

# Massachusetts Bay Transportation Authority

## FY21 Itemized Operating Budget Revised

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Fiscal and Management Control Board

May 11, 2020

Mary Ann O'Hara

# Agenda

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## 1. Timeline & Overview

## 2. FY21 Itemized Operating Budget

- Structural Assumptions/Considerations
- Revenue and Expense Assumptions
- Historical Revenue and Expenses
- Itemized Budget
- Initiative Prioritization
- Budget Vote Language
- Next Steps



# 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**
- May 12: MBTA Advisory Board Meeting
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# Overview

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- 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
- 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 Stages 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 quarterly and/or as events transpire.



# Structural Assumptions/Considerations

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- Medium- to long-term ridership recovery trends are uncertain due to COVID-19 impact
- Overtime costs will fluctuate depending on staffing and service level decisions
- Operating Expense excluding debt service CAGR (4.4%) have increased faster than Revenue CAGR (-8.3%) over 4 years
- New state-wide PFML benefit begins 1/1/2021
- Pension Expense is dependent on rate of return, employer contribution rate, and headcount
- Pre-Existing Headcount Related Structural Issues will be monitored
  - Bus Operator Turnover & Overtime
  - Police Hiring through Civil Service
  - Service Impacts stemming from required E&M training periods



# Assumptions for FY21 Operating Budget

## Revenue

- State Contract Assistance at FY20 funding level of \$127M
- Sales Tax adjusted to Base Revenue Amount of \$1,083M
- No change to fare structure proposed
- Reduction in Fare, Parking, Real Estate & Advertising revenue
- Ridership and fare revenue recovery, due to COVID-19, 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 and gas & parking price competition
- Federal Funding from the CARES Act available to support expenses
- Safety & Infrastructure Support Funds (\$17M) and Capital Maintenance Fund Withdrawal (\$10M) included in FY21 Revenue to support Safety Panel Recommendations



# Assumptions for FY21 Operating Budget

## Expenses

- Wages adjusted for annual collective bargaining, no furloughs or layoffs assumed
- COVID-19 Expenses:
  - Full year COVID-19 related expenses (Cleaning, PPE) approx. \$30M estimated for FY21
  - Budget assumes FEMA reimbursement of COVID-19 related expenses through MEMA
- Contractual increases for commuter rail (\$25M), other materials, services, supplies adjusted to reflect service level assumptions
- Utility and commodity expenses estimated and updated based on national market rates
- Pension employer contribution rate increase

## Debt Service

- Debt is issued consistent with policy
- FY21 issuances estimated \$400M - \$520M (dependent upon capital program expenditures)



# FY21 Ridership/Revenue Assumptions

- Percentages reflect a conservative ridership model based upon how much of the original FY21 budgeted amount will be collected
- 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) \$1,083M

