



# **Massachusetts Bay Transportation Authority**

## **FY21 Final Itemized Operating Budget**

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Fiscal and Management Control Board

May 21, 2020

Mary Ann O'Hara

# Agenda

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1. **Timeline**
2. **FY21 Operating Budget Overview**
  - Preliminary Release of Itemized Budget
  - Historical Hire, Promotion, Separation Data
  - Safety Panel Headcount Prioritization
3. **FY21 Summarized Operating Budget**
  - FY21 Revenue Assumptions
  - FY21 Debt Service Projection
  - FY21 Capital Program Spending Goal
  - Draft Capital Investment Spending Plan by Source
  - Risks & Opportunities
  - Next Steps
  - Vote Language



# Operating Budget Timeline

- ✓ February 24: Management introduces FY21 Preliminary Budget to FMCB
- ✓ March 9: FMCB vote to release FY21 Preliminary Itemized Budget to MBTA Advisory Board
- ✓ April 27: Management presents updated FY20 Projection
- ✓ May 4: FMCB meeting to review budget
- ✓ May 11: FMCB vote to release the Approved Itemized Budget to MBTA Advisory Board
- ✓ May 12: **MBTA Advisory Board Meeting**
- ✓ May 19: **Advisory Board Meeting**
- ✓ **May 21: Request special FMCB meeting for Final Budget Vote**
- May 28: FMIS Upgrade goes live
- June 15: Statutory deadline for FMCB to approve FY21 Budget
- Monthly: Review of FY21 Operating Budget and upon adoption of State Budget



# FY21 Operating Budget Overview



# Overview

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- Advisory board has met and provided feedback on the FY21 budget
- Overall objective for FY21 budget is to support return to full FY20 service levels, even while assuming substantially lower ridership and fares, thus ensuring that social distancing can be sustained
- While prioritization decisions need to be made now and over the course of the coming fiscal year, CARES funding will allow the MBTA to support FY20 service levels, although safety headcount will have to be phased in depending on revenue availability
- The proposed operating budget does not require any increase in fares and supports elimination of cash/CharlieTicket surcharge (and transfers on the Fairmont Line) as part of Stage 1 and 2 of Fare Transformation
- The proposed operating budget is an initial budget, which we anticipate re-visiting after the State Budget is adopted and then monthly and/or quarterly as events transpire



# Preliminary Release of Itemized Budget

		FY21 Budget
Revenue	Fare Revenue	187.8
	Own Source Revenue	41.4
	Non-Operating Revenue	1,423.9
	<b>Total Revenue</b>	<b>1,653.1</b>
Expenses	Wages, Benefits and Payroll Taxes	823.4
	Non-Wage Expenses	947.7
	<b>Total Operating Expenses</b>	<b>1,771.1</b>
	Debt Service	523.5
	<b>Total Expenses</b>	<b>2,294.6</b>
	Net Revenue/Expenses	(641.5)
	Capital Salaries	(66.4)
	<b>Net Operating Budget Revenue/Expenses</b>	<b>(707.9)</b>
One Time Revenue	FY21 Cares Act Drawdown	577.0
	FY20 Rollover	76.1
	FEMA Reimbursement	30.0
	Semi-Restricted Funds	17.0
	Capital Maintenance Fund	10.0
	<b>Total One Time Revenues</b>	<b>710.1</b>
<b>Net Rev/Exp Including One Time Revenue</b>		<b>2.1</b>

## Recommended Initial Operating Budget

- Assumes funding of 151 safety initiative positions with an additional 150 safety positions pending the passage of the transportation bond bill.
  - The T seeks language in the TBB to spend bond funds on capital salaries
- Safety Department augmentation and infrastructure maintenance positions will be prioritized, such as:
  - Safety Dept Subject Matter Experts (+/- 20 positions, 13% of 151)
  - Signal, Track, and System Maintainers (+/- 80 positions, 53% of 151)
  - Other positions (+/- 51 positions, 34% of 151)
    - Quality Assurance, Transportation, and Vehicle Maintenance positions, Administrative
  - Position headcount are preliminary estimates and may vary based on operational need
- All other Initiatives delayed until FY22
- 204 positions eligible for backfill (out of 498)
- Retain FY20 hires already made as approved in December 2019 by the FMCB in the following areas:
  - Safety & Infrastructure Support
  - Safety Panel Recommendations
  - Fare Transformation
  - Bus Transformation
  - Rail Transformation

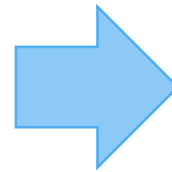


# FY21 Safety Panel Hiring Plan

FY21 Hiring Plan could add up to 301 additional initiative specific hires, including 150 safety hires, if legislative authorization to fund capital positions through bond issuance is enacted

