

J00H01
Maryland Transit Administration
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

| | <u>FY 06</u> <u>Actual</u> | <u>FY 07</u> <u>Working</u> | <u>FY 08</u> <u>Allowance</u> | <u>FY 07-08</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|--------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| Special Fund | \$420,077 | \$414,189 | \$460,182 | \$45,992 | 11.1% |
| Federal Fund | <u>50,376</u> | <u>53,352</u> | <u>53,352</u> | <u>0</u> | |
| Total Funds | \$470,453 | \$467,541 | \$513,534 | \$45,992 | 9.8% |

- Fiscal 2007 special fund deficiencies total \$35.9 million for fuel and utility expenses, union contract increases, additional bus service and bus operators, Mobility paratransit services, and facility maintenance expenditures.
- The fiscal 2008 allowance increases \$46.0 million, or 9.8% compared to the fiscal 2007 working appropriation. However, absent one-time health insurance actions, the underlying increase in the fiscal 2008 allowance is \$47.6 million, or 10.2%.
- The largest increases in the allowance are for contracted transit services, specifically, Maryland Rail Commuter (MARC) services increase \$10.9 million due to a recently negotiated contract that was not included in fiscal 2007 and paratransit Mobility services increase \$8.4 million due to increased ridership.

PAYGO Capital Budget Data

(\$ in Thousands)

| | <u>Fiscal 2006</u> <u>Actual</u> | <u>Fiscal 2007</u> | | <u>Fiscal 2008</u> | |
|--------------|-------------------------------------|--------------------|------------------|--------------------|------------------|
| | | <u>Legislative</u> | <u>Working</u> | <u>Request</u> | <u>Allowance</u> |
| Special | \$180,771 | \$126,078 | \$115,078 | \$127,478 | \$131,209 |
| Federal | \$58,919 | \$124,406 | \$125,456 | \$155,638 | \$176,847 |
| Total | \$239,690 | \$250,484 | \$240,534 | \$283,116 | \$308,056 |

Note: Numbers may not sum to total due to rounding.

For further information contact: Jonathan D. Martin

Phone: (410) 946-5530

J00H01 – MDOT – Maryland Transit Administration

- The fiscal 2007 working appropriation decreases approximately \$10 million from the legislative appropriation due to cash flow changes in a number of MARC-related projects.
- The fiscal 2008 allowance increases approximately \$68.0 million, or 28% compared to the fiscal 2007 working appropriation due largely to cash flow carry over from fiscal 2006 and a number of large project expenditures increasing in fiscal 2008.

Operating and PAYGO Personnel Data

| | <u>FY 06 Actual</u> | <u>FY 07 Working</u> | <u>FY 08 Allowance</u> | <u>FY 07-08 Change</u> |
|------------------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Operating Budget Positions | 2,901.00 | 2,901.00 | 2,951.00 | 50.00 |
| Regular PAYGO Budget Positions | <u>108.00</u> | <u>108.00</u> | <u>111.00</u> | <u>3.00</u> |
| Total Regular Positions | 3,009.00 | 3,009.00 | 3,062.00 | 53.00 |
| Operating Budget Contractual FTEs | 31.00 | 45.50 | 31.00 | -14.50 |
| PAYGO Budget Contractual FTEs | <u>2.00</u> | <u>2.50</u> | <u>2.00</u> | <u>-0.50</u> |
| Total FTEs | 33.00 | 48.00 | 33.00 | -15.00 |
| Total Personnel | 3,042.00 | 3,057.00 | 3,095.00 | 38.00 |

Vacancy Data: Regular Positions

| | | |
|-----------------------------------|--------|-------|
| Turnover, Excluding New Positions | 131.91 | 4.47% |
| Positions Vacant as of 12/31/06 | 143.00 | 4.75% |

- The fiscal 2008 allowance provides 53 new regular positions of which 30 positions are for bus operator positions to replace operators who were transferred to the Mobility paratransit service, 15 contractual conversions for the Mobility Service Center, 5 bus maintenance employees, and 3 positions for the capital program to implement the departmentwide environmental compliance program.
- Contractual full-time equivalents (FTEs) are reduced by 15 in the fiscal 2008 allowance due to the conversion of Mobility Service Center contractuales to regular positions.
- The fiscal 2008 allowance provides for a turnover rate of 4.5%, or 132 positions. As of December 31, 2006, the agency had 143 positions vacant, for a rate of 4.75%.

Analysis in Brief

Major Trends

Maryland Transit Administration Boardings: Ridership for the light rail is expected to continue to increase after the completion of the light rail double tracking project, while core bus and metro services are expected to see little to no growth. This is in stark contrast to the contracted services provided by the Maryland Transit Administration (MTA), MARC, Commuter Bus, and Mobility paratransit, which have all experienced and are estimated to experience sizeable increases in growth.

Farebox Recovery Continues to Decline Below Statutory Requirements: MTA is required by statute to recover 40% of its operating costs through operating revenues for Baltimore area services. In recent years, MTA has not achieved this goal and that trend is estimated to continue. **The Department of Legislative Services (DLS) recommends that committee narrative be adopted that would require a report from MTA regarding cost-control measures.**

Operating Cost Per Passenger Rising: A similar measure to the farebox recovery, the operating cost per passenger, is steadily increasing as operating cost growth for union expenses, fuel, and utilities continue to outpace revenue growth.

On-time Performance: The budget committees requested information regarding on-time performance for the Mobility paratransit service. That information was submitted and Mobility paratransit on-time performance is estimated to remain at 90%. Other services are estimated to remain at historical levels.

Operating Issues

Performance Contracting: This issue will review the contracts of MTA to determine if the opportunity exists to implement performance contracting as a way to link to performance to the contracts of the agency. **DLS recommends that MTA discuss in further detail the potential for performance contracting for MTA's contracted services.**

Paratransit Service Costs Are Rising: In recent years, the quality and use of the Mobility paratransit service has increased dramatically; however, so has the cost for this service. Based upon a review of other transit agencies, the current service delivery model employed by MTA is unique. **DLS recommends that budget bill language be added that would require MTA to submit a report that does a cost benefit and qualitative analysis of service delivery for paratransit services to determine if services should be performed by MTA or a private contractor.**

MTA Environmental Settlement and Impacts for Other Modes: The Environmental Protection Agency (EPA) alleged MTA to be in violation of federal law regarding storage tanks. MTA has settled with EPA; however, there are a number of fiscal impacts for MTA and other Maryland Department of Transportation modes. **DLS recommends that MTA brief the committees on why**

the tanks were not removed earlier, the expected costs of achieving the requirements spelled out in the settlement, and what the environmental programs in each mode will do.

PAYGO Issues

Five Major Transit Projects All Competing for Funding: The 2007-2012 *Consolidated Transportation Program* has five major transit lines in various planning stages as well as a feasibility study on a Green Line Extension of the Washington Metropolitan Area Transit Authority. The likelihood of all five projects receiving federal funding or being completed is unlikely. **DLS recommends that MTA brief the committees on the prospect of all five projects receiving funding and the ability of the State to pay for all the projects.**

Operating Budget Recommended Actions

| | <u>Funds</u> |
|--|---------------------|
| 1. Reduce funds for advertising. | \$ 83,303 |
| 2. Reduce funds for education and training contracts. | 125,000 |
| 3. Reduce funds for additional assistance. | 900,000 |
| 4. Reduce funds for buildings and household supplies. | 15,935 |
| 5. Reduce funds for overtime. | 1,500,000 |
| 6. Adopt committee narrative to require a report on farebox recovery ratio and other cost control measures. | |
| 7. Add budget bill language restricting \$100,000 of appropriation contingent upon submission of cost/benefit analysis and qualitative report. | |
| Total Reductions | \$ 2,624,238 |

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

Minimum Job Qualifications: Committee narrative was included in the 2006 *Joint Chairmen's Report* requiring the submission of minimum job qualifications for specified MTA positions. That report was submitted and is available for review.

Reopening of the Light Rail System after Double Tracking: The budget committees requested information regarding criminal and MTA police activity and other public safety issues before and after the light rail double tracking project. This report was submitted, and a summary is provided.

Greater Baltimore Bus Initiative Phase I Report: The budget committees were concerned about the impact of Phase I of the Greater Baltimore Bus Initiative. As a result, a report was requested that required MTA to evaluate the impact of those changes.

Transit Funding Steering Committee: Chapter 443 of 2006 established a Transit Funding Steering Committee to advise Maryland Department of Transportation staff regarding a report that would evaluate the unconstrained transit needs of the State and potential funding options.

J00H01 – MDOT – Maryland Transit Administration

J00H01
Maryland Transit Administration
Maryland Department of Transportation

Budget Analysis

Program Description

The Maryland Department of Transportation (MDOT) supports transit in Maryland through the Maryland Transit Administration (MTA). MTA consists of the following operating budget programs:

- **Transit Administration** provides executive direction and support services for MTA.
- **Bus Operations** manages bus services in Baltimore City and surrounding counties. These services include the operation of fixed route and paratransit lines and contracts with commuter and paratransit service providers.
- **Rail Operations** includes the Baltimore Metro heavy rail line and the Baltimore area light rail lines as well as the management of the Maryland Rail Commuter (MARC) contracts with Amtrak and CSX Transportation.
- **Statewide Operations** provides technical assistance and operating grants to local jurisdictions' transit services, including Montgomery County's "Ride-On" and Prince George's County's "the Bus" services. Additionally, the program contracts with private carriers to operate commuter bus services throughout the State. Assistance is also provided to several short-line freight railroads to support the maintenance of State-owned rail lines.

