



**Massachusetts Bay
Transportation Authority**

FY21 Revised Operating Budget

Fiscal and Management Control Board

David Panagore

May 4, 2020

Agenda

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2. Proposed Operating Budget Timeline
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 - Ridership and Fare Revenue Models
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 - Budget Scenarios
 - Initiative Prioritization, Headcount & Expense Detail
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Overview

- Overall objective for FY21 is for budget to support return to full FY20 service levels even while assuming substantially lower ridership and fares, thus ensuring that 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 MBTA to support FY20 service levels, although safety headcount will have to be phased in depending on revenue availability.
- No budget scenario requests any increase in fares and all support elimination of cash/Charlie Ticket surcharge (and transfers on the Fairmont Line) as part of stage 1 and 2 of fare transformation, which will help riders who are paying separately for each trip rather than using passes or stored value Charlie Cards.
- The budget scenarios and recommendation are for an initial budget, which we anticipate re-visiting quarterly and/or as events transpire.



Approach

- Revenue models are grounded in ridership activity/projection
- All budget scenarios are constrained by lower fare revenue due to substantially lower ridership projections
- State Contract Assistance FY20 funding level (\$127M) assumed, will be reviewed after passage of State Budget
- Sales Tax assumed to be at Base Revenue Amount as per State Comptroller certification (3/6/2020)
- CARES Act funding replaces lost revenue and is fully expended in FY21
- No furloughs or layoffs in any budget scenario



Proposed 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
- ✓ March 24: Stay at Home Order - All non-essential businesses directed to cease in person operation
- ✓ 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
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- June/July: Revisit FY21 Operating Budget upon adoption of State Budget