**FY21 Budget**

Initiative Description (ordered in terms of priority)	FY21 Budget		
	FY20 Hires	FY21 Hires	Total FY21 Initiative Headcount
<b>Budget Priorities</b>			
Safety Panel Recommendations	30	151	181
Other Operational Initiatives	6	-	6
PFML	-	-	-
<b>Total Budget Priorities</b>	<b>36</b>	<b>151</b>	<b>187</b>
<b>Policy Choices Made</b>			
Peak Bus Expansion	3	-	3
Light/Heavy Rail	-	-	-
Rail Transformation	5	-	5
Fare Transformation	9	-	9
<b>Policy Choices Made Total</b>	<b>17</b>	<b>-</b>	<b>17</b>
<b>Policy Choices to be Made</b>			
Bus Transformation	5	-	5
Service Enhancements	-	-	-
Bus/Network Redesign	1	-	1
Weekend Pilots	-	-	-
<b>Policy Choices to be Made Total</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Initiatives Total Headcount</b>	<b>59</b>	<b>151</b>	<b>210</b>

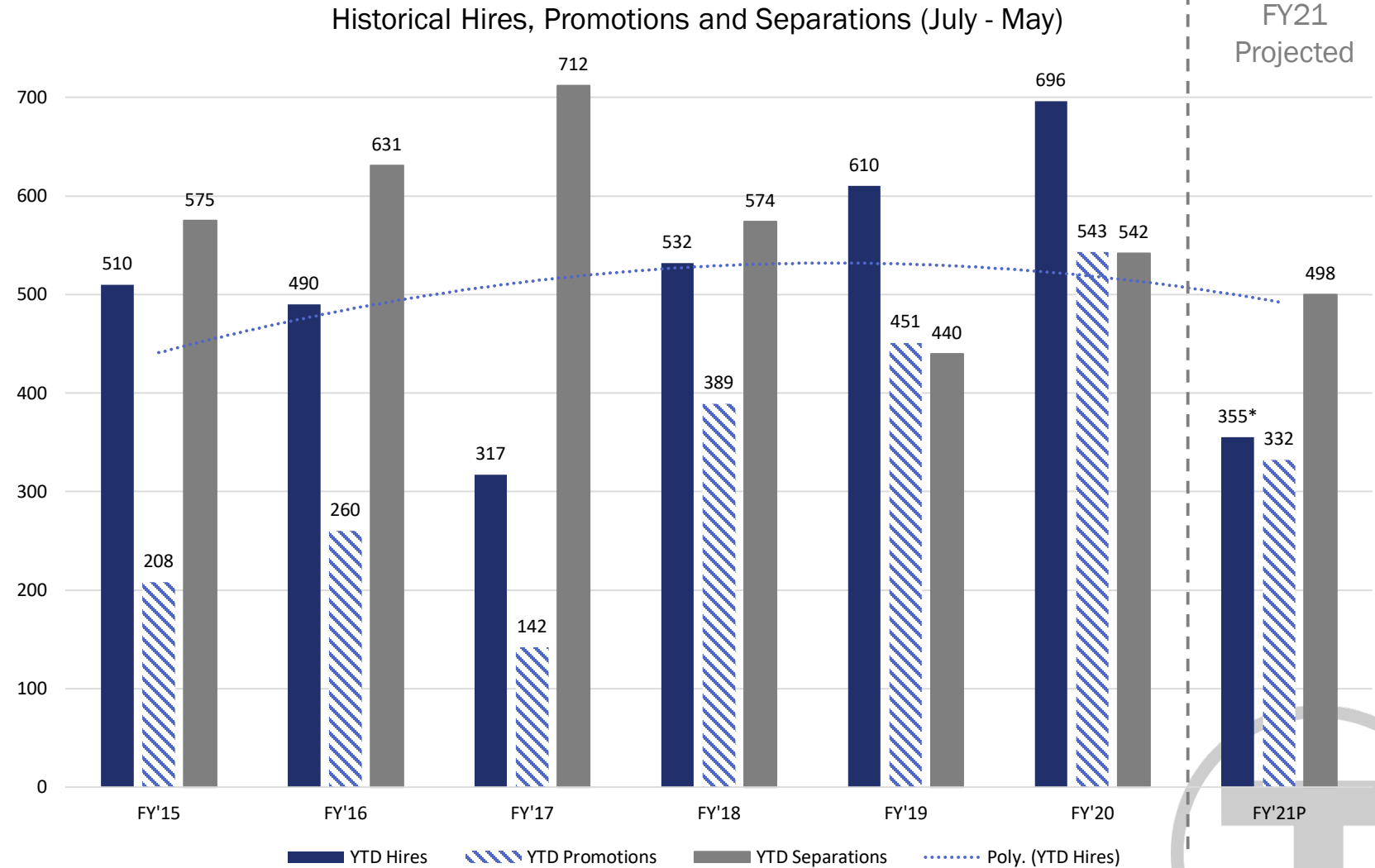


**Potential FY21 Budget with Legislative Action**

Initiative Description (ordered in terms of priority)	Initiative Headcount if Legislative Action is Enacted			
	FY20 Hires	FY21 Hires	Total FY21 Initiative Headcount	Variance - Additional Hires over FY21 Budget
<b>Budget Priorities</b>				
Safety Panel Recommendations	30	303	333	152
Other Operational Initiatives	6	31	37	31
PFML	-	-	-	-
<b>Total Budget Priorities</b>	<b>36</b>	<b>334</b>	<b>370</b>	<b>183</b>
<b>Policy Choices Made</b>				
Peak Bus Expansion	3	80	83	80
Light/Heavy Rail	-	38	38	38
Rail Transformation	5	-	5	-
Fare Transformation	9	-	9	-
<b>Policy Choices Made Total</b>	<b>17</b>	<b>118</b>	<b>135</b>	<b>118</b>
<b>Policy Choices to be Made</b>				
Bus Transformation	5	-	5	-
Service Enhancements	-	-	-	-
Bus/Network Redesign	1	-	1	-
Weekend Pilots	-	-	-	-
<b>Policy Choices to be Made Total</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>Initiatives Total Headcount</b>	<b>59</b>	<b>452</b>	<b>511</b>	<b>301</b>

# Historical Hire, Promotion and Separation Data

- Current FY21 budgeted hires are 151 Safety Panel Recommended Positions as well as 204 critical backfills focused on maintaining service levels
- Initiative hires beyond the 151 safety positions reflect FMCB priorities from March 9
- FY21 Hiring Plan is in development, and all positions are required to go through position control
- FY21 Hiring Plan will be reevaluated as ridership and revenue trends develop throughout the fiscal year
- FY21 Hiring Plan can be revised if legislative authorization to fund capital positions through MBTA revenue and REP bonds is enacted



\*Note: FY21 Current Projected Hires only includes operating headcount



