



Division of the Budget

ANDREW M. CUOMO
Governor

MARY BETH LABATE
Director of the Budget

July 20, 2015

Thomas F. Prendergast
Chairman and Chief Executive Officer
Metropolitan Transportation Authority
2 Broadway
New York, NY 10004

Dear Mr. ^{Tom}Prendergast:

The MTA is more than a vital part of New York's transportation network – it is a key component of the regional economy. Beyond the 8.7 million daily customers who depend on a safe and reliable system, we all share in the economic, environmental, and quality of life benefits of having a robust and financially viable MTA.

I, along with Governor Cuomo's entire administration, share your commitment to renewing, enhancing and expanding the system to meet the changing needs of the region. Consistent with your proposal to the MTA Board, we also support you in your effort to make the Capital Program "as efficient and effective as possible, whether it's through technology, transparency, or cost-saving investment strategies."

With that goal, the Division of Budget's review of the MTA's proposed 2015-2019 Capital Program continues towards an investment strategy that repairs and bolsters the infrastructure of the MTA's mass transit network while protecting fare, toll and tax payers.

In any scenario, the Capital Program must protect the safety, reliability, and quality of our existing service and fund the necessary enhancements. Our local government partners must join with the State by making significant investments to support a Capital Program that achieves these goals. If we can achieve results at a lower cost than the original \$32 billion proposal, we should strive to do so. Your help in exploring savings opportunities will assist us in advising Governor Cuomo and the Legislature on a financially prudent capital investment plan.

For example, we should pursue opportunities for savings highlighted by the MTA Transportation Reinvention Commission, which was empanelled upon Governor Cuomo's recommendation and comprised of 24 international, national and regional transportation experts. The Commission was charged with examining the MTA network and developing a plan for the future. Among the key findings in its November 2014 report was a recommendation that the MTA "must reengineer its way of doing business by creating a new MTA, that gets the right work done faster and cheaper and that is more efficient, transparent, and accountable to the public."

The Commission specifically cited expansion of the use of design-build and other project delivery tools as a means to lower costs, reduce project risks and harness the creativity of the private sector. We believe that applying such techniques to a greater extent in the MTA Capital Program could significantly reduce the overall cost of the program and lead to faster project delivery. The Thruway Authority's experience with design-build on the *New New York Bridge* project to replace the Tappan Zee Bridge shows the potential. The design-build process produced a savings of at least \$1.5 billion compared to the amounts estimated by the Federal Highway Administration and Thruway's own original estimates.

Another opportunity to adjust the capital program relates to quantification and timing of the funding needs, as laid out in the proposal. Upon examination of the status of prior MTA capital plans, we find that the previous 2010-2014 Capital Program has only spent 43 percent of its total authorization amount to date. Even the preceding 2005-2009 plan has been slow to spend, with nearly \$2 billion remaining unspent. Similarly, almost \$10 billion in other planned project spending has yet to occur. This suggests that the financial burden associated with the capital plan should be rationalized to reflect a realistic pace of spending that does not impose unnecessary hardship on the MTA and its funding partners. Without changing the plan for improving the capital assets, we should be honest about timing.

I look forward to working with you to reexamine the cost estimate for the 2015-2019 Capital Program through the lens of increased design build use and realistic pacing of funding requirements. Through this effort I'm confident we can set the stage for an effective and affordable plan.

Together, our work will result in the Capital Plan New York requires – a resilient system ready to meet the challenges of the next century and able to continue to support the economic growth of the metropolitan region and the State.

Sincerely,



Mary Beth Labate