MTA has identified the following goals:

- to provide outstanding service;
- to encourage transit ridership in Maryland;
- to use MTA resources efficiently and effectively and be accountable to the public, customers, and employees, with performance measured against prior years and transit industry peers; and
- to provide a safe, crime free environment for customers and employees.

Performance Analysis: Managing for Results

As part of its allowance submission, MTA submits a number of performance measures including detail on the farebox recovery ratio, on-time performance, and other operating measures including operating cost per passenger.

Boardings

Exhibit 1 provides detail on the number of boardings for services provided by MTA. Overall, MTA ridership is expected to increase in fiscal 2007 and 2008. While MTA core bus service came in higher than expected in fiscal 2006, it is estimated that ridership will decline in fiscal 2007 (due to service between closed light rail stations ending) with no growth in fiscal 2008. MTA advises that the reason for little growth in fiscal 2008 is that the Maryland Department of Planning estimates that Baltimore City’s population growth will be 0.15% in fiscal 2008, so that growth is flat from fiscal 2007 to 2008. Overall, core bus ridership is not expected to change significantly from fiscal 2005 to 2008. This is reflected in the farebox recovery measure where the farebox is expected to go from 37.2% in fiscal 2005 to 34.5% in fiscal 2008 for core bus. This means that while ridership growth is flat, expenditures for this service are expected to continue to increase and are reflected in the deficiencies and allowance presented by MTA in fiscal 2008. Light rail is expected to see a large increase in ridership in fiscal 2007 and 2008 due to the completion of the double tracking project in fiscal 2006 with riders returning to the service. Metro is expected to grow slightly but less than 1%.

Exhibit 1
MTA Boardings
Fiscal 2004-2008
(in Thousands)

| | 2004 <u>Actual</u> | 2005 <u>Actual</u> | 2006 <u>Estimated</u> | 2006 <u>Actual</u> | 2007 <u>Estimated</u> | 2008 <u>Estimated</u> |
|-------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|--|--|
| Bus | 63,793 | 63,241 | 63,382 | 63,526 | 63,196 | 63,196 |
| Metro | 12,426 | 12,863 | 12,982 | 12,919 | 12,968 | 13,017 |
| Light Rail | 5,818 | 4,875 | 5,685 | 5,401 | 7,461 | 8,548 |
| Paratransit | 542 | 550 | 577 | 653 | 767 | 902 |
| Taxi Access | | 170 | 265 | 312 | 366 | 430 |
| MARC | 6,727 | 6,884 | 7,006 | 7,275 | 7,508 | 7,748 |
| Contracted Commuter Bus | 2,703 | 2,954 | 3,024 | 3,193 | 3,385 | 3,589 |
| Total | 92,009 | 91,537 | 92,921 | 93,279 | 95,651 | 97,430 |

Source: Maryland Transit Administration

Contracted transit services like the commuter bus, MARC, and paratransit are expected to have the largest increase in ridership after light rail. Given the movement of the population to the exurbs, more and more individuals are relying on commuter bus and MARC. This increase in ridership is reflected in MTA adding more bus trips to meet the demand of the service. Of note is that the Washington commuter bus service appears to be growing more rapidly than commuter bus service for the Baltimore area according to MTA.

Paratransit services have also seen a considerable increase in ridership in recent years. This is due to MTA undertaking a number of initiatives to improve the service, due to a lawsuit filed against the agency claiming the service did not meet federal requirements. This service is the most expensive for MTA to provide and represents one of the largest increases in the MTA budget, both in terms of personnel expenses as well as contract services. This will be discussed in further detail in the Issues section.

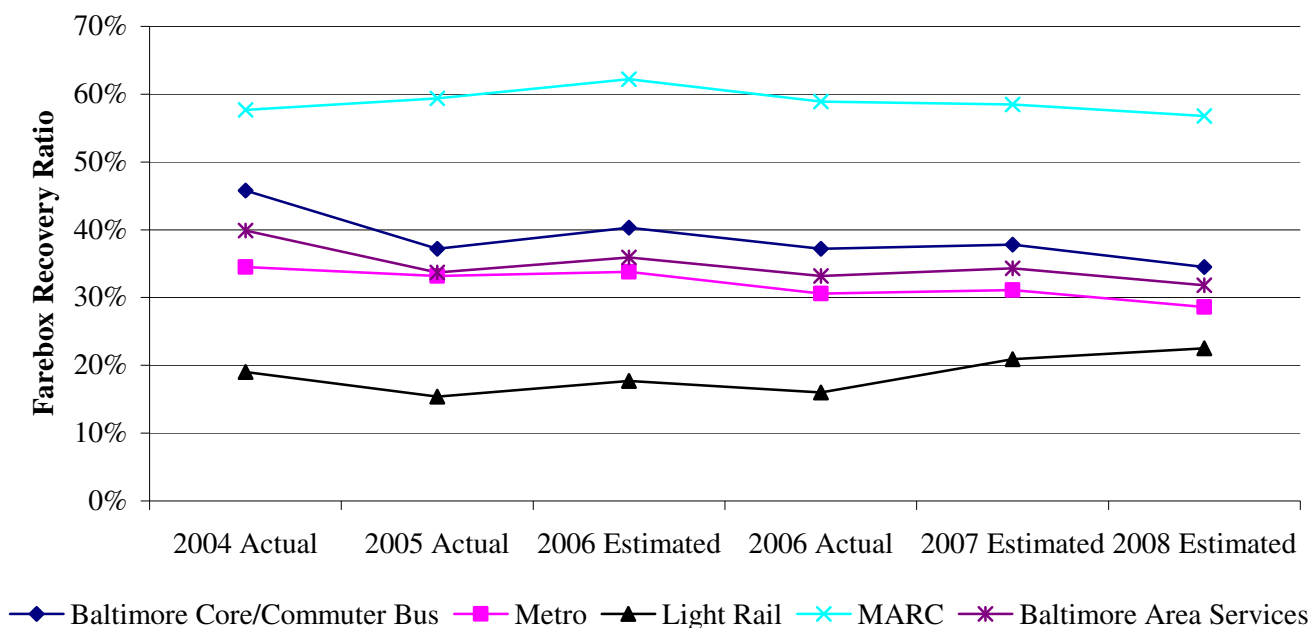
The Department of Legislative Services (DLS) recommends that MTA discuss in further detail what impact contracted services have had on the operating budget of MTA and what the trend toward commuter transit services will mean for the capital and operating expenditures of MTA.

Farebox Recovery

Section 7-208 of the Transportation Article requires MTA to obtain a 40% minimum farebox recovery for Baltimore area transit services (core bus, Baltimore commuter bus, light rail, and Metro). Chapter 210 of 2000 lowered the required annual farebox recovery ratio from 50 to 40%, with a sunset at the end of fiscal 2004. Chapter 447 of 2004 extended the sunset to June 30, 2008, and held the requirement at 40%. Beginning in fiscal 2009, the minimum farebox recovery for Baltimore area services will be 50% unless legislation is introduced extending the 40% farebox recovery requirement.

Exhibit 2 provides farebox recovery performance for Baltimore area services and MARC. In recent years, MTA has had difficulty reaching the 40% farebox recovery requirement for MTA Baltimore area services. This trend has continued as the recovery ratio in fiscal 2005 and 2006 was 33.7 and 33.2%, respectively. The rate is expected to increase to 34.3% in fiscal 2007 and then decrease to 31.9% in fiscal 2008. The fiscal 2007 estimate has not been revised for any fiscal 2007 deficiencies. MTA advises that if deficiencies are included, the farebox recovery would be slightly higher than the fiscal 2008 estimate. The reason for this overall decline in farebox recovery is largely due to increases in fuel expenses as well as the ongoing costs associated with union personnel. As seen in the boardings figures, ridership growth for core bus is expected to be flat, meaning that operating revenues for that service will not grow or keep pace with rising expenditures. To the extent that operating expenses continue to outpace revenue growth, largely derived from ridership growth, the farebox recovery ratio will continue to decline.

**Exhibit 2
Transit Farebox Recovery Ratio
Fiscal 2004-2008**



Source: Maryland Transit Administration

As indicated earlier, the current statutory minimum requirement for farebox recovery is 40% which the department has not achieved. Beginning in fiscal 2009, the current minimum farebox recovery ratio will sunset and 50% will be required. Obviously, MTA will not achieve the 40% farebox recovery requirement, let alone 50%. This is not to say that MTA has not undertaken efforts to cut costs to improve the farebox recovery. The other difficulty is that this is a service that must be provided and is expensive to provide. Given that there is no penalty associated with MTA not achieving the 40% farebox recovery, there exists no incentive for MTA to reach this goal. For example, the inability to reach the farebox recovery ratio could be linked to future fare increases.

DLS recommends that the agency discuss the problems with meeting the farebox recovery ratio and what it proposes as steps to improve the farebox recovery ratio, whether it intends to extend the 40% farebox recovery ratio requirement through legislation, and what may be done to encourage the agency to meet the farebox recovery.

DLS also recommends that committee narrative be adopted that would require MTA to submit a report to the committees that would look at the farebox recovery ratios and other cost control measures used by comparable transit systems. The report should also look at the current farebox recovery ratio requirement and include alternative cost control requirements

such as a systemwide farebox recovery ratio, which excludes paratransit services. The report should discuss what incentives could be implemented to insure that MTA works to maintain the statutory farebox recovery requirement. Finally, the report should include a discussion of the operating pressures MTA is facing and what actions may be taken to control costs.

