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MBTA Fiscal and Management Control Board
Chair Joseph Aiello, Vice-Chair Steven Poftak, Lisa A. Calise, Brian Lang, and Monica Tibbits-Nutt
10 Park Plaza, Suite 3910
Boston, MA 02116

Dear Members of the Fiscal and Management Control Board:

Transportation for Massachusetts thanks each of you for the hard work the Fiscal and Management Control Board (“Board”) is doing to tackle the MBTA’s serious challenges. We have been close observers of your work since the Board’s creation, and appreciate your dedication and the significant time that you devote to ensuring a customer-centered and financially sustainable path forward for the MBTA. The MBTA has made significant progress in a number of areas in the past few months, including hiring a chief procurement officer and other key senior management, executing a winter resilience plan so that the system is better prepared to function during the upcoming winter, voting to re-procure energy so the MBTA will save approximately 20% in energy costs over five years, and developing and implementing a performance improvement plan for the commuter rail.

Transportation for Massachusetts would like to offer you some thoughts and recommendations in advance of the Board’s report to the legislature, which we understand will be submitted on or before December 15th.

Our statewide coalition of 58 organizations works to support a safe, convenient, and affordable 21st century transportation system for everyone. We advocate for transportation funds to be spent fairly and responsibly, for transportation decisions that are transparent, accountable, and climate-friendly, and to ensure that our transportation network has sufficient resources to meet tomorrow’s needs all throughout the Commonwealth.

We believe that a strong and reliable MBTA is vital to our economy and the quality of life of everyone who lives, works, and plays in the Greater Boston region. The MBTA connects workers to jobs, students to schools, seniors to independence, and patients to health care, while reducing congestion on our roads, limiting green house gases and other pollution, and helping the state achieve its goal of tripling the share of walking, biking, and public transit trips by 2030.

For Greater Boston to effectively compete against regions around the country and around the world, we need both a 21st century transit agency and a 21st century transit system. For many years, the MBTA has been plagued by a daunting repair backlog, burdened by an unsustainable level of debt, and hobbled by chronic underfunding that has constrained the capacity of the system, and therefore the economy. This winter laid bare the consequences of these challenges. We hope that the Board will lay out a plan for the MBTA that includes long-term sustainable revenue.

Below, we provide some recommendations for the Board to consider as you seek to improve the efficiency, accountability and customer service of the MBTA and as the Baker Administration considers how to fix today's system and prepare it for the demands of tomorrow.

In short, our recommendations are:

1. Continue the Board's work to improve the Authority's efficiency, reduce the operating deficit, and improve performance for customers.
2. Spend at least \$765 million per year on state of good repair investments, the amount, increased with inflation, necessary to address the backlog within 25 years, *while also investing in MBTA capacity enhancements.*
3. Request state assistance of \$261 million for the FY2017 budget, the full state assistance envisioned in the 2013 Transportation Finance Act. Prioritize these funds for capital investments, after holding harmless fares and service.
4. Hold fare increases to no more than 5% every two years.
5. Maintain the overall current level of MBTA service.

Reforms: Cost Savings and Performance Improvements

We appreciate the Board's deep dive into understanding the operational and performance challenges of the MBTA, and urge it to continue its comprehensive diagnosis of the problems and its quick implementation of improvements that reduce costs, improve the customer experience, and ensure the MBTA's resources are fully and wisely expended. We urge the board to also pursue the following measures.

Procurement Improvements. The MBTA Special Panel and the administration highlighted the need to improve the efficiency of the procurement process. Given the enormous investment needs of the MBTA, it is essential that the MBTA be able to quickly allocate and expend funds on capital improvements. We fully support efforts to reform the procurement process. The Board should identify the reasons why the MBTA has not been spending at authorized levels, and then ensure that all available funds will be spent starting now. One key step has already been taken—filling the previously vacant chief procurement officer position. Other changes would be to shift to a fully electronic invoicing system that would ease tracking and payment and to standardize the purchases of supplies to encourage consistency across the system (e.g. use as few types of light bulbs as possible).