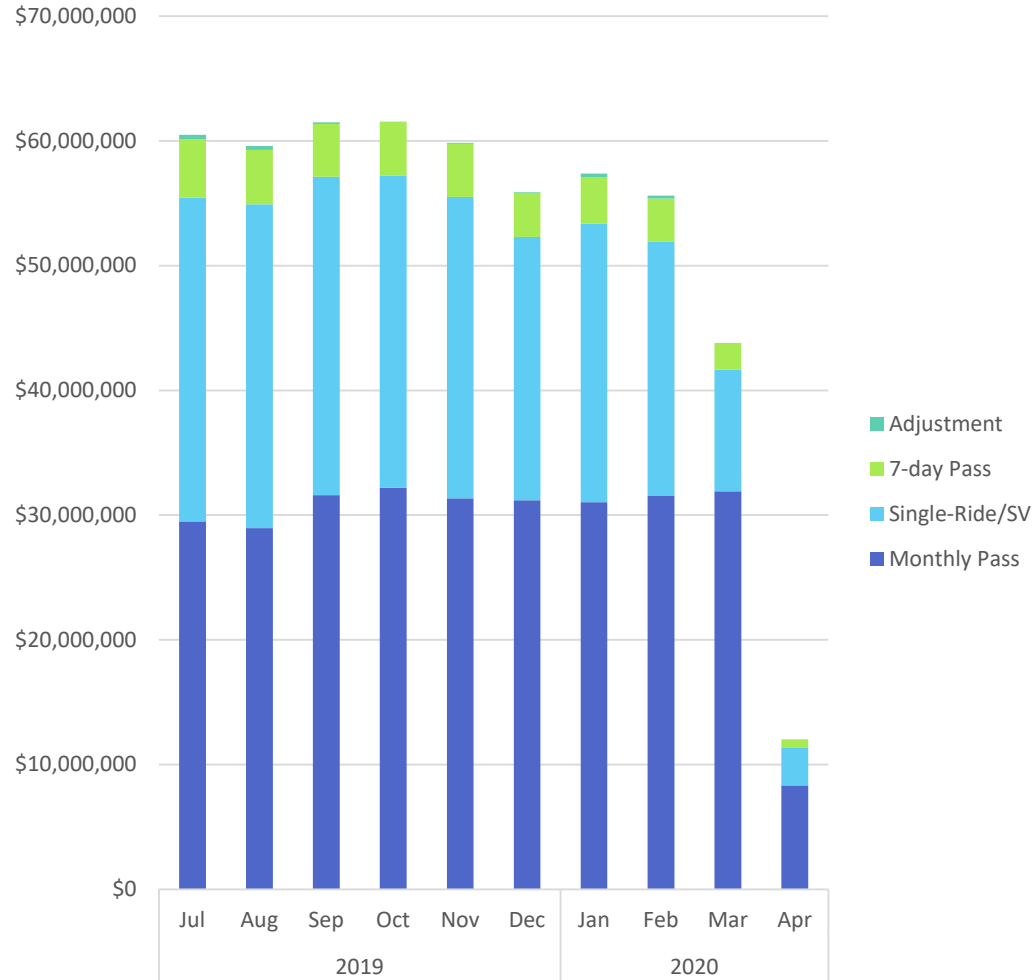


Revenue Scenarios

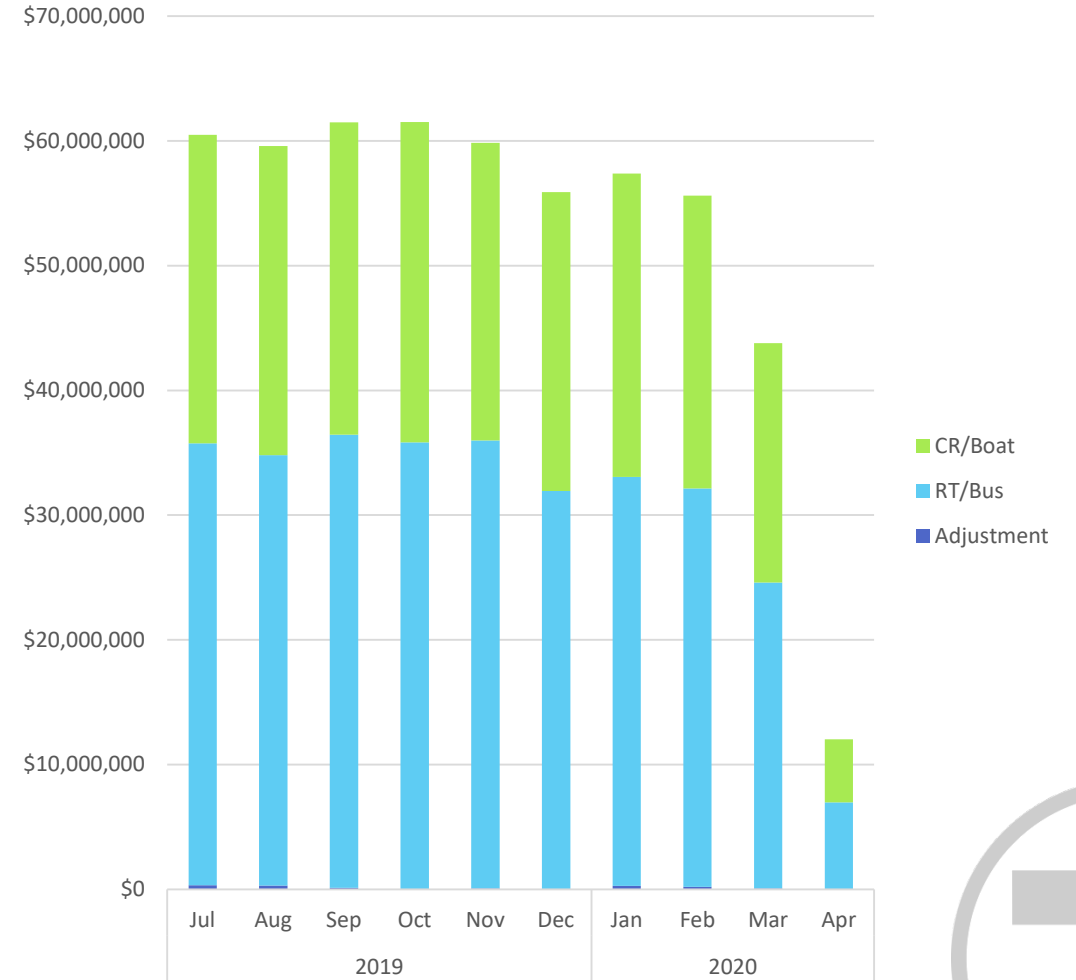


Revenues: April revenue ~80% below typical month across commuter rail, rapid transit, and bus

