

**Massachusetts Bay
Transportation Authority**

Capital Maintenance Lockbox Fund

Overview and Impact

3/4/2019



The lockbox has been a funding source for capital investment since FY16

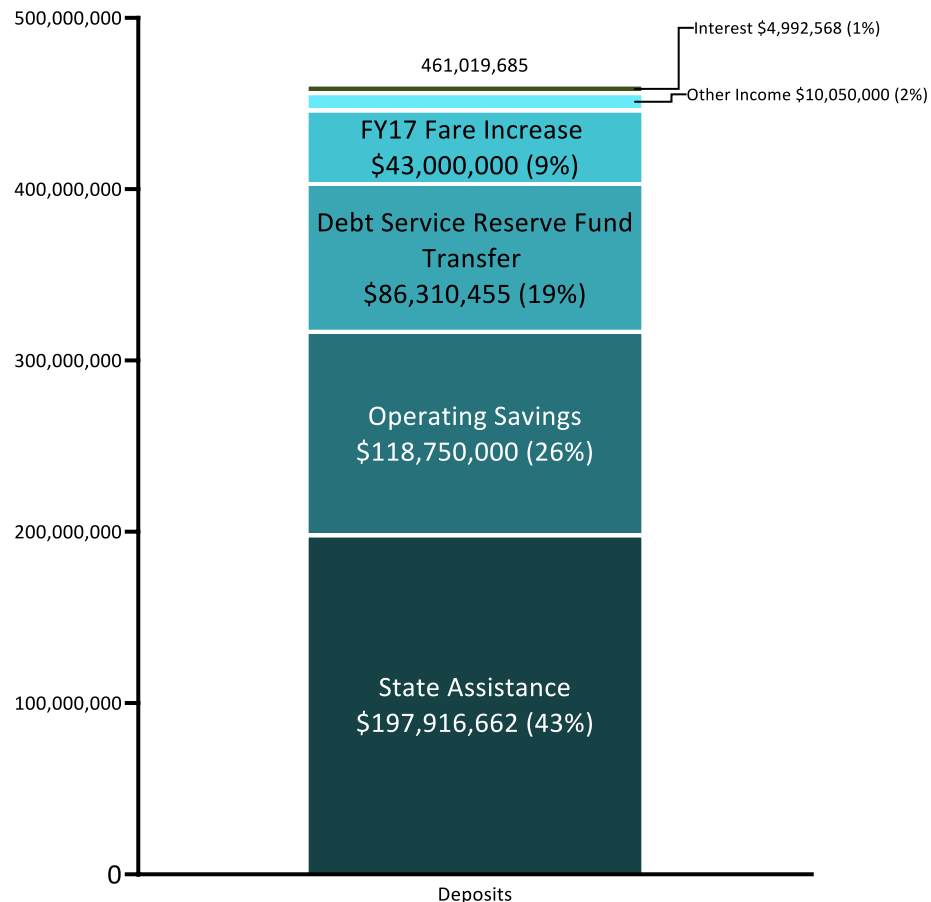
The Capital Maintenance Lockbox Fund is the account used for MBTA for Pay-As-You-Go (or Pay-Go) capital.

Established on March 30, 2016 to reinvest operating budget savings in capital improvements

Sources include:

- State assistance (including bond cap)
- Operating budget savings
- Debt service reserve fund transfers
- Fare increase revenue (FY17 only)
- Other MBTA income
- Interest earned

Total deposits to date are **\$461 million**, with \$750 million in additional funds anticipated over the next five years





Funds deposited in the lockbox provide a flexible source for capital investments

A Flexible Source

- Lockbox funds are Pay-as-you-go or “Pay-Go” capital
- No MBTA debt service paid on Pay-Go capital
 - Saved up to \$125M in cost of borrowing
- No Federal requirements for projects funded by Pay-Go Capital
- Unprogrammed lockbox funds are available to allocate to new/emerging projects in between CIP cycles