Section 7-902 of the Transportation Article requires MTA to obtain a 50% minimum farebox recovery ratio for MARC services which is expected to be achieved. MARC services achieved a farebox recovery ratio of 59.4 and 58.9% in fiscal 2005 and 2006, respectively. For fiscal 2007 and 2008, the recovery ratio is estimated to be 58.5 and 52.9%, respectively. However, it should be noted that the fiscal 2007 estimate for the farebox recovery ratio does not include any of the deficiencies that were included in the fiscal 2008 budget, which MTA advises will lower the farebox recovery ratio to a level slightly below the fiscal 2006 level. The fiscal 2008 ratio is expected to decline due to higher operating expenses such as fuel and utilities.

Operating Cost Per Passenger

Another measure of operating efficiency for MTA is the operating cost per passenger. **Exhibit 3** shows the operating cost per passenger for each transit service from fiscal 2005 to 2008. As the exhibit shows, Mobility and Taxi Access have the highest operating cost per passenger. The fiscal 2007 estimates for operating cost is slightly misleading because deficiencies have not been included in the Managing for Results (MFR) computations. If operating expenditures continue to outpace ridership and revenue growth, the operating cost per passenger will continue to increase.

Exhibit 3
Operating Cost Per Passenger
Fiscal 2005-2008

| | <u>2005 Actual</u> | <u>2006 Estimated</u> | <u>2007 Estimated</u> | <u>2008 Estimated</u> |
|--------------------------|--------------------|-----------------------|-----------------------|-----------------------|
| Core Bus | \$2.65 | \$2.63 | \$2.56 | \$2.81 |
| Metro | 3.14 | 3.34 | 3.36 | 3.89 |
| Light Rail | 6.99 | 6.62 | 5.16 | 4.86 |
| Mobility and Taxi Access | 38.90 | 42.42 | 28.59 | 31.34 |
| MARC | 9.91 | 10.71 | 10.72 | 11.12 |
| Contracted Bus | 10.19 | 10.56 | 9.57 | 10.25 |
| Weighted Average | 3.88 | 4.05 | 3.87 | 4.24 |

Source: Maryland Department of Transportation

Each year MTA is required by statute to submit a report that compares MTA to other similar systems nationwide. **Exhibit 4** compares MTA to other systems for operating expenses per revenue vehicle mile and passenger trip and passenger trips per revenue vehicle mile for fiscal 2005. As the exhibit shows, MTA had the second highest operating expense per revenue vehicle of the peer systems shown, the highest operating expense per passenger trip, and the second fewest passengers per revenue vehicle mile. While differences among the transit systems may explain some of the variation in these measures, the exhibit does illustrate that MTA has relatively lower ridership and higher operating expenses per passenger trip and revenue vehicle mile compared to other urban transit systems.

Exhibit 4
Performance Indicators for the MTA and Peer Transit Systems
Fiscal 2005

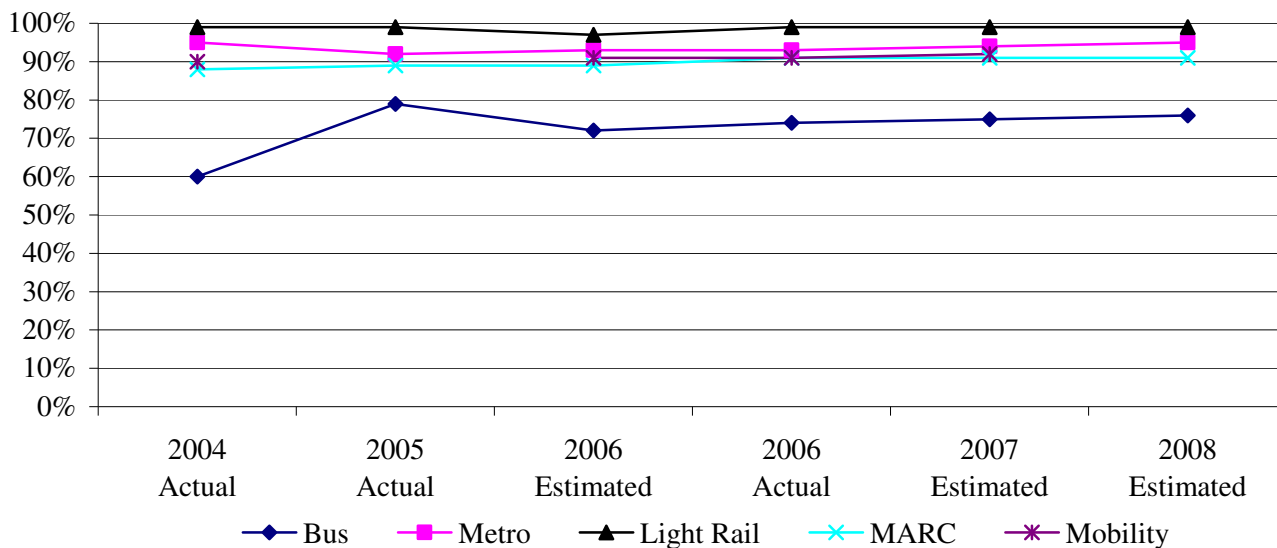
| | <u>Operating Expenses Per Revenue Vehicle Mile</u> | <u>Operating Expenses Per Passenger Trip</u> | <u>Passenger Trips Per Revenue Vehicle Mile</u> |
|----------------|--|--|---|
| Baltimore | \$10.05 | \$3.88 | 2.6 |
| Boston | 10.03 | 2.26 | 4.4 |
| Cleveland | 7.75 | 3.30 | 2.3 |
| Los Angeles | 9.23 | 2.17 | 4.3 |
| Philadelphia | 10.23 | 2.56 | 4.0 |
| Washington, DC | 9.18 | 2.50 | 3.7 |

Source: Maryland Transit Administration; National Transit Database

On-time Performance

MTA aims to provide high on-time performance for all of its service. **Exhibit 5** provides data on the percentage of service provided on-time for bus, Metro, light rail, and MARC. Rail service has typically performed well in this area, while bus service has not achieved strong results. For example, Metro had a 92 and 93% on-time performance rating in fiscal 2005 and 2006 and is expected to increase to 94 and 95% in fiscal 2007 and 2008. Light rail has consistently maintained an on-time performance of 99%. MARC services have remained in the 90% range similar to the Metro service.

**Exhibit 5
On-time Performance
Fiscal 2004-2008**



Source: Maryland Transit Administration

Bus service, however, was at 79% in fiscal 2005 and then dropped to 74% in fiscal 2006. The on-time performance rate is expected to increase slightly and reach 76% in fiscal 2008. Bus service is more difficult than rail due to the fact that traffic conditions will have a direct bearing on the on-time performance.

Committee narrative was adopted in the fiscal 2007 budget requiring MTA to submit on-time performance information for Mobility paratransit services. This information has been submitted and is included in Exhibit 5. As shown, on-time performance was 90% in fiscal 2005 and 91% in fiscal 2006.

Fiscal 2007 Actions

Proposed Deficiency

Fiscal 2007 special fund deficiencies total \$35.9 million for a variety of MTA services. The funds will be used for the following purposes:

- \$12.2 million for recently negotiated union contracts that could not have been added due to timing of negotiations;

J00H01 – MDOT – Maryland Transit Administration

- \$9.0 million for bus operations including funding for overtime for bus operators, additional commuter bus services, and contract increases to improve bus service in the Greater Baltimore Region;
- \$8.6 million for fuel and utility expenses due to rising market rates;
- \$4.2 million to support the Mobility paratransit program due to ridership increasing above estimates; and
- \$1.8 million for facility maintenance including escalator and elevator repairs.

Governor's Proposed Budget

The fiscal 2008 allowance increases \$46 million, or 9.8% compared to the fiscal 2007 working allowance, as highlighted in **Exhibit 6**. However, absent one-time health insurance changes the allowance increases \$47.6 million, or 10.2%.

Personnel

Personnel expenses for the agency increased largely due to the cost-of-living adjustment (COLA) for union employees, totaling approximately \$9.8 million that was not included in the fiscal 2007 budget due to the timing of the negotiation. It is fully budgeted in the fiscal 2008 allowance. Other changes include:

- \$3.9 million in overtime expenses largely due to increased ridership in the paratransit program which required the transfer of 30 bus operators;
- \$3.1 for union retirement expenses;
- \$2.1 million for the addition of 50 new positions, of which 30 are for bus operators, 15 contractual conversions for the Mobility Service Center, and 5 bus maintenance employees.
- \$1.6 million for additional assistance; and
- \$1.4 million decrease for worker compensation expenses.

