

# Detroit Transportation Corporation

Owner and Operator of the Detroit People Mover



TO: Douglas Whitaker, Director  
Legislative Policy Division

FROM: Robert Cramer, General Manager  
Detroit Transportation Corporation

DATE: March 16, 2023

RE: 2023-2024 Budget Analysis Responses

In response to your budget analysis regarding our budget requests of the City for the 2023-2024 Fiscal Year, I respectfully submit the attached document addressing each item in order. We will also transmit a copy of our complete draft budget for our agency as requested directly by Councilmember Benson and Council President Sheffield for distribution to everyone. It is important to note that our agency budget is a draft that has not been amended, debated or adopted by our Board at this time.

Thank you for the opportunity to field these matters, and our team is ready to provide additional clarification or answer additional questions or requests at any time.

If you have any questions, please contact my office at (313) 224-2910.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert Cramer', with a long horizontal flourish extending to the right.

Robert Cramer  
General Manager

CC: Councilmembers  
City Clerk's Office

Our responses to Issues and Questions posed (original questions in italics):

1. *Please provide a copy of the 2023 - 2024 DTC budget submitted to the DTC's Board of Directors.*

DTC is currently developing our 2023-2024 budget and the Board of Directors has not yet approved it. We have provided our FY 2024 working draft for purposes of our City of Detroit subsidy through the City's budgeting process. It is important to emphasize that this is a working draft and subject to review, adjustments, changes and approval by our Board.

2. *Please briefly explain the department's new expense initiatives, new capital funding requests, operation reform and savings proposals, and new revenue initiatives/proposals to be implemented in FY 2024. Please provide which appropriation/cost center the new initiative/request/proposal is impacting in FY 2024.*

Operational Reform:

Fare collection cost reduction through change in fare collection method and frequency. Concentrated efforts at high traffic/revenue generating stations. Piloting QR code scanners at each station in partnership with MPD to allow alternative to swipe passes and tokens. Long-term plan is to replace tokens, token machines and change slots with ticket vending machines and scanners that allow numerous methods of digital or ticket-based admission. These improvements will reduce maintenance costs, collection and administration expenses, and allow real-time rider information and pass use tracking from the Central Control Center.

Savings Proposals:

Working through procurement for partnership purchase ventures for savings on common costs amongst State and other transit agencies. Seek technology and tools that provide for lower operating, maintenance and administration expenses across the agency.

Perform technical work tasks in-house rather than outsourcing when fiscally advantageous. Efforts to ensure staff are adequately trained to responsibly complete technical tasks is ongoing.

Revenue Initiatives:

The Visitor and Hospitality markets are unique to DPM as a transit audience, The People Mover has a very solid relationship with Visit Detroit and Huntington Place, whose bookings have returned to pre-pandemic levels. We continue to evaluate and update convention pass fare structure for a win-win between DTC and partners.

We anticipate advertising sales to increase this summer, beginning with a big boost from the Detroit Grand Prix – as advertisers look to maximize their exposure during festivals, concerts and major public downtown events

The newest revenue initiative DTC will pursue in 2024 is the expansion of our ad inventory throughout the district by utilizing the People Mover columns for advertising. We have identified the columns that would be most profitable, and will be meeting with BSEED, DPW and other departments in the hopes to bring to Council a successful plan in FY2024.

DTC is collaborating with MPD to offer QR code-enabled People Mover passes as parking passes, and will be working more closely with major event venues, employers, the community and downtown residential buildings to increase awareness, excitement and

understanding of the utility of the People Mover to get around Downtown. This will increase ridership, fare revenue, and advertising revenue over time.

Advertising Revenues – Through March 2023 (\$136,000)

May – December 2022 – \$118,000

January – March 2023 – \$18,000

Convention Pass Revenues – Began Fare Service on 10/31/2023 (\$25,833)

November – December 2022 – \$10,633

January – March 2023 – \$15,200

3. *The People Mover suspended service during the pandemic; service resumed on May 20, 2022. What is the current state of operations for the People Mover (hours of operations, ridership, etc.)?*

Operating Schedule and Frequency:

As of 3/12/2023 the People Mover’s regular operating schedule is 7 days/week, as follows:

- Monday – Thursday: 7am – 7pm
- Friday: 7am – 12am
- Saturday: 10am – 12am
- Sunday: 10am – 8pm

These are minimum hours of operation. DPM is open earlier and later on select days as Downtown area events and activities with large attendance occur. Service is currently to 11 of 13 stations.

