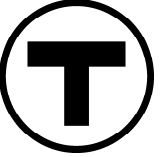


Massachusetts Bay Transportation Authority

FY19 Operating Budget

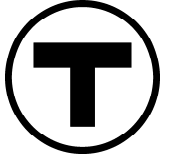
Fiscal Year 2019 – Financial Review

**Report to Fiscal and Management Control Board
August 12, 2019**



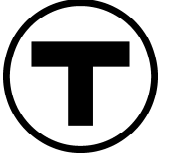
Agenda

- **Executive Summary**
- **FY19 Budget Results vs. FY19 Actual Results**
- **FY19 Actuals Results vs. FY18 Actual Results**
- **FY20 Operating Budget**
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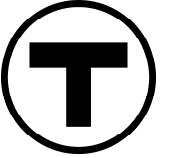
Executive Summary

- **Ongoing fiscal discipline resulted in performance better than budget in FY19**
 - Since FY15 structural deficit of \$119M, progressive annual improvements have been made without significant service cuts and targeted expansion in FY19
- **Core operating expense growth (1.9%) held to less than inflation (2.4%) for third straight year**
 - Operating expenses controlled by active management of materials & services, favorable CBA terms & renegotiation of existing vendor contracts
- **Sales tax increase and non-operating income primary source of revenue growth**
 - Base revenue sales tax collections 2% or \$21M above budgeted amount
 - Investment, interest and energy efficiency project rebates higher than budget
- ***Results are draft pending audit by KPMG; no material adjustments expected***



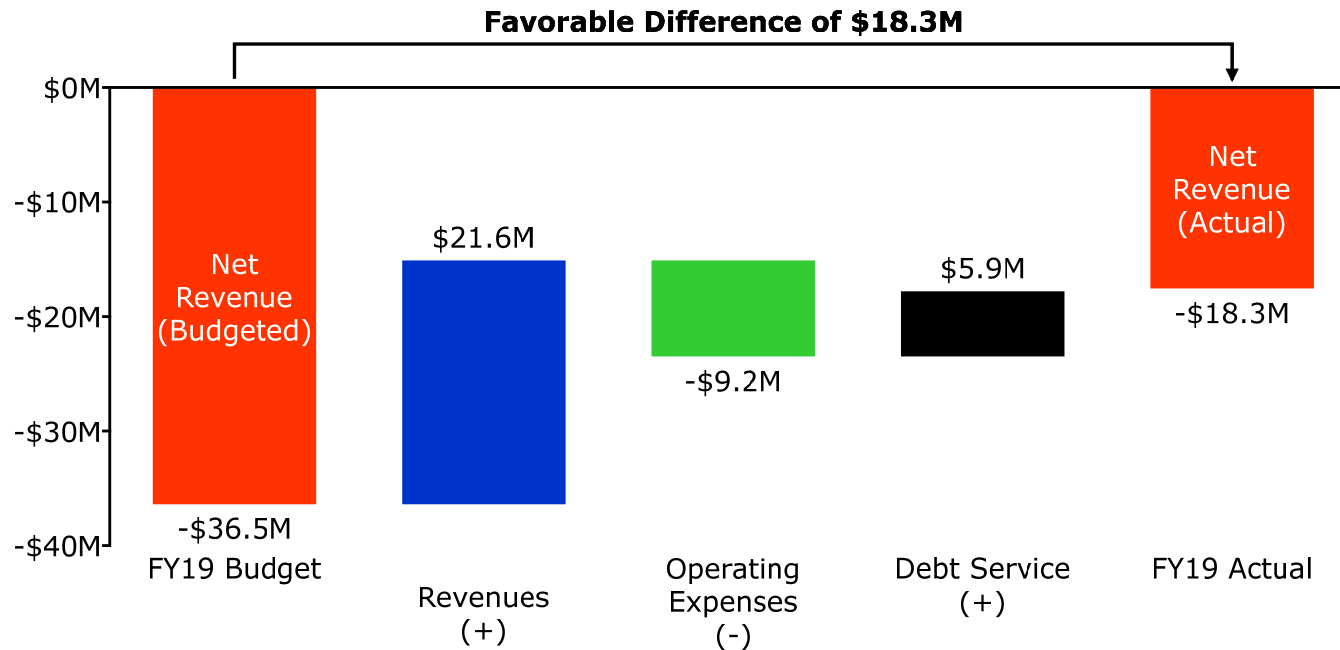
Agenda

- **Executive Summary**
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Results driven by higher operating revenues and lower debt service expenses; partially offset by operating expenses

FY19 Budget vs. FY19 Actual Results (\$M)

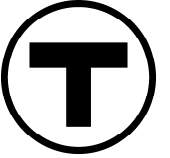


Source: MBTA Internal Data.