There are several large items driving the increase in the Governor's allowance. These increases include:

- \$10.9 million increase in the MARC contract due to the full amount of the contract increase not being included in the fiscal 2007 allowance due to the timing of negotiations;

Exhibit 6
Governor’s Proposed Budget
MDOT – Maryland Transit Administration
(\$ in Thousands)

| How Much It Grows: | <u>Special</u> <u>Fund</u> | <u>Federal</u> <u>Fund</u> | <u>Total</u> |
|----------------------------|---------------------------------------|---------------------------------------|---------------------|
| 2007 Working Appropriation | \$414,189 | \$53,352 | \$467,541 |
| 2008 Governor’s Allowance | <u>460,182</u> | <u>53,352</u> | <u>513,534</u> |
| Amount Change | \$45,992 | \$0 | \$45,992 |
| Percent Change | 11.1% | | 9.8% |

Where It Goes:

Personnel Expenses

| | |
|--|---------|
| New positions..... | \$2,129 |
| Overtime increase to backfill the transfer of 30 positions to paratransit..... | 3,919 |
| Maryland Transit Administration union and police retirement expenses | 3,053 |
| Additional assistance..... | 1,602 |
| State employee retirement expense due to pension enhancement..... | 355 |
| Increments and other compensation including union COLA not included in fiscal 2007 | 9,840 |
| One-time health insurance actions | -533 |
| Workers’ compensation premium assessment | -1,425 |
| Other fringe benefit adjustments | -35 |

Administration

| | |
|--|------|
| Increase in fuel and electricity expenses per DBM instructions | 86 |
| Decrease in phone expenses in recent years due to competition in marketplace | -99 |
| Decrease in insurance payments per DBM instructions..... | -526 |

Bus Services

| | |
|--|-------|
| Increase in paratransit contracts due to increased ridership..... | 8,348 |
| Increase in motor fuel expenses for bus service due to rate changes..... | 2,831 |
| Decrease in contractual services due to 15 full-time equivalent conversions..... | -423 |

J00H01 – MDOT – Maryland Transit Administration

Rail Services

| | |
|--|--------|
| Increase in MARC contract in which funds for fiscal 2007 were not included in the budget allowance due to the timing of the contract | 10,852 |
| Increase in the contract for elevator/escalator contract due to full year being included | 2,080 |
| Increase in electricity for light rail and Metro operations | 1,922 |
| Increase for the purchase of various office supplies | 340 |
| Decrease in rent..... | -216 |

Statewide Programs

| | |
|--|-------|
| Increase in statewide commuter bus due to the addition of 14 trips | 1,798 |
|--|-------|

Other Changes

| | |
|------------|----|
| Other..... | 94 |
|------------|----|

Total **\$45,992**

COLA: Cost-of-living adjustment
DBM: Department of Budget and Management
MARC: Maryland Rail Commuter

Note: Numbers may not sum to total due to rounding.

-
- \$8.4 million increase in the cost of paratransit service contracts due to increased ridership;
 - \$2.8 million increase in motor fuel expenses due to rate changes;
 - \$2.1 million increase in the maintenance contract for elevators/escalators; and
 - \$1.9 million for an increase in electricity for light rail operators.

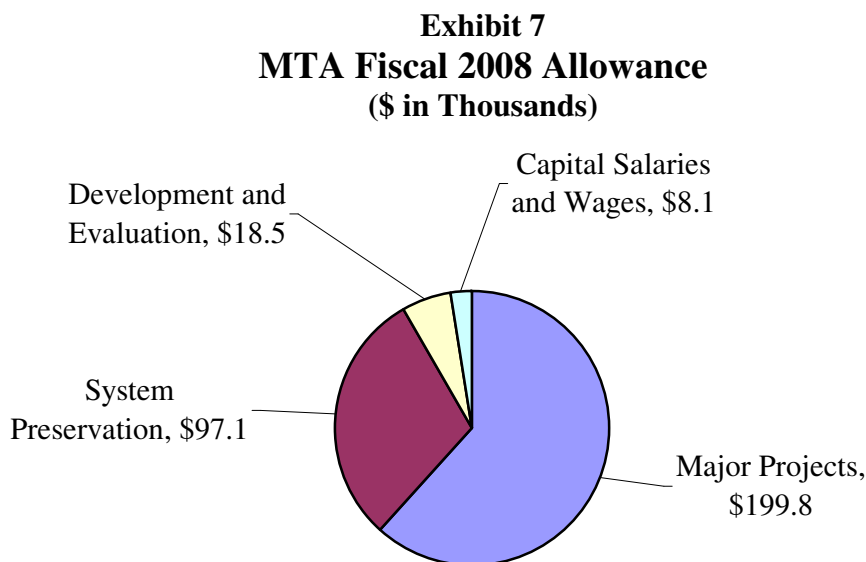
PAYGO Capital Program

Program Description

MTA’s capital program provides funds to support the design, construction, rehabilitation, and acquisition of facilities and equipment for the bus, rail, and statewide programs. The program also provides State and federal grants to local jurisdictions and nonprofit organizations to support the purchase of transit vehicles and the construction of transit facilities.

Fiscal 2007 to 2012 Consolidated Transportation Program (CTP)

The fiscal 2008 allowance for the PAYGO program totals \$308.1 million, plus another \$15.4 million programmed from non-State sources. A majority of non-State funds represents local funding for the Silver Spring Transit Center and the Owings Mills development. As shown in **Exhibit 7**, the 2008 program includes \$199.8 million in major projects, \$97.1 million in system preservation minor projects, and \$18.5 million for the development and evaluation program.



Note: Includes local funding.

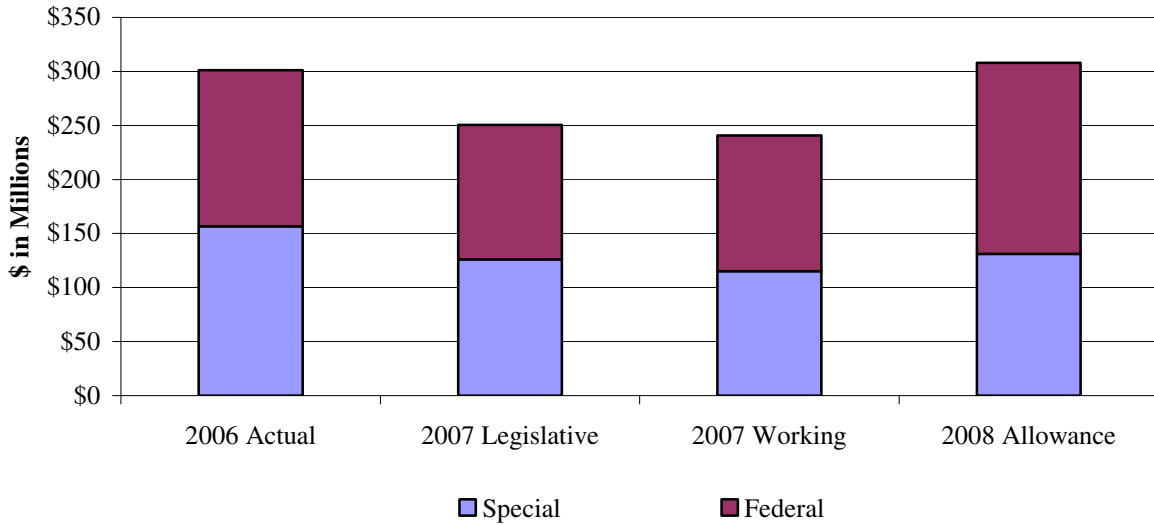
Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

Fiscal 2007 and 2008 Cash Flow Analysis

The fiscal 2007 working appropriation decreased \$10 million from the legislative appropriation largely due to cash flow changes in a number of projects including approximately \$12 million for MARC projects moved to later fiscal years. There were several other minor cash flow adjustments to transit projects.

The fiscal 2008 allowance increases \$68 million from the fiscal 2007 working appropriation as shown in **Exhibit 8**. This increase is due to a number of projects experiencing cash flow changes due to construction or acquisition picking up in pace. This includes a \$32 million increase in construction costs for the Silver Spring Transit Center, \$16 million for bus procurement, and a \$14 million increase for Metro Fires and Security Management.

Exhibit 8
Fiscal 2007 to 2008 Cash Flow Changes



Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

Exhibit 9 provides a list of major CTP construction projects funded in fiscal 2008. The eight projects listed account for 78% of the funding for MTA major construction projects in fiscal 2008.

Exhibit 9
MTA Major CTP Construction Projects Funded in Fiscal 2008
(\$ in Thousands)

| <u>Project</u> | <u>2008</u> | <u>Total \$</u> | <u>Completion of Fiscal Year Cash Flow</u> |
|--|------------------|--------------------|--|
| MARC Efficiency Improvements on Camden, Brunswick, and Penn Lines – ongoing program of improvements on MARC lines | \$14,557 | \$104,386 | 2011 |
| MARC Mid-life Overhaul – mid-life overhaul of 19 G 40 diesel and 4 AEM7 electric MARC locomotives | 8,600 | 61,348 | 2012 |
| Silver Spring Transit Center and MARC Station Relocation – two-phase project to provide a fully integrated transit center at the Silver Spring Metrorail Station | 44,189 | 82,526 | 2009 |
| Owings Mills Joint Development – develop areas adjacent to transit stations | 7,780 | 29,526 | 2010 |
| Metro Fire and Security Management Systems – replace existing equipment | 18,088 | 69,028 | 2012 |
| Bus Procurement – purchase 40-foot buses to be used in an annual replacement program of buses in service of 12 or more years | 20,450 | 309,666 | 2012 |
| Locally Operated Transit Systems Capital Procurement Projects (Local Jurisdictions) – MTA provides funding to local jurisdictions in rural and small urban areas for transit vehicles, equipment, and facilities | 14,290 | 142,828 | 2012 |
| Baltimore Corridor Transit Study (Red Line) – identify and analyze several potential alignment and mode alternatives for an east-west rapid transit system from Social Security to Fells Point | 27,531 | 239,616 | 2010 |
| Total | \$155,485 | \$1,038,924 | |

Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

Two major projects were added to the construction program totaling \$29.7 million as shown in **Exhibit 10**.

Exhibit 10
MTA Projects Added to the Construction Program in Fiscal 2008
(\$ in Thousands)

| <u>Project</u> | <u>2008</u> | <u>Total \$</u> | <u>Completion of Fiscal Year Cash Flow</u> |
|---|----------------|-----------------|--|
| MARC procure Riverside Maintenance Facility from CSX for development into MARC maintenance facility | \$2,720 | \$25,000 | 2012 |
| MARC new Edgewood Station and improvements including parking expansion and building improvements | 1,150 | 4,677 | 2009 |
| Total | \$3,870 | \$29,677 | |

Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

Two projects were added to the development and evaluation (D & E) program totaling \$7.1 million as shown in **Exhibit 11**.

