

J00H01 – MARYLAND TRANSIT ADMINISTRATION

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis

Performance Analysis – Managing for Results

1. Fiscal 2017 Marks Second Consecutive Year with Decrease in Boardings

MTA should brief the committees on the factors that contributed to the decreased boardings in fiscal 2017 and the significant increase in TaxiAccess utilization. (Page 8)

MDOT Response

Many factors affect ridership and currently the majority of these factors are negatively affecting ridership for MDOT MTA as well as the majority of the mass transit industry. These include:

- Gas Prices – Gas prices dropped over the last few years and remain at lower levels.
- Median Household Income – Median household income has increased in the past few years after many years of stagnant growth. Generally, ridership trends are inversely proportional to median income growth.
- Growth of Ridesharing – Companies such as Uber and Lyft have grown exponentially in usage given their convenience, low cost and availability.
- Car Ownership – Car ownership is increasing after many years of stagnation.
- Telecommuting – Increased telecommuting due to changes in federal work week to include compressed work week and liberal allowance for telework.
- Bike Ridership – Increased bike ridership with the implementation of bike lanes.
- Aging Population – With an aging population we may be experiencing movement of ridership from traditional core service to Mobility/Taxi Service, which have enhanced capabilities for serving this customer segment.

As shown below, other peer agencies are also experiencing similar ridership decreases compared to MDOT MTA.

	FY 2015-16 % Change	FY 2016-17 % Change
MDOT MTA	-4.6%	-6.3%
WMATA (Washington DC)	-6.2%	-7.0%
SEPTA (Philadelphia)	+3.0%	-8.4%
RTA (Cleveland)	-5.3%	-9.1%
Miami-Dade County Transit	-6.2%	-8.0%

TaxiAccess ridership has increased by an average of 15.6% annually over the past 5 years. The overall value of TaxiAccess vs Mobility is the primary factor that is driving the expansion of Taxi Access. Advantages include availability (riders can contact taxi and have a ride in 20 min), convenience (no potential shared ride) and cost (\$3 for taxi access with as many riders as will fit in vehicle vs. \$2 for paratransit).

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis (continued)

Performance Analysis – Managing for Results (continued)

2. On-time Performance

MTA should brief the committees on the factors contributing to the poor on-time performance for bus and MARC service and steps being taken to make improvements. (Page 9)

MDOT Response

Bus performance

MDOT MTA has reviewed our processes and systems for evaluating on-time bus performance and have found that there were flaws in the method/system utilized prior to the implementation of BaltimoreLink. These flaws inflated the on-time performance measures by approximately 20% vs actual performance. With the implementation of BaltimoreLink, we have upgraded the method/system for measuring results and we have found that on-time performance pre-Baltimorelink for bus was 59.5%. The post-BaltimoreLink on time performance has improved to 66.4%. Upcoming and fully implemented BaltimoreLink enhancements that will continue to improve reliability include:

- Transit Signal Priority – Installation on all buses with additional corridor implementation in 2018.
- Dedicated Bus Lanes – Continued review and analysis to add dedicated bus lanes where practical and expand enforcement of parking restrictions to keep these lanes clear.
- Continuous Review – Review performance by route and dedicate resources to evaluating and making meaningful changes to change results with each schedule change.
- Peer Review – Review and implement best practices from peer agencies to include headway management techniques and identify new technology enhancements.
- Real Time Launch – Real time tracking of bus current location with greater reliability and upgraded speed.
- Mobile Ticketing – Enhancements that will improve speed of payment which can translate into reduced stop times.

MARC performance

MARC had a decline in performance in 2017 primarily due to maintenance along the corridor that impacted service along the Penn line. The primary issue on the Penn line is that Amtrak began the process of upgrading track along this corridor. These upgrades will produce enhanced reliability in the long-term but will reduce on-time performance in the short-term.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis (continued)

Performance Analysis – Managing for Results (continued)

4. Transit Performance Measures Not Updated

MTA should provide actual data on the performance of its transit services for fiscal 2017 and indicate how it will ensure that the reported data is accurate going forward. (Page 11)

MDOT Response

There was a minor technical issue with the submission of the fiscal 2017 actual data. The corrected information is provided below. In the future, the MDOT MTA MFR submission process will include an update and recheck to assure all MFR data is updated accurately.