Bus Maintenance Costs Study. The coalition supports a study of bus maintenance costs. Initial data appears to show that our bus maintenance costs are out of line with peer agencies, so we hope that a study will reveal the reasons for the higher costs, and produce recommendations for potential cost savings based on best practices from other agencies within and outside of Massachusetts. Any cost savings must come with no compromise to the safety of riders or workers.

Performance Metrics. Measuring and managing performance through metrics is another area ripe for improvements. The MBTA should commit to being forthcoming with data. Adopting a culture of transparency and releasing data builds trust with customers, better allows decisions and adjustments to be made, and allows for innovation. We are very encouraged by initial steps such as the weekly

performance measures that are now being routinely released to the public. We hope that as next steps, the following will be considered:

- Release regular updates on ridership figures by mode and line, including commuter rail.
- To the extent possible, report the reasons why each bus or train is late (e.g. was it a break down of vehicle, failure of power or signal system, vacancy or absence, police action, etc.).
- Regularly release revenue and expense data, including specific reporting on which assets are being repaired or replaced.
- Host a “hackathon” for civic hackers to delve into the released data to seek ways to improve the customer experience or discover opportunities for efficiencies, following up on the 2010 MBTA hackathon.

Filling Vacancies. The MBTA should focus on filling vacancies. This will help address procurement challenges and reduce overtime costs due to vacancies, which were estimated at \$4 million in FY2015.

Taking Advantage of the MBTA’s Real Estate Assets, Including a Focus on Parking. The MBTA owns many valuable assets, and taking advantage of a strong real estate market through leases for transit-oriented developments can be part of the solution to the MBTA’s financial needs. However, the MBTA should use caution as it approaches land disposition and leasing. We realize that sometimes there is a tension between short-term financial gain to the MBTA and long-term public benefits, and before any deals are made, a careful process that takes into account the long-term public benefits to the MBTA and the community should occur, including any opportunities for value capture through new development. If legislation is required to ensure that the MBTA has the flexibility to consider benefits such as furthering state goals like housing production and the state’s goal of tripling the share of travel by walking, biking and transit, instead of only being able to consider financial benefits to the agency, the Board should make this recommendation to the Legislature.

The MBTA should undertake an assessment of its parking assets to ensure that the parking facilities are being used for the highest and best use. If there is routinely surplus supply, alternate uses could be considered. If legislation is required to relax the requirement that every parking space lost to development is replaced, the Board should make this recommendation to the Legislature. In general, parking rates should be set at a level to encourage ridership. Particularly on the commuter rail, with its high fares and current ridership levels, parking rates should be modest. One positive step in the area of parking that has already been taken is the phasing out of honor boxes in favor of new technology, providing a better customer experience.

Fare Payment Technology Integration. Transportation for Massachusetts is very supportive of the MBTA adopting integrated fare payment technology. Interoperability between modes, at parking garages, on all regional transit agency buses, and beyond would provide a simple way for customers to travel, improving the customer experience and encouraging ridership.

Enhanced Municipal Involvement. We believe that municipalities should have a larger role in improving the MBTA. Adding board members with municipal experience to the MassDOT Board was an important step forward. However, the representation of municipalities in transit agencies across the country is typically higher than it is for the MBTA. One way to accomplish this would be to restore some of the powers of the MBTA Advisory Board that were removed in 2009.

Information Technology Upgrades. As you know, in some cases, it will be necessary for the MBTA to make up-front investments in order to realize the cost savings of reforms. For instance, Information Technology upgrades can help advance a number of the above reforms, including aggregating and analyzing performance data, identifying vacancies, and informing decisions on how to best use limited capital funds.

Investing in the System

The capital needs of the MBTA are well documented. We support investments in a range of areas, which together, will help move the MBTA toward the 21st century system that our region needs.