Exhibit 11
MTA Projects Added to the D & E Program in Fiscal 2008
(\$ in Thousands)

| <u>Project</u> | <u>2008</u> | <u>Total \$</u> | <u>Completion of Fiscal Year Cash Flow</u> |
|--|----------------|-----------------|--|
| Central Maryland Maintenance Facility that is publicly owned to support transit operations in Howard County | \$2,323 | \$5,130 | 2009 |
| Washington Metropolitan Area Transit Authority Green Line extension feasibility study and environmental review | 1,192 | 2,000 | 2008 |
| Total | \$3,515 | \$7,130 | |

Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

One project was delayed as shown in **Exhibit 12**.

Exhibit 12
MTA CTP Project Delays

| <u>Project</u> | <u>Reason</u> | <u>Delay</u> |
|-----------------------------------|---|---------------------|
| MARC II Vehicle Mid-life Overhaul | Overhaul delayed from fiscal 2007 to 2008 due to revisions in project schedule due to negotiations with vendor. | Fiscal 2007 to 2008 |

Source: Maryland Department of Transportation, 2007-2012 *Consolidated Transportation Program*

In addition, one project was removed from the D & E program, the Cold Spring Light Rail Station Park and Ride due to right-of-way issues.

Operating Issues

1. Performance Contracting

MTA services are divided between the core services the agency delivers directly (Metro, Bus service in Baltimore, and light rail) and services it provides by using contractors (Commuter Bus, MARC, and Mobility). While the services may be provided by different entities and providers, each is part of the core mission of the agency. To insure that the service is provided effectively and efficiently, contracted services as well as the core services provided by the MTA need to be managed and linked to the performance measures of the agency such as on-time performance and ridership. For contracted services, contracts could have specified performance measures and deliverables linked to financial incentives or to the continuation of the contract.

DLS requested copies of all contracts over \$1 million to see how the contracts were managed by the agency and if there were any performance standards and incentives built into the contracts. **Exhibit 13** provides a summary of the contracts received based upon the type of service provided. Contracts for Mobility, Commuter Bus, and MARC services were reviewed as well as a maintenance contract for Bus, light rail, and Metro.

Exhibit 13
MTA Contracts

| <u>Service Provided</u> | <u>Fiscal 2006 Cost</u> | <u>Financial Incentive</u> | <u>Performance Standard</u> | <u>Reporting Requirements</u> |
|--|-------------------------|---|---|--|
| Paratransit Mobility | \$17.6 million | Yes | Relating to the maintenance of the automobiles and 92% on-time performance | Report regarding vehicle maintenance |
| Commuter Bus | \$17.9 million | None | 95% on-time performance standard | Daily and monthly trip reports with on-time performance information included |
| MARC | \$57.3 million | Yes – A financial payment should on-time performance exceed 92% | 92% on-time performance standard which corresponds to MFR measure for on-time performance | Monthly reports regarding ridership and on-time performance |
| Landscaping and Cleaning Services for Bus, Light Rail, and Metro | \$2.4 million | None | General description of the services to be performed for each of the modes | Daily labor hour record and corresponding receipts |

Source: Maryland Transit Administration

For the MARC, commuter bus, and Mobility contracts, each had performance standards. However, only the MARC and Mobility contracts included financial incentives should on-time performance exceed the level specified in the contract. The financial incentive target for MARC is higher than the current reported on-time performance. The Mobility contract also had a similar on-time performance standard. Of note is that it is only recently that on-time performance has reached an acceptable level, largely due to management initiatives and pressure from a lawsuit to improve those services and perhaps the financial incentives in each contract.

DLS recommends that MTA discuss the role of performance contracting in its current contracted transit services and the potential use of these types of contracts for service. DLS recommends that future MARC, Mobility, and commuter bus contracts include on-time and any other relevant performance measures and financial incentives.

2. Paratransit Service Costs Are Rising

MTA is required by the federal Americans with Disabilities Act (ADA) to provide complimentary transit services. This service is provided within the Baltimore Beltway 24 hours a day through a combination of MTA directly provided service, two contractors who provide service, and a premium Taxi Access service. Overall, paratransit services accounted for 1% of ridership but represented 8.5% of the overall MTA budget in fiscal 2006.

MTA's paratransit service underperformed for several years with complaints focusing on late arrivals for pick-ups, problems with trip scheduling, and poor customer service. As a result, the Maryland Disabilities Law Center filed a complaint with the Federal Transit Administration (FTA) that alleged the services provided by MTA violated the ADA. To settle the lawsuit and provide better service, MTA began to implement a new business model for paratransit effective July 1, 2004.

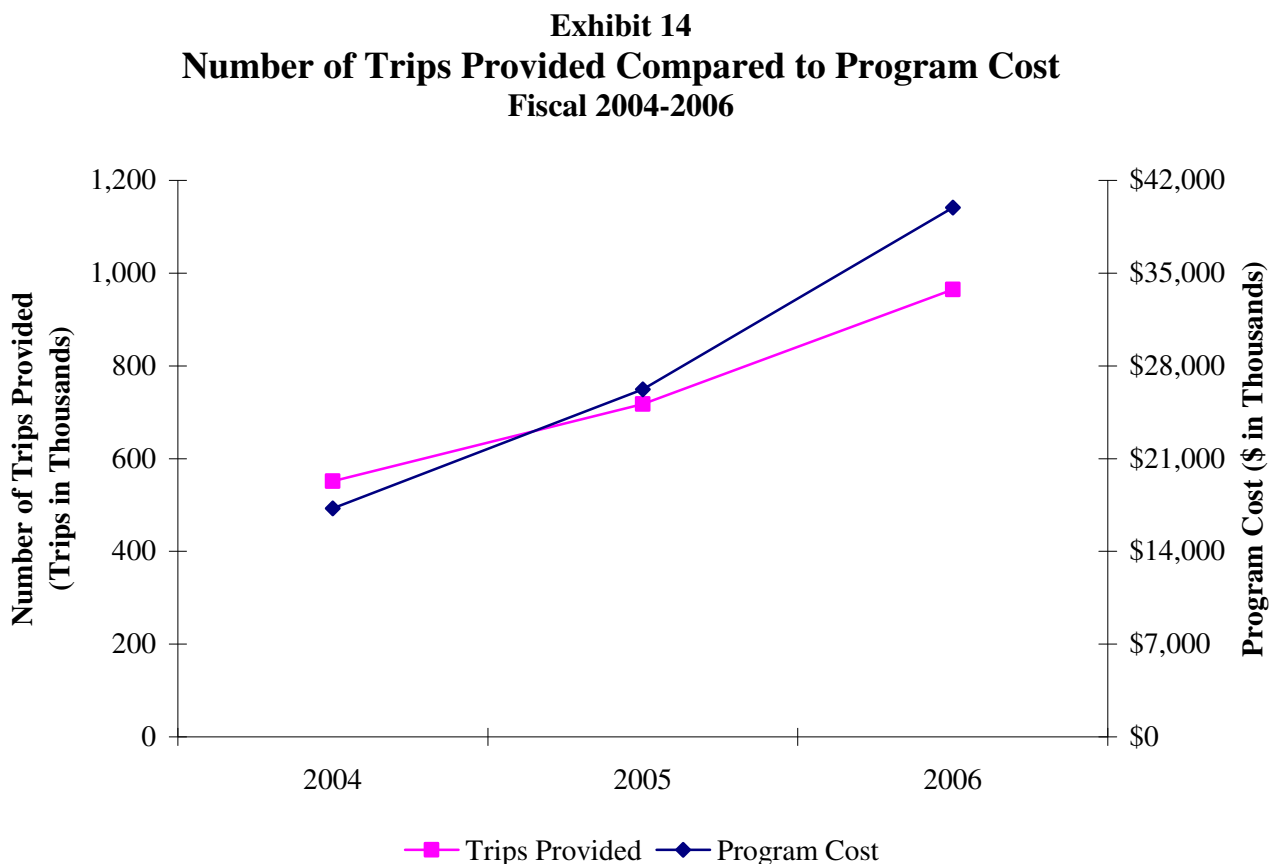
New Business Model and Service

Prior to the federal lawsuit, MTA provided approximately 15% of paratransit services with 85% being provided directly by a single contractor. The current business model now has two contractors – the old contractor and a new contractor – who provide 80% of the service, with MTA providing the remaining 20%. In addition, MTA began to provide a premium service known as Taxi Access which allows certain individuals to utilize taxis. Each of the contracts also now includes performance incentives for each provider and allows MTA to assess damages for noncompliance.

In addition to changing the business model, MTA focused on utilizing technology to better assist in the scheduling and tracking of rides. For example, all vehicles are now equipped with a vehicle locator which allows MTA to determine the exact location of a vehicle and document and monitor a contractor's performance. In addition, scheduling of paratransit trips are centralized and managed by MTA in a control center on MTA property. Overall, these enhancements have improved the overall delivery of paratransit service which is reflected in the on-time performance for paratransit services reaching 92% in July 2006.

Financial Cost of Paratransit

As shown in **Exhibit 14**, the cost of paratransit services has increased in recent years as the number of trips provided has as well. The cost of the service has grown more rapidly than the number of trips provided, driven by the enhancements that MTA has made to the service as well as the increase in ridership associated with improved performance.



