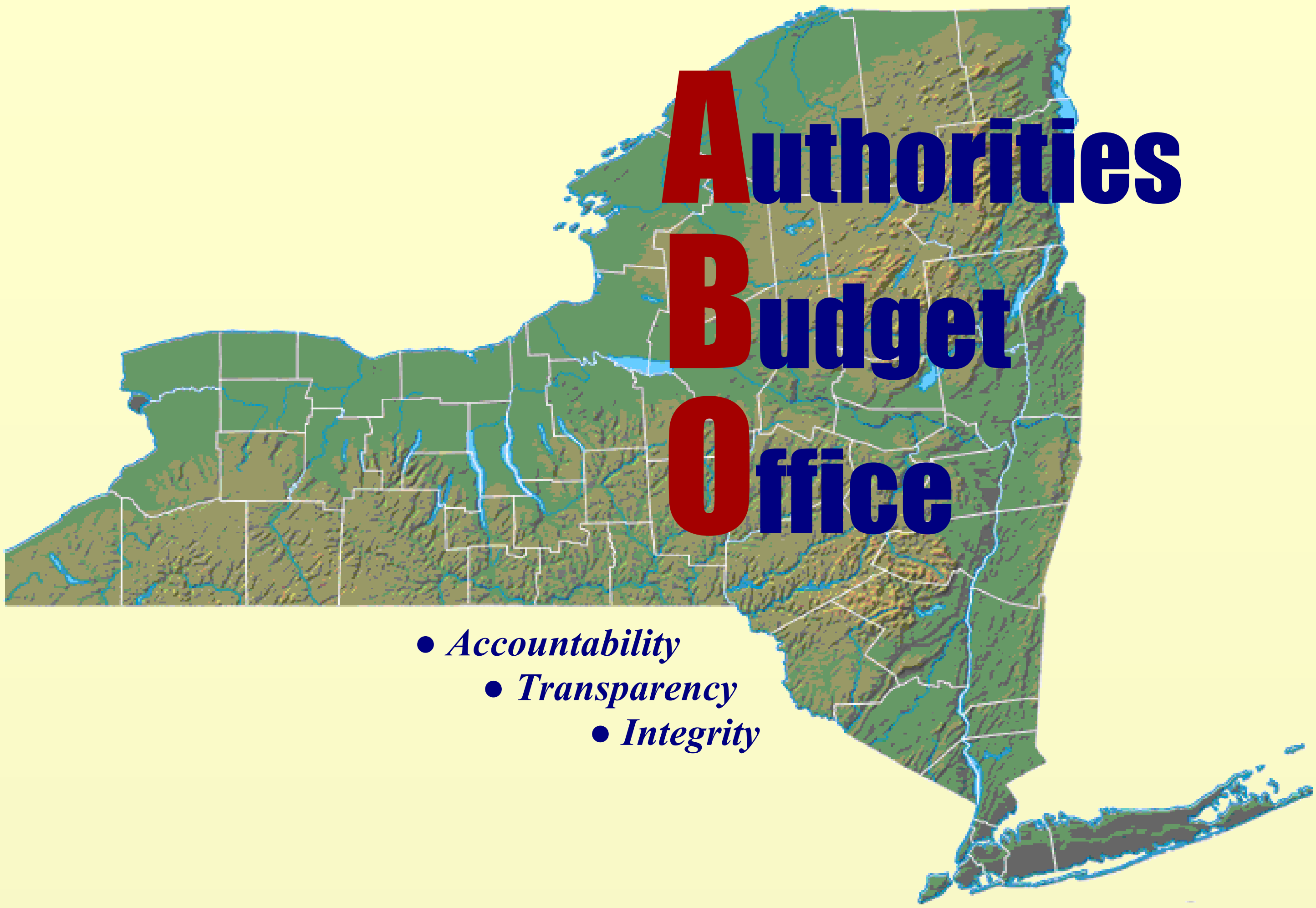

Operational Review

Niagara Frontier Transportation Authority

February 1, 2013

OR-2012-01

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Executive Summary

Purpose and Authority:

The Authorities Budget Office (ABO) is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. This includes rendering conclusions and opinions regarding the performance of public authorities and assisting these authorities improve management practices and the procedures by which their activities and financial practices are disclosed to the public. Our operational review of the Authority was performed from July to October 2012 and focused on the most recent fiscal years: 2010-11, 2011-12 and April through October 2012. Our review was conducted in accordance with our statutory authority and compliance review protocols which are based on generally accepted professional standards. The purpose of our review was to provide an objective evaluation of the Authority's operations and make necessary recommendations to improve business and financial practices.

Background Information:

The Niagara Frontier Transportation Authority (NFTA) was established in 1967 and is governed by 13 board members (including two non-voting members) who are appointed by the Governor. NFTA is responsible for maintaining and operating public transportation services in Erie and Niagara Counties, and currently operates two airports and bus and light rail transit systems. NFTA reports that it has over 30.4 million transit riders annually and over 2.6 million passenger boardings at its airports. NFTA is the only public transportation authority in upstate New York that operates bus and light rail systems and airports. NFTA also owns 400 acres of property along the Buffalo waterfront.

For the fiscal year ended March 31, 2012, NFTA reported $98 million in operating revenues and $250 million in operating costs. As a result, NFTA relies significantly on financial assistance from the State, federal and local governments. For the 2011-12 fiscal year, this operating assistance and other non-operating revenues totaled $107 million. NFTA has over 1,500 employees, with annual payroll costs of approximately $116 million.

NFTA incurred significant annual operating losses in recent years, increasing from $57.4 million for the fiscal year ended March 31, 2009 to $65.6 million for fiscal year 2010-11. The operating loss for fiscal year 2011-12 was $44.8 million after receiving an increase in federal and State financial assistance. NFTA has absorbed these operating losses and balanced its budget by drawing down on its reserves, which have declined by over 12 percent since 2009. These financial difficulties are expected to continue. In 2012-13, NFTA instituted cost saving measures, adopted transit fare increases, and imposed cuts in services, but is still expected to rely on net assets to meet its costs of operations and balance its budget.

Results:

Our review found that NFTA has adopted a series of cost saving measures to manage its deficit and control operating costs. For example, it has eliminated some underutilized bus routes and now purchases electricity at wholesale rates, which has reduced its utility costs by about 30 percent since 2009. However, we also identified several areas where NFTA could further improve operations, achieve additional cost savings, and maximize available revenues not currently being realized. If fully implemented, our recommendations could result in significant annual operating savings and could generate $3.3 million in new revenue. Furthermore, these recommendations could be implemented without compromising the core mission and functions of NFTA.

We found that as many as 165 employees (over 10 percent of the total) perform functions that need not be performed by staff of the Authority to meet its mission of providing reliable, efficient and professional transportation services. The cost of these employees exceeds $13.8 million annually. For example, NFTA currently deploys approximately 85 police officers at the airports and throughout the transit system, at a cost of about $10.8 million annually. We found that other upstate transportation authorities do not employ their own police officers, but instead rely upon municipal law enforcement agencies to ensure that transit riders and authority property are safe and secure. Further, a primary responsibility of the police officers is to enforce NFTA's rules and regulations, and the most common notice of violation issued is failure to pay the required transit fare. However, most fare evasion citations are issued by one of NFTA's five ticket inspectors, rather than the approximately 40 police officers assigned to patrol the transit system. In addition, NFTA hires employees to clean and maintain the airports, transit centers and light rail stations, at a cost exceeding $3.1 million, while also hiring private contractors to provide this service at other NFTA properties.

We identified instances where adjustments to existing bus routes could be made. We determined that there are very few riders on two of the current routes, and recommend that NFTA consider eliminating these routes. We also found that the number of individual bus trips could be reduced on 16 of the routes we reviewed. In total, we recommend eliminating 61 individual bus trips. This represents 2 percent of NFTA's total number of weekday bus trips (2,832). Generally, these trips serve the fewest number of riders, and require the greatest subsidies to operate. The adjustments we recommend would affect an average of 7.5 riders per trip, but generate over $600,000 in annual savings for NFTA.