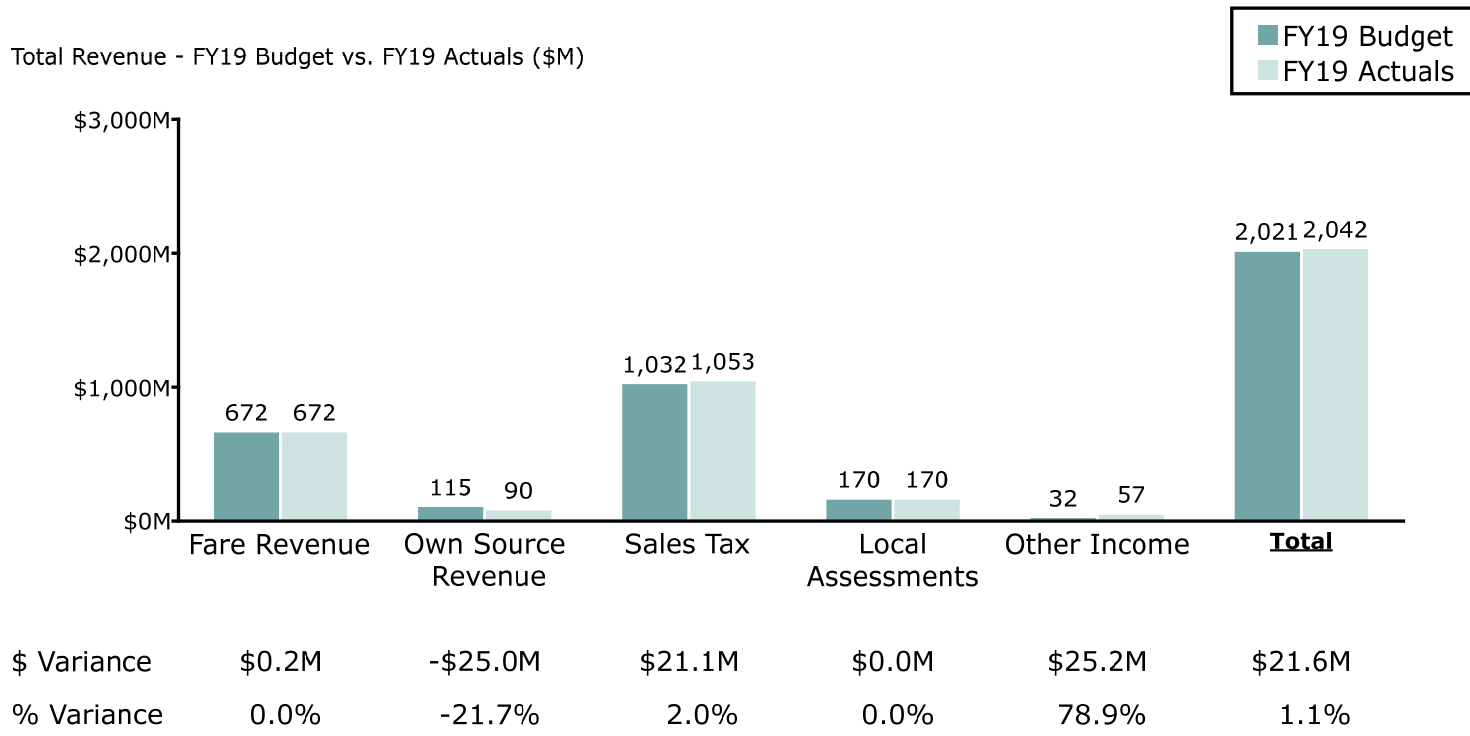
Actual results favorable to budget by \$18.2M in FY19

