

STAFF SUMMARY SHEET (MBTA PROCEDURES NO. 1)				
TO		FOR		FROM:
1	GM	1& 2	Approval	Dept.: Budget Author: Mary Runkel Tel Ext.: 3285
		1	Signature	
2	BD	2	Vote	Subject: <b>FY2015 Operating Budget</b> Date: April 2, 2014
			Info	
Implications:		(The implications checked below are involved in this action, are discussed below or in a separate enclosure, and have been considered in the final recommendation.)		
<input type="checkbox"/> Capital Budget		<input checked="" type="checkbox"/> Operating Budget		
		<input type="checkbox"/> Legal		
		<input type="checkbox"/> Other		

## PURPOSE

To request that the Board of Directors approve the Authority's budget of current operating expenses and debt service costs for the twelve-month period of fiscal year 2015 (July 1, 2014 through June 30, 2015) and to direct the General Manager to submit the approved budget to the MBTA Advisory Board.

## DISCUSSION

The Authority's FY 2015 budget request is unusual among recent years in that it presents a balanced budget with a spending plan and revenue sources, which yield net revenues in excess of expenses of \$10.2 million. Many constituents, including the public and legislature, have recognized that *Forward Funding* since 2000 has not provided the levels of revenue necessary to operate the transportation system, improve service, and address a state of good repair investment backlog. The legislature, in an effort to provide additional resources to the Authority began what has been an annual appropriation to the MBTA of \$160 million in FY 2010.

In FY 2014, the legislature approved an additional \$115.2 million in contract assistance under the Governor's *Way Forward: A 21<sup>st</sup> Century Transportation Plan*. The legislature is expected to increase the additional contract assistance to the Authority through *Transportation Finance Legislation* to an amount of \$135.1 million for FY 2015. The chart of revenue sources in Tab D shows the substantial state commitment in support of public transit of \$1.1 billion, which represents 57% of all MBTA revenues.

The July 2013 *Transportation Finance Legislation* also expects that the MBTA would need periodic fare increases to complement the state and local commitment toward total revenues and would need to continue to develop non-fare revenues. The FY 2015 budget request assumes the first of these periodic five percent fare increases and the proceeds

from the fare increase will boost fare revenue to 31% of total revenues in FY 2015. The Authority's non-fare revenues will represent 4% of total revenues.

The total increase in revenues of \$76.5 million (4.1%) provides the Authority with the first opportunity in many years to redress its inability to add to its Capital Maintenance Fund<sup>1</sup> and to address new service needs and increased maintenance needs of an aging vehicle fleet, stations, power, signals, and fare gates. The Authority's total expenses will increase by 3.6% (\$66.3 million) with an increase of 6.1% (\$86.2 million) in operating expenses and a decrease of 4.5% (\$19.9 million) in debt service expenses. This compares favorably with the FY 2014 budget request which contained a total increase of 5.7% (\$100.3 million), an operating expenses increase of 7.0% (\$93.5 million), and an increase in debt service of 1.6% (\$6.8 million). However, the 6.1% increase in operating expenditures for service, maintenance, regulatory matters in the areas of Federal Transit Administration requirements, state and federal environmental regulations, worker fatigue guidelines, commuter rail contract support, and training come in the form of a headcount increase of 284 positions.

The FY 2015 budget contains a number of cost reductions including THE RIDE program, Commuter Rail, energy costs, contract cleaning (stations and facilities), wage savings from an employee availability program, and unemployment costs. With the last of the employee groups transferring to healthcare under the Group Insurance Commission (GIC), the Authority will finally achieve a full conversion to the GIC mandated by legislation. THE RIDE and Commuter Rail savings come from procurements that resulted in improved services at a lower cost.

Lastly, and pursuant to Section 11 of Chapter 161A of Massachusetts General Laws and the reporting requirements contained therein, the Authority has established a target net operating investment per passenger mile ratio that it expects to achieve in FY 2015: 47.5 cents, in conjunction with the preparation of this operating budget request. This is a target and not legislatively mandated.<sup>2</sup> The legislation stipulates that beginning in FY 2006, the Authority shall seek to achieve and maintain a target ratio of not more than 20 cents for any fiscal year. This target is not achievable in FY 2015 given the resource needs of providing the FY 2015 service levels.

More importantly, however, the Authority's budget exceeds the legislative revenue test<sup>3</sup> under *Way Forward*. The target the legislature established for FY 2015 is 33.0%. Without debt service in the calculation, the Authority achieves a revenue recovery ratio of 44.9%. With debt service, the ratio is 35.0%.

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<sup>1</sup> The Authority has only had the resources to add to its Capital Maintenance Fund (CMF) in fiscal years 2001, 2002, and 2012. The CMF began with an initial contribution of \$36.6 million in FY 2001 but today—13 years later—contains a balance of only \$16.9 million (2/28/14).

<sup>2</sup> See Tab C for history of the net operating investment per passenger mile ratio since the advent of forward funding.

<sup>3</sup> Section 61 (a) Revenue Test: (Operating Revenues + Other Income)/Total Expenses

## **FY 2015 Revenue**

Total revenue from all sources is projected to increase by \$76.5 million to a total of \$1.943 billion (see graphic of revenue sources in Tab D). The major revenue categories follow:

### **Operating Revenue**

The Authority's Operating Revenues come from Revenue from Transportation (fare revenue) and Other Operating Revenue (advertising, parking, and income from real estate operations). Total Operating Revenue is projected to increase by \$31.6 million (5.1%) to a total \$646.2 million in FY 2015. The increase occurs in the following categories:

	<u>Increase</u>
• Fares	\$28.5 million
• Advertising	\$2.0 million
• Other Real Estate Operations	\$0.7 million
• Parking	<u>\$0.4 million</u>
Total Increase:	\$31.6 million

### **Fares**

The increase in fares is due to a fare increase scheduled for July 1, 2014 and is the first fare increase since the enactment in July 2013 of *Transportation Finance Legislation* which proscribed how the Authority would handle future fare increases.<sup>4</sup> The proposed five percent fare increase is budgeted to produce an additional \$28.5 million in fare revenue for FY 2015.