We also determined that NFTA could generate significant additional revenues by adjusting its college pass fees to be more comparable to the rate paid by the average transit rider; seeking private sector subsidies for the free fare zone on the light rail system or eliminating the free fare zone entirely; and eliminating or restricting the unlimited free transit rides provided to current and retired NFTA employees. Further, NFTA could receive additional revenues by improving its collection of unpaid fines.

For 2011-12, NFTA's costs to maintain and operate its three transit centers exceeded $2.4 million, yet NFTA collects only about $500,000 in rental and vendor payments. NFTA received less than $150 in revenue during fiscal year 2011-12 from two of its transit centers. This is due, in part, to NFTA's failure to effectively enforce the terms of its vendor contracts. We found that, although the current vendor continues to provide some services at the transit centers, it has not made any payments to NFTA since December 2010. NFTA estimates that it is currently owed over $43,000 under the contract terms, but has taken no action to evict the vendor or to obtain another vendor to provide the food and vending services.

We also found that NFTA paid more than $240,000 to hire retired employees on a part-time basis, without specific job descriptions or employment contracts, who appear to perform functions and activities that are the responsibility of current full-time NFTA employees. Further, we found that one of the retired individuals hired on a part time basis was paid over $72,000 in 2011 and over $49,000 in 2012, although State retirement law appears to restrict the amount of compensation the individual could receive to $30,000 annually.

Introduction and Background of the Authority

Structure and Purpose

The Niagara Frontier Transportation Authority (NFTA) was established in 1967 when the Niagara Frontier Transit Authority and the Niagara Frontier Port Authority were consolidated. NFTA is governed by 13 board members (including two non-voting members) appointed by the Governor. One appointment is made at the recommendation of the Erie County Executive and one at the recommendation of the Erie County Legislature. NFTA is responsible for maintaining and operating public transportation services in Erie and Niagara Counties, and currently operates two airports and bus and light rail transit systems. NFTA reports that it has over 30.4 million riders annually on its bus and light rail systems, and over 2.6 million passenger boardings at its airports. The light rail system runs 6.4 miles from downtown Buffalo to the south campus of the State University of New York at Buffalo, and consists of 14 stations. NFTA estimates that during fiscal year 2011-12 a total of 7 million riders used the light rail system. NFTA is the only public transportation authority in upstate New York to operate bus and light rail transit systems as well as two airports. Other upstate transportation authorities operate either bus systems or airports, and no other upstate transportation authority operates a light rail system. NFTA also owns 400 acres of property along the Buffalo waterfront.

NFTA is structured along three primary business units. The Surface Transportation Division is the largest and is responsible for maintaining and operating the bus (large bus, MetroLink and Paratransit) and light rail services, and several transit centers. The Aviation Division is responsible for maintaining and operating the Buffalo/Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). The Property Management Division is responsible for managing and determining the applicable uses for NFTA-owned property. NFTA has over 1,500 employees, with annual payroll costs of approximately $116 million. Primary operating revenues consist of transit fares, commissions and concessions from vendor contracts such as airport parking and food services, airport fees and services such as landing fees, and rental income.

Finances

NFTA's current revenue structure, including federal, state and local government assistance which comprise about half its total revenue, is insufficient to meet its projected annual operating costs. As a result, NFTA is reliant on its net assets to fund its operating deficits. Over the past four years, NFTA has depleted its net assets by almost $100 million, or 12 percent of the net assets' value.

NFTA's fiscal year is April 1 to March 31. For the 2011-12 fiscal year, NFTA reported $98 million in operating revenues and an additional $107 million in grants and subsidies from governmental sources. Its operating costs totaled $250 million.

NFTA also reports it has seen significant increases in the cost of operations, primarily workers compensation and health insurance, and costs associated with maintaining and repairing the transit system. Its audited financial statements show annual operating losses increasing from $57.4 million for the 2008-09 fiscal year to $65.6 million for fiscal year 2010-11. The operating loss for fiscal year 2011-12 was $44.8 million, after receiving significantly higher federal and State grant awards than prior years. These deficits are expected to continue, even after NFTA instituted several cost saving measures, service reductions and fare increases.

Compliance Review Objectives

The Authorities Budget Office (ABO) is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. Our operational review was conducted to evaluate the effectiveness of NFTA's operations, and to determine whether NFTA management is appropriately controlling costs and maximizing potential revenues. Our review did not include an evaluation of NFTA's property management, including the 400 acres of waterfront property.

Compliance Review Scope and Methodology

Our compliance review was conducted between July and October 2012, and covered select authority operations since the 2010-2011 fiscal year. To perform our review we relied on the following documentation and data sources:

- Board meeting minutes
- Financial records of revenues, expenditures and bond obligations
- Independent financial audits and other reports
- Annual and Budget Reports required by the Act
- Policies and procedures required under the Act, Public Authorities Law, and Public Officers Law
- Policies and procedures indicative of good governance practices
- Performance and operational studies prepared by NFTA staff and contracted professional service organizations.

In addition, we interviewed various management and staff of the NFTA, toured NFTA facilities, and performed other testing we considered necessary to achieve our objectives. Our report contains recommendations to improve the effectiveness of NFTA's operations. The results and recommendations of our review were discussed with appropriate officials, and these responses are reflected in this report where appropriate.

Review Results

Our review focused on assessing NFTA's financial and management practices. We found that NFTA has adopted a series of cost saving measures to manage its deficit and control operating costs. For example, it has eliminated some underutilized bus routes and also now purchases electricity at wholesale rates. As a result, NFTA has reduced its utility costs by about 30 percent since 2009. NFTA officials indicate that they have also achieved significant savings through participation in the Labor-Management Healthcare Coalition, and the purchase of hybrid buses to save on fuel and maintenance costs. This report advances additional recommendations to further improve operations, achieve additional cost savings, and maximize available revenues not currently being realized. The perspective of this review is that NFTA should not assume significant increases in unrestricted aid from federal, state or local government sources.

If fully implemented, our recommendations could result in significant annual operating savings and could generate $3.3 million in new revenue. Actual cost savings realized would depend on the costs of obtaining services from alternative means. Furthermore, these recommendations could be implemented without compromising the core mission and functions of NFTA.

Need for Employees to Provide Services

NFTA's primary expense is personal service costs. Salaries and benefits for its more than 1,500 employees comprise 53 percent of its $250 million operating budget. The majority of these employees directly support the authority's core mission of providing reliable, efficient and professional transportation services. These positions include bus and light rail operators, mechanics, and airport attendants. We found, however, that as many as 165 employees (over 10 percent of the total) perform functions that could be provided through other means and still allow the Authority to meet its mission. The cost of these staff exceeds $13.8 million annually. NFTA officials disagree that the services provided by some of these employees, specifically police and janitorial services, are not directly related to its mission. They state that police services and clean facilities are as much a part of providing transportation services as driving a bus and negotiating airline leases. They also indicate that eliminating positions and replacing those positions with subcontractors is prohibited by provisions of the Taylor Law. We agree that these functions are necessary, but do not agree that the services can only be provided efficiently and effectively by Authority employees.

<u>Transit Police</u>

NFTA can elect to rely on municipal law enforcement entities for security services, contract out for these services, or hire and deploy personnel to enforce its rules and regulations and to ensure that law and order is observed on its properties. NFTA has chosen to employ its own security force. By statute, NFTA has the option of designating these employees as either security officers or as ticket inspectors. Security officers are trained and accredited police officers with the authority to enforce criminal procedure law. Ticket inspectors are not certified public safety officers and are restricted to issuing tickets for violations of NFTA regulations. They are not authorized to enforce criminal procedure law.