		FY19 BUDGET vs. FY19 ACTUALS			
	(\$M)	FY19 BUDGET	FY19 ACTUALS	\$ VARIANCE	NOTES
REVENUES	Operating Revenues	\$786.7	\$761.9	(\$24.8)	Commuter rail & ferry revenue offset by less than budgeted revenue for rail & bus
	Non-Operating Revenues	\$1,234.1	\$1,280.5	\$46.4	Parking increase delay and advertising offset by strong investment and interest income and utility rebates
	Total Revenues	\$2,020.8	\$2,042.3	\$21.6	
EXPENSES	Wages, Benefits and Payroll Taxes	\$762.4	\$752.5	\$9.9	Hiring lag savings offset by OT expense & Fringe benefits costs
	Non-Wage	\$802.0	\$821.1	(\$19.1)	Contracted services and Settlements over budget
	Operating Expenses	\$1,564.5	\$1,573.7	(\$9.2)	
	Debt Service	\$492.9	\$486.9	\$5.9	Debt not issued in FY19 – savings from planned issuance
	Total Expenses	\$2,057.3	\$2,060.6	(\$3.3)	
	Net Revenue	(\$36.5)	(\$18.3)	\$18.2	Transfer to lockbox \$108.2 M
	<i>Fare Recovery Ratio</i>	42.9%	42.7%		
	<i>Revenue Recovery Ratio</i>	52.3%	52.1%		

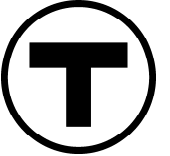


Revenue collections ahead of budget by \$21.6M

Own source revenue shortfall offset by higher sales tax & other income

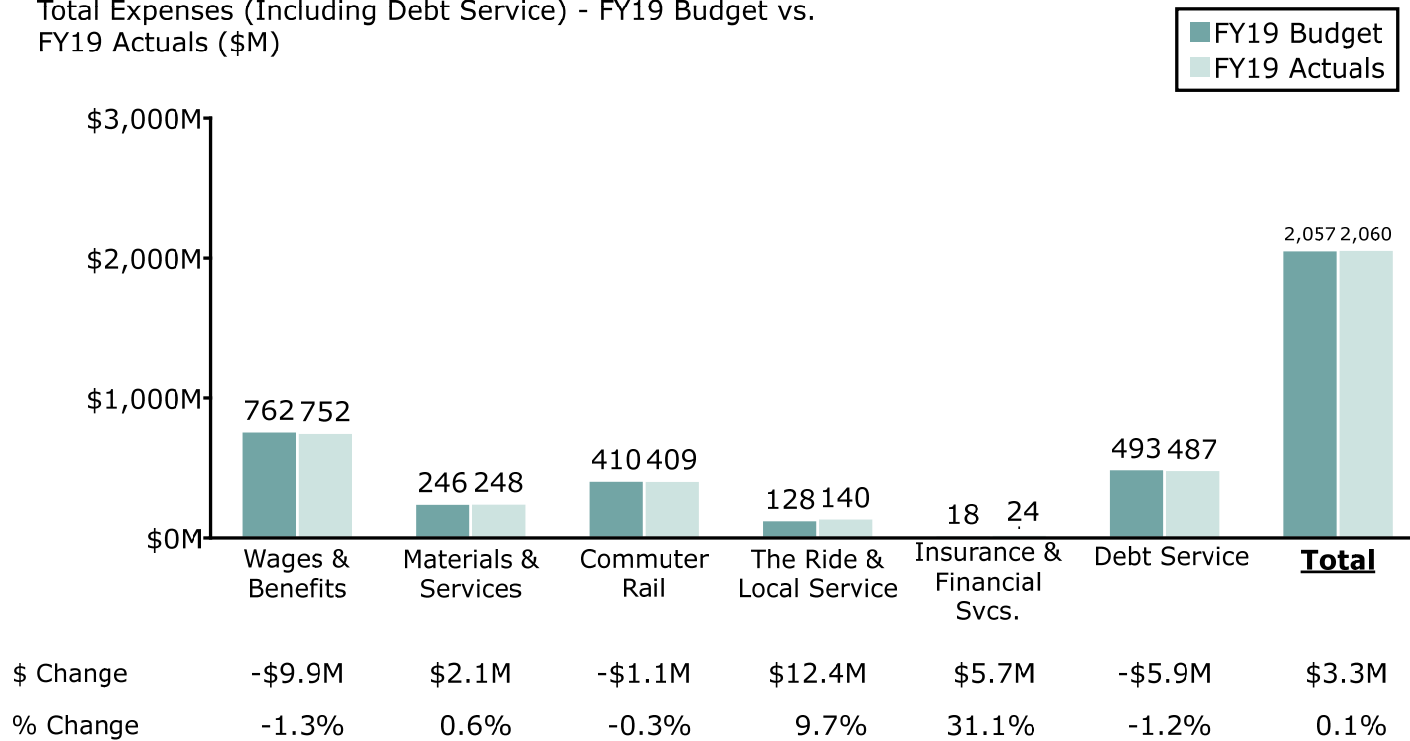


Source: MBTA Internal Data

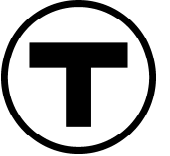


Total expenses over budget by \$3.3M; Wage & benefit savings offset by utilities, fuel, cleaning expenses, and the Ride and Ferry services

