



PCAC

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**Statement by Lisa Daglian, PCAC Executive Director
at the Joint Hearing of the State Assembly and Senate on
The MTA's FY 2020-2024 Capital Plan
250 Broadway, Room 1923 New York, NY
November 12, 2019**

Good afternoon Senator Comrie, Senator Kennedy, Assembly member Paulin and distinguished colleagues, my name is Lisa Daglian and I am the Executive Director of the Permanent Citizens Advisory Committee to the MTA, known as PCAC. Created by the New York State Legislature in 1981, PCAC and its member organizations are the voice of the nearly nine million transit and commuter rail users in the MTA's 12-county New York service region. The New York City Transit Riders Council (NYCTRC) represents the riders of New York's subways and buses; the Metro-North Railroad Commuter Council (MNRCC) acts on behalf of Metro-North commuters; and the Long Island Rail Road Commuter Council (LIRRCC) is the voice of the riders of Long Island Rail Road. I am here today to speak on their behalf.

We're excited about the potential of the FY20-24 Capital Plan to transform the rider experience and improve the system, including long-awaited accessibility projects. This bold and ambitious plan includes the makings of a rider's dream come true, and we congratulate all who toiled to put it together. The MTA system is in clear need of new signaling, rolling stock, station upgrades, track and yard improvements, and expansion projects including the completion of East Side Access and progress on Second Avenue Subway Phase 2, Penn Access, and bus infrastructure enhancements – and this plan promises it all.

We also thank you for holding this oversight hearing to discuss the Plan. The coming months and years are not without challenges and your ongoing support and oversight will be critical to making sure there are no hold-ups, unexpected left turns or delays.

PCAC supports the Build Trust campaign principles that you have heard about and will hear more about today, and we stand with our partner advocacy organizations in calling for implementation of the recommendations.

At the same time, we'll be focused on the following five key issues and hope that you will too:

Ensuring Funding: ensuring that all the anticipated federal, state and city funding come through in a timely manner;

CPRB Transparency with No Delay to the Plan's Approval: the Capital Program Review Board (CPRB) members must be named and the CPRB must begin its

statutory review efforts – in public, with transparency – and subsequently approve the plan with minimal or no delay;

MTA Transformation: the MTA’s transformation efforts must include a commitment to producing these critical projects better, faster and cheaper, with an unprecedented amount of transparency;

Getting the MTA the People and Tools it Needs: the MTA must be equipped with the people and tools it needs to execute this ambitious plan, and be the healthy robust Authority that our region and state need it to be;

Identifying New Funding Streams: new dedicated operating revenue funding streams must be identified to strengthen the organization and build it to the capacity required for maintaining – and growing – ridership.

I’ll take each of these topics one by one:

Funding

Congestion Pricing Funds: The infusion of congestion pricing funds is a true game changer. It shows that when we all work together there is hope! An anticipated \$15 billion, when bonded, will be the backbone of financing the plan, and we appreciate that it is a dedicated funding stream that will be divided 80-percent on Transit projects, and 10 percent each for the Long Island Rail Road and Metro-North Railroad. The MTA serves and benefits the region, and it’s only right that all the MTA’s regional riders benefit from the first congestion pricing program in the United States. At the same time, we won’t see the revenue until mid-2021 to 2022 and need to be sure there is adequate money to initiate the projects that make up *Fast Forward*, *LIRR Forward* and *Metro-North Way Ahead*.

Federal Funds: There is, of course, no guarantee that anticipated federal funding will come through – despite a Tweeted commitment to SAS2.

State and City Funds: The state and city funding included in the planning process are also not sure things – and even if the funds are committed to by both, having them come after the MTA has exhausted all of its other funds – through debt – has shown to be precarious. We are concerned about the MTA’s debt load, which is at a dangerous 19 percent and taking a huge chunk out of the MTA’s operating budget; it is expected to grow to more than \$3 billion over the next two-to-three years.

Last Decembers, Sustainability Advisory Working Group report states that:

“...the state and city should consider accelerating their existing capital commitments to provide bonding relief to the MTA’s capital program.”

We strongly agreed then, and we strongly agree now. Currently, billions of dollars in state and city appropriations can only be spent when the MTA has exhausted all its other dollars. We urge a different approach in the FY2020-24 Capital Plan so that these funds are available upfront and not at the cost of even more debt. We still don’t know the fate of the \$8.6 billion in state funds from the current plan, which will trigger \$2.75 billion in city funds. Have they been obligated? Transferred? For what projects?

With so much happening out of daylight, we urge that the funding process be conducted in an open and transparent manner through a public dashboard that shows how funds come in, where they go, how they change and when they are spent. We very much appreciate the first-ever open data Capital Plan release and see it as an excellent first step toward greater transparency for all stakeholders. But it is just that, a first step.

CPRB Transparency with No Delay to the Plan's Approval:

The 2015-19 Capital Plan went through 18 torturous months of wrangling and CPRB-caused delay, directly hurting riders with pain that continues to be felt today. As part of its recent review, AlixPartners analyzed the 2015-2019 Capital Plan and found that:

“...approximately 37 percent of project value started late according to the Q2 2019 Capital Dashboard, due in part to the delay in plan approval. The current value of those projects (as of the July 31, 2019 report release) is \$12.2 Billion, and the average delay was 16-18 months. In addition, the need to finish the 2010-14 Capital Program may have created further delays. At the very least, these substantial delays lead to inflation cost increases.”

The bottom line is that the delays are costly, and we urge the CPRB to meet – publicly – and approve a Capital Plan as expeditiously as prudently possible.