First, we must aggressively attack the State of Good Repair (SGR) backlog. Current estimates show an SGR backlog that is at least \$7.3 billion. The analysis that the Board and MBTA staff have used shows that to reduce the SGR backlog in 25 years, the MBTA will have to spend \$765 million per year, not adjusted for inflation. With inflation, this means that \$21 billion will need to be spent on SGR. We urge the Board to spend *at least* this amount every year, and seek out additional funding sources in order to accelerate these repairs so residents don't have to wait 25 years for a system in a state of good repair. These crucial investments include replacing red and orange line cars that are well beyond their useful life with new ones, repairing structurally deficient MBTA bridges, and upgrading outdated signal and power systems on rail lines.

While the MBTA must repair what it has, repair alone will not deliver a 21st century transit system. We must simultaneously fix our T and build what we need for tomorrow. Our economy depends on a world-class transit system. Just repairing our existing rails and transit, while critical, will not meet increasing customer demand. Forward-looking regions around the US and the world are both fixing old transit systems and building new capacity. We cannot be left behind while wrestling with a false choice between maintenance, and modernization and expansion.

Expanding Capacity at Chokepoints. The MBTA should expand capacity in areas that are growing rapidly, including Kendall Square, the South Boston Waterfront, and Longwood-Medical areas. Capacity should be expanded in congested areas that are anticipating continued growth and are vital to support tomorrow's economy, to ensure that the MBTA is a catalyst to growth, and not an impediment. These include SGR investments, as well as exploration of bus rapid transit (BRT) connecting Kendall Square and Longwood to each other and other critical job centers and connections through diesel multiple units (DMU) on existing rights of way in the South Boston waterfront as ways to move people in the coming years. South Station, currently burdened by capacity issues, should be expanded. Doing so will improve on-time performance for commuter rail trains and allow for capacity enhancements on the lines that terminate there, while opening up economic development and value capture opportunities on adjacent land parcels for the MBTA.

Targeting Investments to Historically Underserved Communities. Investments should be prioritized to strategically add capacity for to underserved communities and reverse disinvestment, particularly in neighborhoods of low-income people and people of color. Improvements in service should include improving the frequency and speed of bus service and introducing DMUs on the Fairmount Corridor. Buses carry more riders than any other mode of transit and reach every corner of the system, and generally have lower-income riders than other modes. Comfortable bus shelters that provide real-time

information, off-board fare payments, and working with municipalities on transit signal priority and dedicated bus lanes would all increase capacity and travel speed for bus riders.

Strategically Expanding the System. We ask that you ensure the full MBTA's Green Line Extension to Union Square and Route 16 is built, a legally mandated project that will provide transit service to tens of thousands of daily riders, with major benefits to the economy, environment, and congestion. South Coast Rail would connect three Gateway Cities to Boston and open up significant economic opportunity, and deserves investment. Building a new commuter rail station, West Station, in Allston, is another important investment that would open up a new Boston neighborhood to high-quality transit service.

Investing in Legally Mandated Improvements. The MBTA must make the system more accessible to people with disabilities; hundreds of millions of dollars of improvements will eventually be needed to make the system fully accessible. Because much of the system is so old, there is much to do, but these are important investments. Another legal mandate, which will cost close to \$500 million, is complying with federal law with a positive train control system that will improve safe rides for commuter rail customers.

All of these investments—maintenance, modernization, capacity enhancements, safety, accessibility, and targeted expansions—are vital to providing customers with the service that they need and a strong MBTA system that our region requires. These investments will translate into a more reliable system that customers can count on getting them where they need to go. We are aware that additional revenue may be necessary to make all of this investment. We strongly hope that a long-term revenue conversation occurs sooner rather than later and we encourage the Board to outline the MBTA's long-term financial needs in the report.