Total Expenses (Including Debt Service) - FY19 Budget vs. FY19 Actuals (\$M)

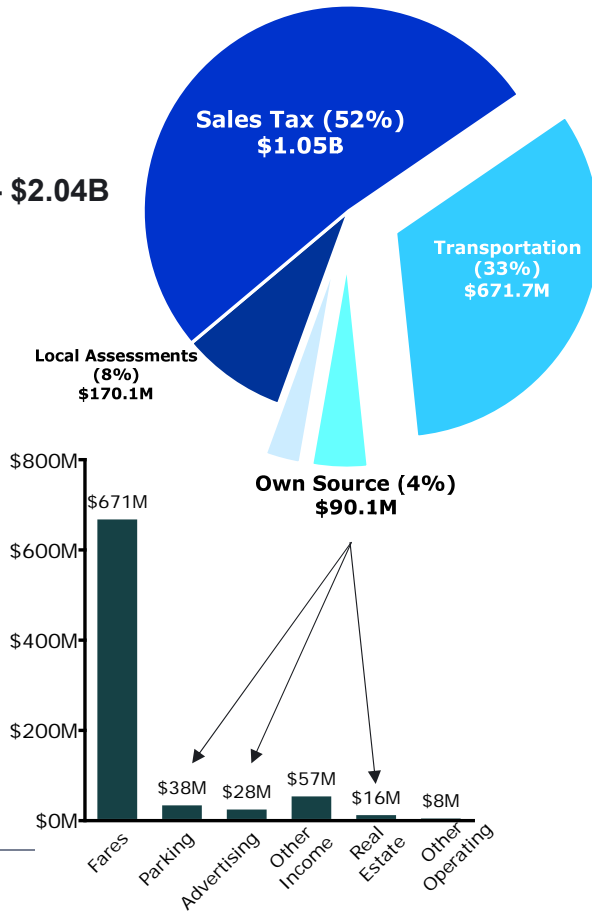


Source: MBTA Internal Data

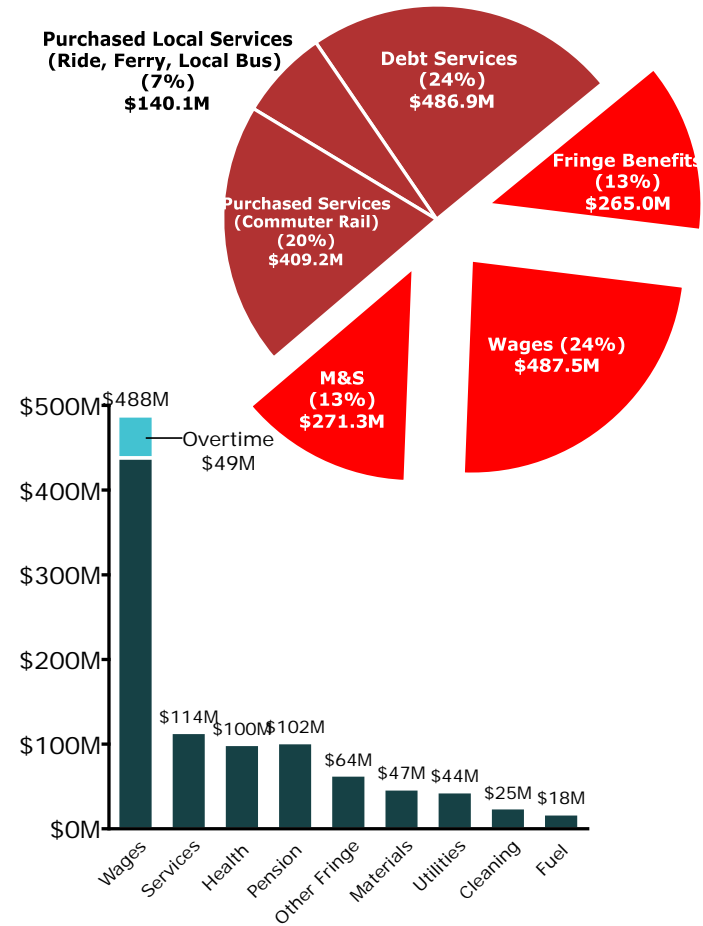


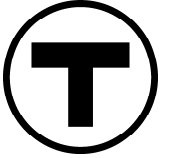
FY19A: Operating revenues 37% (\$762M) of total revenues; Personnel, benefits and materials 50% (\$1B) of total expenses