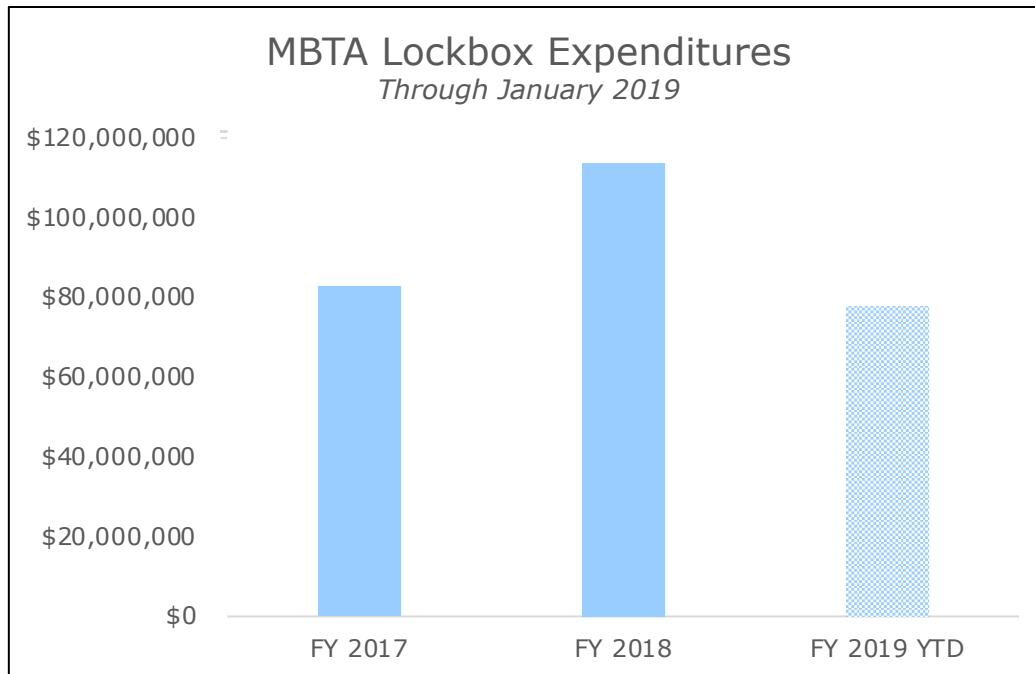
For Capital Investments

- Capital funds must be used to acquire, construct, or improve a capital asset
 - Asset value >\$5k, useful life >1 year
- Per capital expense policy, limited use for employee salaries
 - Capital funds may only be used for salaries of employees working full-time on the capital program
 - Capital funds may also be used for overtime for operating employees supporting capital projects



Lockbox Expenditures

- Current and anticipated lockbox funds are a funding source for **165 capital projects**, with an average cost of \$5 million each
- Since Spring 2016, MBTA has invested (spent) over \$275 million using Pay-Go Capital deposited in the lockbox





Key dates and decisions

March 2016: FMCB approves fare increase; directs that \$43M in estimated revenue be strictly allocated to pay-as-you-go capital investments with near-term performance and reliability improvements

March 2016: Lockbox Capital Maintenance Fund account created

June 2016: FMCB approves FY17-21 CIP; programs \$750M+ in lockbox spending over five year window, including:

- \$200M for Commuter Rail Track and Signal Improvements (\$157M in projects eventually approved)
- \$500M for Red, Orange, and Green Line Signal Improvements (all but \$35M in projects ultimately shifted to other funding sources)

Fall 2016: MBTA creates SGR Acceleration committee to identify potential projects

December 2016: FMCB decides to fund the initial payment for the Red Line No. 3 Car Replacement Project from Lockbox (appx \$55M)

June 2017: FMCB approves FY18-22 CIP; most future lockbox spending unallocated

Summer 2017: MBTA staff establish Pay-Go committee to allocate available lockbox funding to near-term capital projects with customer-facing benefits



The FY17 fare increase vote provided specific direction for anticipated revenue

FURTHER VOTED: That the increase in fare revenue generated by the fare changes effective July 1, 2016 (the "Lockbox Capital Maintenance Fund"), for FY17 ***shall be strictly allocated to fund investment in pay-as-you-go capital improvements that will deliver near term performance and reliability improvements to the riding public.*** The Lockbox Capital Maintenance Fund shall be under the control of the FMCB and an affirmative vote of at least two-thirds vote of the Board shall be required to utilize the Lockbox Capital Maintenance Fund for any purpose other than such capital improvements. That the increase in fare revenue generated by the fare change for FY17 shall be calculated as the difference between FY17 budgeted fare revenues {all modes) determined by CTPS less FY16 recast budgeted fare revenues (all modes) and that future funding shall be subject to the annual budget process and Board approval.



The FY17 fare increase vote provided specific direction for anticipated revenue

*"Shall be strictly allocated... **capital improvements** that will deliver **near term performance and reliability improvements** to the riding public"*

Capital improvements are projects that acquire, build, or enhance a capital asset, per FMCB-approved Capital Expense policy

Staff interprets **near-term** relative to traditional capital project timelines.

- The typical time horizon for a construction project is 3-5+ years and a vehicle procurement is 5-10+ years. Lockbox-funded projects are typically executed in 1-2 years.

Reliability is defined in the MBTA Service Delivery Policy as consistent headways on frequent services and on-time performance on infrequent services.