The Authority's proposed fare revenue budget of \$597.6 million achieves a fare recovery ratio<sup>5</sup> of 39.6%—just slightly lower than the FY 2014 budget's fare recovery ratio of 40.0%. The fare budget represents a 5.0% increase over the FY 2014 fare budget of \$569.2 million. While any fare increase will have some ridership loss, the Authority is confident in achieving a 5% increase in fare revenue. Fare revenue through February in this fiscal year is tracking 1.5% better than budget and that should be sufficient to compensate for any lost ridership.

### **Advertising**

Advertising revenue is projected to increase by \$2.0 million (14.3%) due to the following: station and vehicle advertising (Titan and Clear Channel), on-line advertising, merchandise revenue, and digital billboard advertising.

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<sup>4</sup> The Authority shall not increase fares at intervals of less than 24 months, or at an annual rate greater than 5 percent.

<sup>5</sup> The fare recovery ratio is calculated as fare revenue divided by operating expenses (excluding debt service).

## **Real Estate Operations**

The \$0.7 million increase in income from other real estate operations is from a projected increase in income from the Authority's real estate portfolio. The Authority has outsourced its real estate functions through a services contract with a private company since 1996. The services include base asset management (e.g. licenses, occupancy permits, property inventory, and rent billing/collections), dispositions (e.g. sales, leases, and easements), and real estate consulting. The current contract with Transit Realty Associates (TRA) expires in August 2014 and the FY 2015 budget for real estate income is based upon TRA's business plan.

The Authority has just completed a new procurement for real estate services to generate greater interest and competition for managing the Authority's real estate assets. It received five proposals for a new contract for five years with a two-year option. The evaluation committee interviewed the two highest ranked teams and based upon their technical proposal, interview, and cost proposal, the committee selected Massachusetts Transit Realty Group (Greystone/Jones Lang Lasalle). The Authority believes that this joint venture can take the MBTA's real estate assets to a new level of revenue production and a much higher management quality for our customers and clients. Greystone has extensive experience in managing the real estate assets of large transit agencies including the MTA in New York, New Jersey Transit, and the CTA in Chicago. Jones Lang Lasalle (JLL) is one of the nation's premiere real estate consulting firms and has extensive presence in the Boston real estate market.

## **Parking**

The total parking net revenue for FY 2015 is \$16.2 million. This net number takes into account total parking revenue less operating expenses of \$31.6 million and parking securitization of \$15.4 million. This represents a modest increase of 2.8% in parking income at MBTA lots.

## **Non-Operating Revenue**

The Authority's Non-operating Revenue currently comprises five major categories—dedicated local assessments, dedicated sales tax, contract assistance, additional state assistance, and other income. In total, Non-operating Revenue will increase by \$44.9 million (3.6%) to a total of \$1.297 billion.

### **Dedicated Local Assessments**

The funds from local government in the MBTA district will increase by 1.9% (\$3.0 million) to a total of \$160.1 million. Assessments can increase by no more than 2.5% annually. The increase is based upon the Consumer Price Index, which in FY 2013 grew at 1.9%.

### **Dedicated Sales Tax**

Revenue receipts from the state sales tax will increase by 1.419% (\$11.3 million) to a total of \$810.6 million. Actual sales tax receipts for CY 2013 were up 4.459% but because the guaranteed amount increases at the lower of inflation or actual sales tax receipts, the Authority received the inflationary increase.

### **Contract Assistance**

The budget request assumes an appropriation of state contract assistance in the amount of \$160.0 million.

### **Additional Assistance from the State**

The Authority anticipates receiving \$135.1 million in *Transportation Finance Legislation* revenue from the Commonwealth.

### **Other Income**

The Authority's other income line items are a combination of miscellaneous revenue sources, which include interest income, property sales, funds from federal government, utility reimbursements, MassDOT revenue from an interagency agreement for shared services, and "other" which includes natural gas tax rebates, revenue supporting Late Night Service, and Cape Flyer revenue. The Authority's budget request of \$31.0 million reflects a \$13.6 million increase in revenue from FY 2014 as follows:

	<u>Increase</u>
• Other—natural gas rebates, Late Night Service, and Cape Flyer	\$10.26 million
• MassDOT Interagency Agreement	3.20 million
• Interest income	0.05 million
• Utility reimbursements	<u>0.04 million</u>
Total Increase:	\$13.55 million

The Authority's projected total own source revenue, i.e. all revenue except dedicated revenue including contract and other state assistance, achieves a revenue recovery ratio of 44.9%—slightly higher than the budgeted FY 2014 revenue recovery ratio of 44.4% and higher than the 33% target established by the legislature under *Way Forward*.

### **FY 2015 Operating Expenses**

Operating expenses will increase by 6.1% in FY 2015. The need for \$86.2 million in additional resources falls into two categories: (1) ongoing operations and quality of service and (2) contractual and statutory obligations. The Authority has generated significant cost

reductions, which have helped minimize the overall operating expense increase, and they are detailed in the section entitled *Cost Reductions*.