FY19A Revenue - \$2.04B



FY19A Expenses - \$2.06B





Agenda

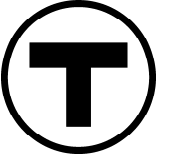
- **Executive Summary**
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FY19 year-end actuals higher than FY18 actuals

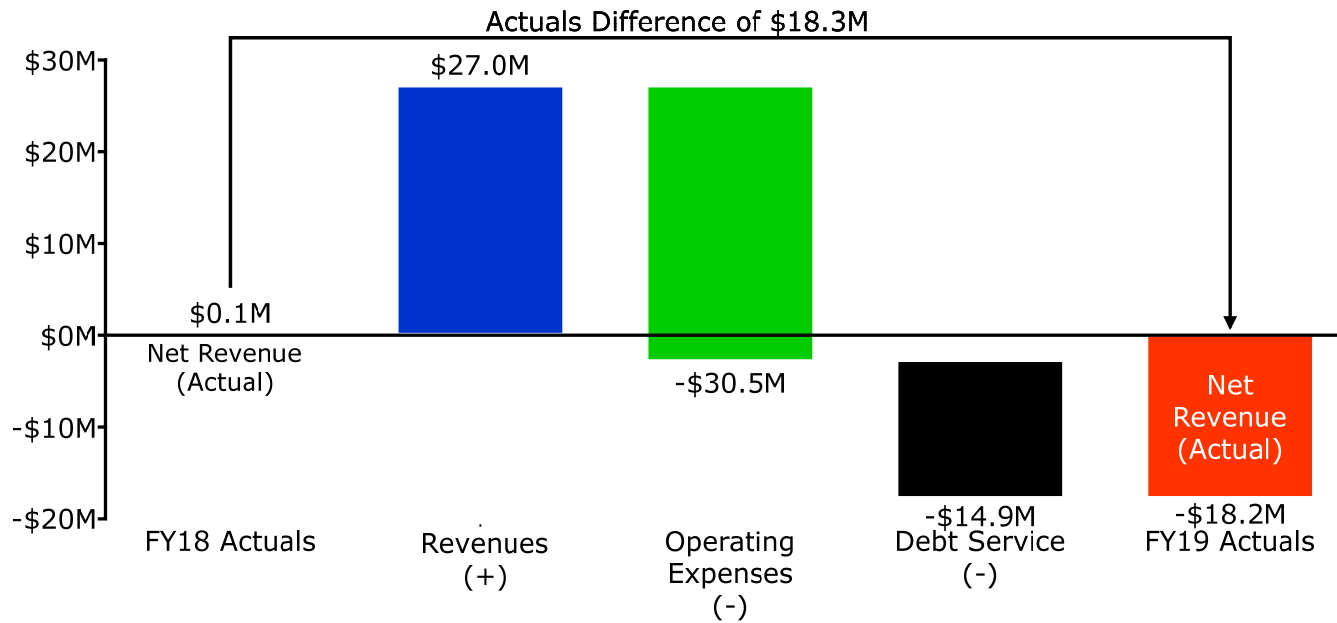
		FY19 Actual Results vs. FY18 Actual Results			
		FY18 ACTUAL	FY19 ACTUAL	\$ VARIANCE	NOTES
		(\$M)			
REVENUES	Operating Revenues	\$749.2	\$761.9	\$12.7	Commuter rail & ferry revenue continues to grow Sales tax, Interest, investment, utility incentives outpaced projections and offset less real estate & own source activity
	Non-Operating Revenues	\$1,266.1	\$1,280.5	\$14.4	
	Total Revenues	\$2,015.3	\$2,042.3	\$27.0	
EXPENSES	Wages, Benefits and Payroll Taxes	\$762.1	\$752.5	\$9.6	Attrition, timing of hires offset by CB increases, OT, pension increase Growth in materials and services and contractual increases (Ride, Ferry, Cleaning, Commuter Rail, LSS offset by Wage and debt savings)
	Non-Wage	\$781.1	\$821.2	(\$40.1)	
	Operating Expenses	\$1,543.2	\$1,573.1	(\$30.5)	1.9% growth over FY18
	Debt Service	\$472.0	\$486.9	(\$14.9)	Planned portfolio adjustments offset by variable interest and less than expected borrowing
	Total Expenses	\$2,015.2	\$2,060.0	(\$44.8)	
Net Revenue		\$0.1	(\$18.3)	(\$18.2)	
<i>Fare Recovery Ratio</i>		42.8%	42.7%		
<i>Revenue Recovery Ratio</i>		54.6%	52.1%		