# Safety Panel Recommendation Headcount Prioritization

## Hiring Summary

- Each priority has hires across multiple departments and many positions will perform cross-departmental functions
  - For example, Fire Life Safety and Industrial Hygiene Investigators will be primarily housed within the Safety Department, but will support all ops groups
- 30 Safety Panel Recommended hires are projected to be made across all departments by the end of FY20, in addition to the 151 planned hires in FY21
  - FY20 Hires are still in process and final department headcount at the end of FY20 may be different than what is listed in the table
- Total Safety Panel Recommended headcount of 333 with at least 151 in FY21

### Priority 1 – Preventative Maintenance Inspections

- 80 new hires within E&M for system maintenance improvements and to conduct PMI's
  - Inspections include fire suppressant systems, stand pipes, bridges, switch machines, catenary wires, and tracks

### Priority 2 – Hiring Overnight Supervision Team

- Hiring night supervisors to respond to emergencies, manage overnight activities, and prepare the system for morning service

### Priority 3 – Roll out Training Program

- Increases ride reports, employee training, performance reviews, and audits & improves training course materials

Department	Projected FY20 Hires	Projected FY21 Hires	FY21 Additional Investment Amount	% of FY21 Safety Spend
<b>System Maintenance</b>				
Maintenance of Way	-	5	\$389,901	3%
Power Systems Maintenance	3	25	\$1,937,689	16%
Signals & Communications	3	18	\$1,354,627	11%
Transit Facilities Maintenance	7	32	\$2,491,394	21%
<b>System Maintenance Subtotal</b>	<b>13</b>	<b>80</b>	<b>\$6,173,610</b>	<b>52%</b>
<b>Vehicle Maintenance</b>				
Bus Maintenance	-	7	\$422,418	4%
Rail Maintenance	-	11	\$635,027	5%
<b>Vehicle Maintenance Subtotal</b>	<b>-</b>	<b>18</b>	<b>\$1,057,445</b>	<b>9%</b>
<b>Transportation</b>				
Bus Transportation	-	18	\$1,499,688	13%
Light Rail Transportation	-	1	\$82,230	
Heavy Rail Transportation	5	1	\$83,230	1%
<b>Transportation Subtotal</b>	<b>5</b>	<b>20</b>	<b>\$1,582,918</b>	<b>13%</b>
<b>Other Transit Services</b>				
COO - Administration & Staff	4	2	\$210,000	2%
General Manager	-	3	\$460,000	
Security Department	-	5	\$260,000	2%
<b>Other Transit Services Subtotal</b>	<b>4</b>	<b>10</b>	<b>\$470,000</b>	<b>4%</b>
<b>Other Departments</b>				
Safety	8	20	\$2,094,227	18%
GM	-	3	\$460,000	4%
<b>Other Departments Subtotal</b>	<b>8</b>	<b>23</b>	<b>\$2,554,227</b>	<b>22%</b>
<b>Total</b>	<b>30</b>	<b>151</b>	<b>\$11,838,200</b>	<b>100%</b>

