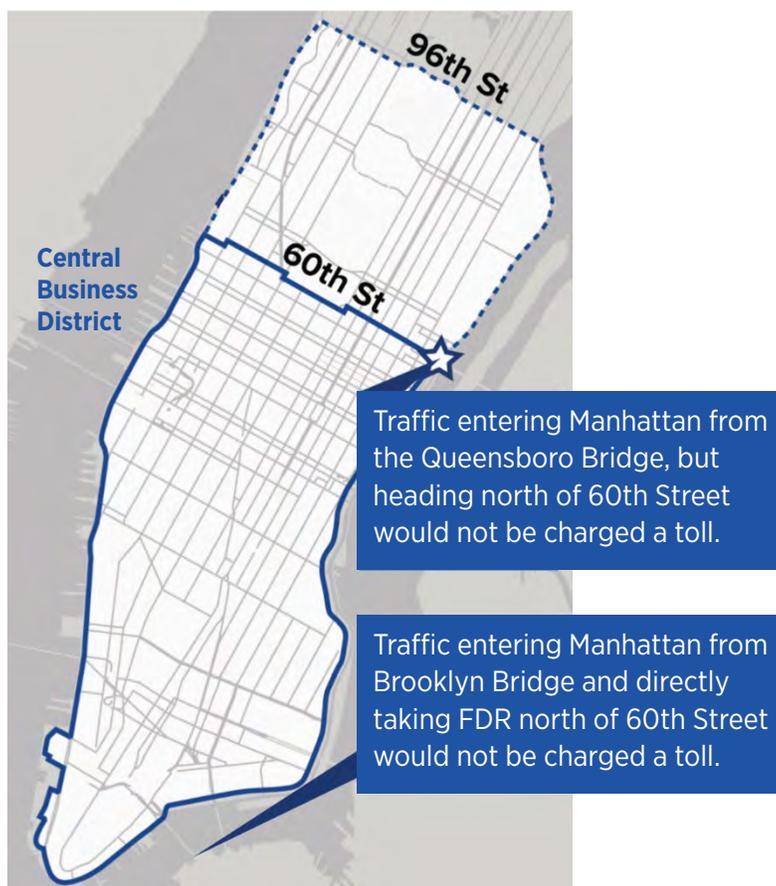
The size and density of economic activity in Manhattan makes it the biggest concentration of excess traffic congestion and a source of much of the traffic in the surrounding region. One of the worst consequences of excess congestion is that it slows down bus service, both local and express, which has caused a huge loss of ridership and increase in cost of bus operations. With few protected bus lanes and severe restrictions on local authority to enforce bus lanes, New York enjoys none of the efficiency and predictability of bus systems in most major cities.

A cordon pricing zone that would charge vehicles entering the Manhattan CBD and could generate \$1 billion a year or more, contingent on the size of the zone and the congestion charge, for the MTA and a 15 percent to 20 percent increase in average vehicle speed (currently 7.1 miles per hour). This assumes charges during periods of high traffic volume that are roughly comparable to current tolls on tunnels and bridges. 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.

Any congestion pricing zone 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 the responsibility of New York City for the management of its streets and equipment installed to control traffic.

## Exhibit 7: Models of Pricing and Gross Revenue Options for Congestion Mitigation in Manhattan's Central Business District

Map shows cordon zone south of 60th Street as proposed by FixNYC Panel. Calculations were made using this zone for illustration. The FHV congestion zone south of 96th Street will be implemented in 2019.



### Option 1: Today's Rates

**Rate\*** \$5.76 charge on cordon entry/exit or  
\$11.52 charge on cordon entry only

| Pricing options by time of day                           | Estimated gross revenue |
|--|-------------------------|
| 24/7/365   | \$1.45B                 |
| Monday–Friday, 6 a.m.–8 p.m.<br>Weekends 12 p.m.–10 p.m. | \$1.0B                  |
| Monday–Friday, 6 a.m.–8 p.m.                             | \$0.79B                 |

Estimated traffic speed gains: 15–20%

\* Current toll on Queens Midtown Tunnel and Hugh Carey Tunnel is \$5.76 each way with E-ZPass