Transit Performance Goals		
Fiscal 2016-2017		
	<u>2016</u>	<u>2017</u>
Core Bus		
Passengers Per Vehicle Revenue Mile	3.80	3.53
Operating Expenses Per Passenger Trip	\$3.61	\$4.34
Operating Expenses Per Vehicle Revenue Mile	\$13.55	\$15.33
Light Rail		
Passengers Per Vehicle Revenue Mile	2.37	2.49
Operating Expenses Per Passenger Trip	\$5.86	\$5.81
Operating Expenses Per Vehicle Revenue Mile	\$13.82	\$14.51
Metro		
Passengers Per Vehicle Revenue Mile	2.44	2.11
Operating Expenses Per Passenger Trip	\$4.33	\$5.81
Operating Expenses Per Vehicle Revenue Mile	\$10.56	\$10.50

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MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis (continued)

Proposed Budget

The Secretary should brief the committees on the reasons for the disparity in funding increases for MTA in fiscal 2019 compared with other MDOT units and whether this disparity will negatively impact MTA’s ability to carry out its mission. (Pages 15-16)

MDOT Response

MDOT MTA received the largest budget increases from fiscal 2018 to 2019 across all transportation business units. As shown on page 14 of the DLS analysis for the MDOT Fiscal 2019 Budget Overview, MDOT MTA received additional funding of \$23.7 million for the operating budget, which is 42% of the total MDOT budget increase for fiscal 2019. MDOT MTA received additional funding of \$142.4 million for the capital budget, which is five times more than any other transportation business unit.

**Exhibit 7
Transportation Budget Overview
Fiscal 2017-2019**

	Actual 2017	Working App. 2018¹	Allowance 2019¹	\$ Change 2018-2019	% Change 2018-19
Operating					
Secretary’s Office	\$86,009,815	\$88,147,293	\$93,156,458	\$5,009,165	5.7%
WMATA	321,349,368	365,284,953	366,027,953	743,000	0.2%
State Highway Administration	264,038,571	276,085,118	294,566,676	18,481,557	6.7%
Port Administration	46,841,516	51,312,243	50,891,478	-420,764	-0.8%
Motor Vehicle Administration	201,545,576	204,386,450	205,367,050	980,601	0.5%
Maryland Transit Administration	840,446,169	827,379,065	851,086,633	23,707,568	2.9%
Aviation Administration	187,965,359	193,743,208	201,548,680	7,805,471	4.0%
Subtotal	\$1,948,196,374	\$2,006,338,330	\$2,062,644,928	\$56,306,598	2.8%
Debt Service	\$287,891,525	\$328,755,010	\$333,815,631	\$5,060,621	1.5%
Local Highway User Grants	\$200,102,252	\$213,892,497	\$231,868,999	\$17,976,502	8.4%
Capital					
Secretary’s Office	\$67,613,953	\$45,763,079	\$50,443,013	\$4,679,934	10.2%
WMATA	126,846,888	155,922,000	155,922,000	0	0.0%
State Highway Administration	1,443,736,310	1,510,538,854	1,448,129,994	-62,408,860	-4.1%
Port Administration	172,922,312	101,433,743	126,978,301	25,544,558	25.2%
Motor Vehicle Administration	18,252,389	21,362,138	37,584,101	16,221,963	75.9%
Maryland Transit Administration	576,470,173	604,422,619	746,854,174	142,431,555	23.6%
Aviation Administration	127,505,268	123,599,495	60,859,407	-62,740,088	-50.8%
Subtotal	\$2,533,347,293	\$2,563,041,928	\$2,626,770,990	\$63,729,062	2.5%

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues

1. A Review of the MTA Pension Plan Finds That Additional Resources are Required to Improve the Funded Status of the Plan

DLS recommends that the MTA actuary estimate the ADC each fall for the budget year and that MTA fully fund that amount when preparing the budget. (Page 30)

MDOT Response

MDOT MTA agrees that the funded status of MTA’s pension plan is a concern and is developing a long-term plan to improve the funded ratio. Implementing employee contributions for the first time in the plan’s history was an important first step. Annual increases in the contribution to the MTA pension plan since FY 2015 is another critical step, but there is still more to do.