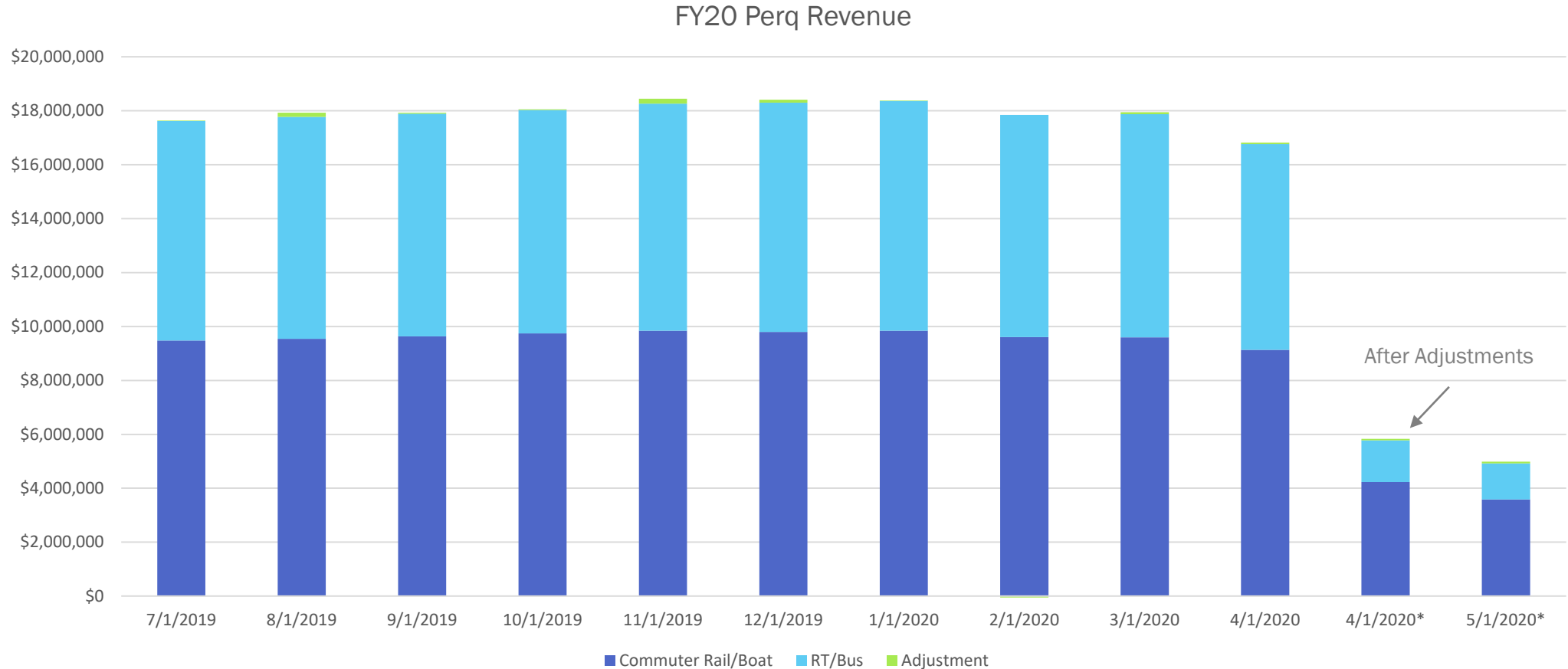
FY20 Fare Revenue by Product Type



FY20 Fare Revenue by Mode



Revenues: Perq anticipated revenues for May down ~70% vs March



April projected revenue includes \$4.9M in CR/Boat returns and 80% of RT/Bus cards to be credited. Actual credit amount will be evaluated for RT/Bus after April month-end.
May projected revenue projects 10% of CR/Boat to be returned and 80% of RT/Bus cards to be credited. Actual credit amount will be evaluated for RT/Bus after May month-end.