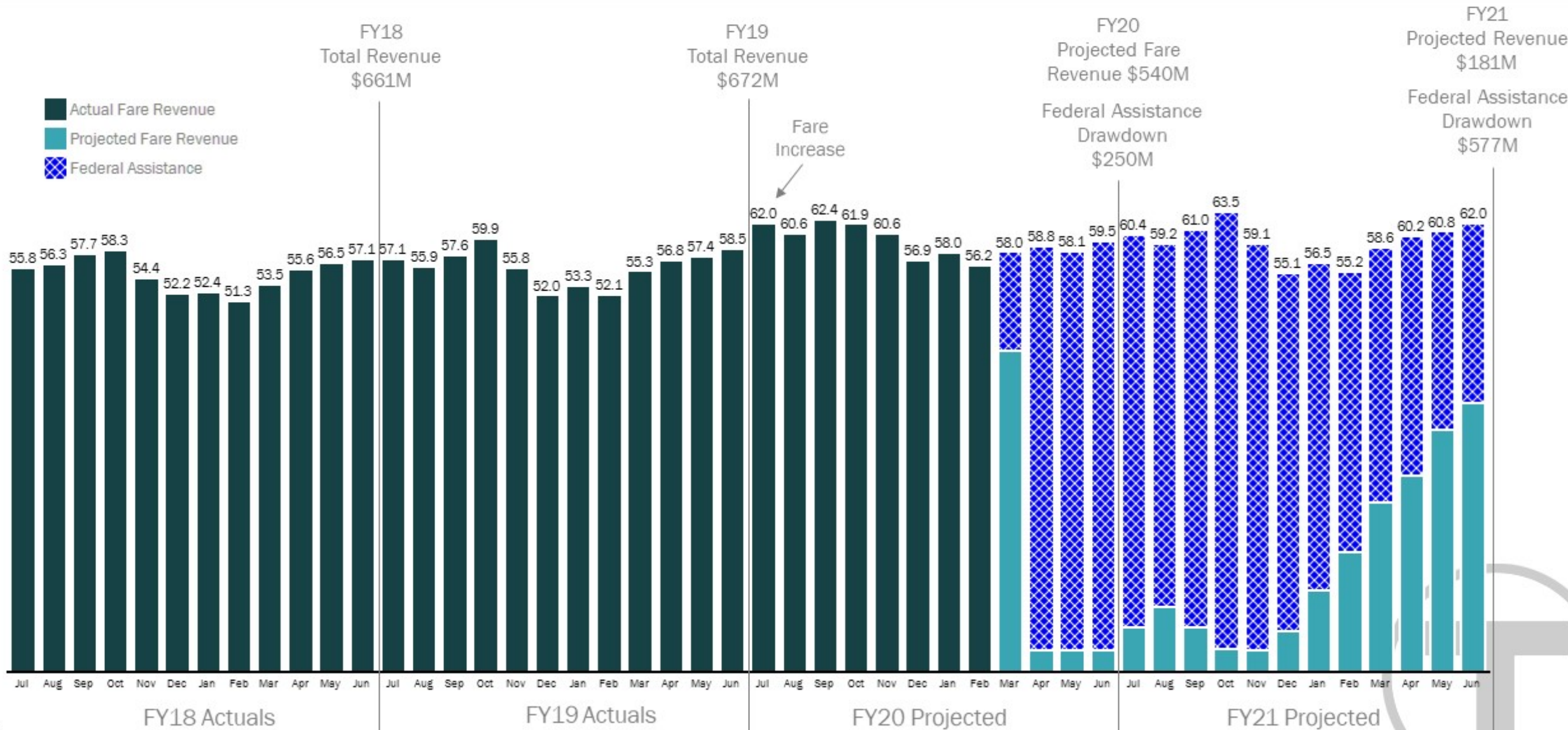
Revenue Source	FY21 - Model D												Total
	Q1			Q2			Q3			Q4			
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Fare Revenue**	10%	15%	10%	10%	10%	10%	20%	30%	40%	45%	55%	60%	26%
Sales Taxes	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	BRA	95%
Own Source Revenue	31%	31%	31%	31%	31%	31%	35%	40%	45%	50%	60%	70%	41%
Local Assessments	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	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	\$123.1	\$128.6	\$125.3	\$126.0	\$125.6	\$129.0	\$133.7	\$134.8	\$142.6	\$146.4	\$154.3	\$183.6	\$1,653.1
Variance	-\$74.1	-\$64.2	-\$72.3	-\$71.4	-\$66.8	-\$64.0	-\$59.7	-\$51.4	-\$49.4	-\$50.5	-\$43.6	-\$48.5	-\$716.0

\*\*Note: Fare Revenue percentages are based on the pre-COVID ridership projections as incorporated in the preliminary budget presented on March 9th





