Massachusetts Bay Transportation Authority

Five-Year Operating Budget Pro Forma (FY20-FY24)

Fiscal and Management Control Board

February 10, 2020

David Panagore, Chief Administrative Officer

Mary Ann O'Hara, Chief Financial Officer

Introduction

- This Pro Forma is a 5 year financial model projecting FY20-FY24 operating budget.

- The Pro Forma is a tool to inform priorities, help shape policy decisions and guide short and long term budget decisions.

- The financial impact of initiatives and policy decisions are analyzed and incorporated into the Pro-Forma.

- The Pro Forma is calculated using the FY20 Budget as a starting point, impact growth rates are applied to each revenue & expense category based upon current assumptions.

The previously presented underlying assumptions are based on the best available data, including:
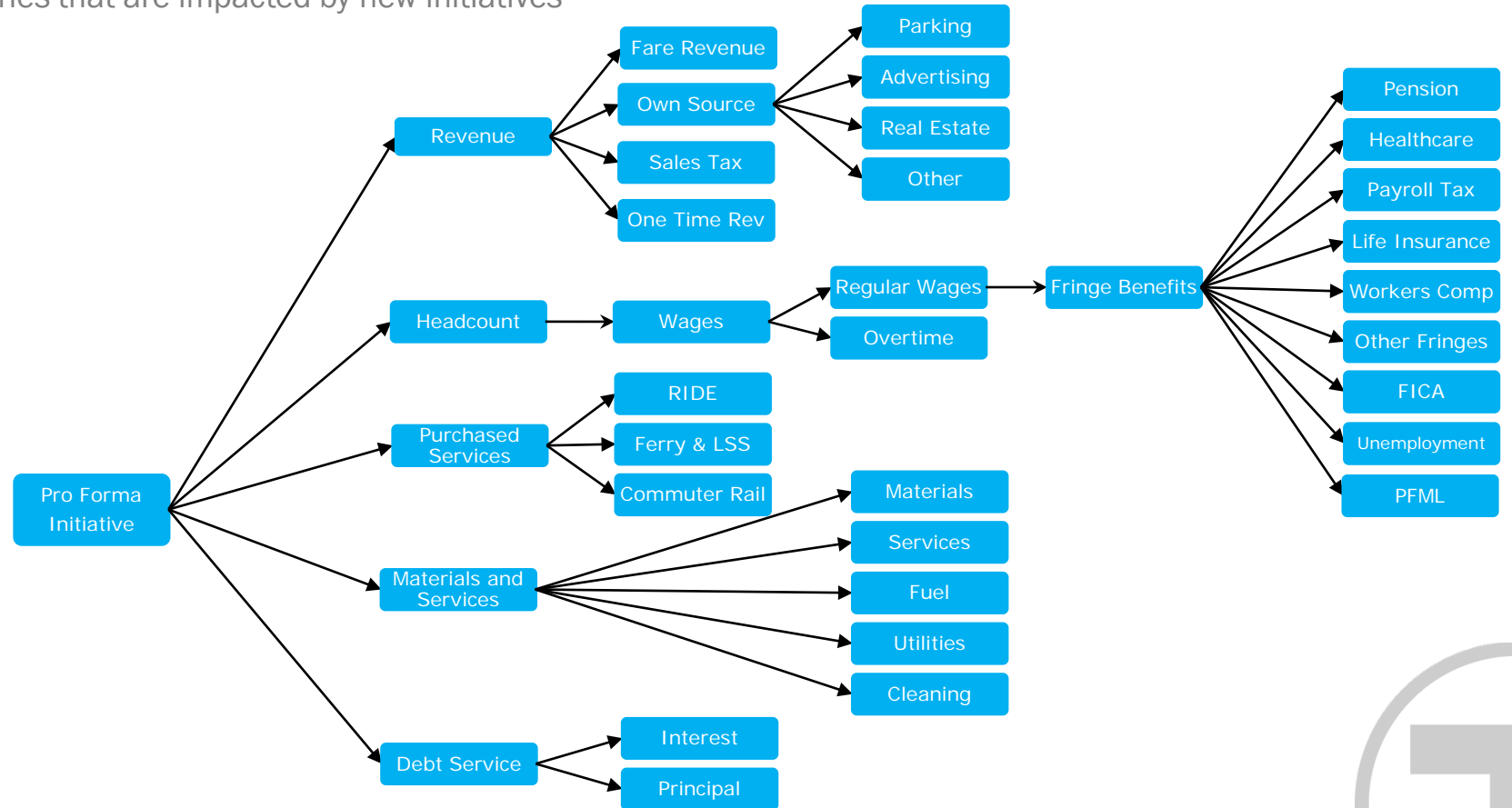
- Collective bargaining increases & Contracted services renegotiation dates
- Legislative and administrative decisions (federal safety standards, fare policy decisions, PMFL impacts, etc.)
- Historical revenue & expense growth
- Consumer Price Index (CPI) data
- The currently funded $9.4B Capital Investment Plan (CIP) Potential, and the $8.2B Projected Spending Target
- Current Capital Project Timelines
- Data to inform assumptions was and is collected through an extensive and on-going series of meetings with both capital and operating departments