Ridership & Fare Assumptions

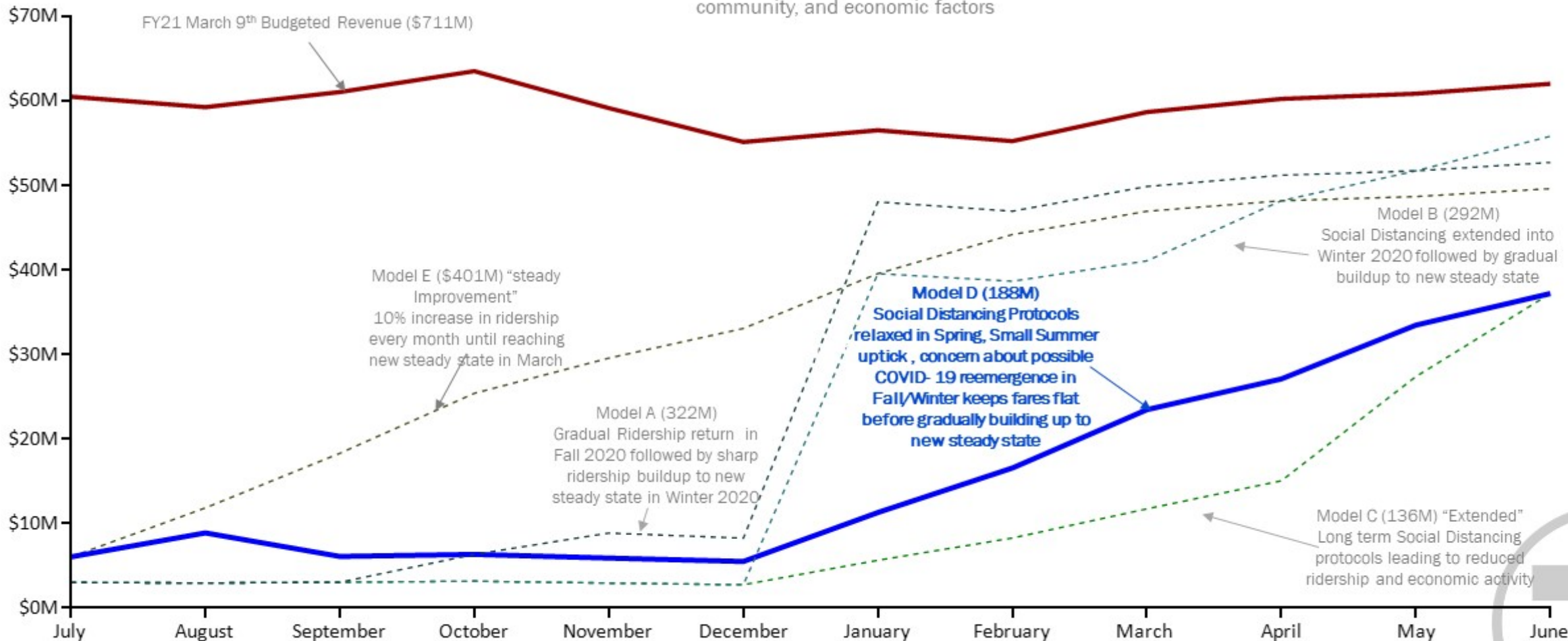
- Significant decline in monthly fare products
 - But notably, not as steep as single-ride products (down ~85% from a typical month)
- Ridership recovery will be influenced by variety of factors:
 - Extent to which State and Federal (CDC) guidance and/or requirements reduce capacity
 - Customer perception of safety and willingness to use transit
 - Employer decisions and telecommute behavior
 - Changing traffic patterns
 - Price competition: gas and parking
- Implementation of stage 1 and 2 benefits of fare transformation including commuter rail gates, transfers on the Fairmont line, and equalizing Charlie Card and CharlieTickets/Cash Fares
- Team currently evaluating a wide variety of program and product responses



FY21 Monthly Ridership/Fare Revenue Models

FY21 Fare Revenue Sensitivity Analysis

Inflection points depend on external medical, community, and economic factors



Range of FY21 Revenue Models

- Revenue assumptions as of 4/28 are between \$502.9M - \$760.6M lower than March 9th FY21 Budget Presentation
- *Staff recommends Model D*

FY21 Revenue Scenarios						
Revenue Category	Fy21 Prelim. Budget	Model A	Model B	Model C	Model D	Model E
Operating Revenues						
Revenue from Transportation	711.6	332.8	292.7	136.2	187.8	401.2
Other Operating Revenues	100.5	73.8	59.9	48.7	41.4	41.4
Total Operating Revenues:	812.1	406.6	352.6	184.9	229.2	442.6
Total Non-Operating Revenues:						
Dedicated Sales Tax Revenue	1,136.0	1,083.0	1,083.0	1,083.0	1,083.4	1,083.0
Dedicated Local Assessments	177.4	177.9	177.9	177.9	177.9	177.9
Other Income	43.6	38.9	36.4	35.7	35.7	35.7
Additional State Assistance	200.0	127.0	127.0	127.0	127.0	127.0
Total Non-Operating Revenues:	1,557.0	1,426.7	1,424.2	1,423.6	1,424.0	1,423.6
Total Revenues:	2,369.1	1,833.4	1,776.9	1,608.5	1,653.1	1,866.2
Revenue Loss Compared to FY21 Prelim. Budget		(535.7)	(592.2)	(760.6)	(716.0)	(502.9)