### **Ongoing Operations and Quality of Service**

The Authority will require \$44.5 million in additional funds in FY 2015 for the following:

- \$20.4 million in wages for 284 new positions<sup>6</sup> for the following service and service support areas:

#### Service (133 positions)

Extended late night service on weekends (109)  
Extended off peak bus service (24)

#### Maintenance (63 positions)

Bus life cycle maintenance (20)  
Power and signal projects (16)  
Maintenance of non-revenue vehicles (8)  
Station modernization and maintenance (8)  
Specialized signal testing (4)  
Fare gate life cycle maintenance (2)  
Maintenance support desk (2)  
Other maintenance (3)

#### Revenue Opportunities/Cost Savings (38)

Commuter rail contract oversight (28)  
IT support commuter rail (4)  
Employee availability director and technical writer (2)  
Parking services coordinator for parking revenue enforcement (1)  
Employee Assistance Program (1)  
Drug and alcohol testing Program shared with MassDOT (1)  
Office of Transportation Access RIDE oversight of new RIDE contracts (1)

#### Regulatory (32)

Safety fatigue management (“10 hour rule”) (26)  
Environmental, climate change, hazardous materials management (3)  
Asset management FTA MAP 21 requirement (2)  
FTA compliance management (1)

#### All Other (18)

Training and workforce development in Bus, Subway, and Power (15)  
IT systems and data security applications (3)

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<sup>6</sup> The initial headcount request was for 619 positions.

- \$16.7<sup>7</sup> million for materials, services and supplies across all Authority operations for maintenance of an aging fleet and infrastructure, a more progressive preventive maintenance program, and numerous other support activities as follows:

Technology and System Enhancements

IT systems upgrades for Payment Card Industry compliance, data security, employee availability tracking, mobile ticketing, and cloud hosting of Financial Management Information System

Safety and Security

Hazard and risk analysis, security infrastructure maintenance, and MassDOT drug and alcohol testing

Extended Late Night Service

Fuel and utilities, vehicle maintenance parts, and marketing and schedule cards

Efficiencies and Cost Savings Programs

Authority-wide efficiency diagnostic study

Commuter Rail Contract Oversight

Technical support for field surveys and ROW issues, drainage studies, and locomotive conditions

Bus and Rail Maintenance

End of life vehicle component parts

Facilities, Track and Signals Maintenance

Energy management software for consumption modeling, asset management program, automated fare collection replacement materials, and power systems maintenance training

Employee Development/Human Resources

Classification and compensation study, MassDOT University training, MBTA Lottery, and FTA required review of employment tests and practices

Regulatory

Environmental compliance for Way Finding, hazardous materials handling, and waste management programs

- \$5.1 million for overtime

The Authority's overtime budget will increase from \$27.1 million to \$32.2 million in FY 2015 to better reflect actual experience. The employee availability program

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<sup>7</sup> The total increase is \$14.1 million but \$2.6 million in savings for contract cleaning and energy costs appears in the cost reductions section of this staff summary.

discussed under the *Cost Reductions* section of this staff summary is expected to reverse some of the upward trend of overtime spending.

- \$1.1 million for Water Transportation contracts per contractual price per trip for Hingham, Hull/Quincy, and Inner Harbor services
- \$0.8 million for casualty and liability from an increase in excess liability insurance
- \$0.4 for collaterals, which are pay premiums that have been contractually negotiated or awarded in arbitration between the Authority and its unions<sup>8</sup>

### **Contractual and Statutory Obligations**

The Authority will require \$60.0 million in additional funds in FY 2015 as a result of wage and payroll costs and existing contractual and statutory obligations as follows:

- \$37.7 million for collective bargaining and arbitration award adjustments for the Authority's 17 bargaining units covering 29 unions

The Authority has a number of contracts in various stages of bargaining: six contracts which expired June 30, 2010, one contract which expired on June 30, 2011, five contracts expiring June 30, 2014 (including the largest—Local 589), and four contracts which will expire on June 30, 2015.

- \$10.4 million for a health and welfare fund awarded by the Local 589 arbitrator to fund benefits not covered under the Group Insurance Commission (GIC) plans

These include dental insurance, life insurance, vision insurance, and Medicare Part B.

- \$5.8 million for pension costs for employer contributions to the MBTA Retirement Fund and the MBTA Police Association Retirement Plan

The Authority's contributions to both funds are determined through an actuarial valuation. There have been no assumed changes in benefits. The MBTA Retirement Fund agreement expires June 30, 2014.

- \$4.7 million for FICA

The cost increase for FICA is related to the increase in wages.

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<sup>8</sup> Collaterals are flat rate, percentage premiums or time allowances which increase an employee's hourly rate and cover common transportation pay practices such as spread premiums, swing-on-allowances, wash-up time, report time, delay time, swing-on-time, built-in overtime, evening and night shift differentials, equipment allowances, instructors' pay, meal allowances, snow rates, written reports, and holiday pay.



- \$0.9 million for workers' compensation due to increases in claims, medical costs for medical exams, and legal fees for MBTA outside counsel and plaintiff's attorneys' fees
- \$0.5 million for increases in cost for healthcare covered by the Group Insurance Commission (GIC)

Authority employees and retirees became participants of the Group Insurance Commission upon the passage of *Transportation Reform* legislation in 2009. While the transfer from the Authority's healthcare plans began on January 1, 2010 with non-union employees and continued over the next few years with some unions, the majority of unionized employees will not be transferring into the GIC until this July. The delay caused by lengthy contract negotiations and interest arbitration with Local 589 stalled any meaningful healthcare savings. The Authority's healthcare costs peaked in FY 2012 at \$123.5 million and while they dropped to \$111.0 in FY 2013 and were budgeted at \$109.7 million in FY 2014, next year is the first year in which the Authority will see cost stability from GIC participation. The healthcare budget for next year is \$110.2 million and represents a cost increase of only one half percent.

### **Cost Reductions**

Offsetting the requested budget increases associated with ongoing operations and quality of service and contractual and statutory obligations are cost reductions, which collectively total \$18.2 million:

- \$9.3 million in savings from the new contracts for THE RIDE

The Authority just completed a new procurement for its paratransit service THE RIDE. THE RIDE service, while universally recognized as excellent, has had dramatic increases in cost: the average annual increase in cost since FY 1996 has been 34%. While FY 2013 had a decrease in cost of 9.5%, the prior three years increased in cost 37%, 13%, and 15% respectively. The procurement this past year generated much interest and five firms responded with proposals. The cost of the new contract in FY 2015 has produced \$9.3 million in savings over the prior fiscal year.