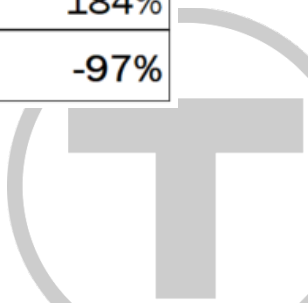
# FY21 Summarized Budget Overview



# FY21 Summarized Operating Budget

	(\$M)	FY20 Projection	FY21 Budget	\$ Variance	% Variance
Operating Budget Revenues & Expenses	Operating Revenue	649.0	264.9	(384.1)	-59%
	Non-Operating Revenue	1,389.4	1,388.2	(1.2)	0%
	<b>Total Revenue</b>	<b>2,038.4</b>	<b>1,653.1</b>	<b>(385.3)</b>	<b>-19%</b>
	Wages, Benefits and Payroll Taxes	795.8	831.4	35.6	4%
	Non-Wage	861.8	939.7	77.9	9%
	<b>Operating Expenses</b>	<b>1,657.6</b>	<b>1,771.1</b>	<b>113.5</b>	<b>7%</b>
	Debt Service	488.3	523.5	35.2	7%
	<b>Total Expenses</b>	<b>2,145.9</b>	<b>2,294.6</b>	<b>148.7</b>	<b>7%</b>
<b>Net Revenue/Expenses</b>	<b>(107.50)</b>	<b>(641.50)</b>	<b>(534.0)</b>	<b>497%</b>	
Additional Items Impacting Operating Budget	Capital Salaries	66.4	66.4	-	0%
	<b>Net Rev/Exp Including Capital Salaries</b>	<b>(173.9)</b>	<b>(707.9)</b>	<b>(534.0)</b>	<b>307%</b>
	Total One Time Revenues	250.0	710.0	460.0	184%
	<b>Net Revenue/Expenses</b>	<b>76.1</b>	<b>2.1</b>	<b>(74.0)</b>	<b>-97%</b>

↑  
Projected Available for  
Lockbox/Capital Salaries in FY21



# FY21 Ridership/Revenue Assumptions

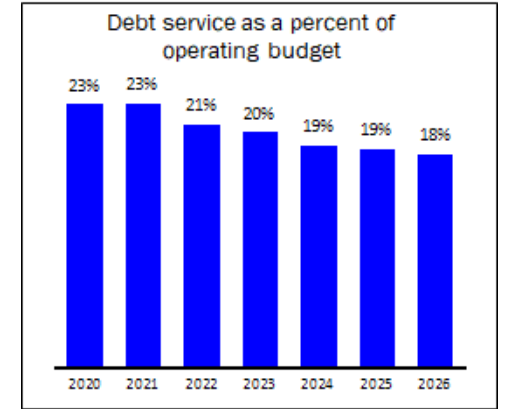
- Percentages reflect a conservative ridership model based upon how much of the original FY21 budgeted amount will be collected
- Budgeted operating costs in FY21 will need to be adjusted to align with available revenues
- State Contract Assistance FY20 funding level assumed, review MBTA Operating Budget after passage of State Budget
- Sales Tax assumed to be at BRA as per comptroller certification (3/6/2020)

Revenue Source	FY21 - Model D												Total
	Q1			Q2			Q3			Q4			
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Fare Revenue	10%	15%	10%	10%	10%	10%	20%	30%	40%	45%	55%	60%	26%
Sales Taxes	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	95%
Own Source Revenue	31%	31%	31%	31%	31%	31%	35%	40%	45%	50%	60%	70%	41%
Local Assessments	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	100%
Investment Income	50%	50%	50%	50%	50%	50%	70%	70%	70%	70%	70%	75%	60%
Additional State Assistance	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	Level w/ FY20	68%
March 9th Budgeted Revenue	\$197.1	\$192.8	\$197.6	\$197.4	\$192.4	\$193.0	\$193.4	\$186.2	\$192.1	\$196.9	\$197.9	\$232.1	\$2,369.1
Current Budgeted Revenue	\$128.0	\$128.7	\$127.3	\$125.6	\$125.3	\$127.7	\$133.6	\$136.2	\$144.3	\$150.5	\$157.8	\$168.1	\$1,653.1
Variance	-\$69.1	-\$64.1	-\$70.3	-\$71.7	-\$67.1	-\$65.3	-\$59.8	-\$50.1	-\$47.8	-\$46.5	-\$40.1	-\$64.0	-\$716.0