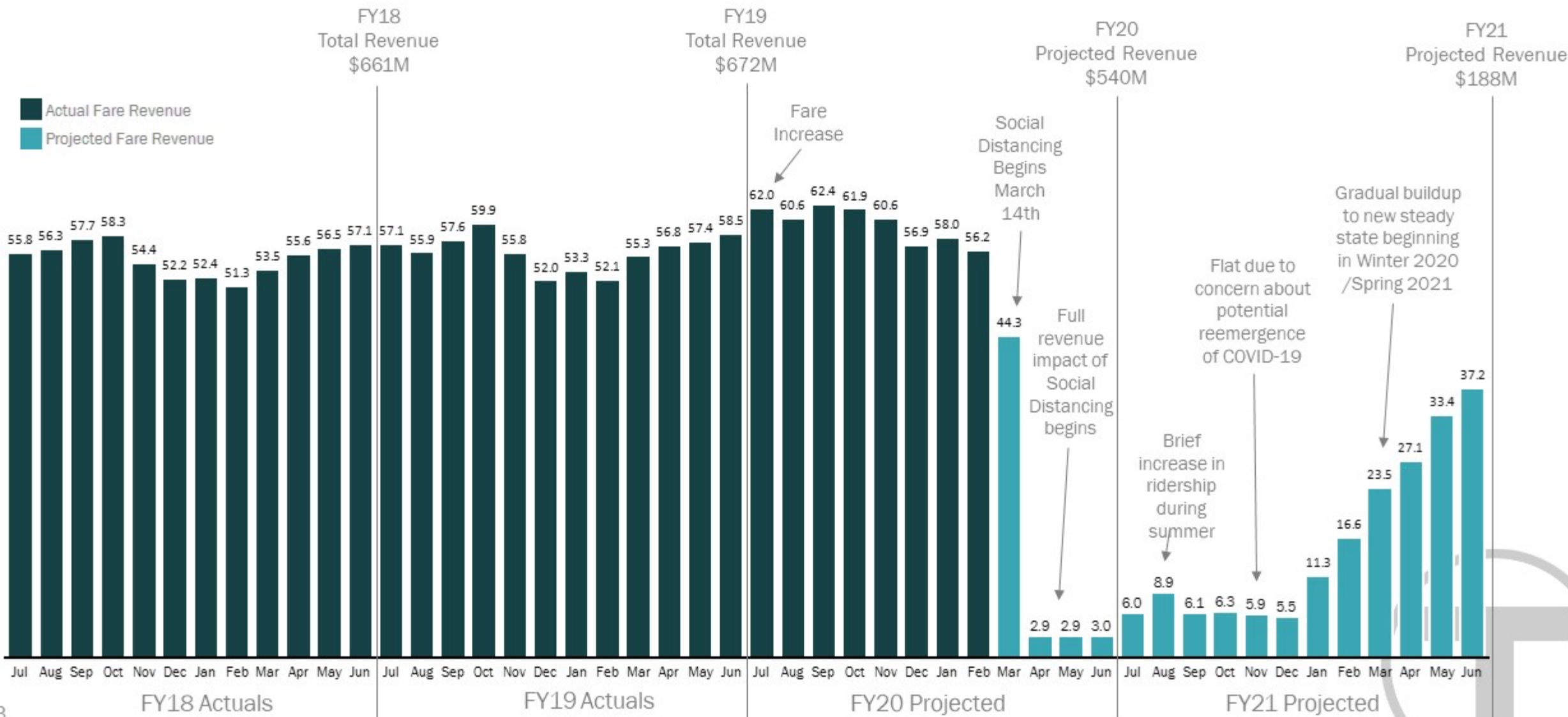
FY21 Updated Ridership/Revenue Assumptions