- \$3.3 million in savings from the commuter rail procurement

The Authority also had another major, procurement success with the commuter rail service. Presented to the Board in January 2014, the winning bidder, Keolis, proposed a twelve year price which was \$254 million less than the incumbent MBCR and \$26.5 million less in the first year of the contract.<sup>9</sup> The cost of the commuter rail service in FY 2015 of \$384.3 million is a savings of \$3.3 million versus the FY 2014 budget.

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<sup>9</sup> Keolis's fixed price for the first year was \$304.2 million vs. MBCR's price of \$330.7 million—a \$26.5 million savings.

- \$2.0 million in savings from new employee availability program

Last spring the Authority began a comprehensive review of employee availability across multiple classifications to pinpoint the reasons for absenteeism and their effect on overtime, staffing, schedules, and service. After police details, the single largest category of overtime cost is for leave under the Family Medical Leave Act (FMLA). The employee availability program will reinforce the rules concerning attendance and the use of FMLA and sick leave. The \$2 million in savings is an estimate of the amount of money the Authority might save either in reduced overtime cost or in the need for additional positions to cover the absences created by family medical and sick leave.

- \$1.6 million in energy savings: \$1.1 million from utilities and power and \$0.5 million for compressed natural gas and diesel
- \$1.0 million in contract cleaning savings from the new contract
- \$0.6 million for lower unemployment claims
- \$0.3 million for partial year savings anticipated from a comprehensive efficiency diagnostic review of the Authority-wide enterprise
- \$0.1 million in savings for miscellaneous benefits in group life and disability insurance as a result of the remaining employees transferring to the Group Insurance Commission

## **FY 2015 Debt Service**

### **Interest and Principal Expenses**

The FY 2015 debt service budget, while representing a decrease of \$19.9 million over FY 2014, continues to reflect the substantial principal and interest payments as the bill on the Authority's \$5.45 billion<sup>10</sup> in outstanding debt comes due. This \$5.45 billion in outstanding MBTA debt originates directly from three sources: "prior obligation debt" inherited by the MBTA at the onset of Forward Funding in 2000, projects required to be built and funded by MBTA as transit legal commitments associated with the Central Artery project permitting process, and the Authority's commitment to act as a good steward of the system and direct the majority of the Capital Investment Program to State of Good Repair projects. The Authority's share of this capital investment continues to be drawn from bond funds due to the persistent lack of growth in sales tax revenues and the corresponding scarcity of available pay-as-you-go capital.

Currently, no dedicated funding source exists to pay for the Authority's portion of the Capital Investment Program. As a result, sales tax, assessment, and the Authority's own source revenues must cover both operating and capital expenses. The Authority's five-year Capital Investment Program is funded by five sources: revenue bonds, federal grants, state infrastructure funds, grant anticipation notes, and pay-as-you-go capital. In FY 2015, as in past years, the MBTA's non-federal portion of the capital program will be funded primarily by the issuance of new revenue bonds which will only further contribute to the unsustainable pattern of escalating principal and interest costs.

Total debt service in FY 2015 is \$423.9 million, which represents a decrease of approximately \$19.9 million over the FY 2014 debt service budget due to the principal amortization schedule. No debt restructuring is included in the FY 2015 budget. Principal and interest will continue to remain high over the next several years. Much of the current debt has been refinanced at a lower cost over the past ten years, but those savings opportunities no longer exist. Total debt service expenses of \$423.9 million in FY 2015 will represent 22% of total expenses (see Tab D).

In addition, *Transportation Finance Legislation* has provided significant additional funding for the Capital Investment Program. This is in two areas: unlocking economic growth in Massachusetts for the expansion of transit services and investments in the MBTA's State of Good Repair program. These investments will significantly mitigate the need for revenue bond financing over the next ten years and help stem the growth in the level of debt carried by the Authority. Although these investments do not address all of the needs of the Authority, they do make a substantial contribution in addressing the State of Good Repair needs.

### **Lease Payments**

Lease payments for revenue and non-revenue vehicles will decrease due to expiring

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<sup>10</sup> \$8.8 billion, inclusive of interest

leases by \$0.8 million to \$4.3 million. These payments provide funding for tax-exempt, non-revenue vehicle leases that support vehicle purchases for THE RIDE program, the MBTA's police department, system-wide maintenance, and service delivery.

## **RECOMMENDATION**

It is recommended that the Board of Directors approve the proposed FY 2015 annual operating budget and authorize the General Manager to submit the budget to the MBTA Advisory Board.

## **ATTACHMENTS**

- Tab A            Recommended Vote
- Tab B            Statement of Revenue and Expenses
- Tab C            Net Operating Investment per Passenger Mile: FY 2001—FY 2015
- Tab D            Chart of FY 2015 Budget Revenues  
  
                    Chart of FY 2015 Budget Non-Operating Revenues  
  
                    Chart of FY 2015 Budget Operating Expenses  
  
                    Chart of FY 2015 Budget Total Expenses—Operating Expenses and Debt Service

## **RECOMMEND APPROVAL**

Mary E. Runkel, Director of Budget

Jonathan R. Davis, Deputy General Manager and Chief Financial Officer

Paige Scott Reed, General Counsel

Beverly A. Scott, Ph.D., General Manager and Rail & Transit Administrator

**TAB A**

## **RECOMMENDED VOTE**

That the Board of Directors approve the Authority's budget of current operating expenses and debt service costs for a one year period—July 1, 2014 through June 30, 2015—in the amount of \$1,932,859,835 in the form submitted at this meeting; and

That the General Manager is hereby authorized and directed to submit the budget, in the name and on behalf of the Authority, to the MBTA Advisory Board no later than April 15, 2014 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.