During operating hours, Detroit People Mover currently operates at 7-8 minute frequency (2 trains in service), with the lowest level of service being 15 minutes (one train) if additional maintenance work is needed. DTC plans to increase the peak frequency to 3-4 minutes (three trains) by Memorial Day, and to 2-3 minutes (four trains) during peak periods/busy events by the end of this summer at the latest.

Ridership:

Ridership has grown in the 9 months the system has been open. -We expect our ridership (and revenues) to show steady growth moving forward.

<b>Detroit People Mover Ridership</b>		
<i>Data since May 2022 reopening</i>		
	<u>Month</u>	<u>Ridership</u>
2022		
	<i>May (partial)</i>	<i>18,303</i>
	June	42,849
	July	58,793
	August	36,082
	September	74,843
	October	43,827
	November	62,752
	December	27,175
<b>2022 7 Month Total</b>		<b>346,321</b>
2023		
	January	30,690
	February	45,672
<b>10 Month Total</b>		<b>422,683</b>
<b>Monthly Average (Jun-Feb)</b>		<b>46,965</b>

4. *What is the current staffing level at the People Mover? Please indicate the number of filled and vacant positions as of February 28, 2023. Briefly explain the department’s strategy to fill vacant positions or new positions. What are the challenges in hiring new positions or filling vacant positions?*

The largest challenge faced by DTC is recruiting licensed police officers in a very competitive market. However, the recent wage increase for transit police has helped with attracting qualified candidates. Increased sponsored marketing and targeted advertisements, along with an increased social media presence will assist DTC in its efforts to grow its transit police team (which is the area of greatest vacancy). Over 15 new employees have started across DTC in the last 6 months, and applications and quality candidates are continuing to increase.

Key HR efforts over the last 6 months and ongoing currently:

- Investment in Indeed Premium Branding to attract candidates
- Continue job advertisements on Zip Recruiter and Sponsored Indeed.com posting
- Sponsored and targeted ads on social media platforms
- Coordinated efforts with local transit partners to advertise job vacancies on their service
- Attend local job fairs and community college job fairs to recruit from local police academies
- Work with local agencies (Detroit at Work, DESC, ACCESS, Michigan Works)

a. *The Auditor General’s January 2023 audit of DTC recommend hiring additional financial staff, what is the strategy to address this issue?*

We are currently working to fill positions of Accounting Manager and Accounting Clerk.

- Accounting Clerk: Currently reviewing resumes to select candidates for an interview and to continue through the process, and 17 resumes are being reviewed and considered for interviewing.  
**Target date to fill: 4/30/2023**
- Accounting Manager: Position revised and are in the final stages of updating the job description. Thereafter, it will be posted internally and externally.  
**Target date to fill: 5/15/2023**

<b><u>DTC HEADCOUNT CURRENT BUDGETED V. ACTUAL</u></b>			
	<b>Est. FY23 Budgeted Headcount</b>	<b>Actual Headcount</b>	<b>Difference</b>
<b>Administrative</b>	22	18	-4
<b>Maintenance</b>	29	24	-5
<b>Operations</b>	16	16	0
<b>Transit Police*</b>	40	33	-7
<b>TOTAL</b>	107	91	<b>-16</b>

*\* The FY24 Budget includes an increase of \$2.1M in revenue from DDOT to increase staffing levels and coverage.*

5. *Please provide an update on the status of the Transit Police deployment on the People Mover. Briefly describe the relationship between DPD, People Mover, DDOT and the Q Line with regards to the Transit Police assignments. How many officers are assigned to the People Mover?*

Currently, daily deployment of Transit Police is focused on DDOT and QLine; deployment related to the People Mover is limited to special assignments or major events, or to respond to serious issues at the stations and on the guideway when they occur.