*Due to rounding, numbers presented throughout this slide may not add up precisely to the totals provided

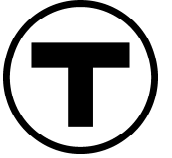


Results driven by higher operating and debt service expenses; partially offset by higher than expected operating revenues

FY19 Actual Results vs. FY18 Actual Results (\$M)



Source: MBTA Internal Data.

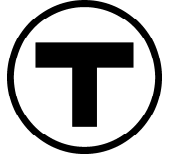


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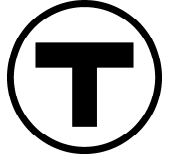
FY20 Operating Budget



FY20 Approved budget - Operating deficit - \$36.5M after additional investments

	<i>(in millions)</i>
FY20 Baseline Deficit (before Initiatives and Investments)	(\$74.0)
<hr/>	
Revenue Opportunities	\$45.5
Cost Saving Initiatives	\$13.0
Service Enhancements	(\$18.0)
Other Strategic Investments	(\$3.0)
FY20 Operating Deficit	(\$36.5)

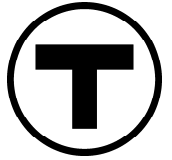
*FY20 Operating Budget Assumes certified BRA amount of \$1.063B



Summary of FY20 Initiatives

<p>Service Enhancements \$18M</p>	<ul style="list-style-type: none"> • Better Bus Project (\$6.1M) • FY20 Capital Workforce Expansion (\$3.5M) • Customer Communications (\$1.5M) • Additional Orange Line Operators (\$1M) • AFC 1.0 Continued System Support (\$0.5M) • Technology Investments (\$1M) • Additional Green Line Service (\$1.4M) • Station Services and Cleaning (\$3M)
<p>Other Strategic Investments \$3M</p>	<ul style="list-style-type: none"> • Expand MBTA property insurance coverage (\$1M) • Additional Warehouse Rent for Capital Spares (\$0.5M) • Outside Counsel Resources (\$1M) • Internal System Support (\$0.5M)
<p>Revenue Opportunities (\$45.5M)</p>	<ul style="list-style-type: none"> • Fare Increase (\$29.5M) • Reimbursement Initiatives (\$3M) • Increase Income via short-term investments (\$4M) • Maximize Advertising Revenue beyond digital live-boards (\$5M) • Real Estate Lease/License Review (\$2M) • Corporate Pass Program (\$2M)
<p>Cost Saving Initiatives (\$13M)</p>	<ul style="list-style-type: none"> • Workforce Planning Adjustment (\$3M) • RIDE Uber/Lyft Pilot Changes (\$1.5M) • Material and Supply Management Process (\$5M) • Commuter Rail Scope Changes (\$3.5M)

*New or amended line items highlighted in Red



Potential Risks and Opportunities to FY20 Operating Budget

Pension Costs

- Reduction in the assumed rate of return or changes to experience study may increase the MBTA required contribution

Workforce planning and execution

- Execution on hiring plans – impact on budget and day to day operations

Weather

- Prolonged inclement weather translates to increased spending on material and services

Procurements in Process

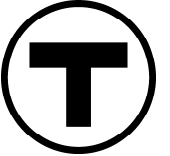
- Several high value procurements, including station & facility cleaning, RIDE vendors, etc.