### Option 2: 8% Toll Increase

**Rate** \$6.22 charge on cordon entry/exit or  
\$12.44 charge on cordon entry only

| Pricing options by time of day                           | Estimated gross revenue |
|--|-------------------------|
| 24/7/365   | \$1.56B                 |
| Monday–Friday, 6 a.m.–8 p.m.<br>Weekends 12 p.m.–10 p.m. | \$1.08B                 |
| Monday–Friday, 6 a.m.–8 p.m.                             | \$0.85B                 |

Estimated traffic speed gains: 15–20%

*The 8 percent reflects an increase that is being considered for MTA-controlled bridges and tunnels. This figure could be higher for the CBD.*

## Additional Funding Measures Raised for Consideration without Consensus:

### Accelerate Existing State and City Commitments to the Capital Program

The MTA faces growing operating deficits and short-term capital needs, particularly for *Fast Forward* and priority measures to improve commuter rail. To secure the resources necessary to move forward with these important capital initiatives while also providing operating budget relief to the MTA in the form of reduced additional debt service, the state and city should consider accelerating their existing capital commitments to provide bonding relief to the MTA's capital program. In 2015, New York state and city committed \$8.3 and \$2.5 billion, respectively, to help fund the 2015–2019 MTA Capital Plan. Only a portion of these commitments has been drawn down because the terms of funding required the MTA to advance its resources first. The MTA currently estimates the potential savings from acceleration of the estimated \$9.2 billion state and city funding during the plan years at \$31 million in 2019; \$176 million in 2020; \$391 million in 2021; and \$532 million in 2022. The acceleration would not increase funding for or the size of the MTA capital program, but simply defer MTA spending its own funds to later years, however, any acceleration must be accompanied with sureties that the MTA will execute the capital plan on time and on budget.

### Exhibit 8A: MTA 2015–2019 Capital Plan Commitments (as of Q3 2018)

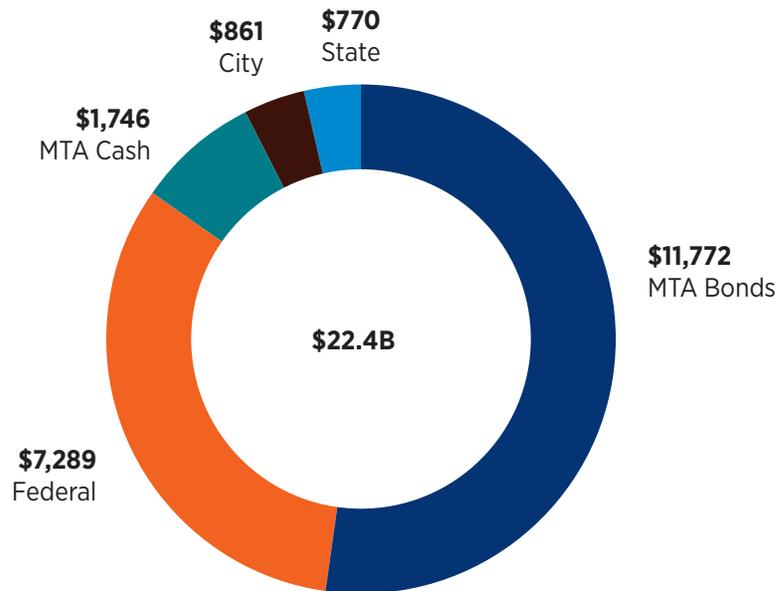
| Agency          | Budget                  | Encumbered              | % Encumbered | Expended               | % of Encumbered already Expended |
|-----------------|-------------------------|-------------------------|--------------|------------------------|----------------------------------|
| NYCT/SIR        | \$16,741,997,862        | \$9,782,163,517         | 58%          | \$3,511,536,511        | 36%                              |
| LIRR            | \$2,858,956,601         | \$1,998,518,224         | 70%          | \$1,040,425,663        | 52%                              |
| MNR             | \$2,464,452,346         | \$1,413,741,549         | 57%          | \$332,411,005          | 24%                              |
| MTA CC          | \$7,650,171,942         | \$4,098,804,254         | 54%          | \$1,457,796,811        | 36%                              |
| MTA Interagency | \$242,776,128           | \$68,691,561            | 28%          | \$16,771,987           | 24%                              |
| B&T             | \$2,936,305,926         | \$1,531,335,298         | 52%          | \$595,816,732          | 39%                              |
| MTA Bus         | \$375,965,811           | \$96,432,534            | 26%          | \$6,159,112            | 6%                               |
| <b>Total</b>    | <b>\$33,270,626,616</b> | <b>\$18,989,686,937</b> | <b>57%</b>   | <b>\$6,960,917,821</b> | <b>37%</b>                       |

Notes: The current capital plan commenced 18 months after the original start date and 20 months after its proposal; the award of contracts and the disbursement of funds was delayed. Funds are encumbered when contracts have been awarded.