Source: Maryland Transit Administration

Exhibit 15 compares the cost per rider for MTA and the two contracted providers (Yellow and MV) for paratransit Mobility services. The cost per rider for MTA is considerably higher than the contracted providers due to the inclusion of the costs associated with the Reservation and Scheduling Center. As shown in Exhibit 14, however, overall the cost of the service has been increasing even as ridership has increased. The cost differential between Yellow and MV per rider is due to Yellow being more productive in the number of rides per hour. As a result Yellow is receiving a greater share of the workload.

Exhibit 15
Comparison of Cost per Rider
Fiscal 2004-2006

| <u>Fiscal Year</u> | <u>MTA</u> | <u>Yellow</u> | <u>MV</u> | <u>Composite</u> |
|--------------------|------------|---------------|-----------|------------------|
| 2004 | \$54.69 | \$26.52 | – | \$31.26 |
| 2005 | 85.48 | 29.86 | \$32.72 | 40.83 |
| 2006 | 104.13 | 31.94 | 36.85 | 46.97 |

Source: Maryland Transit Administration

Improving Efficiency While Maintaining Service

The budget committees requested a report in the 2006 session that looked at how other transit agencies provide service and what actions have been taken to improve service and reduce costs. In the report that was submitted, five cities were reviewed in terms of its paratransit services. **Exhibit 16** provides a summary of selected information from each city as well as the total cost of the program and cost per rider from fiscal 2005.

Exhibit 16
Comparison of Paratransit Service Delivery Model and Costs
Fiscal 2005

| | <u>MTA</u> | <u>Cleveland</u> | <u>Dallas</u> | <u>Denver</u> | <u>Houston</u> | <u>Pittsburgh</u> |
|-----------------------------|---------------------|--|----------------|---------------|----------------|-------------------|
| Service Provider | MTA and Contractors | Transit agency and contractors when need | Contracted | Contracted | Contracted | Contracted |
| Reservations and Scheduling | MTA | Transit agency | Transit Agency | Contracted | Transit Agency | Contracted |
| Passenger Trips | 745,188 | 445,080 | 634,985 | 549,591 | 1,502,572 | 555,000 |
| Annual Cost Per Trip | \$37.56 | \$28.24 | \$31.00 | \$34.57 | \$19.18 | \$42.37 |
| Annual Cost in Millions | \$22.521 | \$12.120 | \$19.683 | \$19.000 | \$28.820 | \$23.302 |

Source: Maryland Transit Administration

The exhibit shows that while there is no distinct formula as to how to provide service, MTA is nonetheless unique. Typically, either all of the service or scheduling functions are contracted out or service is contracted out while the transit agency performs the scheduling and reservation. However, MTA has a somewhat unique structure in that it performs scheduling and reservations services as well as sharing direct service responsibility with private contractors.

DLS recommends that \$100,000 of MTA budget be restricted pending the submission of a cost/benefit and qualitative analysis of paratransit service delivery. This should include:

- **Whether MTA should continue to operate the reservation and scheduling function or contract this function to the private sector;**
- **Whether MTA should continue providing any direct service delivery or whether service should be entirely contracted with the private sector. As part of this analysis MTA should separately report the operating and capital cost per rider for:**
 - **MTA provided service;**
 - **Yellow and MV provided service; and**
 - **Taxi service.**
- **Whether it is more cost effective for MTA to purchase the vehicles used or whether vehicle purchases should be the responsibility of the private sector contractors.**

DLS also recommends that MTA discuss if performance incentives will be built into future Mobility contracts and if not why.

3. MTA Environmental Settlement and Impacts for Other Modes

Recently, the Board of Public Works approved a penalty payment to the Environmental Protection Agency (EPA) totaling \$172,207. This payment was part of a negotiated settlement with EPA due to alleged MTA violations of federal law that required fuel storage tanks to be double walled to protect against leaks.

In the late 1980s, State and federal environmental regulations required underground storage tanks, similar to MTA's fuel storage tanks, be equipped to prevent, detect, and/or control spills or leaks. However, MTA did not undertake measures to replace the underground storage tanks, ensure that the proper equipment was in place to prevent a spill or leak, or adopt protocols for the monitoring of these tanks. In 2002, State environmental officials performed tests on the tanks and found the tanks were leaking and submitted the information to MTA; however, MTA failed to act on the information.

J00H01 – MDOT – Maryland Transit Administration

In September 2005, EPA performed an inspection of the two sites in Baltimore to determine if the sites were in compliance with existing State and federal regulations. EPA found the sites were not in compliance, and as a result, EPA filed a complaint.

Besides the payment of \$172,207 to settle the EPA complaint, there are a number of actions that MTA must undertake under the settlement agreement. First, MTA must develop a Geographic Information System at the Washington Boulevard facility which will help MTA collect information to assess risks associated with potentially hazardous materials. Second, MTA must perform corrective measures that were contained in the EPA compliance order. Finally, MTA must perform a compliance audit of MTA's 12 facilities and report and correct all violations and immediately begin remediation for any violations. There may also be additional penalties imposed on violations discovered in the course of the audits which would be subject to future negotiations. While the cost to complete additional remediation activities is unknown, MDOT initially indicated the cost could be approximately \$24 million over the next five years.

As has been noted in the MDOT Overview and each individual mode's analysis, the department has added a number of positions to implement an environmental compliance program for each mode. The EPA complaint, coupled with a directive from the Maryland Department of the Environment Secretary in September 2005, resulted in the need to develop an environmental compliance program. Instead of being a direct participant in the EPA complaint against MTA, the remaining modes are pursuing a voluntary agreement with EPA. The final agreement with EPA for the remaining modes has not yet been finalized; however, MDOT advises it is expected to be completed in 2007.

The voluntary agreement for each of the modes will require the establishment of a Compliance Focused Environmental Management System (CFEMS) at each modal administration to be coordinated by the Secretary's Office. Currently, the Secretary's Office is developing an Environmental Standards and Guidelines document to implement CFEMS at each mode. Until the new positions are approved, MDOT is relying on a contractual consultant to begin implementing CFEMS.

DLS recommends that MTA discuss why the tanks were not replaced earlier; the status of the replacement efforts, and cash flow needs for achieving the requirements spelled out in the settlement; and what exactly each of the environmental monitoring programs in the modes will do.

PAYGO Issues

1. Five Major Transit Projects All Competing for Funding

The 2007-2012 CTP includes five major transit projects:

- **Baltimore Red Line** – An east-west rapid transit system from Social Security to the Fells Point/Patterson Park area in Baltimore to address traffic congestion and support new and future transit-oriented economic development and revitalization. Bus rapid transit, light rail, bus enhancements, and “no build” options are all currently being considered.
- **I-270 Corridor Cities Transitway (CCT)** – Either a bus rapid transit system or light rail system to help relieve congestion from Shady Grove to I-70. Highway improvements to I-270 are also being considered.
- **Bi-county Transitway/Purple Line** – A transitway between New Carrollton and Bethesda Metrorail stations. Currently, heavy rail, light rail, bus rapid transit, and “no build” are all options being considered.
- **Baltimore Green Line** – The study will evaluate several potential alignment and mode alternatives for a service extension from Johns Hopkins Medical campus to Morgan State University or Good Samaritan Hospital.
- **Washington Metropolitan Area Transit Authority (WMATA) Green Line** – This study will be a feasibility study for a possible 20-mile extension from Greenbelt to the Baltimore/Washington International Thurgood Marshal Airport.

The first three projects are projected to have a locally preferred option selected in spring 2007. Once the locally preferred option is selected, MTA will work with the FTA on the Final Environmental Impact Statement for each transit project in the hope of securing federal funding. The two Green Line studies are still in the planning or study phase; however, should they move ahead, they too will be competing for federal funds.

Prospect of Federal Funding

The prospect of MTA receiving federal funding for the five projects listed above is unlikely to occur. The 2005 transportation reauthorization, the Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU), identified over 300 projects as eligible to compete for New Starts funding. The federal fiscal 2008 President’s budget request included \$864 million for existing funding agreements for 11 projects and proposed \$330 million for four new projects. SAFETEA-LU also created the Small Starts program for projects requesting less than \$75 million in federal funding and costing less than \$250 million. Depending on the mode and

J00H01 – MDOT – Maryland Transit Administration

scope of transit selected for the projects listed above, some projects may be eligible for Small Starts funding.

Regardless of the funding program, the demand and competition for federal funds is such that the prospect of the State receiving federal funding for five transit projects is small. In addition, as these projects must compete for federal funding, these projects must also compete against the other transportation projects in the State. MTA will need to decide which projects to construct or not to construct or determine other methods for paying for these capital projects.

DLS recommends that MDOT comment on the prospect of all five projects receiving federal funding and how the State would pay for all five projects given diminishing federal funds. In addition, the department should comment on the availability of special funds from the Transportation Trust Fund for the projects.