**TAB B**

**Massachusetts Bay Transportation Authority**  
**Statement of Revenue and Expenses**

REVENUE	FY13 Actuals	FY14 Budget	FY15 Budget	FY15 % Incr/Decr over FY14 Budget	FY15 \$ Incr/Decr over FY14 Budget
<b>Operating Revenues</b>					
Revenue from Transportation	564,560,142	569,188,335	597,647,752	5.0%	28,459,417
Other Operating Revenue	50,156,937	45,370,348	48,527,035	7.0%	3,156,687
<b>Total Operating Revenue</b>	<b>614,717,079</b>	<b>614,558,683</b>	<b>646,174,787</b>	<b>5.1%</b>	<b>31,616,104</b>
<b>Non-Operating Revenues</b>					
Dedicated Local Assessments	155,921,367	157,149,865	160,135,712	1.9%	2,985,847
Dedicated Sales Tax	786,866,936	799,295,175	810,637,174	1.4%	11,342,000
Contract Assistance	160,000,000	160,000,000	160,000,000	0.0%	0
Additional Assistance	0	118,059,456	135,100,000	14.4%	17,040,544
Other Income	76,835,317	17,492,276	31,045,029	77.5%	13,552,753
<b>Total Non-Operating</b>	<b>1,179,623,620</b>	<b>1,251,996,772</b>	<b>1,296,917,915</b>	<b>3.6%</b>	<b>44,921,144</b>
<b>TOTAL REVENUES</b>	<b>1,794,340,699</b>	<b>1,866,555,455</b>	<b>1,943,092,703</b>	<b>4.1%</b>	<b>76,537,247</b>
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Wages	422,107,187	432,264,428	493,470,467	14.2%	61,206,039
Fringe Benefits					
Pensions	62,488,163	71,047,148	76,874,710	8.2%	5,827,562
Healthcare	111,025,479	109,687,835	110,187,626	0.5%	499,791
Group Life	1,039,087	702,045	584,316	-16.8%	(117,729)
Disability Insurance	43,204	13,459	0	-100.0%	(13,459)
Workers' Comp	9,130,028	10,313,118	11,170,527	8.3%	857,409
Other Fringe Benefits	5,168,809	238,192	234,171	-1.7%	(4,021)
<b>Total Fringe Benefits</b>	<b>188,894,770</b>	<b>192,001,797</b>	<b>199,051,351</b>	<b>3.7%</b>	<b>7,049,554</b>
Health & Welfare Fund	0	0	10,436,865	0.0%	10,436,865
Payroll Taxes					
FICA	32,181,733	33,068,229	37,750,491	14.2%	4,682,262
Unemployment	1,271,459	1,892,886	1,320,087	-30.3%	(572,799)
<b>Total Payroll Taxes</b>	<b>33,453,192</b>	<b>34,961,115</b>	<b>39,070,578</b>	<b>11.8%</b>	<b>4,109,463</b>
Materials, Supplies and Services	201,255,412	223,861,869	237,872,565	6.3%	14,010,696
Casualty and Liability	17,548,437	15,728,736	16,566,513	5.3%	837,777
Purchased Commuter Rail Service	347,056,161	387,616,249	384,346,300	-0.8%	(3,269,949)
Purchased Local Service Subsidy	113,015,495	130,304,027	122,116,771	-6.3%	(8,187,256)
Financial Service Charges	5,860,429	5,990,000	5,990,000	0.0%	0
<b>Total Operating Expenses</b>	<b>1,329,191,083</b>	<b>1,422,728,222</b>	<b>1,508,921,410</b>	<b>6.1%</b>	<b>86,193,189</b>
<b>Debt Service Expenses</b>					
Interest	237,986,390	239,787,256	240,945,845	0.5%	1,158,589
Principal Payments	196,134,046	198,982,899	178,695,803	-10.2%	(20,287,096)
Lease Payments	2,379,913	5,057,079	4,296,777	-15.0%	(760,302)
<b>Total Debt Service Expenses</b>	<b>436,500,349</b>	<b>443,827,234</b>	<b>423,938,425</b>	<b>-4.5%</b>	<b>(19,888,809)</b>
<b>TOTAL EXPENSES</b>	<b>1,765,691,432</b>	<b>1,866,555,456</b>	<b>1,932,859,835</b>	<b>3.6%</b>	<b>66,304,380</b>
<b>Net Revenue</b>	<b>28,649,267</b>	<b>0</b>	<b>10,232,867</b>		
<b>Transfer (Deficiency Fund)</b>	<b>(28,649,267)</b>				
<b>Transfer (Capital Maintenance Fund)</b>			<b>(10,232,867)</b>		
<b>NET Revenue in Excess of Expenses*</b>	<b>0</b>	<b>0</b>	<b>0</b>		

Recovery Ratios	without debt service	with debt service
Revenue	44.9%	35.0%
Fare	39.6%	30.9%
<b>Way Forward - FY15</b>		
<b>33.0%</b>		



**TAB C**

**Massachusetts Bay Transportation Authority**  
**Net Operating Investment Per Passenger Mile**  
**FY 2000 - FY 2015 (Estimate)**