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**Exhibit 8B: Historic MTA Capital Program Funding Levels (2010–2014)**

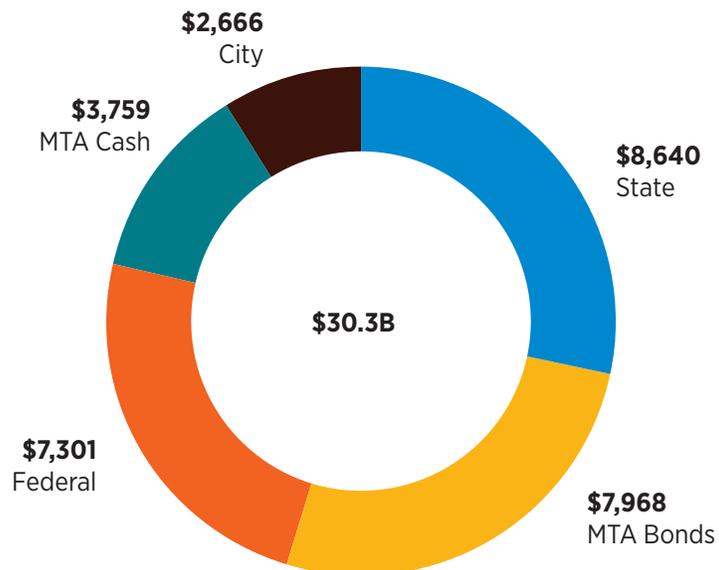
*in millions*



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**Exhibit 8C: Current MTA Capital Program Funding Levels (2015–2019)**

*in millions*



Note: These charts do not include MTA B&T and Sandy Recovery Funds.

## **A Cruising Charge on FHV**

The number of FHV operating in the city has increased 104 percent since 2014, reaching 107,000. FHV have been identified as significant contributors to excess traffic congestion and to reductions in subway and bus ridership. Beginning in 2019, an estimated \$300 million a year will be provided to the Subway Action Plan from new, flat fees on all FHV doing business in Manhattan below 96th Street that was enacted in the fiscal year 2018 state budget. Transit experts have proposed imposing an additional roaming charge on these vehicles based on vehicle miles traveled or time spent in CBD. Many FHV wait for fares at curbside forcing trucks to double park. A “time in CBD” charge would discourage FHV from lingering within the CBD without passengers, a practice known as “cruising.” Any FHV policy should also encourage pooled trips and shared rides.

## **Reconfigure the “Urban Tax”**

Currently, as part of what is known as the “Urban Tax,” the MTA is a beneficiary of a property transfer tax (1 percent) and a mortgage recording tax (0.625 percent) on commercial property transactions over \$500,000 in New York City. Because many high-end and non-resident commercial property owners do not take mortgages, they avoid that portion of the tax. Recasting the mortgage tax as a transfer tax would likely capture more revenues from those who are benefiting most from real estate appreciation in the city.

## **Expand the Real Estate Transfer Tax**

In addition to the urban tax imposed by New York City, New York state currently imposes a tax on the transfer of any residential and commercial real property. Some have proposed that this tax could be adjusted to add progressive tax rates on the sale of properties over \$5 million, with some or all additional revenue dedicated to the MTA.

## **Capture Federal Corporate Tax Reduction ‘Windfalls’**

Federal tax code changes enacted in 2017 reduced corporate taxes and could create opportunities to amend New York state tax law to capture any “windfalls” it confers. During 2019, the implications of federal tax code changes will become clearer, as will the potential for a serious national infrastructure program that the MTA can tap into.

## **MTA Share of New Revenues**

A number of new sources of revenues are in public discussion, such as taxes on the sale of marijuana, if legalized; pollution taxes; proceeds from expanded gaming revenues and taxes specific to New York City residents, among others. Transit should be a priority for any new authorized funding source.