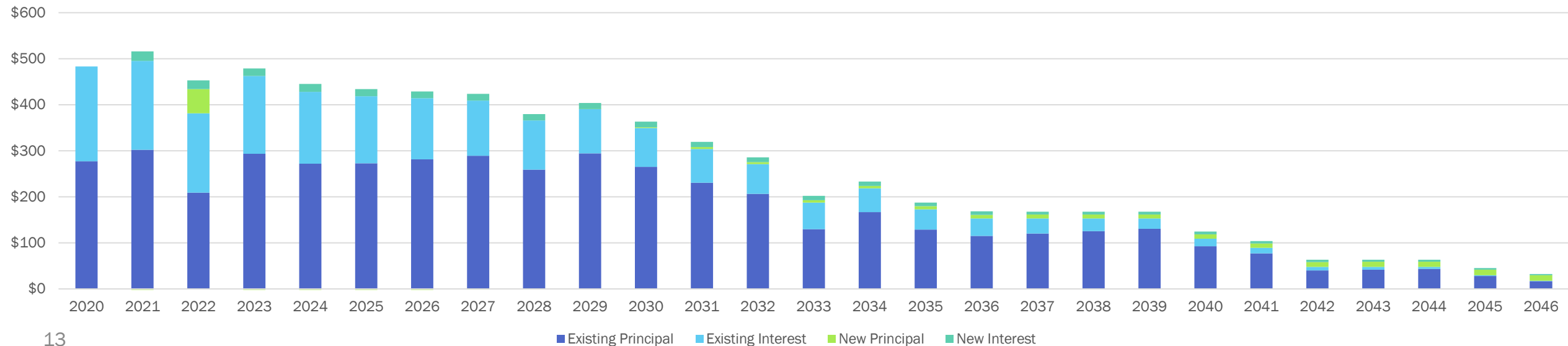


# FY21 Debt Service Expense Projected to be \$523.5M

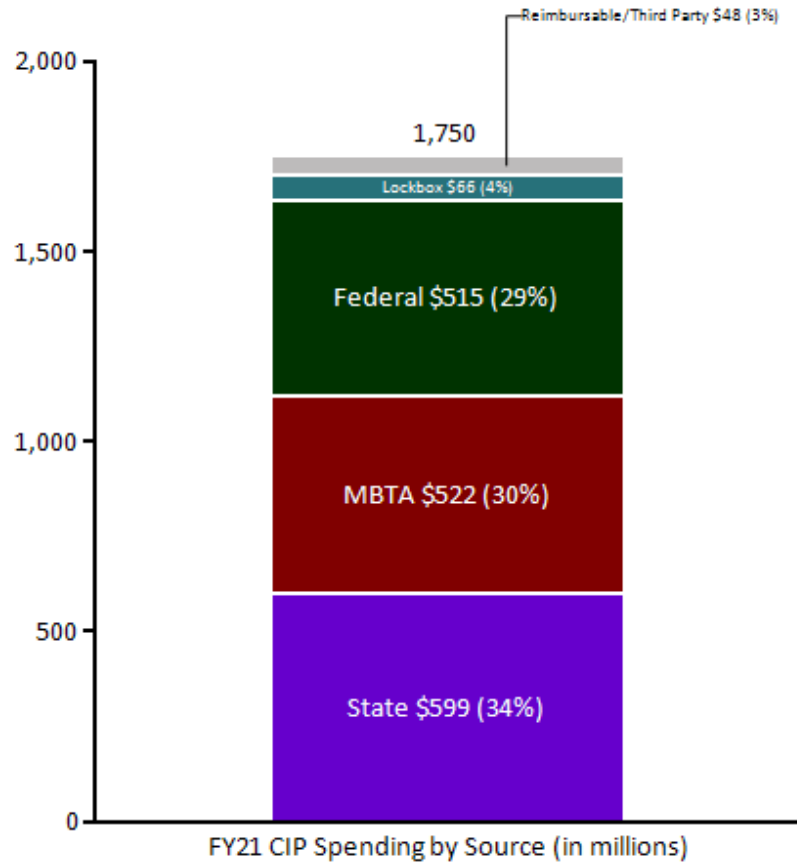
- For every \$100M in net proceeds, annual debt service expense increases by \$5.08M
- FY21 issuance estimated \$400-\$500M
- MBTA Debt Service as a percentage of operating budget projected to be 23% in FY21
- Ratings agencies view debt service as a percentage of operating budget above 25% as “weak”
  - 15-25% viewed as moderate
  - Ratios in previous drafts of the FY21 - FY25 CIP (\$2.6B issuance) were between 22 - 25%



New and Existing Debt Service\* (in millions)