Operating Budget Recommended Actions

| | <u>Amount Reduction</u> | |
|--|------------------------------------|----|
| 1. Reduce funds for advertising. This action provides funding equal to fiscal 2006 actual expenditures. | \$ 83,303 | SF |
| 2. Reduce funds for education and training contracts. The allowance increases \$255,000 or 65.6% in fiscal 2008. This action will allow for a \$130,000 increase or 35%. | 125,000 | SF |
| 3. Reduce funds for additional assistance. The Maryland Transit Administration’s total funding for additional assistance increases \$1.6 million or 40.9% compared to the working appropriation. The MTA has added positions due to prior year reductions in personnel; however, given that a number of the new positions will perform many of the services provided by temporary employees including paratransit scheduling and general information, additional funding is unnecessary. This reduction still provides for a funding equal to the fiscal 2006 actual expenditures and an increase of roughly \$700,000 from the working appropriation. | 900,000 | SF |
| 4. Reduce funds for buildings and household supplies. This reduction provides funding equal to actual fiscal 2006 expenditures. | 15,935 | SF |
| 5. Reduce funds for overtime. The allowance for overtime increases \$3.9 million or 36.7% in the fiscal 2008 allowance. A majority of this increase is for the bus program. The allowance also includes 30 new bus operator positions. This reduction in overtime is the equivalent cost of the 30 new positions, while still allowing for a \$2.4 million increase over the fiscal 2007 working appropriation for overtime. | 1,500,000 | SF |

6. Adopt the following narrative:

Farebox Recovery Report: The committees are concerned about the Maryland Transit Administration’s (MTA) inability to achieve the statutory farebox recovery ratio of 40%. The committees request that the MTA submit a report that looks at the following:

- Why the department has been unable to meet the farebox recovery ratio including a discussion of the operating pressures facing the agency and the lack of corresponding revenue growth;
- What cost control measures do other transit agencies employ and how they may translate to the MTA;
- What actions the MTA may take to achieve the 40% farebox recovery ratio and what incentives may be developed to insure that the MTA meets the requirement; and
- Options for alternative cost control measures that may better measure the operating efficiency of the MTA or reducing the current farebox recovery ratio and the possibility of creating an agencywide farebox recovery measure, excluding Mobility services.

| Information Request | Author | Due Date |
|--------------------------------------|---------------|------------------|
| Report on MTA farebox recovery ratio | MTA | October 15, 2007 |

7. Add the following language to the special fund appropriation:

, provided that \$100,000 of this appropriation is restricted contingent upon the submission of a cost/benefit and qualitative analysis of paratransit service delivery. This report shall include:

- (1) whether the Maryland Transit Administration (MTA) should continue to operate the reservation and scheduling function or contract this function to the private sector;
- (2) whether MTA should continue providing any direct service delivery or whether service should be entirely contracted with the private sector. As part of this analysis MTA should separately report the operating and capital costs per rider for:
 - (a) MTA provided service (with scheduling and reservation costs excluded);
 - (b) Yellow and MV provided service; and
 - (c) Taxi service

- (3) whether it is more cost effect for MTA to purchase the vehicles used or whether vehicle purchases should be the responsibility of the private sector contractors.

The report is due November 15, 2007 and the budget committees shall have 45 days to review and comment.

Explanation: The committees are concerned about the rising cost of service delivery for paratransit services. As such, the committees request that the MTA conduct a cost/benefit and qualitative analysis of the current service delivery model to determine if it is more cost effective for the MTA or private sector to perform service delivery.

| Information Request | Author | Due Date |
|---------------------------------------|---------------|-------------------|
| Cost/benefit and qualitative analysis | MTA | November 15, 2007 |

Total Special Fund Reductions **\$ 2,624,238**

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Minimum Job Qualifications

Committee narrative was adopted during the 2006 session which requested MTA to submit the minimum job qualifications for positions in the officials and administrator job family for the department. This report, with the required information, was submitted to the committees on June 30, 2006. Copies are available should any committee member wish to review the report.

2. Reopening of the Light Rail System after Double Tracking

The budget committees added language during the 2006 session requesting a report regarding criminal and MTA police activity and other public safety issues before and after the light rail double tracking project. MTA submitted such a report and a summary of that report follows.

Law Enforcement

MTA Police tracked law enforcement data and provided a summary of criminal activity before and after the light rail double tracking project was closed. The report compares nine months of activity before the closing to six months of activity after the tracks were reopened. Given the discrepancy in the number of months used, comparing the data does not provide an accurate assessment of criminal activity. What is interesting from the information provided is that the total number of calls for service has doubled since the light rail was reopened despite three fewer reporting months. Part I crimes, defined as homicide, rape, aggravated assault, breaking and entering, and larceny decreased; however, this comparison is flawed given the difference in the number of months. The report indicates that MTA Police have focused on maintaining a visible presence at all stations since the light rail was reopened. In addition to an increased visible presence, the report indicates that fare inspectors, dressed similarly to MTA Police, also provide a level of perceived safety to riders. The report also provides a detailed breakdown of community outreach undertaken by MTA Police.

System Performance

Measuring light rail ridership is inherently difficult given that passengers do not enter through turnstiles or other barriers which can count the number of riders. Ridership numbers for the entire system were compared for fiscal 2003 and 2006. Ridership was down roughly 2.1 million riders in fiscal 2006 compared to fiscal 2003. The report notes that roughly 35% of the annual rides occurred after the light rail double tracking. If those numbers are projected for a full year, ridership would be roughly equal to fiscal 2003 levels.

Prior to the light rail project, trains arrived every 8 ½ minutes for 18 of 33 stations and every 17 minutes for the remaining stations on the light rail system. After the double tracking project, during peak hours for 24 of the 33 stations, trains run every 10 minutes. The double tracking project

has allowed the light rail system to have a more consistent and uniform arrival time for service throughout the entire system.

The report highlights problems associated with the timing of traffic lights along the light rail line in Baltimore City. The report notes that MTA has worked with Baltimore City to implement signal prioritization. Currently, there have been a number of problems moving the signal prioritization project ahead due to problems in working and coordinating with staff from the city, according to the report. The report indicates that efforts to implement the project will move ahead.

Station parking lot usage is also discussed in the report. The report notes that station parking lot usage has remained unchanged, even though ridership for the light rail system has declined. The report does not provide a reason for this phenomenon; however, it is likely that not all the parking lots are used by light rail riders, rather they may be used for bus service, commuting, or walking to work.

Finally, the report compares ridership between the light rail system and comparable bus service. Given that current ridership numbers can only be accurately determined for the entire system, it is impossible to compare the two modes of transit after the double tracking project. As a result, a comparison was done before the double tracking project began. At that time, average daily boardings were four times higher for the light rail compared to the bus service. MTA indicates that the information shows that the light rail was a more attractive option for transit riders based upon this information. This information, according to the report, indicates that there exists potential for increased ridership in the light rail. One question not addressed in the report is what impact the proposed changes put forth in the Greater Baltimore Bus Initiative (GBBI) may have on light rail ridership.

3. Greater Baltimore Bus Initiative Phase I Report

Background

In May 2005, MTA introduced a proposal to improve local bus service by restructuring bus routes to meet the demands of customers. The last comprehensive restructuring of bus service in Baltimore had been undertaken 30 years earlier. The intent of the restructuring was to determine what MTA customers need and want in terms of travel for work and other activities. To better understand the needs of customers, MTA administered a comprehensive data collection effort with a sample of 50% of all service. Based upon the ride survey, MTA discovered a disconnection between the needs of riders and the service provided. To better meet the needs of customers, MTA began a process to revise service and then moved ahead with the process while having dialogue with the community. Phase I of the GBBI affected 29 lines and 101,860 customers.

Impact

One impact and goal of the bus restructuring was to simplify routes. Simplified routes are easier to learn for casual riders and service may be redeployed to more popular destinations more frequently.

Another goal of the GBBI was to restructure bus routes to increase frequency and to provide improved connections to other bus lines and rail services. Based upon the data collection effort conducted by MTA, it was determined that 52% of all trips require a transfer either to another bus, light rail, or Metro. The customer survey also found that midday ridership was higher than AM and PM ridership; however, the level of service provided was greatest during the AM and PM rush hours. In addition, a customer survey found that the three highest improvements, as seen by customers, were more frequent weekday service, less crowding on the bus, and more frequent bus service. MTA made a number of changes to bus lines to increase the frequency of bus trips, particularly for mid-day riders and enhance connectivity to other transit lines.

A third goal of the GBBI was to determine where customers need to go and how to get them there efficiently. Since the last bus restructuring 30 years ago, the Baltimore region has changed dramatically. Prior to the GBBI changes, bus lines concentrated on moving individuals downtown rather than transporting individuals across town. Based upon the MTA survey, it was found that only 22% of customers were trying to get downtown. As a result of this, bus service was altered to provide more service cross town. This shift in directional focus coupled with a movement toward more midday and weekend routes now allows MTA to provide service in a more efficient and cost-effective manner. For example, the report shows that more miles are covered in fewer hours under the changes implemented through the GBBI Phase I. Determining the impact on ridership is difficult given the change to new fareboxes; however, for the six months before and after the changes, ridership appears to be up and, as a result, farebox recovery ratios for certain lines have also improved.

Finally, the last goal of GBBI was to improve schedule development with ample travel and recovery time to better allow operators to deal with unforeseen circumstances. One measure of this effort is on-time performance. Routes that traveled cross town rather than downtown, had a significantly higher on-time performance based upon the bus study performed in 2004. With the change in routes associated with Phase I to more cross town routes, on-time performance is likely to be better.

4. Transit Funding Steering Committee

Chapter 443 of 2006 created a Transit Funding Steering Committee staffed by MDOT. The intent of the legislation was to have MDOT undertake a study documenting the transit investment and funding needs over a 20-year time horizon. In addition, MDOT was required to look at all the operating and capital needs in the State over a 20-year time horizon, review how other transit agencies are funded, and identify potential funding strategies. Following is a summary of the three meetings held by the committee and the recommendations in the report.

Transit Services and Funding in Maryland

The first meeting of the committee focused on providing an overview of transit services and funding in the State. In 2005, transit services around the State provided 840,440 daily rides. A majority of those trips were bus riders (local and commuter), with the next highest being heavy rail ridership largely in the Washington area. Currently, the State has two major urbanized transit systems which provide rail, bus, and paratransit services. In addition, the State operates a network of commuter bus and rail services, as well as providing grants to 24 locally operated transit systems.