## **Monetization of MTA Assets**

Many MTA assets are located in and around buildings that have historic landmark or historic district status. Many of these properties have potentially valuable air rights, but currently no way to monetize them because of a lack of development opportunities on contiguous sites. Working with the MTA and owners of historic properties, the city might consider expanding the area eligible for air rights transfer for historic properties, in compliance with local zoning and land use requirements, in order to generate new funding from private development for both historic properties and to support the transit system.

# Conclusion

Failure of the public transportation system is the single biggest threat to the continued livability and prosperity of the New York metropolitan region. It is, therefore, imperative that state and local government work together to ensure that the transportation system is adequately funded, effectively run, and that its priority investments are consistent with the transit needs of the region and its communities. The members of this Workgroup have reached consensus on a number of recommendations that are intended to jump start collaborative deliberations over transportation system funding, reorganization, and reform in 2019.

The option of funding transit through congestion pricing is particularly attractive because it reduces the economic and environmental costs of excess traffic, while allowing surface transit to move faster and increasing transit ridership. A cordon pricing zone in the Manhattan CBD would raise the most money for the MTA capital program among the options currently available, but may not completely solve immediate and longer-term capital funding needs. At the same time, there is almost universal concern that funds sent to the MTA disappear down a black hole. To generate necessary support for congestion pricing and any additional new funding sources it will be necessary to restore public trust in the MTA and the operating agencies that build and run the system. This will take independent verification of cost projections and better oversight of execution on the MTA's capital program. It will require the MTA and its subsidiaries, or their successor agencies, to be responsive to the communities they serve, transparent in planning and finance, and far more efficient in carrying out their work and reining in costs. This will require significant changes in organizational structure, operations and management practices, many of which are suggested in this report.

The members of the Metropolitan Transportation Sustainability Advisory Workgroup worked hard to come up with the recommendations set forward in this report. This reflects the importance every member attaches to prompt resolution of the funding and operational crisis that the regional transit system is experiencing. It will be up to state and local elected officials and leadership of the MTA and other relevant agencies to similarly reach agreement on the actions they need to take to ensure that the New York metropolitan region has a transportation system that is second to none.

# Appendices

## Metropolitan Transportation Sustainability Advisory Workgroup Enacting Language

(Chapter 59 of the laws of 2018)

§ 7. Metropolitan transportation sustainability advisory workgroup.

1. There is hereby established the metropolitan transportation sustainability advisory workgroup (the “workgroup”) which shall consist of ten members, two of whom shall be appointed by the governor, two of whom shall be appointed by the speaker of the assembly, two of whom shall be appointed by the temporary president of the senate, one of whom shall be appointed by the mayor of the city of New York, one of whom shall be appointed by the chairman of the metropolitan transportation authority, one of whom shall be appointed by the commissioner of the New York city department of transportation and one of whom shall be appointed by the commissioner of the New York state department of transportation. The chair of the workgroup shall be nominated by the governor.
2. The advisory workgroup shall undertake a review of the actions and measures that are necessary to provide safe, adequate, efficient, and reliable transportation within the city of New York and the metropolitan commuter transportation district within any available resources and shall review and make recommendations regarding: (a) the adequacy of public transportation provided by the MTA, the Metro-North Commuter Railroad, the New York City Transit Authority and the Long Island Rail Road, including but not limited to the reliability, sustainability, and transparency on project selection; (b) sustainable funding for public transportation needs; (c) motor vehicular traffic within the city of New York, including, but not limited to, taxicab and for-hire vehicle trips; (d) transportation strategies to advance the furtherance of environmental goals; (e) tolling of intra-borough bridges within the city of New York; (f) taxicab and for-hire vehicle trips including those originating and/or terminating within, or transiting, particular geographic areas using publicly available information; and (g) the feasibility of a reduced fare program for transportation on New York city transit authority systems, the Long Island Rail Road and the Metro-North Commuter Railroad for students attending a university, college, community college, or post-secondary vocational institution, which is located within the city of New York.
3. The advisory workgroup shall, on or before December 31, 2018, by a majority vote approve and issue a final report and recommendations to the governor, the temporary president of the senate, the speaker of the assembly, the mayor of the city of New York, and the Metropolitan Transportation Authority.
4. For the purposes of this section, the following terms shall have the following meanings: (a) “Metropolitan Commuter Transportation District” shall mean the commuter transportation district as established by section 1262 of the public authorities law; (b) “Metropolitan transportation authority”

or “MTA” shall mean the corporation created by section 1263 of the public authorities law; (c) “Taxicab” shall have the same meaning as such term is defined by section 148-a of the vehicle and traffic law and section 19-502 of the administrative code of the city of New York; and (d) “For-hire vehicle” shall mean a motor vehicle, other than an ambulance as defined by section 100-b of the vehicle and traffic law and a bus as defined in paragraph 34 of subdivision (b) of section 1101 of the tax law, carrying passengers for hire.