Unfortunately, another potential stumbling block is the mandated forensic audit due at year's end, which takes a deeper dive into the capital program and looks backward with an eye toward improving the process for the future. That's great, and it should happen on an ongoing basis. But the forensic audit should not be the excuse for delay from either the city or state for committing funds and agreeing to move forward. The Governor and Mayor even agreed that the audit should be expedited, and we join that chorus. While we're getting close to the end of the year, we know that even a month can make millions of dollars of difference.

MTA Transformation

There is an opportunity for unprecedented change at the MTA based in part on the recommendations of the AlixPartners Transformation Plan. This is especially welcome for capital project development and delivery. The MTA clearly wants to deliver projects better, faster and more cost effectively, and the Operating Presidents know what needs to be done. We understand that the new Chief Transformation Officer, along with a new Chief Operating Officer, will be named very soon and we look forward to their recommended course of action, which we hope will provide even greater momentum in supporting the better, faster, more cost-effective effort. Organizational changes require time, so we're pleased the first reorganizational effort focuses on Construction and Development, under the leadership of Janno Lieber. Mr. Lieber, who you heard from at length this morning, has proven that he has the chops to build big things and we believe that he has the strength to deliver this Capital Plan that the agency has promised to riders.

There has been a sea change in the way the plan we've seen has been constructed, and eagerly await the details – and we're sure you are as well. What we don't know are things like:

- What projects will get built first and how will they be staged?
- What's the expected timeframe for delivery?
- What's going to be bundled and how will that work?

Improve Transparency: Create an Improved Capital Program Dashboard

We urge that as the Capital Plan is fleshed out with real information that a new dashboard is constructed, released and updated monthly, explaining the projects and funding in a way that riders and other stakeholders can understand such as:

- The cause of delays, and what the delays mean to completion
- why a project was moved from one year to another
- how funding shifts happen
- where is funding being moved from and where is the money going to
- who is the project manager and who made the decision to change the start, completion or scope of a project and why?

The MTA has already taken steps to improve its processes and we look forward to seeing them fully implemented as the plan moves forward. The Procurement and Cost Containment Task Forces, created by the MTA Board, publicly identifying the methods to reduce the number of steps purchases and change orders need to go through, resulting in reduced project delays and expenses. But there's much more to be done – and the knowledge of what needs to be done is different than executing efficient procurements throughout the organization.

It remains markedly more expensive for the MTA to get things built than other cities around the world, and even right here in the U.S. Private sector practices and protocols here and abroad must be examined, and overly laborious requirements reconsidered. Just as design-build will be the norm for projects \$25 million and over, why not consider 3Ps for transit infrastructure investments and maintenance, especially for transit-adjacent projects?

Advance Technologically

How can technology be used to disrupt, as it were, the staid construction practices of the past centuries? We admit we weren't early fans of the L-Train racking option – and the jury is still out on its longevity – but we admire the shift to 'new thinking' ways of getting the job done. We are hoping that similar kinds of success can be realized with new solutions to other processes as well, including reducing construction delays caused by flagging with the use of new technology solutions that we expect you'll hear more about in the coming months. That would help drive down weekend crew costs and speed up service.

The MTA must also seek to increase competition by better understanding the barriers to competition, including an in-depth review of the emergency debarment rules and adjustment based on real input from industry partners.

We can posit but we're not experts, and so we'd would welcome a thorough review of cost drivers and international price points to understand what needs to be done to get cost drivers down and efficiencies up. We're hoping the forensic audit will include this information, but we won't know until we see it. A big spotlight has been shined on the MTA's construction costs and processes, and we're very pleased that the attention is bearing the fruit of change. We hope that change will extend to a commitment to

transparency to all aspects of the agency, particularly the Capital Plan.

MTA Must Get the People and Tools it Needs:

The FY2020-24 Capital Plan is the MTA's most ambitious yet, so it's important that the agency has the people and tools it needs to make riders' future a reality.

Organizational Structure

For this plan to succeed, the Authority must have a strong and healthy organization:

- the right organizational structure
- the right leadership, but also – most importantly – the right people, and enough of them, to do the work.
- Competitive salaries to attract the right people

We know that the Capital Construction company will oversee the bulk of the capital work using Design-Build, substantially expanding its portfolio. Yet, the MTA's July Financial Plan shows that by the end of 2019, it will have **18 fewer positions** below the 2019 Adopted Budget, with staffing levels projected to remain static through 2023. Who will do the work and manage the projects? What's the plan for getting Project Managers on board quickly? What salaries will be available to attract the most qualified? Who will provide oversight to the many contractors that will need to be brought in? What does the next financial plan, to be released on Thursday, hold and does it consider these critical issues?

Identifying New Funding Streams:

Finally, but certainly of equal importance, now is the time to start considering new dedicated revenue streams for operating the system. Ridership is up and On Time Performance is improving; now is exactly the right time to increase, not decrease service. What good will new train cars and buses be if they're sitting idle because of service reductions? Congestion pricing aims to reduce vehicular travel by getting people out of cars and into transit. That means there has to be service to get people where they need to go. It's simple: if the service isn't there, the riders won't come. The same political will that finally brought about congestion pricing is now needed to create a dedicated funding stream to operate the system. We look forward to working with you to help avert the system's next crisis.

Your oversight is critical to ensuring that the Capital Plan comes to fruition without undue delay and with whatever legislative fixes need to be implemented. This 51.5 billion-dollar capital plan includes new buses, train and subway cars, new signals and facilities but mostly HOPE that transit riders will get the 21st century system they deserve.

Thank you for your commitment to the region's riders.