The Transit Police has evolved over the last ten years from an agency exclusively serving the People Mover to one that now provides critical security services for DDOT, the QLine, and the People Mover. After several years of hard work, Detroit Transit Police is now a MCOLES State licensed department, an important distinction that allows our investigators to investigate and submit warrants for assaults to DDOT TEOs and passengers, as well as related to any other criminal activity on or around all three transit systems. Licensed officers are also authorized to prepare Uniform Crash Reports related to DDOT and QLine crashes.

During the pandemic, staffing levels dropped sharply in the officer ranks as the critical needs from DDOT (and QLine once restarted) continued. Paired with the attraction of MCOLES licensing, recent DTC recruiting and processing efforts have led to more applications and new officers already this year, with more promising candidates in the pipeline.

DTC's goal is to fully staff DDOT and QLine's needs first, with regular Transit Police coverage added back to the People Mover strategically as staffing allows. People Mover is covering daily security needs with contracted unarmed security deployed throughout the system. Transit Police will continue to be available for support and response as needed daily, and will continue special assignments including periodic fare collection, major convention pass sales, and downtown-wide major events.

6. *The DTC financial statement for June 30, 2022, note operating losses increased by \$1.3 million from \$12.5 million in FY 2021 to \$13.9 million in FY 2022. Please explain how DTC plan to address continuing operating losses. DTC ended the fiscal year with a net position slightly lower than the previous year due to increased grants and other revenues offsetting the lack of revenues from ticket sales.*

Operating losses will be addressed through optimizing partnerships and advertising with businesses & event holders and sales partnerships with other transit agencies to generate additional revenues. DTC plans to incorporate operational efficiencies, cost savings, and ongoing campaigns for increased grant/sponsorship revenues.

- a. *On Page 8, operating revenues were zero for fiscal year-end 2022. What is the collections year to date for ticket sales?*

Fares for ridership began to be collected October 31, 2022. Advertising sales to date are \$136,000. Pass/token sales through February 2023 are \$52,000. Patrons that purchased passes pre-pandemic were provided free passes to be made whole for the passes they purchased but were unable to use during system closure.

- b. *Is there any outstanding CARES funding available for use in FY 2024?*

There is CARES funding available for use in FY2024. DTC will use operating grant funds strategically over multiple years to accommodate the overall needs to operate service and supplement revenues until various revenue avenues are fully implemented.

- c. *On Page 9, please explain the increase in State Operating Assistance for FY 2022. Do you anticipate additional funding in FY 2023 and FY 2024?*

State operating assistance is based on DTC’s budgeted eligible expenses. FY21, service operations were suspended & DTC had to payback monies to the State for actual eligible expenses being less than budgeted eligible expenses due to the onset of COVID and system closure. FY22 service re-started and less payback monies were required. FY21 & FY22 DTC did not have the City operating subsidy. It is anticipated that FY23 and FY24 will include the City operating subsidy at a constant amount, while some eligible costs will increase such as re-negotiated union wages.

- d. *On Page 11, please explain the increase in pension liabilities from \$4.8 million in FY 2021 to \$7.7 million in FY 2022. What caused the deferred inflows related to pension to decrease from \$4.6 million in FY 2021 to \$4.0 million in FY 2022?*

Pension liabilities have increased for various reasons, primarily the make-up of more vested participants and estimated length of pension benefit for vested participants, as well as lower than anticipated investment return. Deferred inflows related to pension due to the timing of the final pension payment in FY22 was not received/cleared until July(FY23) rather than June(FY22).

- 7. *What is the current physical condition of the People Mover facilities?*

Based on a recent facility condition assessment (September 2022), our maintenance facility and 12 of 13 passenger transfer stations were rated as adequate or good according to FTA’s TAM Facility Performance Measure Reporting Guidebook: Condition Assessment Calculation and 5-point Transit Economic Requirements Model (TERM) condition rating scale. The West Riverfront Station (formerly Joe Louis Arena Station) was rated as marginal, meaning there are some components that are in need of replacement and is included in the Prioritized Investment Table of our Asset Management Plan. None of the components affect the safety or reliability of the station, which remains open.