§ 8. This act shall take effect immediately; provided that: a. the amendments to section 1111-c of the vehicle and traffic law made by section six of this act shall not affect the repeal of such section and shall be deemed repealed therewith; and b. the provisions of section seven of this act shall expire and be deemed repealed April 1, 2019.

# Metropolitan Transportation Sustainability Advisory Workgroup Members

**Hon. Michael Benedetto**, Chair: Cities, New York State Assembly  
Appointed by New York State Assembly Speaker Carl Heastie

**Hon. Fernando Ferrer**, Acting Chairman, Metropolitan Transportation Authority  
Appointed by Former MTA Chairman, Joe Lhota

**Hon. Michael Gianaris**, Deputy Democratic Conference Leader, New York State Senate  
Appointed by New York City Mayor Bill de Blasio

**Rhonda Herman**, Commuter Council Advisor, Metro-North Railroad  
Appointed by Governor Andrew Cuomo

**Hon. Melissa Mark-Viverito**, Senior Advisor, Latino Victory Fund, Latino Victory  
Appointed by Commissioner Polly Trottenberg, New York City Department of Transportation

**Hon. Amy Paulin**, Chair: Corporations, Authorities & Commissions, New York State Assembly  
Appointed by New York State Assembly Speaker Carl Heastie

**Sam Schwartz**, President & CEO, Sam Schwartz  
Appointed by Acting Commissioner Paul Karas, New York State Department of Transportation

**Michael Shamma**, Northeast Transportation Business Line Leader,  
Gannett Fleming Engineers and Architects, P.C.  
Appointed by New York Senate Temporary President John Flanagan

**Hon. Andrew Sidamon-Eristoff**  
Appointed by New York Senate Temporary President John Flanagan

**Kathryn S. Wylde**, President & CEO, Partnership for New York City  
Appointed by Governor Andrew Cuomo

# Acknowledgements

The Workgroup would like to thank the professional experts, government officials and staff who contributed their time and efforts to the development of this report.