- 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



Historical Fare Revenue vs. Projected Fare Revenue



Operating Budget Scenarios



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



Pay-Go/Lockbox Assumptions

- CIP funding sources previously presented to the FMCB assumed a continuation of \$150M in annual lockbox deposits - \$60M in state bond cap and \$90M in operating assistance.
 - Lockbox funds are programmed to specific projects as well as salary costs for bond-funded projects
- Given the current statutory restriction on use of bond funds for capital salaries, lockbox funds are the only available source to pay personnel costs for projects funded by State and MBTA bond proceeds.
 - Capital salary costs estimated ~\$66M for FY21; \$40M for bond-funded projects and \$26M for lockbox-funded projects
- All budget scenarios assume full \$127 million of additional contract assistance is dedicated to the operating budget, with no funds available for the capital program projects via the lockbox.
- In order to minimize disruption to the capital program and continue in-flight projects:
 - MBTA requests enactment of legislative proposal to lift the restriction on the use of bond funds for capital salaries
 - Projects currently funded by lockbox would be shifted to alternative funding sources
- Anticipated FY21 capital spending goals are achievable without the lockbox as a source of project funding



Budget Scenario Assumptions

- **Model D “Current Model”** revenue assumption is the same across all scenarios
- COVID-19 related expenses for Materials & Services are included
- Utilization of available Capital Maintenance Funds for specialized inspections (third party)
- Safety & Infrastructure funds to be utilized for maintenance and PMI related activities
- All scenarios 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
 - Rail Transformation
 - Bus Transformation
- All scenarios stagger hiring to maximize wage & fringe savings
- Revised state funding levels are included in Total Revenue



FY21 Budget Scenarios

Scenario 1: Recommended Initial Operating Budget

- Safety initiative is funded at 50% (151)
- All other Initiatives delayed until FY22
- Some separated positions eligible for backfill (204 out of 498)

Scenario 2:

- Safety Initiative is fully funded (303).
- All other Initiatives delayed until FY22
- Some separated positions eligible for backfill (204 out of 498)

Scenario 3:

- Fully funding budget priorities established in Prelim Budget (March 9) through a rigorously controlled hiring plan (see next slide)
 - Safety Panel Recommendations (303)
 - Peak Bus Expansion (80)
 - Other Operational Initiatives (31)
 - Light/Heavy Rail (38)
- Some separated positions eligible for backfill (204 out of 498)

Scenario 3A:

- Contingent on/triggered by legislative relief from Capital Salaries
- Headcount, budget priorities, and policy choices made same as Scenario 4

	Prelim. Budget	Scen. 1	Scen. 2	Scen. 3	Scen. 3a
Total Operating & Non-Operating Revenue	2,387.6	1,653.1	1,653.1	1,653.1	1,653.1
FY21 Available Federal Assistance	-	577.0	577.0	577.0	577.0
FY20 Rollover	-	76.0	76.0	76.0	76.0
FEMA Reimbursement	-	30.0	30.0	30.0	30.0
Total Available Funds	2,387.6	2,336.1	2,336.1	2,336.1	2,336.1
Estimated COVID-19 Expenses	-	30.0	30.0	30.0	30.0
Operating Expenses	1,741.7	1,718.9	1,718.9	1,718.9	1,718.9
Debt Service	514.0	523.5	523.5	523.5	523.5
Capital Salaries	66.4	66.4	66.4	66.4	-
Total Expenses Baseline	2,322.2	2,338.8	2,338.8	2,338.8	2,272.4
Remaining Balance Available for Initiatives	65.4	(2.7)	(2.7)	(2.7)	63.7
Budget Priorities					
Safety Panel Recommendations	44.3	22.2	44.3	44.3	44.3
Other Operational Initiatives	4.0	-	-	5.1	5.1
PFML	4.2	-	-	-	-
Total Budget Priorities	52.5	22.2	44.3	49.4	49.4
Policy Choices Made					
Rail Transformation	-	-	-	-	-
Fare Transformation	-	-	-	-	-
Peak Bus Expansion	6.5	-	-	6.7	6.7
Light/Heavy Rail	4.9	-	-	4.7	4.7
Policy Choices Made Total	11.4	-	-	11.4	11.4
Policy Choices to be Made					
Bus Transformation	0.6	-	-	-	-
Service Enhancements	4.5	-	-	-	-
Bus/Network Redesign	1.4	-	-	-	-
Weekend Pilots	0.6	-	-	-	-
Policy Choices to be Made Total	7.1	-	-	-	-
Initiatives Grand Total	71.0	22.2	44.3	60.8	60.8
Net Revenue/Expenses	(5.6)	(24.9)	(47.0)	(63.5)	2.9
Semi-Restricted Safety & Infrastructure Support Funding**	NA	17.0	17.0	17.0	17.0
Capital Maintenance Fund	NA	10.0	10.0	10.0	10.0
Net Revenue/Expenses	(5.6)	2.1	(20.0)	(36.5)	29.9