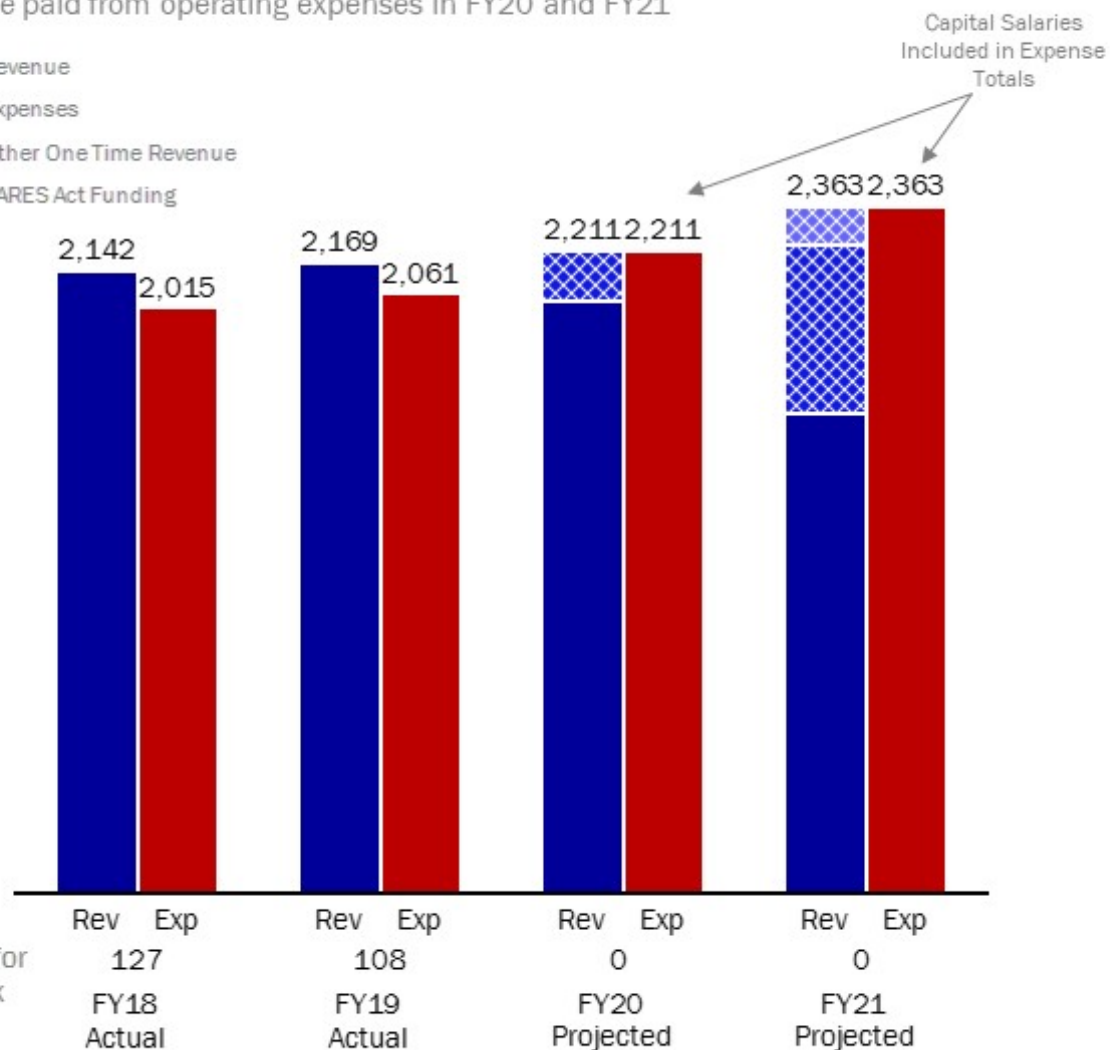
# Historical Fare Revenue vs. Projected Fare Revenue Including CARES Act Federal Assistance