State Assistance for the MBTA Operating Budget

As you aggressively seek efficiencies and cost savings, it is important to remember that the projected operating deficits are not unexpected. There are many reasons why there is an operating deficit—two significant ones are that the MBTA has the highest percentage debt load of any transit system in the country, and sales tax revenue has been below anticipated levels since forward funding was established. The pro forma developed as part of the 2013 Transportation Finance Act predicted deficits similar to that which the Board has forecasted for FY2017 and FY2018. One of the purposes of the 2013 Act was to help close the operating deficit of the MBTA. While it is critical to have a long-term strategy to reduce a widening imbalance between expenses and revenues, this state assistance is an important ongoing source of funds to ensure fares remain affordable and transit service can continue at current levels.

We believe that the full amount of state assistance projected for the MBTA in the 2013 Transportation Finance Act's pro forma should be invested in the MBTA. A priority of this state assistance (\$261 million in FY2017 envisioned in the pro forma) should be payment for the cost of moving employees off the capital budget and to pay for the MBTA's legacy and Central Artery debt service, as the MBTA Special Panel recommended. Beyond these areas, more of the \$261 million may be needed for the operating budget to hold service harmless and keep fares affordable if other own-source revenues or cost savings cannot make up the difference.

We hope that the full amount of the intended state assistance is not needed to close the operating deficit. As much state assistance as possible should be allocated to paying for the MBTA's significant

capital needs, so long as fares and service are held harmless. It is preferable to expend funds on capital rather than operations to accelerate repairs and support the needed capacity enhancements and expansions. In short, we urge you to request state assistance of \$261 million for FY2017 and to push for future state assistance outlined in the 2013 Transportation Finance bill.

Fares Should be Kept Affordable, Fare Increases Should be Modest and Predictable, and Fare Collection Should be Consistent

One of the most important powers that you have is to approve fare adjustments. As you update the Fare Policy, we urge you to emphasize that fares should be affordable to all riders and have the overall goal of increasing ridership. Socio-economic factors should be considered when setting fares across modes, but this should be done carefully as no modes should be made so expensive that it discourages ridership.

In 2013, The Legislature adopted a plan for modest and predictable fare increases to rectify the MBTA's previous approach of drastically increasing them unpredictably. Our coalition supports keeping the fare cap in place. The general understanding of the cap is that fares can rise by up to 5% every two years. This is a widely held and shared understanding amongst advocates, transit riders, many legislators, and was widely reported as such by the media until October, when the MBTA and MassDOT offered a new interpretation.

As you know, the law has internal ambiguity. We believe that the intent of the amendment that was adopted was for a limit of 5% fare increases every other year. In the final language, the word "annual" was added to section 61. However, another section of the law (section 78) assumes no more than a 5% bi-annual increase. We believe that 5% every two years is reasonable and affordable, but 10% every two years is not. A 10% increase every other year would far exceed median income growth or inflation, and would result in fares doubling after just seven fare increases. The MBTA fare cap, instituted two years ago, is working. Riders have a sense of when the affordable, predictable fare increases will come.

One of the reasons the Baker Administration proposed eliminating the fare cap earlier this year was the Special Panel's finding that the MBTA fares are lower than those at peer agencies. We disagree with this finding. Riders are already paying their fair share. Fares have more than doubled since 2000, and increased by more than 50% when adjusted to inflation. Fares have increased much more than average fare increases at peer agencies during that time. On some modes, fares are higher than peer agencies. Looking at direct comparisons by mode, heavy rail and light rail outperform the national average, and bus and commuter rail slightly underperform. Light rail (Green Line) fare recovery is actually the highest in the country when compared to peer agencies. Research by the Frontier Group that compared to peer agencies shows the MBTA performs in the middle range of its peers.¹ In other words, the MBTA's ratio of fare revenues to operating expenses is average. The majority of agencies with a higher rate of coverage offer longer hours and more extensive service. Fares from riders now cover 35% of operating costs, up from 29% in 2000.