# FY 2021 Draft CIP Spending by Source



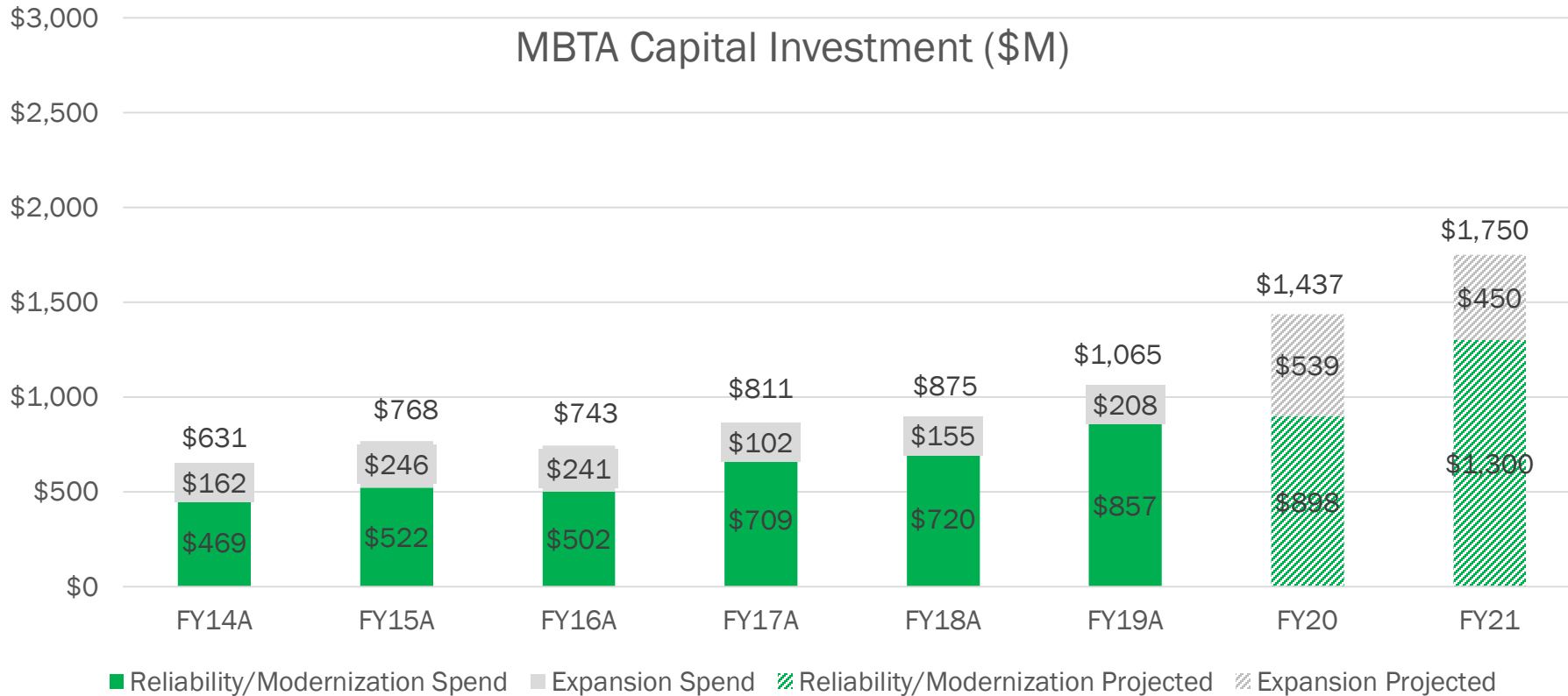
## Sources highlights:

- **Federal** fund spending is driven by progress on Green Line Extension and the continued drawdown of carry over funds
- **MBTA funds** includes Revenue Bonds to support the 20% match for Federal projects, as well as MBTA-only funded projects. Also includes financing for PTC/ATC programs.
- **State** funds include Bond Cap and Rail Enhancement Program special obligation bonds for GLX, Red Line/Orange Line improvements, South Coast Rail, and other projects
- **Pay-Go/Lockbox** reflects an assumption of \$66M in FY21 for capital labor costs only
- **Other** funding sources include municipal contributions and other reimbursements



# FY21 Capital Program Spending

- The capital program is on track to exceed its FY20 goal of \$1.4 billion in total investment, an increase of 40% over last year's record-setting total
- The spending for FY21 is \$1,750M
  - \$1,300M in Reliability/Modernization and \$450M in Expansion