# Historical Revenue and Expenses

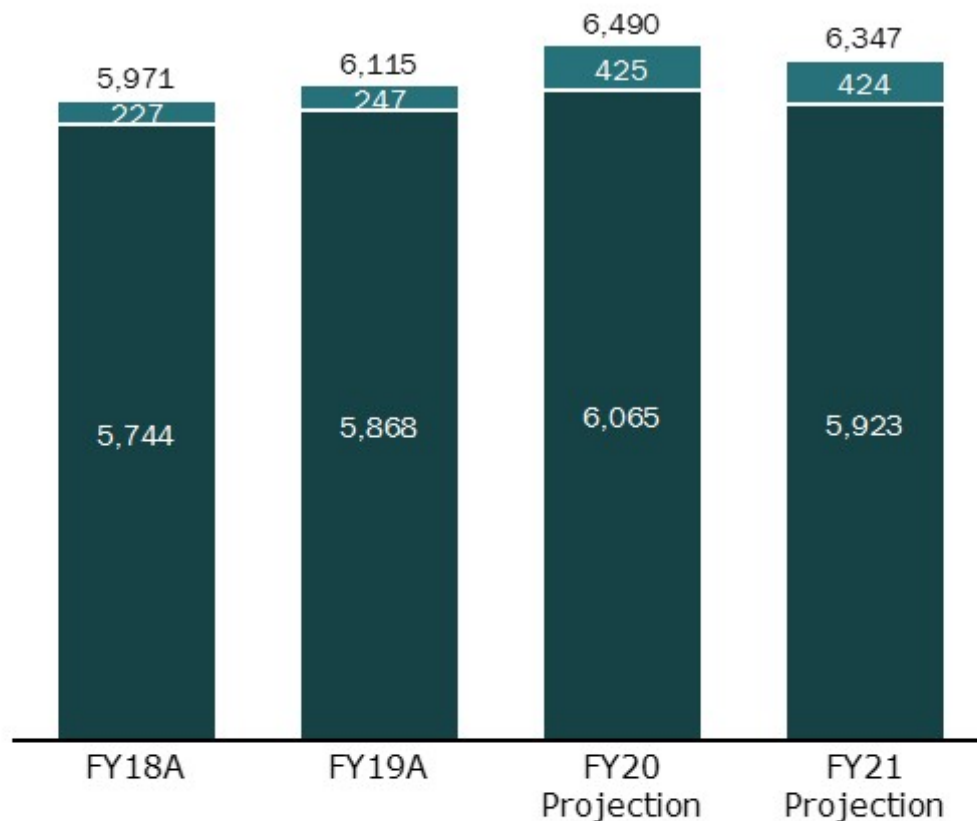
Capital Salaries paid out of lockbox in FY18 and FY19 while paid from operating expenses in FY20 and FY21