FY21 Initiative Prioritization Sequence

- Initiative prioritization based upon decisions made in March 9th preliminary budget
- Additional hires from March 9th preliminary budget to be funded in order appearing in table
- Hiring is staggered across the months to align with implementation
- All initiative hiring to be rigorously controlled to stay within budget constraints
- Request guidance for prioritization for Policy Choices to be Made
- If additional revenue is realized, should the initiatives previously included in March 9th preliminary budget be re-sequenced?
 - Should all safety funding be included or should it be spread out over a longer period of time?
 - Should peak bus expansion be prioritized in order to address potential social distancing issues on buses?
 - What is relative importance of each other initiative?



FY21 Initiative Prioritization Sequence (Scenario 1)

- As fare revenue improves, available funding will be dedicated to restoring initiative headcount up to March 9th proposed levels
- 151 Safety Panel Recommendation positions are included in Scenario 1
- 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 9th, subsequent revenues allocated to Policy Choices Made and Policy Choices to be Made

Initiative Description (ordered in terms of priority)	FY20 Hires Included in All Scenarios	Scenario 1 Additional Hires in FY21	Initiative Expense	Prelim. Budget Additional Hires in FY21
Budget Priorities				
Safety Panel Recommendations	30	151	\$22.2	275
Other Operational Initiatives	6	-	\$5.1	25
PFML	-	-	\$1.6	33
Total Budget Priorities	36	151	\$28.9	333
Policy Choices Made				
Rail Transformation	5	-	\$0.0	-
Fare Transformation	9	-	\$0.0	-
Peak Bus Expansion	3	-	\$6.4	50
Light/Heavy Rail	-	-	\$4.9	38
Policy Choices Made Total	17	-	\$11.3	88
Policy Choices to be Made				
Bus Transformation	5	-	\$0.3	3
Service Enhancements	-	-	\$2.2	34
Bus/Network Redesign	1	-	\$1.4	12
Weekend Pilots	-	-	\$0.6	5
Policy Choices to be Made Total	6	-	\$4.5	54
Initiatives Total Headcount	59	151	\$44.7	475

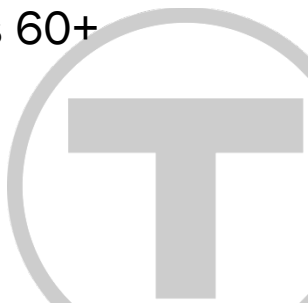
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CARES Act Refresher – Provisions of Federal Stimulus

- 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



FY21 Initiative Prioritization Sequence (Scenario 2)

- As fare revenue improves, available funding will be dedicated to restoring initiative headcount up to March 9th proposed levels
- 303 Safety Panel Recommendation positions are included in Scenario 3
- Including 303 safety positions results in a \$20M deficit by FY21 year end
- After Safety Panel Recommendation funding needs are fulfilled, next \$5.1M in available revenue dedicated to Other Operational Initiatives
- After Other Operational Initiative funding needs are fulfilled, next \$1.6M in available revenue dedicated to PFML
- After Budget Priority funding levels are restored to proposed levels from March 9th, next revenue sources allocated to Policy Choices Made and Policy Choices to be Made