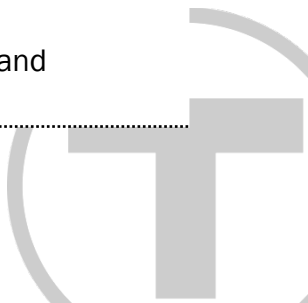
# FY21 Risks & Opportunities

## COVID-19 Related

- **COVID-19 Related Costs**
  - COVID-19 Cleaning, PPE, Safety costs will depend on MBTA cleaning protocols, and state and federal guidance
- **Ridership Behavior will be influenced by a variety of factors, including:**
  - Extent to which State and Federal (CDC) guidance and/or requirements reduce capacity
  - Customer perception of safety and willingness to use transit
  - Employer decisions and telecommute behavior
  - Changing traffic patterns
  - Price competition: gas and parking

## Non COVID-19 Related

- **Pension Costs**
  - Reduction in the assumed rate of return or changes to experience study may increase the MBTA required contribution
- **Weather**
  - Prolonged inclement weather translates to increased spending across wages (overtime), materials and services
- **Financial Market Variables**
  - While the MBTA has hedges in place, a material increase in interest rates, higher energy prices and widening credit spreads impact the operating budget





# Operating Budget Timeline

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# Request of the Fiscal and Management Control Board

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- That the Fiscal and Management Control Board approves the Authority's itemized budget of current operating expenses and debt service costs for a one year period – July 1, 2020 through June 30, 2021 – in the amount of \$2,294,617,893 in the form submitted at this meeting (May 21, 2020); and
- That the General Manager is hereby authorized and directed to submit the approved itemized budget, in the name and on behalf of the Authority, to the MBTA Advisory Board no later than June 15, 2019 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.
- That the GM is directed to prioritize the hiring of additional safety positions not currently included in itemized budget as additional durable revenue becomes available.



# Appendix



# CARES Act Refresher – Provisions of Federal Stimulus

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- Feds passed the CARES (Coronavirus Aid, Relief and Economic Security) Act with \$25 billion in emergency grants available to mass transit agencies
- FTA is required to apportion the funds within 7 days of enactment - \$884M anticipated for Boston region
  - MBTA estimated to receive \$827M for FY20 and FY21 COVID Impacts
- Statute covers loss of revenue and operating expenses including but not limited to:
  - Operating costs to maintain service
  - Lost revenue due to the coronavirus public health emergency
  - Purchase of personal protective equipment
  - Paying administrative leave of operations personnel due to reductions in service and payroll costs for staff staying home on administrative leave
- Grants are eligible for a 100% federal cost share; no local match required, timing receipt of grant funds 60+ days
- MBTA put in grant application last Wednesday; DOL certification of grant application expected on Friday; expected to start drawing down funds in June



# Service Level Assumptions

**Each FY21 budget scenario supports a full return to FY20 regular service levels.**

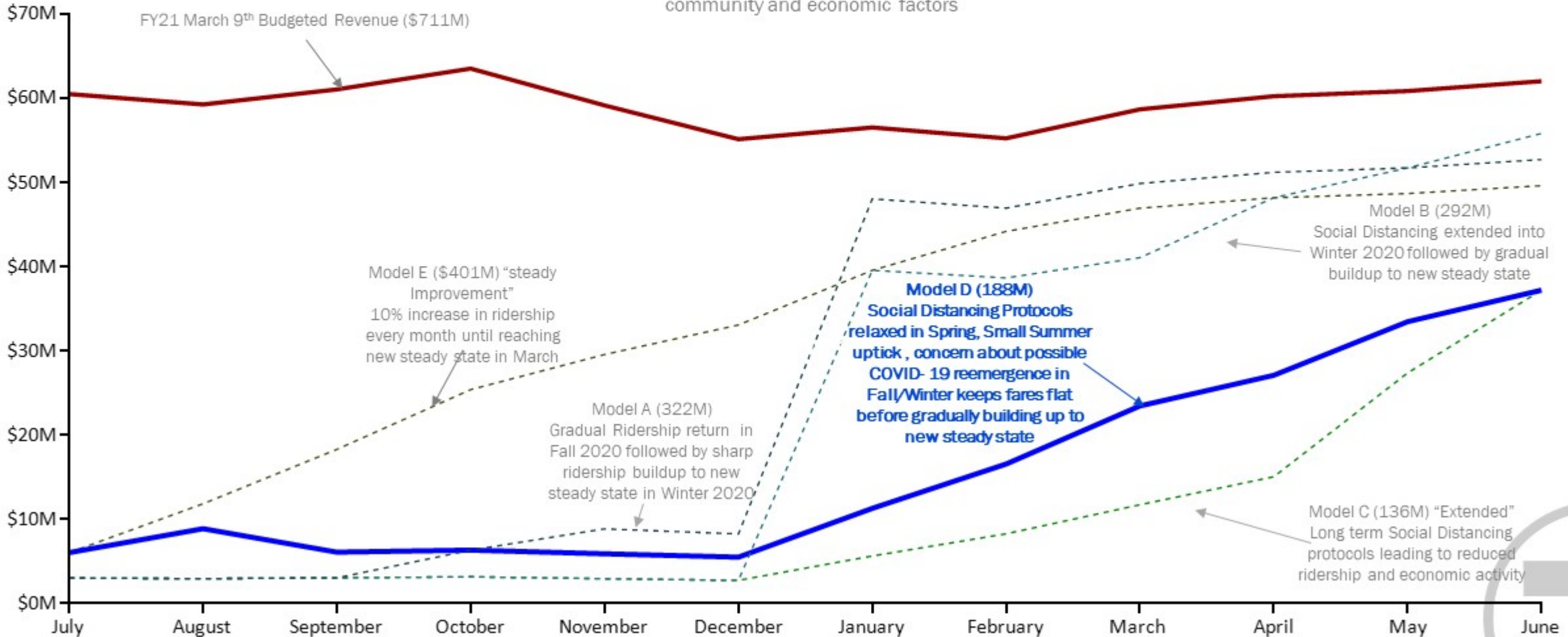
- Future ridership demands and patterns remain uncertain but MBTA needs to provide full capacity to safely serve smaller ridership while enabling social distancing
- In order to support a safe and successful transition to full service as a phased reopening of the economy occurs, the Authority has:
  - Begun developing emergency service level policies that will guide future schedules balanced with workforce availability
  - Service level planning will focus on Operational flexibility while maintaining a core level of service to meet variable ridership patterns
  - Key areas of focus will be balancing social distancing (vehicle crowding standards) with peak ridership demands
- COVID-19 cleaning, safety, and PPE protocols to continue