- Revenue
- Expenses
- Other One Time Revenue
- CARES Act Funding



FY18 - FY20 Headcount Increase

- Capital Headcount
- Operating Headcount

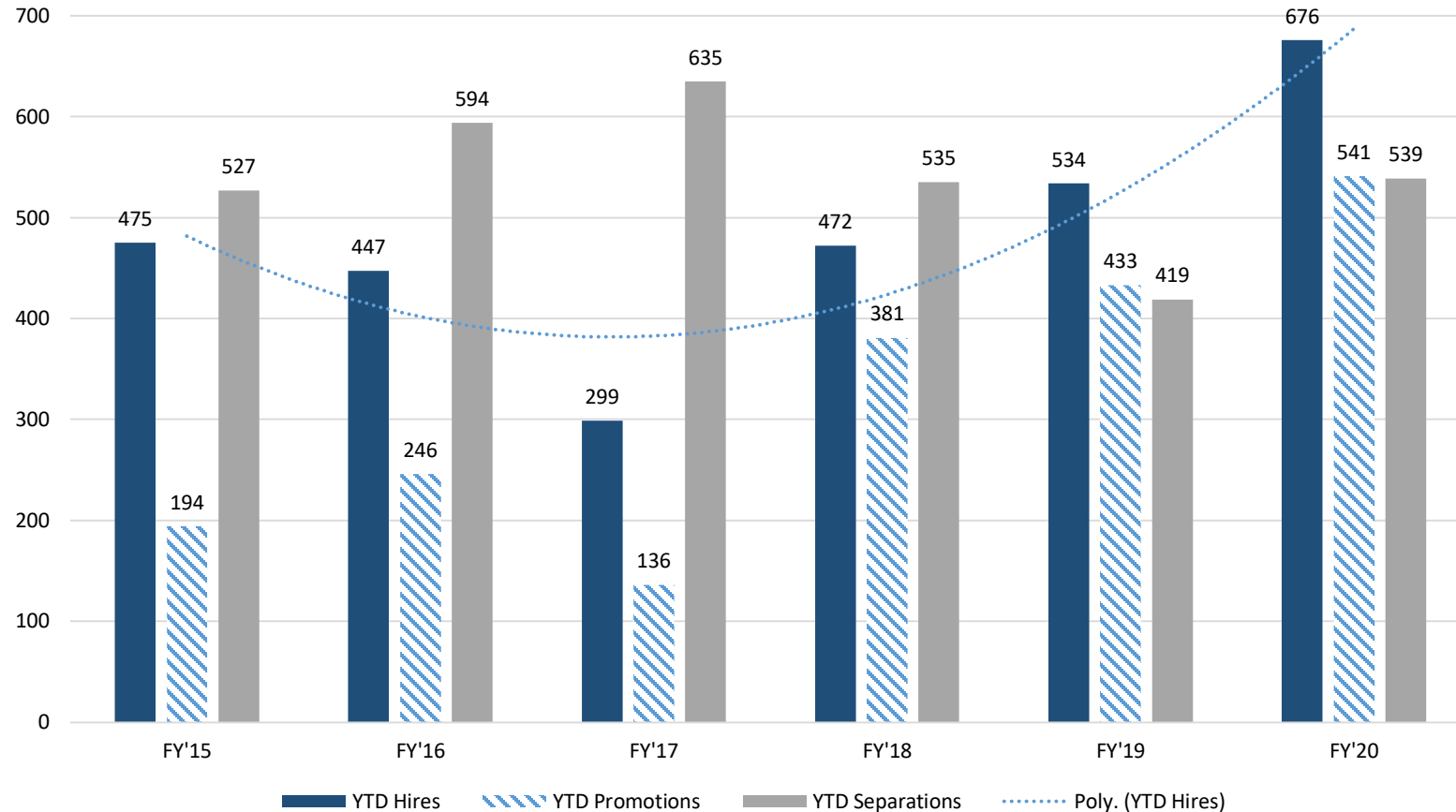


Available for Lockbox

# Historical Hire, Promotion and Separation Data

+27% increase in hiring and promotional activity year to date; COVID-19 impacts resulted in -75% decline in hiring in April vs. previous monthly average.

Historical Hires, Promotions and Separations (July - April)



YTD hiring in FY20 thru 10 months has already exceeded the yearly total hiring for each of the last 5 years



# Preliminary Release of Itemized Budget

		<u>FY21 Budget</u>
<b>Revenue</b>	Fare Revenue	187.8
	Own Source Revenue	41.4
	Non-Operating Revenue	1,423.9
	<b>Total Revenue</b>	<b>1,653.1</b>
<b>Expenses</b>	Wages, Benefits and Payroll Txes	823.4
	Non-Wage Expenses	948.0
	Total Operating Expenses	1,771.4
	Debt Service	523.5
	<b>Total Expenses</b>	<b>2,294.9</b>
	Net Revenue/Expenses	(641.8)
<b>One Time Revenue</b>	Capital Salaries	(66.4)
	<b>Net Operating Budget Revenue/Expenses</b>	<b>(708.2)</b>
	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>1.9</b>

## Recommended Initial Operating Budget

- Safety initiative is funded at 50% (151)
- 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
  - Rail Transformation
  - Bus Transformation



# Preliminary Budget Vote for Today

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- That the General Manager is hereby authorized and directed to submit the Preliminary FY21 Itemized Budget, in the name and on behalf of the Authority, to the MBTA Advisory Board; and
- That following the Advisory Board review, a Final FY21 Itemized Budget will be submitted to the Fiscal Management and Control Board no later than June 15, 2020 in accordance with section 20 of chapter 161a of the Massachusetts General Laws as amended by chapter 56 of the acts of 2020