NFTA currently funds approximately 85 police officers and 5 ticket inspector positions. On average, police officers earn about $75,000 annually, while ticket inspectors earn about $35,000 annually. Salaries and benefits for police officers total about $10.8 million annually. Moreover, rather than hiring more personnel, NFTA contracts with security firms to provide additional security services at the airports. For fiscal year ended March 31, 2012, NFTA reported that it paid over $600,000 for these contracts. NFTA officials indicated that they were required to negotiate this arrangement with the union representing its police officers, with the stipulation that no police officers would be laid off. We note that NFTA was successful in this negotiation.

The primary duties of police officers are to patrol and protect NFTA properties, including the airports, and to respond to accidents and incidents involving NFTA vehicles, employees or assets. When an incident occurs, NFTA police officers are dispatched to the specific location. This may also be the case with local municipal law enforcement agencies, which also have the authority to respond to such incidents. NFTA assigns approximately one-half of its police officers to its two airports, while the other half patrols the bus and light rail systems.

We found that other upstate transportation authorities do not employ their own police officers, but instead rely upon municipal law enforcement agencies to provide the necessary police services and ensure that transit riders and authority property are safe and secure. For these other transportation authorities, local police departments and sheriff offices routinely patrol along transit routes and respond to incidents involving public buses. It is also common for local police departments and sheriff offices to work cooperatively with employees of the Transportation Security Administration and with airport managers and staff to provide adequate safety and security at public airports throughout the State.

NFTA officials indicate that all of the airport transportation and light rail authorities either have their own police force or rely on the police force of the municipality that owns the airport or rail facility. They indicate that NFTA police officers have training and certification requirements specific to transit and airport operations not required of municipal police, and that all authorities that operate light rail facilities have police officers on staff. Lastly, NFTA officials have reviewed the option of relying on municipal police in the past and determined that it would be more expensive than their own employees.

When violations of NFTA rules and regulations occur, the individual is issued a notice of violation (NOV). Most NOVs are issued for failure to pay the required transit fare, resulting in a fine payable to NFTA. Although an NOV for fare evasion can be issued by either a police officer or a ticket inspector, most citations are issued by one of NFTA's five ticket inspectors (although at the time of this review two of these inspectors were out on medical leave). The approximately 40 police officers assigned to patrol the transit system spend less than one percent of their time identifying riders who have not purchased a fare. For the period January 2012 through August 2012, police officers conducted a search for fare evaders on only one day, while ticket inspectors search for fare evaders every day. While ticket inspectors only issue NOVs for fare evasion, police officers issue NOVs for many other violations, such as speeding and parking violations, and NFTA officials indicated that the police officers are primarily involved with preventing and deterring crimes. Even though fewer in number, ticket inspectors issue significantly more NOVs than police officers. For the period January 2012 through August 2012, ticket inspectors issued 2,600 NOVs, while the police officers issued 1,240 NOVs. The NOVs issued by ticket inspectors are for fare evasion only, while the NOVs issued by police officers include other infractions, such as speeding and parking violations. For 2012, NFTA police officers reported that they responded to over 30,000 calls.

We believe that NFTA could reduce its annual $10.8 million security costs if it relied on local law enforcement agencies for its police functions. NFTA could save up to $5.1 million annually if it opted to use its own safety and security staff only at the airports, and rely on local police agencies for law enforcement of the public transit system. NFTA has already established this precedent by contracting with private firms for some supplemental airport security services. NFTA could also re-direct some savings to hire additional ticket inspectors to more efficiently address the issue of fare evaders. NFTA officials indicate that the potential cost savings will not be $10.8 million, since additional costs would be incurred even if municipal police services were used. They state that the Buffalo Municipal Housing Authority relies on the City of Buffalo for police services, but pays the City for these services. We understand that it is likely that some costs will be incurred, but believe that it is also likely that the costs will be less than the amount currently paid by NFTA to employ its own police officers, since there currently is some overlap with municipal police, such as issuing tickets and enforcing public safety laws.

Janitorial Services

NFTA hires its own custodians and porters to clean and maintain the airports, transit centers and light rail stations. For 2011, total salaries and benefits for these employees exceeded $3.1 million. At the same time, NFTA contracts for janitorial services to be provided at some of its properties near the airport. NFTA officials told us they entered into this arrangement because it had not previously used its own staff to maintain these properties, and it is less expensive than using NFTA employees. Given this fact, NFTA should consider contracting with private companies to provide janitorial services at all of its facilities and realize potential savings in salaries and benefits.

NFTA officials told us that there are complexities and challenges involved in any effort to eliminate its janitorial staff. They indicated that these employees are represented by unions, and that these unions will resist any staffing reductions. They stated that NFTA is prohibited from subcontracting the porter positions by federal law, and that Taylor Law provisions require the NFTA to negotiate any arrangement for subcontracting the work. Further, they indicated that past efforts by other public employers to eliminate positions have been challenged by unions, and that these challenges are often upheld. While we understand that union negotiations will be necessary, there have been instances where NFTA has contracted for janitorial services at some of its properties.

Low Service Bus Routes

Bus services comprise NFTA's primary public transportation service, accounting for 75 percent of total ridership. As of September 2012, NFTA operated a total of 68 bus routes in Erie and Niagara County. NFTA reports these bus routes serve over 23 million passengers a year.

NFTA has established base service standards to evaluate the productivity of each bus route. NFTA staff collect and analyze data from a variety of sources that measure transportation usage on each route, including the number of riders and the specific locations where riders board and depart each bus. This data is compared to the service standards, and serve as the basis for making adjustments intended to improve operating performance. In general, NFTA revises the bus service schedule four times a year, in an effort to ensure that its transit service best meets the needs of riders.

Using NFTA's service standards and bus transportation data for a two year period, we identified a total of 22 routes that have consistently performed below NFTA's service standards, and classified these as low performing routes. We then analyzed the detailed transportation data to determine whether revisions could be made to these routes to improve performance.

We found that NFTA had already revised several of the routes and bus trips during the period we reviewed. For example, of the 22 routes we had selected for review, 4 were eliminated by NFTA in April 2012 as part of their effort to reduce its 2012-13 budget deficit. NFTA also had eliminated two trips on route #35 that had few riders, and increased the amount of time between bus trips (headway) to reduce the total number of trips made each day. We found that NFTA had also reduced the number of weekday trips on route #36 in October 2010, which significantly improved productivity.

However, we also identified instances where additional adjustments could be made. We determined that there are very few riders on two of the current routes, and that NFTA should consider eliminating these routes. We also found that the number of individual bus trips could be reduced on 16 of the routes we reviewed. In total, we recommend eliminating 61 individual bus trips. This represents 2 percent of NFTA's total number of weekday bus trips (2,832). Generally, these trips serve the fewest number of riders, and require the greatest subsidies to operate. The adjustments we recommend would affect an average of 7.5 riders per trip, but generate over $600,000 in annual savings for NFTA.

For example, we reviewed ridership data for route #49, which begins at University Station and ends at Millard Fillmore Hospital. The last trip on weekdays departs at 5:17 pm, but has an average of only 5 riders. During the summer of 2012, there were times when only one passenger was on this bus. NFTA's direct costs to provide this trip are about $12,000 annually. With an average of 5 riders per trip, NFTA would need to collect over $9 per rider to recover its direct costs.

We determined that route #201, which serves an area of Lockport, has very low ridership. This route currently has 9 trips a day, serving an average of 42 people a day, or less than 5 per trip. During the summer of 2012, almost 20 percent of the trips had no riders at all, yet NFTA's direct costs exceed $100,000 annually to provide this service. If an average of 5 people were on every trip, NFTA would need to collect over $10 per rider to make this route self-sustaining. We are aware that NFTA attempted to eliminate this service in the past, but continued it in response to community concerns. However, we question whether it is economically feasible to continue operating this route, given NFTA's recurring fiscal problems. NFTA officials indicate that this route was eliminated subsequent to our review.