One-Time Revenue Items

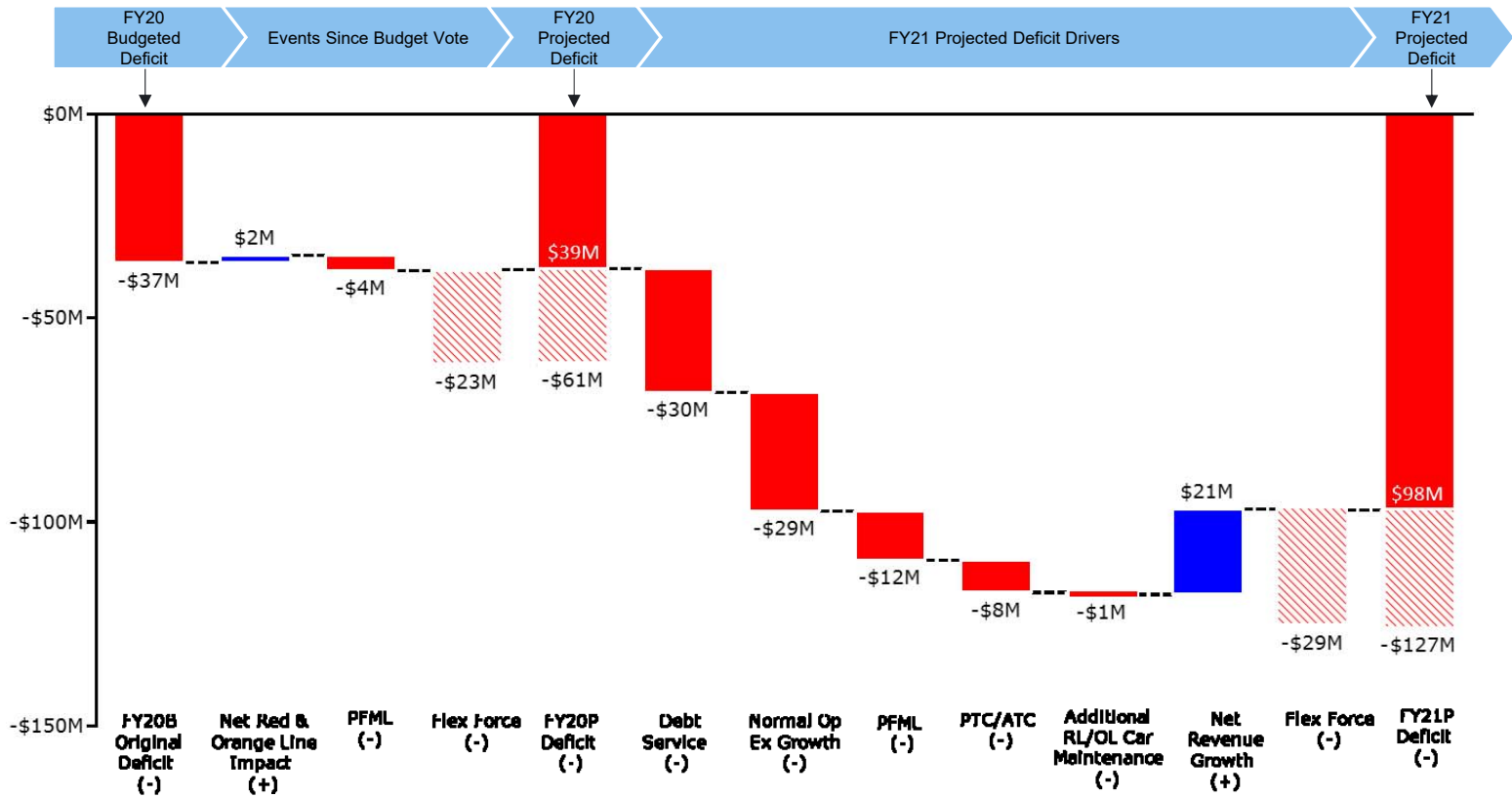
- \$50M for Flex Force to support capital acceleration – legislative action pending
- Prioritize \$18.2M in FY19 balance to lockbox to support capital acceleration
- Sales Tax certified at \$1.063B. Legislative authorization allows for potential statutory transfer up to \$1.099B (\$36M above certified amount) - Could be utilized to support flex force and operating expenses related to project acceleration

Policy reviews

- Lockbox policy – changes needed to respond to legislative limit on use of bond funds for capital employees