# Next Steps

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# 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.**

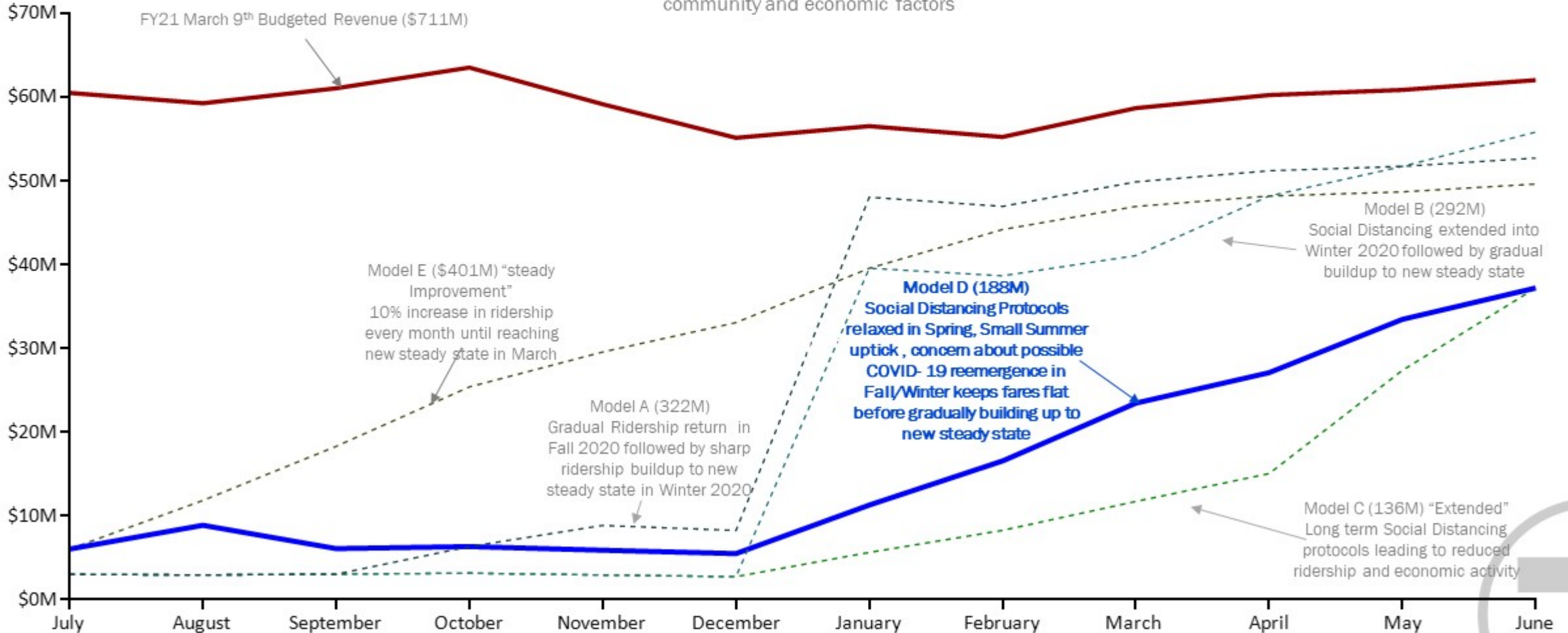
- Future ridership demands and patterns remain uncertain but MBTA needs to provide full capacity to safely serve smaller ridership while enabling social distancing
- In order to support a safe and successful transition to full service as a phased reopening of the economy occurs, the Authority has:
  - 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<sup>th</sup>
- 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>