This review examined performance data for 22 bus routes. For 17 of these routes, the following table outlines our recommendations for potential cost savings. We believe that the adjustments we propose would have minimal impact on overall ridership, but produce more than $600,000 in annual savings. For example, reducing the number of trips would not necessarily equate to a loss of service, since the next trip may occur a few minutes later. Not included in the table are routes #62, #65, #200, and #215, which were eliminated by NFTA in the spring of 2012, and route #36, for which we could not identify any significant cost savings or performance improvements.

Results of Low Performing Routes Evaluation (weekday service)				
Route	**Recommendation**	**# trips**	**Daily Riders Impacted**	**Potential Net Cost Savings***
201	Eliminate route	9	42	$102,909
50	Increase the time between trips (headway) in the morning and afternoon to eliminate 4 trips	4	31	$62,407
204	Increase headway to eliminate 6 trips	6	36	$51,430
52	Eliminate first inbound and outbound trip. Redistribute afternoon headway to eliminate 2 trips.	4	32	$46,887
47	Eliminate first and last inbound and outbound trip	4	23	$38,304
42	Redistribute headway to eliminate 6 trips	6	42	$36,870
35	Increase headway before 9 am to eliminate 2 trips; eliminate the last inbound and last outbound trip	4	43	$35,124
32	Eliminate the last inbound and last outbound trip	2	21	$32,225
55	Eliminate first inbound and last outbound trip that runs to and from Niagara Falls Airport	2	11	$31,621
6	Increase headway in the mornings to eliminate 2 low ridership trips; eliminate last outbound trip	3	35	$29,645
54	Redistribute headway throughout day to eliminate 6 trips	6	28	$26,928
46	Redistribute headway to eliminate 2 trips	2	20	$26,089
69	Combine trips to Alden and Lancaster into a single trip that serves both destinations	2	30	$24,801
72	Eliminate 1 inbound and 1 outbound trip	2	23	$22,237
68	Eliminate route; serve riders from George Urban area by revising other routes (#27 or #204)	2	31	$19,776
27	Increase headway in the afternoons to eliminate 2 low ridership trips	2	8	$16,621
49	Eliminate last outbound trip	1	5	$10,528
Totals		**61**	**461**	**$614,402**

* Cost savings are net of potential lost revenue. Loss of revenue could occur due to a potential loss in ridership for the trips to be eliminated. This is a conservative figure, since in many instances riders may not be lost, but may ride a different trip.

We discussed these examples with NFTA officials, who generally agreed that many of these recommendations may need to be considered in the future. They also indicated that many factors affect a decision to reduce routes. For example, on some routes the first or last trip of the day could be a rider's only option to get to or from work. Some trips may have few passengers, but the same bus would have more riders on the return trip. Bus operator schedules must be considered since these operators are guaranteed an eight hour work day, and the routes and trips need to be coordinated to minimize the amount of time between trips. Finally, there are federal requirements that need to be addressed regarding availability of public transit services to specific neighborhoods, based on demographic data, and any reductions in service would need to comply with those requirements. NFTA officials indicated that these factors, which may not be apparent in the bus ridership data, are routinely evaluated and considered by NFTA staff as part of the quarterly revisions to bus schedules. NFTA officials stated that many of the routes and trips we identified were previously identified by NFTA staff and are currently under review as part of the evaluation process. While NFTA officials do not agree with all of the potential revisions we identify, they indicate that subsequent to our review Route 201 was eliminated, and that revisions we identified for Routes, 35,42, 46 and 47 were implemented, realizing savings of $201,000. They also indicate that they will continue to monitor ridership activity on the other trips we identified.

Transit Revenues

NFTA provides bus and light rail transit services to various designated groups and customers, in addition to the general population. However, the revenue received by NFTA, or the fare charged per ride provided, varies significantly.

Type of Customer	Revenue per Ride
Buffalo City School Pass	$2.08
Average Transit Rider	$1.03
College Student Pass	$.70
Light Rail Only	$.69
NFTA Employee/Retiree	$.00

<u>High School Student Pass</u>

NFTA has an agreement with the Buffalo Board of Education to provide transportation to and from school for secondary students. Under this agreement, eligible high school students are provided with passes they can use for riding the bus or rail when school is in session. In addition, extra services are provided, such as direct service to and from school, dedicated transit police, and extracurricular and special event services. Metro operates additional routes and trips to serve these students. NFTA charges the Board of Education the regular monthly pass fare (increased from $64 to $75 in April 2012) for each of the school passes in circulation during the month. During the fiscal year ended March 31, 2012, these high school passes accounted for over 3.1 million bus and rail rides (10.4 percent of total ridership), and provided about $6.6 million in revenue (20.6 percent of total passenger revenue). This results in average revenue per ride per high school student of $2.08.

College Student Discount Fare

NFTA has agreements with select colleges and universities in the Buffalo area that generally require enrolled students to pay a fee per semester in exchange for unlimited use of the bus and rail system. Five colleges participated in this program for academic year 2011-12: Buffalo State College, Canisius College, Erie Community College, Medaille College, and Bryant and Stratton College. NFTA charged a fee of $30 per enrolled student, which was based on the value of a monthly pass, adjusted to reflect the estimated usage by the students. Prior to 2012, NFTA also provided additional bus routes and trips, such as late night service for these colleges. During the 2011-12 fiscal year, these college passes accounted for over 2.1 million bus and rail rides (7 percent of total ridership). These agreements provided about $1.5 million in revenue (4.8 percent of total passenger revenue). This generates average revenue per ride of $0.70.

NFTA has increased the fees charged to these colleges for this program, and now also charges additional fees if the colleges request the additional bus routes and trips be continued. These fees vary among the participating schools from $34 to $47 per enrolled student, depending on the length of the agreement. If these fees were increased to produce the same revenue per ride as the average transit commuter, NFTA would receive an additional $715,000 in annual revenues.

NFTA officials state that this program is a volume discount program, and it would not make sense to set the fee at the same amount as a full monthly pass fare. However, we are not suggesting that the university pass fare be set the same as the full monthly pass fare, but only at a level that is more comparable to the rates paid by the average transit rider. For example, based on the 2011-12 data, if the university pass was $44 per student rather than the $30 charged, NFTA would have received over $715,000 in additional revenue and students would still realize significant savings over the cost of the full monthly pass.

Free Fare Zone

NFTA operates a light rail system that runs from downtown Buffalo to the south campus of the State University of New York at Buffalo. This light rail system consists of 14 stations and traverses 6.4 miles. NFTA estimates that during fiscal year 2011-12 a total of 7 million riders used the light rail system, generating $4.9 million in revenues. As a result, the revenue per ride for light rail was $.69.

One reason for the relatively low revenue per ride for light rail passengers is that the southern portion of the light rail system – approximately 1 mile -- is designated as a free fare zone. At any of the seven stations in this area, riders are allowed to board and depart without paying a fare. This provision was initially established in 1985 when the light rail system was constructed, and was intended to encourage the patronage of businesses in the zone and promote economic development of the area.

Free fare zones have been implemented by many public transportation systems throughout the country. However, we found that the practice is being terminated by transit systems that are faced with financial difficulties. For example, transit systems in Portland, Oregon and Seattle, Washington have opted to eliminate their free fare zones in recent years. We believe that NFTA should evaluate whether it can afford to continue providing this service. NFTA officials stated that the option of eliminating the free fare zone was explored in 2010, but was determined to not be cost effective due to changes needed in the infrastructure and potential loss of ridership. As an option, NFTA could seek subsidies or contributions from the entities that most benefit from the free fare zone. The free fare zone is located entirely within the Buffalo Place business improvement district. Business improvement districts are public-private partnerships in which property owners in a specified geographic area pay annual assessments that support services such as supplemental street and sidewalk cleaning, promotional events, enhanced security, or improved landscaping. Since the members of Buffalo Place benefit from the free fare zone, the business improvement district should be asked to subsidize at least a portion of this service if the free fare zone is expected to continue.