MDOT MTA already receives an annual report from the actuary with proposed funding and takes that amount into consideration when funding the annual contribution. In FY 2017-2019, the actuarially determined contribution experienced a large spike that will recede by FY 2020. To moderate the funding volatility that would have been required, the MDOT MTA chose to maintain level payments with moderate increases over that time. In FY 2020, the MDOT MTA’s contribution, coupled with the employee contributions, will be sufficient to fund the ADC.

DLS recommends that the MTA pension plan adopt a closed amortization. (Page 30)

MDOT Response

MDOT MTA utilizes a closed system for all existing amortizations, whereby amortization periods are established at the time of occurrence and each year the amortization base is decreased by one year. MDOT MTA utilizes an open amortization for new changes that occur, setting the amortization period at 25 years for gains or losses and 12 years for bargained plan changes. MDOT MTA finds that is the most effective method to reduce volatility in ADC requirements near the end of the established amortization period. DLS has raised this volatility concern in regard to the State Retirement system and MDOT MTA believes that its amortization structuring reduces that known volatility.

To provide transparency, DLS recommends that the Joint Committee on Pensions review MTA pension issues annually. (Page 31)

MDOT MTA respectfully does not concur. The MTA pension plan is unique. Unlike the State pension plan, members of the MTA pension plan have collective bargaining rights that include binding arbitration. While MDOT MTA recognizes the need to constrain growth in personnel costs through union negotiations, these efforts are made difficult through the binding arbitration process. MDOT MTA agrees that the funded status of the MTA pension plan is a concern and is developing a long-term plan to improve the funded ratio.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (continued)

1. **A Review of the MTA Pension Plan Finds That Additional Resources are Required to Improve the Funded Status of the Plan (continued)**

DLS recommends that the State seek similar concessions through collective bargaining with MTA unions. The State should avoid making concessions that add to the unfunded liability. (Page 31)

MDOT Response

In the last contract negotiation with ATU Local 1300, MDOT MTA was successful in instituting mandatory employee contributions for the first time in the Plan's history. The MDOT MTA continues to monitor the fiscal impact of union negotiations; however, negotiations with the MDOT MTA's unions are subject to binding arbitration, which severely limits the ability of the MDOT MTA to implement cost reductions or limit the growth in benefits without support from the unions. The State is not subject to binding arbitration with its unions, which enabled the State to implement pension reform in 2011.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (continued)

2. Baltimore Metro System Shut Down for Emergency Track Repair

MTA and the Secretary's Office, which is the State Safety Oversight Authority for both the Light Rail and Metro systems, should brief the committees on changes to the MTA inspection and maintenance program that are needed to ensure that emergency shutdowns will not be required to the future; the timeframe for making the needed changes; and whether additional resources will be required to ensure the safe operation of MTA's transit systems. (Page 31)

MDOT Response

MDOT MTA Administrator Kevin Quinn ordered a full internal review of all inspection policies and procedures for Metro SubwayLink and Light RailLink. In addition, Administrator Quinn requested and was approved for an external peer review of its policies and procedures from the American Public Transit Association (APTA). MDOT MTA has been actively working with the Federal Transit Administration, who has been on site throughout this process. Finally, MDOT's Safety and Security Officer is also doing a review of this incident. These internal and external reviews will provide invaluable information on potential changes. Until those reports are received and reviewed, it would be premature to answer questions on next steps.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (continued)

3. Board of Public Works Agenda Submissions Highlight Procurement Issues

MTA should brief the committees on the status of its procurement oversight efforts and what changes have been made to ensure these problems do not reoccur. (Page 32)

MDOT Response

In June 2017, certain issues were discovered with procurements at MDOT MTA. In response, Secretary Rahn issued a directive that the Director of Procurement at the Secretary's Office (TSO) assume control of the MDOT MTA Procurement Office. During that time, the TSO Procurement Director reviewed invoices received for existing and recently closed contracts and other purchases at MDOT MTA. It was through this process that the need to seek approval of numerous retroactive approvals was identified and taken to the Board of Public Works.