# Safety Panel Recommendation Headcount Prioritization

Department	Hires in FY21	Hires in FY22
<b>System Maintenance</b>		
Maintenance of Way	5	19
Power Systems Maintenance	25	0
Signals & Communications	18	11
Transit Facilities Maintenance	32	53
<b>Subtotal</b>	<b>80</b>	<b>83</b>
<b>Other Departments</b>		
Safety	20	0
GM	3	0
<b>Subtotal</b>	<b>23</b>	<b>0</b>
<b>Transportation</b>		
Bus Transportation	18	21
Heavy Rail Transportation	1	20
Light Rail Transportation	1	29
<b>Subtotal</b>	<b>20</b>	<b>70</b>
<b>Other Transit Services</b>		
COO - Administration & Staff	2	0
OCC & Training	3	5
Security Department	5	3
<b>Subtotal</b>	<b>10</b>	<b>8</b>
<b>Vehicle Maintenance</b>		
Bus Maintenance	7	1
Rail Maintenance	11	20
<b>Subtotal</b>	<b>18</b>	<b>21</b>
<b>Total</b>	<b>151</b>	<b>182</b>

Note: Position headcount are preliminary estimates and may vary based on operational need

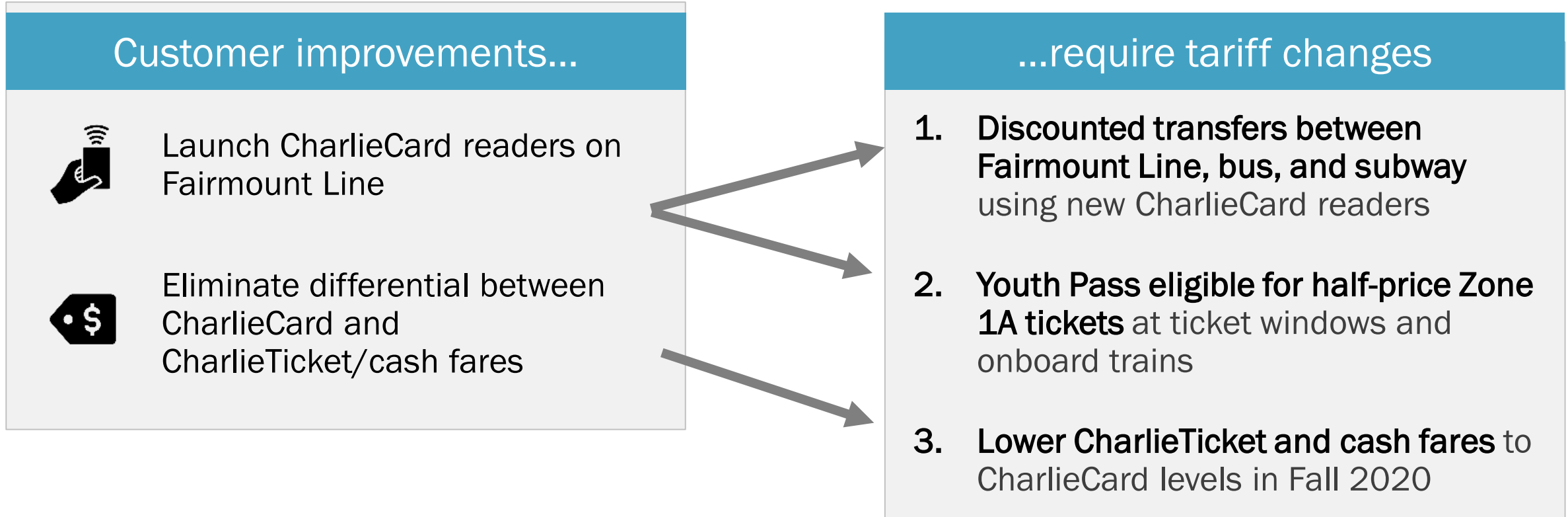


# Fare Transformation Customer Journey

Customers will see improvements rolled out in five stages



# Package of Tariff Changes Will Enable Early Improvements



Staff will present Title VI Equity Analysis on these tariff changes on May 21 along with official vote on these changes