NFTA estimates that about 1.1 million riders travel exclusively within the free fare zone (16 percent of total light rail ridership). If NFTA collected the same average revenue per ride from this population cohort as it does from the average transit rider it could realize more than $1 million in additional annual revenue.

A free fare zone increases the potential for riders to use the entire light rail system without paying, since a rider could board in the free fare zone and continue riding the light rail system outside the zone without purchasing a ticket. While NFTA posts notices that passengers are required to have tickets as they leave the free fare zone, enforcement is only accomplished by having ticket inspectors or security officers physically verify that each rider has a ticket. If riders without a valid ticket are detected, a notice of violation (NOV) may be issued. NFTA's enabling legislation allows the maximum NOV penalty to be as much as $250. NFTA has set a $50 fine for fare evaders, which may escalate if the fine is not paid within specified timeframes.

We believe that the likelihood of riders failing to purchase a ticket could be reduced by increasing the severity of these fines. NFTA's fine schedule is low compared to other light rail transit systems in the country. At many light rail transit systems, fines for first time offenders generally exceed $100. A common standard is to set the fine at double the value of a monthly pass. Using this standard, NFTA's fine for fare evaders would increase to $150 (double the $75 monthly fare pass). This could reduce the instances of fare evasion at no additional cost to NFTA. NFTA officials disagree that increasing fines will serve as a deterrent to fare evasion, and state that the current fare evasion rate is one of the lowest in the country.

Pursuant to Section 1299-eee of its governing statute, NFTA has established a Transit Adjudication Bureau to impose fines on individuals found to have committed a transit infraction. Despite the existence of this bureau, NFTA only receives about 30 percent of the fine revenue it is owed. For the 2010-11 and 2011-12 fiscal years, NFTA issued over 12,000 NOVs, about 7,600 of which were for fare evasion. Almost 17 percent of these infractions were dismissed, resulting in about 6,400 valid notices of fare evasion. However, NFTA reported that only about 800 (13 percent) have been paid. NFTA reported that more than $1.5 million is outstanding in uncollected fines for 2011 and 2012. NFTA officials told us that they have recently considered using a collection agency to improve its collection rate. The use of a collection agency for this purpose is specifically authorized by Section 1299-eee and NFTA should take immediate action to implement this statutory provision.

NFTA Employees and Retirees

For the 2011-12 fiscal year, NFTA reports that there were about 240,000 authorized free riders, which is less than one percent of the total ridership. Free riders consist of uniformed police and fire officials, valid paratransit riders, and various security officials such as border patrol agents. However, free riders also include current and retired NFTA employees, since it is NFTA's policy to allow unlimited access to transit services for employees and retirees. Based on the data collected, about 7.6 percent of the free rides (18,400) were taken by current and retired NFTA employees.

NFTA officials were able to provide us information on the most frequent users of the employee and retiree free ride benefit. The 10 most frequent retired employee riders had an average of 150 free rides for the year, while the 10 most frequent current employee riders had an average of 480 free rides, more than twice per work day. One employee rode the transit system for free over 800 times during the year, using the free rides primarily to conduct business associated with the employee's second job. Additional revenues could be generated by limiting the free transit rides for employees to a reasonable number, such as two per day to allow commuting to work. If NFTA eliminated free rides for all employees and retirees, about $19,000 in additional revenues would be generated annually. NFTA officials indicate that NFTA management is required to ride the transit system to evaluate service levels. As a result, complete elimination of free rides for employees is not practical. However, they agree that some restrictions on the use of free rides could be implemented, subject to union negotiations.

Property Leases

NFTA operates three major transit centers: the Metropolitan Transit Center (MTC) in Buffalo, and the Niagara Falls Transportation Center (NFTC) and Portage Road Transit Center both located in Niagara Falls. Transit centers are used as major hubs for bus routes where riders can wait for buses and enjoy amenities while sheltered from the weather. NFTA staff are responsible for the upkeep and maintenance of these facilities and NFTA pays all related operating costs. For 2011-12, NFTA's costs to maintain and operate the three transit centers exceeded $2.4 million.

The MTC in Buffalo has been in service since 1988 and is NFTA's most frequented transit center. While being a hub for NFTA bus routes, the MTC primarily serves as a terminal for private, inter-city bus companies such as Greyhound, MegaBus, Trailways and Coach. NFTA's costs to operate the MTC were $1.7 million for fiscal year 2011–12. NFTA generates revenues at the MTC primarily from rental fees charged to the bus companies, but also earns limited commissions from food, vending and other concessionaires. Although the MTC is used primarily by the private bus companies, the lease rates charged by the NFTA to the bus companies do not adequately cover NFTA's costs, which are incurred primarily for the benefit of these private bus companies. The revenues generated by all the tenants of the MTC were less than $500,000 for fiscal year 2011–12, or only 27 percent of its operating costs.

Further, the lease rates charged to the various bus carriers fluctuate significantly. While the specific provisions for each carrier differ, the primary purpose of each is to lease bus parking docks. There are 21 bus parking docks available at the MTC, one of which is reserved for NFTA buses. For the NFTA to recover the operating costs associated with maintaining the bus docks and related space used by these carriers, it would need to charge over $86,000 per bus parking dock. However, we found that the average lease for fiscal year 2011–12 was $23,000 per dock, with rates varying between $15,000 and $25,000. One bus company, that leased 14 of the bus parking docks and over 7,000 square feet of space in the MTC for administration and ticket sales, paid a total of $360,000 for 2011-12, an average of $25,630 per dock leased. Another company leased 5 bus parking docks, over 800 square feet of space in the MTC and 2 parking spaces and paid a total of $79,000 for 2011-12, an average of $15,788 per dock. A third bus company leased one bus parking dock, only 250 square feet of space in the MTC, and no parking spaces, at a cost of $23,600. NFTA officials stated that the differences in the rents vary based on the number of bus docks and the amount of other space leased. However, since the individual contracts did not distinguish the amount paid for bus parking docks from the other space, we could not determine the reasons for the differences in these lease rates. Further, the rate per bus dock paid by the third company is significantly higher than that paid by the second company, although it leases less space than the second company. While it is not central to the core mission of NFTA to underwrite such services to private bus carriers, NFTA officials indicate that the provision of the transit centers is part of its responsibilities of coordinating transportation service in the region. We believe that if this convenience is to be provided at an NFTA hub, NFTA's lease structure should more accurately capture its costs. NFTA officials indicated that they agree with this premise, and attempted to do so in its lease negotiations with the bus carriers.

Similarly, NFTA is not taking steps to maximize revenues at the NFTC and Portage Road transit centers. The combined costs of maintaining and operating these two transit centers exceeded $690,000 for fiscal year 2011–12. The only revenue NFTA generates at these two centers is from vendor agreements to provide vending machines and food services. However, NFTA received less than $150 in revenue during the fiscal year from these transit centers. NFTA officials state that they have issued a number of requests for proposals for concession agreements at these transit centers, but that the current providers were the only proposals received.

The minimal revenues received at these transit centers is due, in part, to NFTA's failure to enforce the terms of its vendor contracts. For example, NFTA entered a five-year contract in September 2007 for a vendor to provide food and vending concessions at the three major transit centers and operate a restaurant at the NFTC. The vendor was to pay NFTA thirty percent of gross vending machine sales and a graduated share of revenues after the first $75,000 from restaurant sales at the NFTC. The contract terms specify that if the vendor fails to meet its obligations and defaults on payments, it will surrender the leased property and NFTA could contract with a new vendor to provide the services. We found that, although the vendor is currently providing the vending machines, it has not made any payments to NFTA since December 2010. Further, the vendor has ceased operating the restaurant at the NFTC. NFTA estimates that it is currently owed over $43,000 under the contract terms. However, NFTA had taken no action to evict the vendor or to solicit another vendor to provide the food and vending services. There were no discussions regarding this contract or efforts to rebid the contract recorded in NFTA board meeting minutes from April through September 2012. NFTA officials indicate that actions to evict the vendor were not taken because the vendor was the sole responder to the request for proposal, and it preferred that services were provided to its customers. NFTA officials indicated that they were in negotiations with the vendor to resolve the issue. NFTA is not only failing to collect revenue to which it is owed, but continuing this relationship will likely result in lost revenue opportunities in the future. NFTA officials told us that, subsequent to our review, the vendor was evicted and that they are continuing to seek collection of the amount owed. In addition, they indicated that new requests for proposals have been issued to continue and provide additional services.