	Operating Expenses	Nontransportation		Net Investment	Passenger Miles	Investment Ratio
		Fare Revenue*	Income			
<b>FY 00</b>	\$710,709,000	\$250,311,546	\$30,018,357	\$430,379,097	1,677,781,807	\$0.257
<b>FY 01</b>	743,142,996	304,111,591	45,281,818	393,749,587	1,818,140,290	0.217
<b>FY 02</b>	777,599,108	306,055,452	35,091,440	436,452,216	1,823,179,910	0.239
<b>FY 03</b>	807,022,088	301,573,334	36,245,793	469,202,961	1,874,755,722	0.250
<b>FY 04</b>	841,426,948	324,495,868	40,868,642	476,062,438	1,862,072,081	0.256
<b>FY 05</b>	893,131,388	346,616,883	38,626,474	507,888,031	1,738,697,937	0.292
<b>FY 06</b>	944,126,332	365,981,713	51,831,571	526,313,048	1,767,605,772	0.298
<b>FY 07</b>	987,148,623	421,216,492	45,924,913	520,007,218	1,734,986,303	0.300
<b>FY 08</b>	1,045,213,616	474,555,710	32,976,932	537,680,974	1,808,234,000	0.297
<b>FY 09</b>	1,143,483,506	488,787,278	41,425,192	613,271,036	1,880,345,528	0.326
<b>FY 10</b>	1,179,805,066	481,684,788	31,338,787	666,781,491	1,704,706,344	0.391
<b>FY 11</b>	1,222,769,952	491,567,973	37,231,177	693,970,802	1,826,691,501	0.380
<b>FY 12</b>	1,295,890,428	492,781,896	71,753,567	731,354,965	1,845,573,805	0.396
<b>FY 13</b>	1,329,645,863	583,283,968	43,015,977	703,345,918	1,805,869,060	0.389
<b>FY 14 (Budget)</b>	1,421,453,057	585,383,610	31,142,185	804,927,262	1,814,898,405	0.444
<b>FY 15 (Request)</b>	1,513,978,409	614,283,440	33,906,330	865,788,639	1,823,972,897	0.475

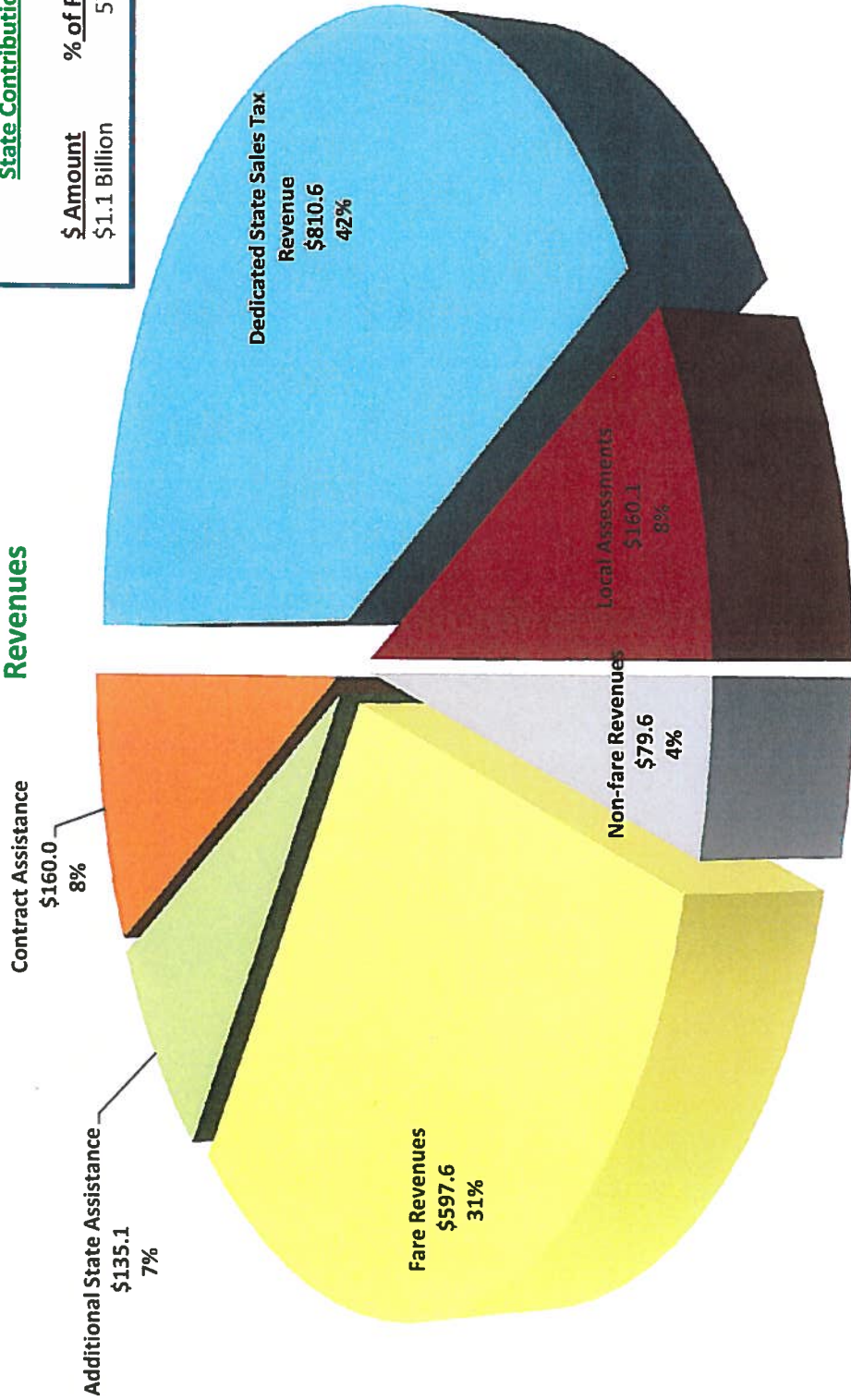
\* Fare Revenue includes Parking Lot Proceeds.

Note: Section 11 of Chapter 161A of Massachusetts General Laws stipulates that beginning in FY2006, the Authority should seek to achieve and maintain a target ratio of not more than 20 cents for any fiscal year. The legislation instructs the Authority to calculate the ratio using for the values of the variables the data reported each year to the Federal Transit Administration for the National Transit Database. As such, the data in the above chart differs slightly from the Authority's Statement of Revenue and Expenses.