Initiative Description (ordered in terms of priority)	FY20 Hires <i>Included</i> <i>in All</i> <i>Scenarios</i>	Projected FY21 Ending Balance		Prioritization of Additional Available Revenue
		-\$5.6	-\$20.0	
		<u>Prelim.</u> <u>Budget</u> Additional Hires in FY21	<u>Scenario</u> <u>3</u> Additional Hires in FY21	
Budget Priorities				
Safety Panel Recommendations	30	275	303	\$0.0
Other Operational Initiatives	6	25	-	\$5.1
PFML	-	33	-	\$1.6
Total Budget Priorities	36	333	303	\$6.7
Policy Choices Made				
Rail Transformation	5	-	-	\$0.0
Fare Transformation	9	-	-	\$0.0
Peak Bus Expansion	3	50	-	\$6.4
Light/Heavy Rail	-	38	-	\$4.9
Policy Choices Made Total	17	88	-	\$11.3
Policy Choices to be Made				
Bus Transformation	5	3	-	\$0.3
Service Enhancements	-	34	-	\$2.2
Bus/Network Redesign	1	12	-	\$1.4
Weekend Pilots	-	5	-	\$0.6
Policy Choices to be Made Total	6	54	-	\$4.5
Initiatives Total Headcount	59	475	303	\$22.5

FY21 Initiative Prioritization Sequence (Scenario 3)

- As fare revenue improves, available funding will be dedicated to restoring initiative headcount up to March 9th proposed levels
- 303 Safety Panel Recommendation, 31 Other Operational Initiative, 80 Peak Bus, and 38 Light/Heavy Rail positions are included in Scenario 4
- Including these positions results in a \$36.5M deficit by FY21 year end
- After Budget Priority funding levels are restored to proposed levels from March 9th, next revenue sources allocated to Policy Choices to be Made

		Projected FY21 Ending Balance		
		-\$5.6	-\$36.5	
Initiative Description (ordered in terms of priority)	FY20 Hires <i>Included in All Scenarios</i>	<u>Prelim. Budget</u>	<u>Scenario 4</u>	Prioritization of Additional Available Revenue
		Additional Hires in FY21	Additional Hires in FY21	
Budget Priorities				
Safety Panel Recommendations	30	275	303	\$0.0
Other Operational Initiatives	6	25	31	\$0.0
PFML	-	33	-	\$1.6
Total Budget Priorities	36	333	334	\$1.6
Policy Choices Made				
Rail Transformation	5	-	-	\$0.0
Fare Transformation	9	-	-	\$0.0
Peak Bus Expansion	3	50	80	\$0.0
Light/Heavy Rail	-	38	38	\$0.0
Policy Choices Made Total	17	88	118	\$0.0
Policy Choices to be Made				
Bus Transformation	5	3	-	\$0.3
Service Enhancements	-	34	-	\$2.2
Bus/Network Redesign	1	12	-	\$1.4
Weekend Pilots	-	5	-	\$0.6
Policy Choices to be Made Total	6	54	-	\$4.5
Initiatives Total Headcount	59	475	452	\$6.1

FY21 Initiative Prioritization Sequence (Scenario 3a)

- Legislative relief from restriction on Capital Salaries would allow operating funds to be expended on proposed initiatives
- As revenue situation improves, available funding will be dedicated to restoring initiative headcount up to March 9th proposed levels
- 303 Safety Panel Recommendation, 31 Other Operational Initiative, 80 Peak Bus, and 38 Light/Heavy Rail positions are included in Scenario 4a
- After Budget Priority funding levels are restored to proposed levels from March 9th, next revenue sources allocated to Policy Choices to be Made

		Projected FY21 Ending Balance		
		-\$5.6	\$29.9	
Initiative Description (ordered in terms of priority)	FY20 Hires <i>Included in All Scenarios</i>	Prelim. Budget	Scenario 4A	Prioritization of Additional Available Revenue
		Additional Hires in FY21	Additional Hires in FY21	
Budget Priorities				
Safety Panel Recommendations	30	275	303	\$0.0
Other Operational Initiatives	6	25	31	\$0.0
PFML	-	33	-	\$1.6
Total Budget Priorities	36	333	334	\$1.6
Policy Choices Made				
Rail Transformation	5	-	-	\$0.0
Fare Transformation	9	-	-	\$0.0
Peak Bus Expansion	3	50	80	\$0.0
Light/Heavy Rail	-	38	38	\$0.0
Policy Choices Made Total	17	88	118	\$0.0
Policy Choices to be Made				
Bus Transformation	5	3	-	\$0.3
Service Enhancements	-	34	-	\$2.2
Bus/Network Redesign	1	12	-	\$1.4
Weekend Pilots	-	5	-	\$0.6
Policy Choices to be Made Total	6	54	-	\$4.5
Initiatives Total Headcount	59	475	452	\$6.1