Re-Hiring of Retired Employees

We identified seven individuals who had previously retired from NFTA but were hired on a part time basis from 2010 through 2012. Total payments to these individuals during this period exceeded $480,000.

One individual retired as an Airport Manager in 2005. NFTA subsequently hired this individual as a part time employee to manage the NFIA airport, but did so without a written job description or written agreement defining the functions to be performed. The only stipulation was that the individual would be paid $40 per hour, with flexible work hours of 16 to 24 hours per week. This document also stipulates that the individual would not be entitled to any benefits. Our concern is not that this individual was re-hired, but rather that there is no clear understanding of the responsibilities and duties he is to perform in exchange for his compensation. NFTA officials agree that a written job description should be prepared.

In other cases, this practice appears to have resulted in redundant hires. For example, NFTA began a long-term capital project in 2004, which currently remains in progress. Part of the job duties of the Director of Surface Transportation is to oversee the capital projects of the unit, and it appears that this project was overseen by the Director until his retirement in 2010. NFTA officials told us this individual was subsequently re-hired on a part time basis to oversee this specific capital project. This relationship continued even after NFTA filled the Director position in 2011. The current Director's job description includes overseeing the capital projects of the unit. Further, this individual was paid over $72,000 in 2011, and over $49,000 in 2012, even though Retirement and Social Security Law limits the total annual compensation certain retirees who return to public employment may earn to $30,000, before experiencing a reduction in pension benefits. NFTA officials told us that these limits on compensation may not apply to salary received by an NFTA retiree while employed by Niagara Frontier Transit Metro System, Inc. (Metro), which is a subsidiary of NFTA, but is not a participating employer in the State's retirement system. However, we do not believe that such an assertion is valid. Retirement and Social Security Law provisions apply to retirees that return to public service, and do not distinguish between participating or non participating employers in the State retirement system. We are referring this matter to the Office of the State Comptroller for review.

Another individual retired as the Director of Labor Relations in 2002. The job duties of this position include administering and negotiating collective bargaining agreements. Subsequent to this individual's retirement, NFTA retained the individual on a part time basis. NFTA officials told us that the individual was re-hired because NFTA was in the process of negotiating union contracts. NFTA continued to pay this individual through December 2010, although it had filled the position in January 2006. Another individual retired as the Manager of Surface Planning in November 2010. The job duties of this position include overseeing transportation planning studies. Although this position was immediately filled, the individual was re-hired on a part time basis to manage a specific transportation planning study. We determined that over $240,000 in payments to these three individuals appear to be for work that is the responsibility of current employees. NFTA officials stated that none of the individuals hired on a part-time basis are performing work that is also being performed by another NFTA employee. These individuals, however, are performing work that is included in the job descriptions of other employees.

Recommendations

1. Reevaluate the need for NFTA employees to perform certain functions, such as safety, security, and janitorial services, and explore other options for providing these services.

2. Continue to reduce or eliminate the number of low performing bus routes and bus trips to increase operating performance.

3. Increase the rates charged for the college pass program to comparable rates paid by the average transit rider.

4. Eliminate the free fare zone on the light rail system, or seek subsidies from entities such as the business improvement district that benefit from providing this zone.

5. Increase the fines for fare evasion to better deter potential violators.

6. Improve fine collection procedures to increase total revenues from fines.

7. Reevaluate the policy of providing unlimited free passes for employees and retirees, and establish appropriate standards and limits on the use of such passes.

8. Increase the lease rates charged to the bus companies using the MTC to reflect and recover the actual costs of maintaining the property.

9. Establish competitive, standardized lease rates to more effectively recover operating costs and ensure that all tenants are charged equitable rates for comparable leases.

10. Actively market available space at the transit centers to maximize revenues from vendor services.

11. Enforce the terms of existing vendor contracts to ensure that all appropriate revenues are received.

12. Discontinue the practice of hiring part-time, or retired employees without specific job descriptions or employment contracts, and ensure that individuals are not hired to perform functions and activities that are the responsibility of current full-time NFTA staff

13. Ensure that all applicable compensation limits are followed when employing retirees.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

RESPONSE TO

DRAFT OPERATIONAL REVIEW PREPARED BY

AUTHORITIES BUDGET OFFICE

Structure and Purpose of the NFTA

The Niagara Frontier Transportation Authority ("NFTA") was established in 1967 for the continuance, further development and improvement of transportation and other services related thereto within Erie and Niagara Counties. The former Niagara Frontier Port Authority, a subsidiary of the City of Buffalo which operated the airport serving the Buffalo area and the Port of Buffalo, was included as part of the NFTA at this time. In 1973 the NFTA formed a subsidiary corporation, the Niagara Frontier Transit Metro System, Inc. ("Metro"), to operate bus and rail service in Erie and Niagara Counties. The NFTA is the only transportation authority in New York State that operates, either directly or through its subsidiary, airports, light rail and bus service. The NFTA additionally owns 400 acres of waterfront property and is responsible for the operation of the NFTA Boat Harbor, the largest marina facility in New York State.

The mission of the NFTA is published on the NFTA's website as follows:

> The Niagara Frontier Transportation Authority is a multi-modal entity encompassing a skilled and dedicated workforce. We are firmly committed to providing efficient and professional transportations services that enhance the quality of life in the Buffalo Niagara region in a manner consistent with the needs of our customers.
>
> Aviation: serves as a catalyst for economic growth by maintaining cost effective, customer oriented, and efficient airports to attract and retain comprehensive and competitive air transportation services.
>
> Surface: enhance the quality of life of residents and visitors by providing the highest level of safe, clean, affordable, responsive, and reliable transportation through a coordinated and convenient bus and rail system.
>
> Property: manage and develop the NFTA owned real property to optimize the generation of self-supporting discretionary revenue to support our transportation businesses while fostering economic growth.
>
> Support services: proactively provide high quality, coordinated, innovative, technological, cost-effective support service solutions for our internal and external stakeholders.

The NFTA's Board of Commissioners is responsible for determining the applicable uses for NFTA-owned property. The NFTA and Metro together have a total of approximately 1500 employees.

Finances

Before Other Post Employment Benefits and Depreciation, both of which are non-cash entries, the Authorities Net Surplus/(Deficit) was as follows:

2009 $(342,000)

2010 $(148,000)

2011 $ 773,000

2012 $1,590,000

The increase in State and Federal Funding from FYE 11 to FYE 12 was as follows: State Assistance went up $187,791 or .004%; Federal Assistance went up $816,474 or 6.5%. The increase in Federal assistance was due to funding sources that will no longer be available moving forward.

The NFTA concurs with the statement that the NFTA faces financial challenges. Turbulent economic conditions have resulted in New York State cutting Operating Assistance $4.3 Million on six separate occasions during the time period noted in the Operational Review, while Mortgage Recording Tax decreased $2.5 million since the economic downturn in 2008. As these important funding sources have decreased, the NFTA's responsibilities and needs have increased. We are New York State's second largest transit provider, behind only New York City's Metropolitan Transportation Authority and the *only* upstate provider with a light rail system. In addition the City of Buffalo is one of the poorest cities in the country with over 70% of our riders being transit dependent. This is one of the reasons why our ridership is up 9% over the past two years.