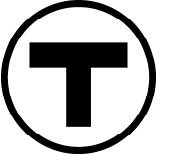


Budget Drivers: FY20-21

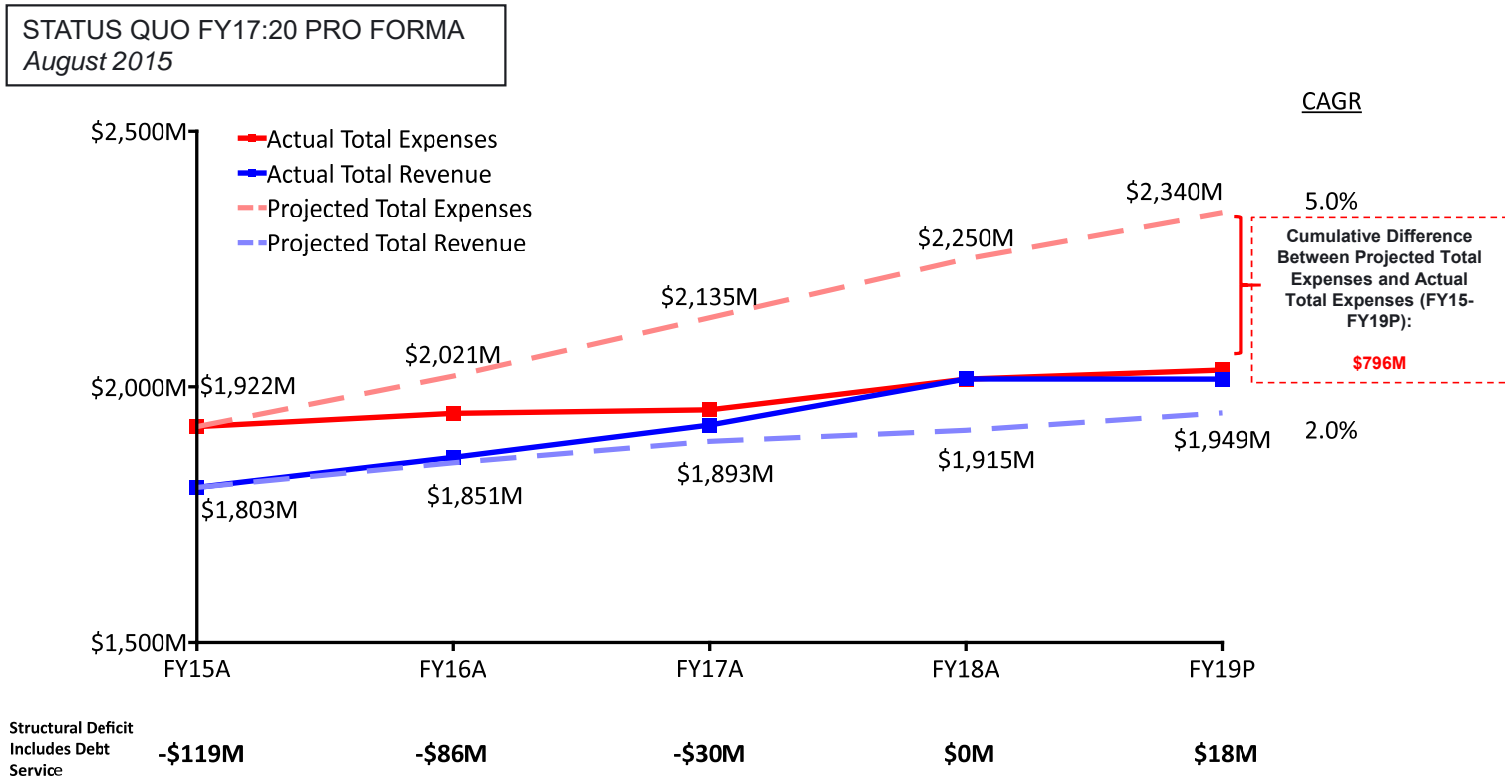


Draft for Discussion and Policy Purposes Only

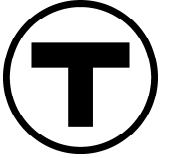
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Since the inception of the FMCB, \$796M of cumulative savings has been achieved



Note: FY19P is 11 months actuals plus 1 months budget



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Phase I is completed; however, MBTA Remains in a turnaround

Phase I: FY16-FY18

- ✓ Establish strong Fiscal & Management Control Board
- ✓ Stabilize Operating Budget
- ✓ Recruit and Hire Top Tier Talent
- ✓ Establish Accelerated Capital Investment Trajectory

Phase II – FY19 and Beyond

- Maintain Financial Discipline
- Achieve Own-Source Revenue goal of \$100M
- Execute Accelerated Capital Delivery Plan (eliminate project bottlenecks)
- Execute on Business Process Redesign & Implement Technology Upgrades
- Improve Workforce planning