The fare increases between 2000 and 2012 generally hit riders with inconsistent, steep hikes. In 2012, the MBTA raised fares 23%. In 2007, it was 36%. These abrupt and drastic increases were met by protests and acrimony by riders, whereas the first 5% increase under the fare cap, in 2014, was accepted by riders and advocates and ridership actually increased. The MBTA should not suddenly accelerate

¹ <http://www.frontiergroup.org/blogs/blog/fg/mbta-riders-are-already-paying-more>

these fare increases, particularly after the winter of 2015 when so many riders suffered from the poor, and at times nonexistent, service of the MBTA. Riders bore the brunt of the MBTA crisis, standing out in snowdrifts and freezing temperatures waiting for a bus or a train that never came. Transit users should not have to pay significantly more for what is, currently, an inconsistent service. Even before a 5% fare increase is approved, there should be a demonstrable improvement in service.

There are many reasons that it is important to keep fares affordable. First, affordable fares enhance mobility for low-income residents who have no other way to get around and need it the most. In Massachusetts, 1 in 8 families do not own a car. Second, it encourages transit use for people who choose to take the T rather than drive. These riders are often commuting long distances and use their commute to get a head start on their workday while avoiding hefty downtown parking fees. Increasing ridership has economic, environmental, climate, traffic congestion, and public health benefits.

The state has goals that are served by encouraging people to take public transit: our greenhouse gas reduction goal of a 25% emissions reduction by 2020 and the state's goal of tripling the percentage of trips made by transit, walking, or biking. The MBTA is a public good, and it benefits those who ride, while also benefiting those who do not ride by keeping cars off the streets, lowering emissions, and helping the economy. And when people see driving as a more affordable alternative to public transportation, they commute via car, which translates to more cars on the road, more wear and tear on roads and bridges, more traffic and congestion, and more pollution. Large hikes in fares do result in diminished ridership. The fare increase in 2007 resulted in a nearly 10% drop in MBTA ridership.²

While fares should be kept affordable, fare collection should be consistent, and we support efforts to collect all fares that are owed to the system, particularly on the Green Line and commuter rail. While fare evasion likely has a small overall effect on revenue, it is important for customer satisfaction and morale.

Finally, the MBTA should conduct an independently commissioned study to assess whether there should be other changes to the fare structure. The study should explore the ridership, revenue, equity, and climate impacts of linking fares to the time-of-day, distance traveled, and a rider's income level. The MBTA is set to update its fare collection technology within the next decade and should use this time to carefully study new, innovative ways to structure its fares while keeping them affordable to all riders.

Keep Service Levels Intact While Undertaking Smart Service Planning

We understand that a service planning effort is currently underway; we applaud the MBTA for taking on this worthy exercise and believe it should be a regular occurrence. As you look for ways to control costs at the MBTA in the wake of a dreadful winter for riders, we strongly urge you to resist cutting the overall level service to riders. As the MBTA undergoes service planning, the services offered may and should change, but the overall level of service should be held harmless. For every transit service that is reduced or eliminated, another one should be enhanced or introduced.

² http://www.ctps.org/data/pdf/studies/transit/PostFareInclImpacts_final.pdf

Conclusion

Again, we thank you for your hard work in tackling the issues with the MBTA and putting the backbone of the Greater Boston region's economy on a strong path forward. We hope that your report in December will recommend continued reforms, an aggressive spend on the MBTA's maintenance backlog, and keeping fares affordable and service levels intact. The legislature made sure in 2013 to make state assistance available to ensure that MBTA riders not suffer from an agency operating deficit.

We look forward to working with you to make the MBTA a 21st century agency that can deliver a 21st century system, and encourage you to be in touch if you would like additional information on our recommendations. To do so, please contact T4MA's Policy Director, Charlie Ticotsky, at cticotsky@t4ma.org or 781-354-5155.

Sincerely yours,



Kristina Egan, Director

cc: Stephanie Pollack, Secretary, MassDOT
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