These hardships have not changed the NFTA's dedication to providing high quality transportation at a price the public can afford. As you noted, the NFTA has and continues to take steps to cut costs in all business centers. This goes far beyond doing more with less; we are analyzing every dollar spent and finding ways to improve service. Faced with the fiscal challenges, as you know last year a team made up of senior managers continually met to look at both long range and short range objectives to address the issue. **We were able to reduce costs an additional $7.7 million.**

Of that $7,700,000 we **reduced personnel costs by $6,272,000** through:

- Elimination of 50 positions
- Reduction in overtime
- Decreased benefit costs including benefit elimination

The remaining $1,428,000 in savings comes from

- Locked in fuel prices
- Reduced maintenance and repairs through improved efficiencies and tighter cost controls
- Deferred capital projects while seeking other sources of funding
- Increasing parking rates at NFIA

- Finding new tenants and sources of property revenue

This built on initiatives that we have been enacting over the past years such as:

- Administrative Streamlining has included hiring freezes, job eliminations, no pay increases for the majority of our employees, increased employee health care contributions, as well as entry into the Labor- Management Healthcare Coalition (LMHC). Membership into the LMHC has saved over $20 million since 2004.
- Establishment of strengthened Internal Control Guidelines that provide assurance that we meet the following objectives of effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws, regulations and the safeguarding of assets. The NFTA's plan fully complies with the Sarbanes-Oxley Act of 2002.
- Through the use of our ERP System, inventory has been reduced 25%.
- Energy projects have saved up over $2.7 million in the last three years.
- Fuel hedging has saved over $4 million.
- Metro has reduced overtime significantly through operational practices and has been recognized by the Office of State Comptroller for best practices.
- The Railcar Mid-Life Rebuild has estimated savings of $64.8 Million with the current rehabilitation versus purchasing new vehicles.
- The purchase of hybrid buses saves approximately $13,700 per bus annually through fuel and maintenance cost savings.

With decreased operating assistance from the State and local sources combined with increasing costs, despite the cost containment measures the delta between revenues, operating assistance and expenditures widened and we did in fact rely on reserves to meet our needs as we tried to meet the needs of a transit dependent population without raising fares. We agree that this methodology could not be sustained and we have raised fares and we have budgeted in FY 2011-12 to start restoring reserves.

<u>Non-Transit Related Services</u>

The NFTA disagrees with the analysis provided by the Authorities Budget Office ("ABO") on a number of grounds. First, the NFTA disagrees that the services provided by the police and janitorial employees of the NFTA and Metro are not directly related to our mission. The NFTA police officers provide the police services required to maintain the safety requirements mandated by the Transportation Security Administration for our airports. They directly contribute to the provision of safe transportation on the bus and rail lines. In fact, in a 2001 study safety and security ranked as the most basic need for a transportation provider, over all other factors including, time, cost and comfort and convenience. It is difficult to imagine how exactly one provides transportation services without janitorial assistance. Clean facilities are as much a part of providing transportation service as driving a bus and negotiating an airline lease.

The NFTA security officers (as they are referred to in the ABO review) are police officers within the purview of section 1.20 (34) of the Criminal Procedure Law and as such have the right to enforce the laws of New York State. This is in stark contrast to the powers of the unarmed security personnel used by the NFTA who do not have the power to enforce the NFTA Rules and Regulations, much less New York State law. The NFTA's ability to utilize unarmed security personnel was required to be negotiated with the union representing the NFTA's police officers, and was only accomplished with the NFTA agreeing that no police officer positions would be eliminated.

We do not believe that the ABO fully appreciates the legal constraints, complexities and challenges that are involved with subcontracting/outsourcing work in a union workplace. All of the NFTA's police force, with the exception of two positions, and all of the NFTA/Metro's janitorial staff, are represented by unions. The positions are covered by New York State's Taylor Law, which requires the NFTA to negotiate any arrangement to subcontract their work to a private entity. The NFTA takes issue with the ABO's use of the word "inconvenient" in describing this duty to negotiate. The reality is that what union is going to permit an employer to eliminate all or even half of its positions? Additionally, the porter positions are covered by a "13-C" Agreement and Metro is not permitted to subcontract that work.

The ABO's citation of the premise that other upstate transportation authorities do not employ their own security officers is not a valid comparison. All of the airport transportation and light rail authorities in New York either have their own authority police force or have the use of the force for the municipality that owns the airport or rail facility. It is accurate that the three upstate surface transportation providers, RGRTA, Centro and CDTA, do not have their own police forces, but they do not have a light rail system or airports.

With regard to the projected savings for "non-transit related services," the ABO assumes that no additional costs will be incurred. This is obviously not the case. The last time the NFTA explored transferring its police function to another municipal entity it was clear that compensation would be required in order for the NFTA to obtain the policing services of that entity. Indeed, even the Buffalo Municipal Housing Authority pays the City of Buffalo for police services. Furthermore, the ABO should also consider the loss of revenue that would be incurred given the loss of ridership that we expect will occur without a dedicated transit police force.

Claims representatives do not investigate crimes against the NFTA/Metro. They investigate claims and potential claims against NFTA/Metro for civil liability.

ABO
Note 1

Low Service Bus Routes

Metro's Service Planning Department evaluated the recommendations indentified in the ABO draft report regarding low performing bus service. In general, many of the routes and trips outlined in the report were previously indentified and are currently under review as part of Metro's existing service evaluation process. Metro regularly continues to make adjustments in service levels to improve operating performance and we have already revised several of the indentified routes and bus trips. Attached is Metro's detailed response to the ABO's Proposed Service reduction analysis.

Transit Revenues

University Pass

The University Pass concept was created as an innovative approach to generate revenue for Metro while introducing a new generation of riders to the Metro system. Through the diligent efforts of Metro staff this program has blossomed from at first only one college to now almost all the major colleges in the region. It is a volume discount program. The school receives a discounted price because all students are required to pay for a pass, whether or not they use them. The most recent cost negotiated with the schools resulted in a 56% increase over the prior rate. If Metro were to charge the full monthly pass fare, as advocated by the ABO, what benefit does the school receive? They would be better off letting the students that utilize the service buy a monthly pass on their own.

Free Fare Zone

Metro explored the option of eliminating the free fare zone in 2010 in conjunction with the Erie County Service Study. Metro's consultant, TMD, recommended that Metro not eliminate the free fare zone, finding that the revenue impacts would be minimal and the cost of the infrastructure required would be prohibitive. A copy of this finding is attached.

Staff disagrees with the assertion that increasing the fine will deter fare evasion. First, the NFTA has one of the lowest fare evasion rates in the country already. Second, the collection rate for Notices of Violation for fare evasion is low, because many of the individuals who violate this requirement do not have assets upon which a judgment can be assessed. Doubling or tripling the fine is not going to matter to individuals who do not pay the fine to begin with.

The NFTA has not only recently looked at using a collection agency. Staff has issued a Request for Proposals for collection agencies in the past with no responses because of the difficulty of collecting on the fare evasion Notices of Violation, which constitute the bulk of the NFTA's uncollected Notices of Violation. Staff is now again pursuing this route with the hope that with the more sophisticated collection software systems in place today there will be a better response resulting in an increased collection rate with no resultant loss in revenue to the NFTA.

Property Leases

The ABO Draft Operational Review states that the lease rates charged to the various over-the-road bus carriers fluctuate significantly and further that the NFTA could not explain or justify the differences in the lease rates. In a telephone conversation with Deborah Leous, NFTA Chief Financial Officer, on November 28 Michael Farrar stated that the ABO did not ask anyone at the NFTA about the differences in the lease rates. The differences in the rents between the over-the-road bus carriers varies based upon the number of bus docks assigned to that carrier and the exclusive space leased. The NFTA does not understand the analysis prepared by the ABO regarding the costing of the bus docks.