*Please describe your capital improvement plans for the four-year period beginning with FY 2024.*

**Major Capital Improvement Plans**

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Estimated Cost	Funding Sources
Automated Train Controller Component Upgrade						\$ 6,000,000	FTA Disc / Formula, State + Local Funding
Electrical Subsystem						\$ 2,000,000	FTA Formula
Fare Collection Equipment						\$ 2,000,000	FTA Formula
Onboard Cameras & Comms						\$ 3,000,000	FTA Formula, State Grants, Other Grants
Systems Management Software						\$ 200,000	State Grant, Operating Funds
Train Car Replacement (cost est increasing to \$70M)						\$ 50,000,000	FTA Disc / Formula, State + Local Funding
Truck Overhaul (annual program)						\$ 2,000,000	FTA Formula Funds

The guideway, rails, trains, and electrical subsystems have regular inspection and preventive maintenance programs. The guideway structure is in excellent condition and no major replacement or repair are anticipated. Funding has been identified and solicitation is underway for a rail replacement project for a number of curves that have worn to a level that dictates replacement. The four-year capital plan represents key major capital priorities to maintain and upgrade key components over time.

In recent years, DTC has faced challenges with obtaining funding. Highest priority investments prior to the 2020 shutdown encountered bids that exceeded available funding, and little investment was made during the more than two-year shutdown. Procurements for

capital needs are now back on track, but DTC will continue to face the challenges of uncertain future appropriations and grant security.

- a. *The Train Car Replacement project consist of replacing 12 train cars with new cars or a combination of new and refurbished used cars per the FY 2024 – 2028 Capital Agenda. The project cost is estimated as \$50 million with funding from FTA Discretionary and Formula grants. The city recently appropriated in the current fiscal year \$19.9 million from the FY 2022 General Fund Surplus for a cash match for the purchase of replacement train car(s). Briefly describe this project, how the city’s cash match will be utilized, and why the immediate need to proceed with this project?*

The recent city appropriation is a critical, major component toward the single largest capital need of the Detroit People Mover system. Of the \$19.9 Million, \$6 Million was intended for the People Mover Rail Vehicle Replacement grant submitted January 2023 (no response yet). The funding provides dedicated local funding, critical to competitive grants and multi-source, long-term projects. The recent Rail Vehicle Replacement discretionary grant can only cover 50% or less of a project cost, meaning 50% match of other Federal, State and local funds (including this \$6M appropriation) has to be secured as a minimum to apply for the opportunity.

The procurement of rail vehicles is a process that takes 4-6 years to complete for each vehicle or order. The current DPM vehicles have been in service since 1986. The program would also include support for the current fleet until new vehicles could be put into service in est. 2027-28. DTC is also pursuing a major overhaul program for part of the fleet to extend life and spread out the replacement schedule over a longer period of time. There is another opportunity in less than 2 years to apply for more FTA Rail Vehicle Replacement funding, and starting the process immediately will position DTC to best compete for additional funding from Federal Infrastructure Funds. In addition, DTC 2022 Capital Agenda from August 2022 used an old figure of \$50M to replace all of the vehicles – based on additional work to refine and update our plans it is estimated full replacement would cost \$70 Million over time.

- b. *Please provide an update on the preventative maintenance program for the People Mover rails/ guideway tracks.*

The guideway structure has regular inspections and maintenance; the structure is in excellent condition and no major repairs or replacement are anticipated in the next five years. Current guideway plans are to replace the curved sections of track and one turnout in 2023, 2024. As part of the ongoing rail maintenance, DPM is in discussion with a vendor to resume regular rail grinding to reduce track noise and improve the ride experience.

*Have the other capital projects proposed for fiscal year 2024 in the Capital Agenda received FTA grant funding and are ready to proceed with implementation?*

The rail replacement and CCTV/station communications and technology projects are currently funded and will be completed during FY 2023-2024. The electrical subsystems, software, and truck overhaul are funded through programmed and/or anticipated Federal and State grants and local funds. The onboard cameras and communications have some funding identified and DTC is pursuing other sources of funding or support to assist in this project.