**TAB D**

**Massachusetts Bay Transportation Authority  
Fiscal Year 2015 Budget  
Revenues**

<u>State Contribution</u>	<u>% of Revenue</u>
\$ Amount \$1.1 Billion	57%

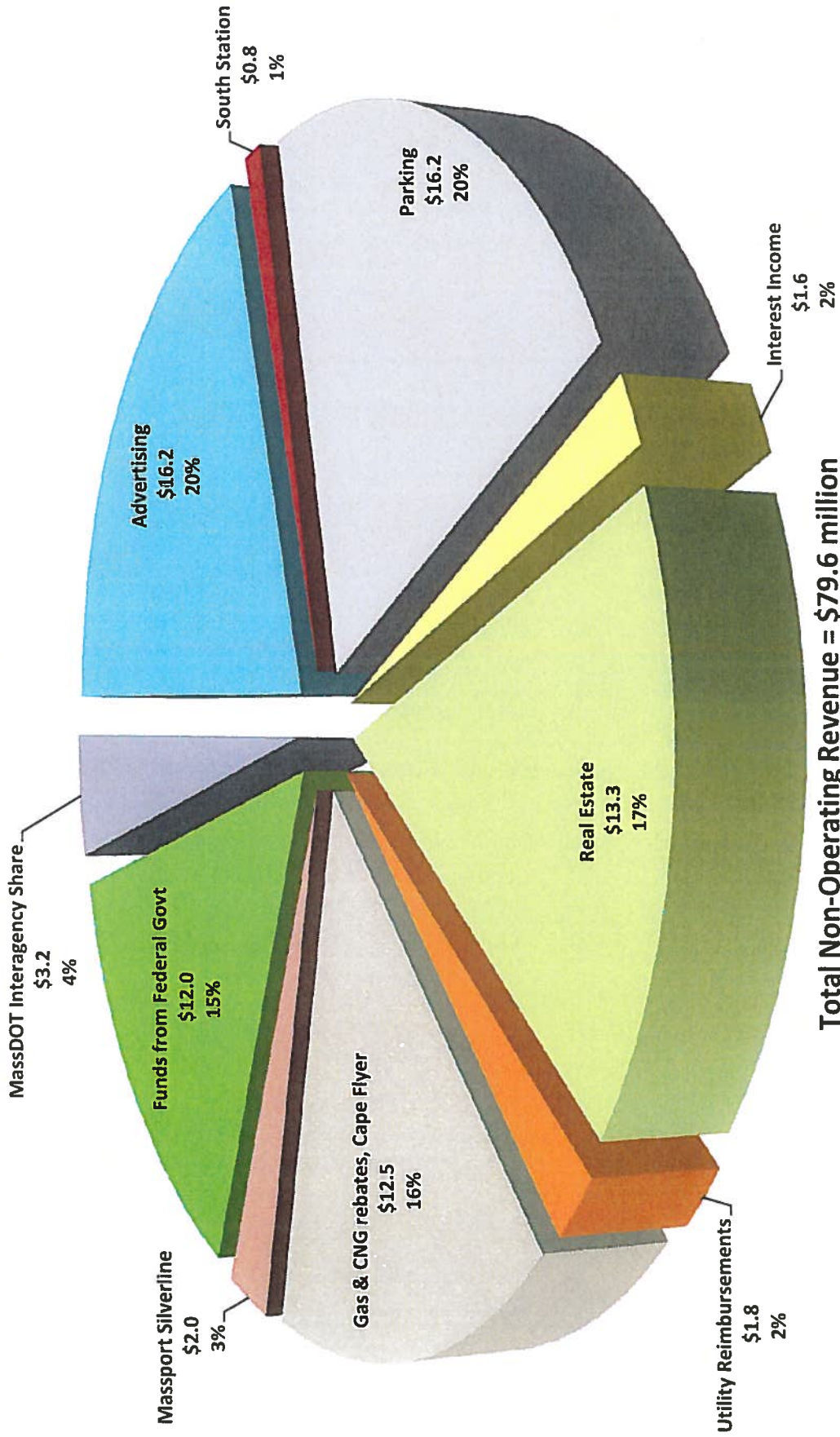


**State and Local Funding = \$1.266 Billion  
Total Revenue = \$1.943 Billion**

# Massachusetts Bay Transportation Authority

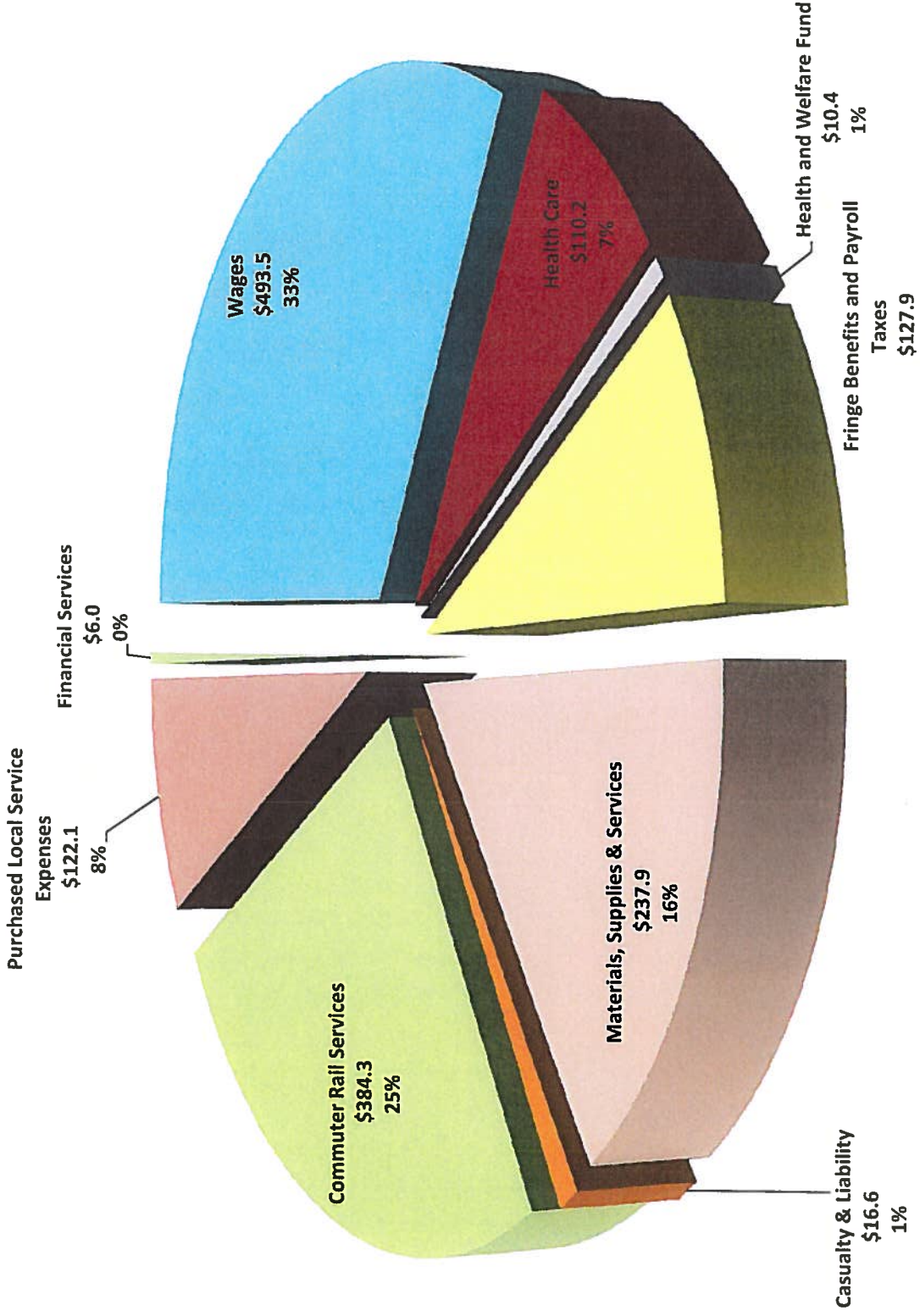