Other measures of **performance** reported by MBTA include:

- Vehicle and platform accessibility
- Bus crowding as a measure of comfort
- Subways passenger travel time
- Mean miles between vehicle failure
- Age of vehicles and condition of other infrastructure
- Speed restrictions on light/heavy rail
- Safety, including fire/smoke events



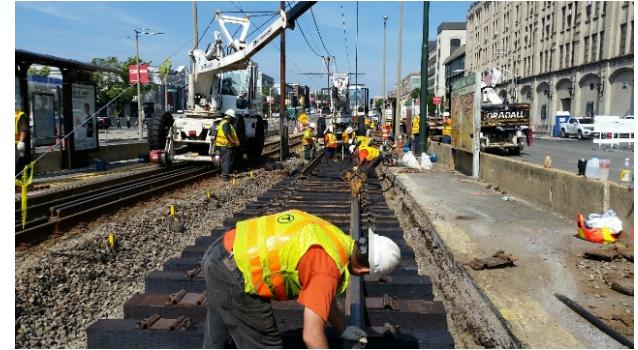
Revenue raised by the FY17 fare increase supported tangible capital improvements



75 new paratransit vans



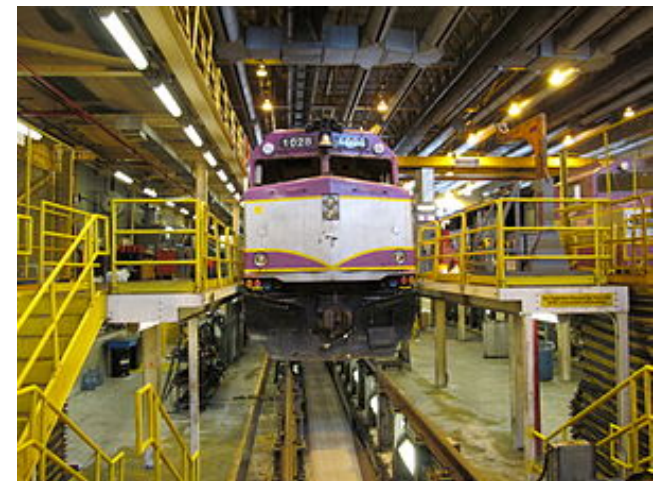
Full replacement of Red Line Fleet



Track infrastructure projects



Improved real-time information on bus arrivals



Commuter Rail locomotive repairs



Reliability Improvements: Highlights of lockbox expenditures

Track Infrastructure Projects

\$18M spent to date

- Reduced or mitigate speed restrictions, improving on-time performance and travel time
- Reduced the risk of highly disruptive train derailments

Commuter Rail Fleet Upgrades

\$13.6M spent to date

- Performed rehab, major repair, and reliability improvements to 23 locomotives and 21 coaches
- Improved equipment availability and reduced disruptive failures

Vehicle Component Replacement

\$5.6M spent to date

- Replaced and upgraded critical parts in buses and rail cars
- Prevented disruptive mechanical failures and improved asset performance

RIDE Vehicle Procurement

\$5.6M spent to date

- Replacing 75 paratransit vans that have exceeded their useful life
- Improved fleet reliability, performance, and passenger comfort



Other Performance Improvements: Highlights of lockbox expenditures

Parking Lot Paving

\$10.9M spent to date

- Paved MBTA parking lots at Montserrat, Wellington, Norwood, North Quincy, Campello, and Canton Center
- Improved asset condition and customer experience

Station and Stop Improvements

\$4.8M spent to date

- Investments in station upgrades, wayfinding, mini-highs, elevators/escalators, bus stop benches and shelters
- Improves customer experience

Customer Technology

\$7.8M spent to date

- Installed real-time trackers on MBTA buses providing locations every 2-5 seconds
- Launched new T-Alerts subscription platform - easier sign-up and more customization
- Rapid Realtime subway prediction improvements provide actionable information in more circumstances ("stopped 2 stops away")
- Transit Signal Priority will enable MBTA buses and trolleys to move more efficiently on city streets
- T Digital Service launched user-friendly websites and capital project features on digital panels



Lockbox funds are also used as “seed money” to accelerate capital projects

Major projects with partial Lockbox funding:

- AFC 2.0
- Red Line No. 3 Car Replacement
- Red/Orange Line Signal Program
- Park Street Station Improvements
- Green Line Signal Program
- Station Wayfinding and Brightening
- Alewife Garage Rehabilitation
- North Station Terminal Signal Improvements



Lockbox funding will continue to be an critical source for T capital projects

- Over \$275 million in MBTA capital improvements would not have happened without lockbox funding
- T leadership has created a disciplined process for allocating available lockbox funds to near term capital projects with customer-facing benefits
- Draft FY20-24 Capital Investment Plan assumes \$150M per year in lockbox deposits, derived from operating budget savings
- Moving forward, the CIP will program most anticipated lockbox funding to specific projects, with a small amount unallocated for near-term performance and reliability improvements selected by the Pay-Go committee



Appendix

Back-up



Since Spring 2016, the MBTA has invested over \$275 million using Pay-Go capital