The TSO Procurement Director continues to oversee the activities of the MDOT MTA Procurement Office. Significant efforts have been taken to improve organizational understanding, awareness and management of proper contract administration guidelines and to improve transparency to the procurement and contract administration process. The efforts have been aimed at eliminating issues related to agency contract administration and efforts to enhance transparency to provide a backup method that will allow issues to be identified early and corrective actions taken swiftly.

Specifically, comprehensive training is being provided to all contract managers and others on the basics of procurement and contracts; contract manager responsibilities and best practices; the contract requisition process and best practices; and invoice review, approval, and payment best practices. MDOT MTA also implemented a tracking system for all contracts, which includes contract authority, current spend, burn rate and other statistics for administering current contracts. In addition, MDOT MTA is implementing an automated process for requisition approvals to provide enhanced security and documentation of the contract requisition process. MDOT-wide, the implementation of a Procurement Academy to introduce non-procurement employees to a career in State procurement has provided several early successes and may help address the lack of State procurement employees throughout the State. Finally, MDOT is developing an IT solution that will provide a repository of contracts and greater transparency to contracts department-wide.

MDOT RESPONSE TO DLS ANALYSIS

DLS Budget Analysis Issues (continued)

4. BaltimoreLink Implementation Report Pending

MTA should brief the committees on its findings regarding the first six months of operation of BaltimoreLink. (Page 32)

MDOT Response

The requested BaltimoreLink Performance report was issued on March 1, 2018, and portions of the study are included in the MDOT MTA FY 2019 budget Overview presentation. Below are notes from the report's executive summary.

- BaltimoreLink Performance report generated to evaluate Ridership, On-Time Performance and Customer Satisfaction (Safety analysis has been included) post implementation
- Ridership has decreased in the 6 months post BaltimoreLink – Other cities that have implemented similar sweeping changes also experienced initial declines in ridership. Additionally, as discussed on page one of this document, several factors, like lower gas prices; higher median household incomes; and increased car ownership, ridesharing, and telecommuting are all negatively affecting transit ridership throughout the nation.
- On-time performance – Improvements from 59.5% to 66.4% pre- vs. post-BaltimoreLink
- Customer Satisfaction – Customer complaints have fallen 8.5% post-BaltimoreLink
- Safety – Bus accidents have improved by 20% post-BaltimoreLink vs pre-BaltimoreLink

MDOT RESPONSE TO DLS ANALYSIS

Operating Budget Recommended Actions

1. Adopt the following narrative:

Maryland Transit Administration Pension Plan: It is the intent of the budget committees that an actuarially determined contribution for the Maryland Transit Administration (MTA) pension plan for the subsequent fiscal year be calculated each fall and that MTA fully fund that amount when preparing its budget. In determining contribution amounts, the actuary should use a closed amortization period ending no later than 2045.

MDOT Response

MDOT MTA respectfully disagrees with the proposed narrative. MDOT MTA already receives an annual report from the actuary with the annual actuarially determined contribution (ADC) and takes that amount into consideration when funding the annual contribution. MDOT MTA utilizes a closed amortization period for existing amortizations; however, it utilizes an amortization period of up to 25 years for new amortizations. This method will help to avoid large ADC variations in the out years, which provides improved budget planning through less volatility in annual funding needs. MDOT MTA agrees that the funded status of MTA's pension plan is a concern and is developing a long-term plan to improve the funded ratio.

PAYGO Capital Budget Recommended Actions

1. Concur with Governor's allowance

MDOT Response

MDOT MTA concurs with the DLS recommendation.