Fiscal Year 2015 Budget

## Non-Operating Revenues



# Massachusetts Bay Transportation Authority Fiscal Year 2015 Budget

## Operating Expenses

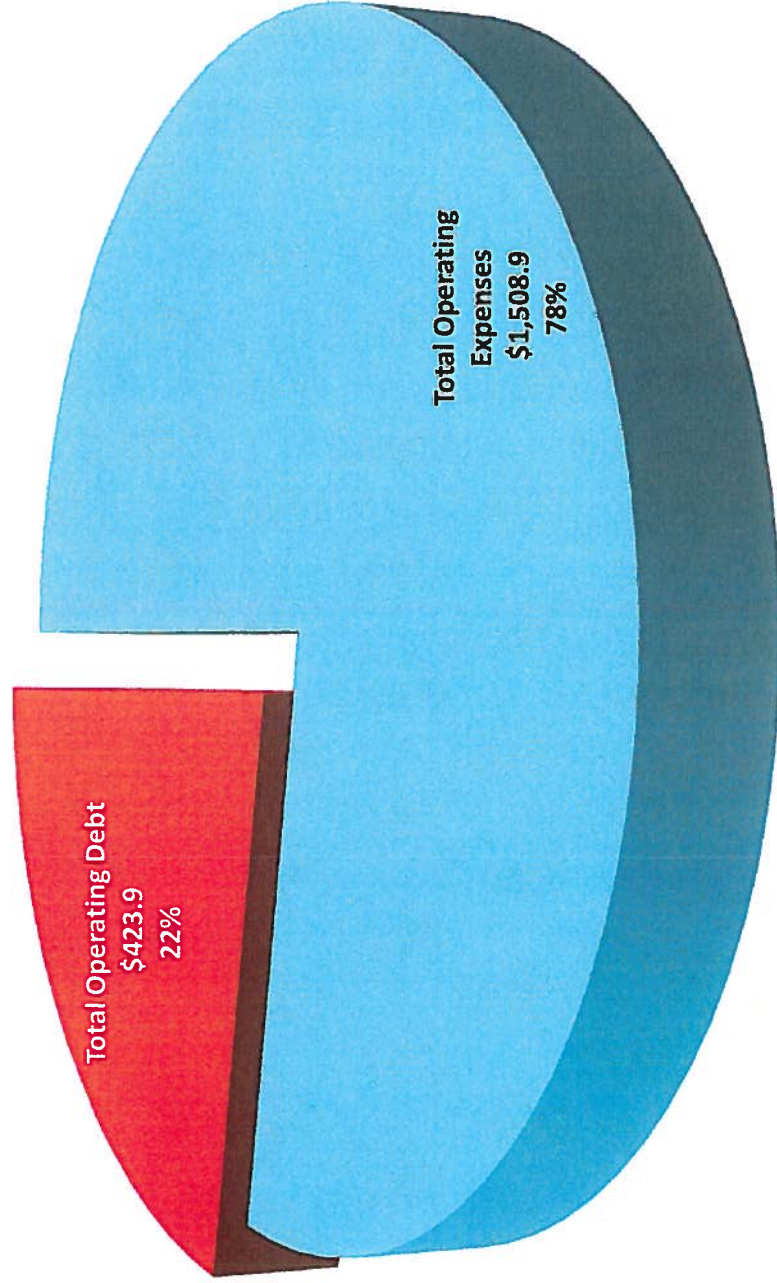


**Total Operating Expenses = \$1.509 Billion**

Massachusetts Bay Transportation Authority

Fiscal Year 2015 Budget

Total Expenses



Total Operating & Debt Expenses = \$1.933 Billion