In fiscal 2006, total transit expenditures for WMATA and MTA (including local grants) for operating and capital totaled 27% of all MDOT expenditures. The report indicates that typically transit services account for 35% of total expenditures. Almost all operating expenses are paid for by the TTF, with federal funds being used for the capital program.

Peer Systems

The second meeting focused on an analysis of peer systems. In this analysis, it was found that Maryland was unique in its current funding and management structure. Most transit agencies are primarily locally and regionally managed and funded, with varying degrees of state funding. Only New Jersey had a state agency fund and manage a transit system; however, it is managed by a Board of Governors rather than the Secretary of Transportation.

Most transit agencies studied receive some form of dedicated funding. A Government Accountability Office report in 2006 stated that 23 of the top 25 transit systems received some form of dedicated funding, with roughly 8% of funding coming from state and local general funds. The sales tax was found to be the most popular source of transit funding, either on a local basis or statewide.

Transit Needs and Revenues

The third meeting looked at a number of funding scenarios for transit needs in the State which included operating costs, preservation costs, enhancement costs, and expansion costs. Over a 20-year time period, if all of the unconstrained needs for transit were to be accomplished, the report identified a funding shortfall of \$13.5 billion.

The report identified a number of potential revenue options; however, no recommendations were made. Revenue options for transit included increasing the motor fuel tax, titling tax, vehicle registrations, or corporate income tax. New revenue sources identified included a statewide or regional sales tax increase, State property tax increase, or an income tax surcharge.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Transit Administration (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------|
| Fiscal 2006 | | | | | |
| Legislative Appropriation | \$0 | \$385,458 | \$53,352 | \$0 | \$438,811 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 37,611 | 0 | 0 | 37,611 |
| Reversions and Cancellations | 0 | -2,992 | -2,977 | 0 | -5,969 |
| Actual Expenditures | \$0 | \$420,077 | \$50,376 | \$0 | \$470,453 |
| Fiscal 2007 | | | | | |
| Legislative Appropriation | \$0 | \$413,421 | \$53,352 | \$0 | \$466,773 |
| Budget Amendments | 0 | 768 | 0 | 0 | 768 |
| Working Appropriation | \$0 | \$414,189 | \$53,352 | \$0 | \$467,541 |

Note: Numbers may not sum to total due to rounding.

Fiscal 2006

Actual fiscal 2006 expenditures for MTA totaled \$470,452,772, an increase of \$31,642,137 compared to the legislative appropriation.

Special funds increased by a net of \$34,618,681 from the legislative appropriation. Budget amendments, totaling \$37,611,167, were submitted for the following purposes:

- \$14,170,946 for diesel and other fuel related products due to the increased cost of oil;
- \$11,853,877 for Mobility paratransit services due to increased ridership as well as additional service during peak times, communication devices to provide improved scheduling, and attorney fees associated with the paratransit lawsuit that was settled;
- \$3,362,733 in salary and other personnel costs related to renegotiated union contracts;
- \$2,687,240 for the transfer of the MTA Police to the Law Enforcement Pension System due to legislation;
- \$2,160,861 in overtime for general bus operators due to the transfer of 30 bus operators to paratransit services to meet demand;
- \$2,023,049 for increased costs for MARC contracts due to recently negotiated contracts;
- \$651,304 for the 1.5% cost-of-living adjustment for State employees;
- \$386,500 due to the transfer of bus service from WMATA to Prince George's County and budgeted in statewide programs;
- \$585,069 for the increased cost of health insurance;
- \$179,335 decrease due to telecommunication services being consolidated within the Secretary's Office; and
- \$91,077 decrease due to position transfers.

Cancellations totaled \$2,992,486 due to actual grants for locally operated transit programs being less than that was appropriated. This may occur due to costs not being as high as anticipated or planned service not starting due to problems.

Federal funds decreased by \$2,976,544 due to cancellations in operating grants for the reasons indicated in the special fund cancellation.

Fiscal 2007

The fiscal 2007 special fund appropriation increased by \$767,520 to fund the cost-of-living adjustment provided for in the fiscal 2007 budget.

**Object/Fund Difference Report
MDOT – Maryland Transit Administration**

| <u>Object/Fund</u> | <u>FY06 Actual</u> | <u>FY07 Working Appropriation</u> | <u>FY08 Allowance</u> | <u>FY07-FY08 Amount Change</u> | <u>Percent Change</u> |
|---|------------------------|---|---------------------------|------------------------------------|---------------------------|
| Positions | | | | | |
| 01 Regular | 2,901.00 | 2,901.00 | 2,951.00 | 50.00 | 1.7% |
| 02 Contractual | 31.00 | 45.50 | 31.00 | -14.50 | -31.9% |
| Total Positions | 2,932.00 | 2,946.50 | 2,982.00 | 35.50 | 1.2% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 225,237,489 | \$ 219,303,226 | \$ 238,208,010 | \$ 18,904,784 | 8.6% |
| 02 Technical and Special Fees | 2,041,943 | 1,747,153 | 1,303,804 | -443,349 | -25.4% |
| 03 Communication | 1,867,541 | 1,493,464 | 1,398,484 | -94,980 | -6.4% |
| 04 Travel | 552,889 | 167,039 | 167,039 | 0 | 0% |
| 06 Fuel and Utilities | 9,422,090 | 10,764,095 | 13,319,032 | 2,554,937 | 23.7% |
| 07 Motor Vehicles | 47,205,201 | 47,271,843 | 50,106,142 | 2,834,299 | 6.0% |
| 08 Contractual Services | 118,973,876 | 117,042,058 | 139,770,558 | 22,728,500 | 19.4% |
| 09 Supplies and Materials | 6,307,464 | 4,648,935 | 4,692,802 | 43,867 | 0.9% |
| 10 Equipment – Replacement | 390,622 | 663,051 | 421,569 | -241,482 | -36.4% |
| 11 Equipment – Additional | 474,248 | 232,273 | 500,797 | 268,524 | 115.6% |
| 12 Grants, Subsidies, and Contributions | 51,136,292 | 57,407,266 | 57,413,578 | 6,312 | 0% |
| 13 Fixed Charges | 6,772,241 | 6,801,049 | 6,232,105 | -568,944 | -8.4% |
| 14 Land and Structures | 70,876 | 0 | 0 | 0 | 0.0% |
| Total Objects | \$ 470,452,772 | \$ 467,541,452 | \$ 513,533,920 | \$ 45,992,468 | 9.8% |
| Funds | | | | | |
| 03 Special Fund | \$ 420,077,085 | \$ 414,189,221 | \$ 460,181,689 | \$ 45,992,468 | 11.1% |
| 05 Federal Fund | 50,375,687 | 53,352,231 | 53,352,231 | 0 | 0% |
| Total Funds | \$ 470,452,772 | \$ 467,541,452 | \$ 513,533,920 | \$ 45,992,468 | 9.8% |

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Fiscal Summary
MDOT – Maryland Transit Administration

| <u>Program/Unit</u> | <u>FY06 Actual</u> | <u>FY07 Wrk Approp</u> | <u>FY08 Allowance</u> | <u>Change</u> | <u>FY07-FY08 % Change</u> |
|--|------------------------|----------------------------|---------------------------|-----------------------|-------------------------------|
| 01 Transit Administration | \$ 42,443,317 | \$ 43,422,832 | \$ 44,010,627 | \$ 587,795 | 1.4% |
| 02 Bus Operations | 217,369,121 | 203,935,425 | 229,568,405 | 25,632,980 | 12.6% |
| 04 Rail Operations | 141,051,180 | 143,852,056 | 161,721,430 | 17,869,374 | 12.4% |
| 05 Facilities and Capital Equipment | 214,628,299 | 214,987,000 | 300,925,000 | 85,938,000 | 40.0% |
| 06 Statewide Programs Operations | 69,589,154 | 76,331,139 | 78,233,458 | 1,902,319 | 2.5% |
| 08 Major Information Technology Development Projects | 25,061,648 | 25,547,000 | 7,131,000 | -18,416,000 | -72.1% |
| Total Expenditures | \$ 710,142,719 | \$ 708,075,452 | \$ 821,589,920 | \$ 113,514,468 | 16.0% |
| Special Fund | \$ 600,847,688 | \$ 529,267,221 | \$ 591,390,689 | \$ 62,123,468 | 11.7% |
| Federal Fund | 109,295,031 | 178,808,231 | 230,199,231 | 51,391,000 | 28.7% |
| Total Appropriations | \$ 710,142,719 | \$ 708,075,452 | \$ 821,589,920 | \$ 113,514,468 | 16.0% |

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2007
Maryland Department of Transportation
Maryland Transit Administration – Operating

| <u>Status</u> | <u>Amendment</u> | <u>Fund</u> | <u>Justification</u> |
|----------------------|-------------------------|--------------------|---|
| Pending | \$767,520 | Special | This amendment funds the cost-of-living adjustment granted to all eligible State employees. |

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2007
Maryland Department of Transportation
Maryland Transit Administration – Capital

| <u>Status</u> | <u>Amendment</u> | <u>Fund</u> | <u>Justification</u> |
|---------------|--------------------|-------------|---|
| Pending | \$151,597 | Special | This amendment funds the cost-of-living adjustment granted to all eligible State employees. |
| Projected | -\$11,151,448 | Special | Adjusts the amended appropriation to agree with the anticipated expenditures for the current year as reflected in the fiscal 2007-2012 final CTP. |
| | <u>\$1,050,000</u> | Federal | |
| | -\$10,101,448 | | |

Source: Maryland Department of Transportation