The NFTA agrees with the ABO that the NFTA should maximize its recovery of costs from the major tenants at the Metropolitan Transportation Center. That is why upon commencement of negotiations with the over-the-road bus carriers for the last lease extension the NFTA's initial position was recovery of 100% of our operating costs from the carriers based upon their usage. We commenced negotiations with Greyhound (the major over-the-road bus carrier tenant at MTC) with a request for rent in the amount of $688,442. Greyhound's rent proposal to the NFTA was $90,487. After negotiations that lasted in excess of six month we ended up with a negotiated rental amount of $343,221, an increase of 33% over what Greyhound was currently paying. The rate negotiated with Greyhound was then passed on to Trailways and Mega Bus, again resulting in 33% increases in revenue to the Authority. Because of the rise in popularity in bus transportation and the increased interest in use of the MTC's bus dock bays by the over-the-road bus carriers operating out of the MTC Metro anticipates issuing a Request for Proposals for the next over-the-road bus carrier leasing opportunity, with the goal to further increase revenue to the NFTA and maximize recovery of operating costs, while continuing to comply with the NFTA's mandate of promotion of transportation services in Erie and Niagara Counties.

The comments regarding the additional revenue opportunities for Metro's transportation centers are similarly misplaced. Metro has issued a number of Requests for Proposals for concession agreements at the MTC and the other transportation centers, and current providers of those services were the only entities that submitted proposals. Staff has continuously monitored those contracts with appropriate flexibility to ensure continued services to the travelling public.

Rehiring of Retired Employees

With regard to the ABO's comment concerning the NFIA Airport Manager, the NFTA agrees that a written job description should be prepared.

None of the individuals hired on part-time basis are performing work that is also being performed by another NFTA employee. The NFTA is capitalizing on the value-added retention of talent and knowledge by retaining these individuals on a part-time basis, thereby saving money on benefits and the cost of adding full-time employees to perform this work.

While the issue of any particular employee's financial arrangement with the New York State Retirement System is that particular individual's responsibility, and not that of the NFTA, we disagree with the ABO's analysis of this issue. These individuals are employed and paid by Metro, which is not a participant in the New York State Retirement System.

ABO Note 2

Niagara Falls International Airport Parking

Although the ABO did not provide any specific recommendations with regard to this section, the NFTA would like to clear up some factual errors. The ABO inaccurately states that the NFTA is planning to install $10 million of revenue control equipment at the NFIA parking lots in 2016. The $10 million investment included in the NFTA capital budget consists of $1.9 million for revenue control equipment and $8.1 million of property acquisition and the construction of an additional off-site parking lot. This investment will only occur if passenger demand warrants additional parking.

With regard to the property to be used for parking, the Draft Operational Review cites a 10-acre lot for sale for sale and that NFTA officials did not pursue the option, but could not document the reason. NFTA officials were never asked to document the reason, which is abundantly clear from the documentation provided to the ABO. Aside from the fact that the lot in question consists primarily of wetlands and includes hundreds of mature trees, it is undeveloped, and the cost to install a parking lot of the size installed by the NFTA would have been approximately $5 million. Instead, the NFTA purchased a lot for $450,000, $240,000 more than the listed price quoted by the ABO, and improved the existing pavement for a cost of $226,000, a total savings of $4,534,000.

PROPOSED SERVICE REDUCTION ANALYSIS

Route	ABO Recommendation	Potential Net Cost Savings	Actual Net Cost Savings	NFTA Response
6	Increase headway in the mornings to eliminate 2 low ridership trips; eliminate last outbound trip	$29,645	$0	The early am trip carries 5 riders and the last trip outbound carries 7 riders. No alternate service available if trips were eliminated. Recommendation will have significant impact on current passengers. Metro will continue to monitor ridership activity.
27	Increase headway in the afternoons to eliminate 2 low ridership trips	$16,621	$12,684	The trip times are designed specifically for work shifts. No alternate service available if weekday service is eliminated. Review of weekend ridership is very low and service could be reduced on weekends.
32	Eliminate the last inbound and the last outbound trips	$32,225	$0	The last inbound trip currently carries 8 riders while the last outbound trip is reporting carried 11 passengers. No alternate service is available if eliminated. Recommendation will have significant impact on current passengers. Metro will continue to monitor ridership activity.
35	Increase headway before 9am to eliminate 2 trips; eliminate the last inbound and the last outbound trips	$35,124	$0	This route has shown steady & continuous growth in ridership since it's inception. Ridership statistics on all trips before 9am is between11-27 riders. The last inbound trip currently carries 13 riders and the last outbound trip carries 9 riders. Metro will continue to monitor ridership activity.
42	Redistribute headway to eliminate 6 trips	$36,870	$36,870	Metro agrees with the proposed recommendation.
46	Redistribute headway to eliminate 2 trips	$26,089	$26,089	This route has shown steady & continuous growth in ridership with an average riders/trip at 15. Adjustments could be made to eliminate 2 trips - however, this route is highly interlined with several other routes, redistributing could cause inefficient blocking on other runs and potential savings unrealized.
47	Eliminate first and last inbound and outbound trips	$38,304	$38,304	First inbound trip has 6 riders and the last inbound trip has 5 riders. The first outbound trip carries 5 riders and the last outbound trip has 5 riders. We agree with the recommendation, however, current riders would be forced to ride Route 24 Genesee and significantly impacting passenger commute time.
49	Eliminate last outbound trip	$10,528	$0	This trip has experienced an increase in ridership, primarilly due to the new routing to operate via Transit. Gradual rideship increases are anticipated. Metro will continue to monitor ridership activity.

50	Increase the time between trips (headway) in the morning and afternoon to eliminate 4 trips	$62,407	$0	Trips carry an average of 15 passengers/trip and the route is highly interlined with other Niagara Co. routes. Efficiency in blocking would be severely sacrificed to the point that only minimal saving would be reflected. Eliminating trips in Niagara Co. only creates large layovers.
52	Eliminate first inbound and outbound trip. Redistribute afternoon headway to eliminate 2 trips.	$46,887	$0	First inbound trip has 6 riders and first outbound trip has 13 riders. Route is highly interlined, efficiency in blocking would be jeopardized.
54	Redistribute headway throughout day to eliminate 6 trips	$26,928	$23,068	Metro agrees with the proposed recommendation.
55	Eliminate first inbound and last outbound trip that runs to/from NFIA	$31,621	$0	First inbound trip has 5 riders and last outbound trip has 8 riders. Both trips are essential for work shifts and connections to route 40 to provide riders with service between Niagara Falls and Buffalo.
68	Eliminate route; serve riders from George Urban area by revising other routes (27 & 204)	$19,776	$0	The morning inbound trip carries 18 riders and the afternoon outbound trip carries 11 riders. Route currently under review, however, elimination of the route would have significant impact on current riders. Metro will continue to monitor ridership activity.
69	Combine trips to Alden and Lancaster into a single trip that serves both destinations	$24,801	$0	The morning trips serve 2 separate work shifts, as do the two afternoon trips serving the 430pm and 500pm shift end times. Combining into one shift would result in a loss of half the ridership. The morning trips carry 13 & 14 riders respectively and both afternoon trips carry 11 riders each.
72	Eliminate 1 inbound and 1 outbound trips	$22,237	$0	The morning trips serve 2 separate shift start times, as do the two afternoon trips serving the 430pm and 500pm shift end times. Combining into one shift would result in a loss of half the ridership. The morning trips carry 10 & 9 riders and afternoon trips carry 10 and 8 riders respectively.
201	Eliminate route	$102,909	$132,708	Route has been eliminated.
204	Increase headway to eliminate 6 trips	$62,407	$226,061	Metro agrees with the proposed recommendation.

Authorities Budget Office Comments

1. The matters discussed in the portion of NFTA's response have been removed from the final report.

2. The section regarding the Niagara Falls International Airport parking has been removed from the final report.