# FY21 Monthly Ridership/Fare Revenue Models

## FY21 Fare Revenue Sensitivity Analysis

Inflection points depend on external medical, community and economic factors



# FY21 Initiative Prioritization Sequence

- As fare revenue improves, available funding will be prioritized to reflect FMCB priorities as of March 9
- 151 additional Safety Panel Recommendation positions are included in the FY21 Budget
- Safety Department augmentation and infrastructure maintenance positions will be prioritized, such as:
  - Safety Dept Subject Matter Experts (+/- 20 positions, 13% of 151)
  - Signal, Track, and System Maintainers (+/- 80 positions, 53% of 151)
  - Other positions (+/- 51 positions, 34% of 151)
    - Quality Assurance, Transportation, and Vehicle Maintenance positions, Administrative
  - Position headcount are preliminary estimates and may vary based on operational need
- As fare revenue improves, first \$22.2M of additional revenue will be prioritized for remaining Safety Panel Recommendations
- After Safety Panel Recommendation funding needs are fulfilled, next \$5.1M in available revenue prioritized to Other Operational Initiatives
- After Other Operational Initiative funding needs are fulfilled, next \$1.6M in available revenue prioritized to PFML
- After Budget Priority funding levels are restored to proposed levels from March 9<sup>th</sup>, subsequent revenues allocated to Policy Choices Made and Policy Choices to be Made

Table 1			
Initiative Description (ordered in terms of priority)	Hired in FY20	Additional Planned Hires for FY21	Total FY21 Budgeted Headcount
<b>Budget Priorities</b>			
Safety Panel Recommendations	30	151	181
Other Operational Initiatives	6	-	6
PFML	-	-	-
<b>Total Budget Priorities</b>	<b>36</b>	<b>151</b>	<b>187</b>
<b>Policy Choices Made</b>			
Rail Transformation	5	-	5
Fare Transformation	9	-	9
Peak Bus Expansion	3	-	3
Light/Heavy Rail	-	-	-
<b>Policy Choices Made Total</b>	<b>17</b>	<b>-</b>	<b>17</b>
<b>Policy Choices to be Made</b>			
Bus Transformation	5	-	5
Service Enhancements	-	-	-
Bus/Network Redesign	1	-	1
Weekend Pilots	-	-	-
<b>Policy Choices to be Made Total</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Initiatives Total Headcount</b>	<b>59</b>	<b>151</b>	<b>210</b>

Table 2		
Additional Funding Necessary To Reach Perlim. Budget Headcount (March 9th)	Additional Hires When Funding Becomes Available	Total FY21 Headcount Goal
\$22.2	149	330
\$5.1	25	31
\$1.6	33	33
<b>\$28.9</b>	<b>207</b>	<b>394</b>
\$0.0	-	5
\$0.0	-	9
\$6.4	50	53
\$4.9	38	38
<b>\$11.3</b>	<b>88</b>	<b>105</b>
\$0.3	3	8
\$2.2	34	34
\$1.4	12	13
\$0.6	5	5
<b>\$4.5</b>	<b>54</b>	<b>60</b>
<b>\$44.7</b>	<b>349</b>	<b>559</b>