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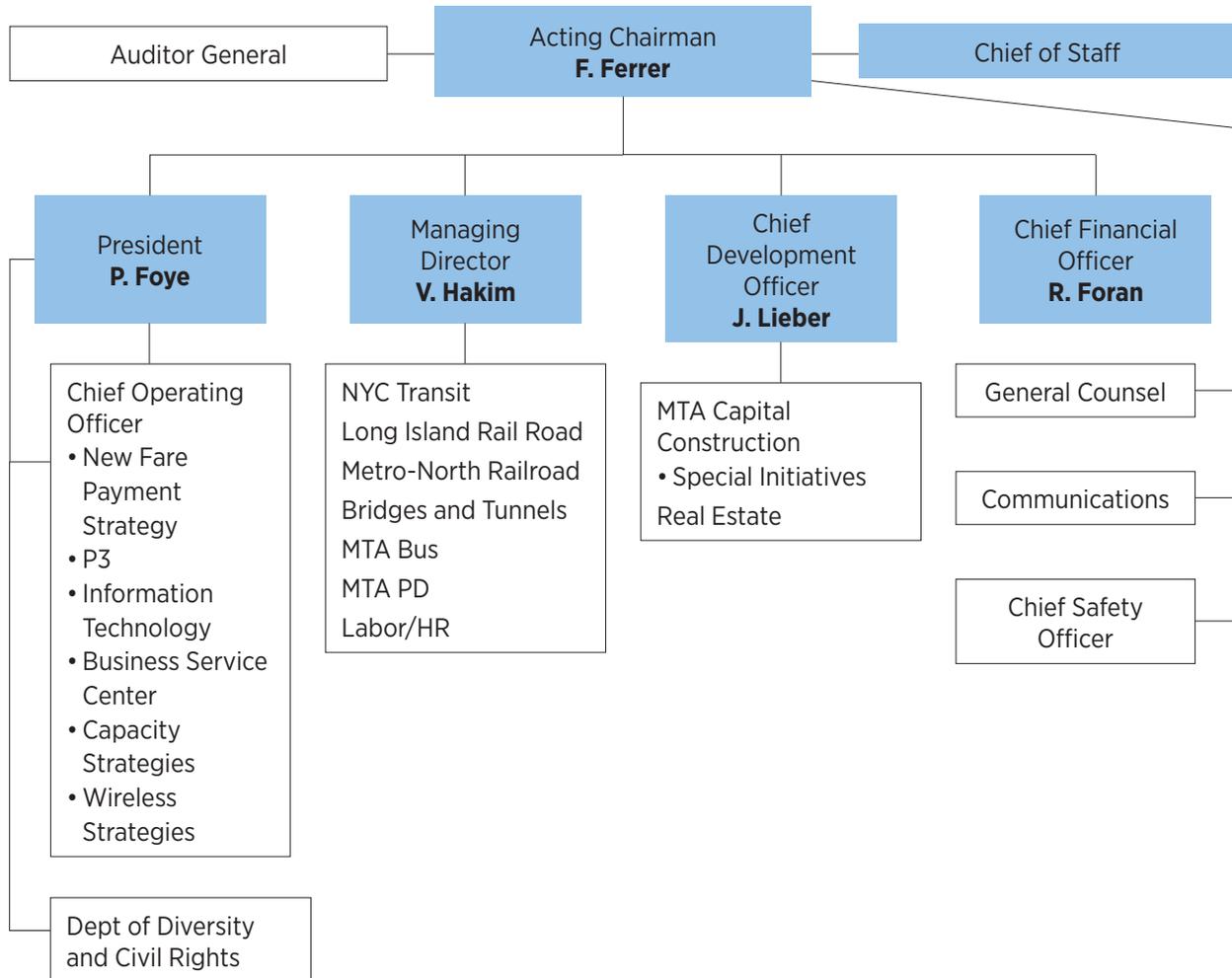
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The Workgroup would like to remember Bill Wheeler, Senior Director of Special Project Development and Planning at the MTA, who provided valuable insight and perspective before his sudden passing.

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# MTA Organization Chart

Office of the Chairman



# Dedicated Taxes

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## **Metropolitan Mass Transportation Operating Assistance Fund (MMTOA)**

Includes a surcharge on corporations and a general sales tax applied in the 12-county MTA region. The MTA receives 82% of total MMTOA receipts, with the other 18% available to other transportation properties within the MTA district.

Rate: 28.6% surcharge;  
0.375% sales tax

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## **Payroll Mobility Tax**

Tax on employers and self-employed individuals in the 12-county MTA region.

Rate: 0.11%–0.34%,  
depending on payroll size

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## **Petroleum Business Tax**

A portion of the state's petroleum business tax, which taxes each gallon of petroleum products sold.

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## **Urban Tax**

Two-part tax that only applies in New York City on commercial properties valued at over \$500,000. Includes a tax on property transfers and a tax on mortgage recordings.

Rate: 1% property transfer tax;  
0.625% mortgage recording tax

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## **Mortgage Recording Tax**

Tax on mortgages recorded in the 12-county MTA region.

MRT 1 Rate–Tax Paid on all mortgages by borrower: 0.3%

MRT 2 Rate–Tax paid on mortgages for residential properties with six or fewer units:  
0.25% paid by the mortgage lender

Rate: 0.55%

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## **New York City Transportation Assistance Fund**

Beginning January 1, 2019, a surcharge of \$2.75 per ride for all for-hire vehicles within or traversing the congestion zone, \$2.50 per ride for yellow cabs within the congestion zone and \$0.75 per ride on for-hire pool vehicles within the congestion zone will be added. The congestion zone is defined as the area south of 96th Street in Manhattan.

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## **MTA Aid**

Includes fees on auto rentals, vehicle registrations, driver's licenses, and taxicab rides.

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## **Payroll Mobility Tax Replacement Funds**

Funding from state to replace revenue lost from 2011 cut to Payroll Mobility Tax.

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