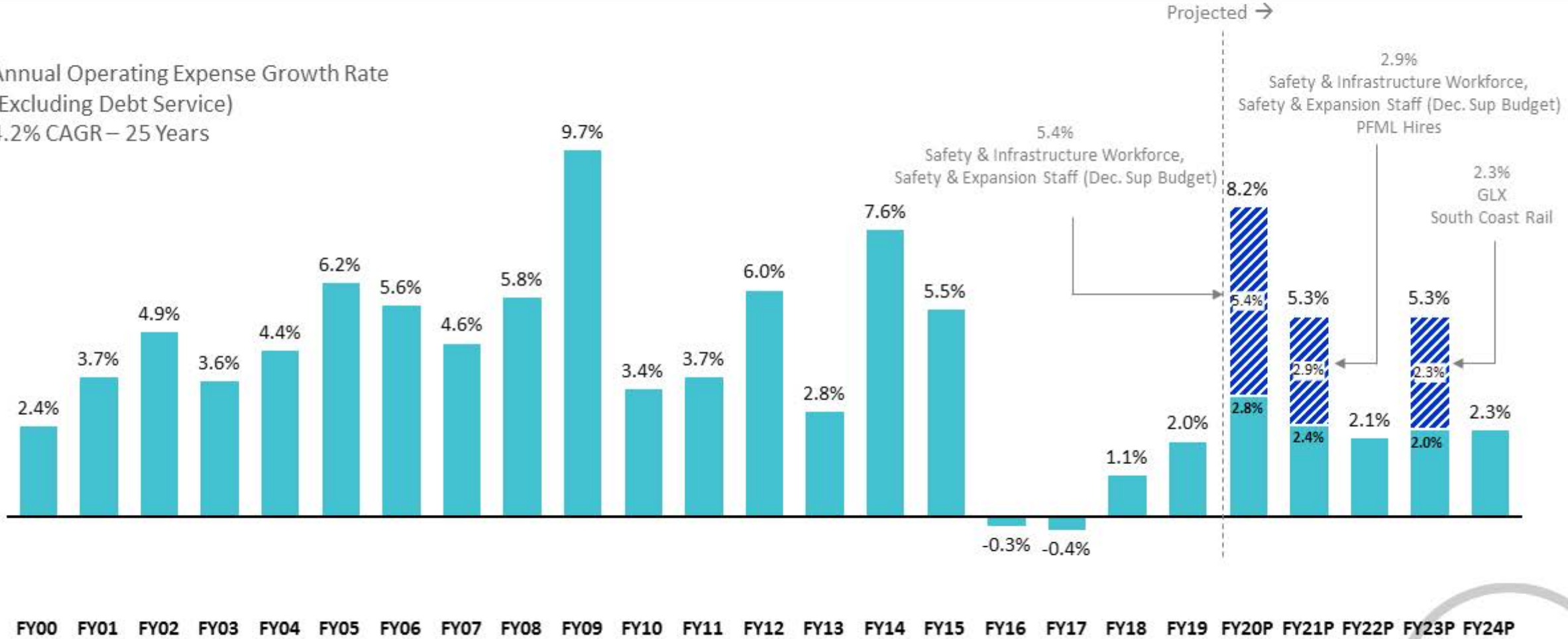# Introduction: Operating Budget Components

Cost Driver & Expense Category Flow Chart
Each cost driver has specific expense categories that are impacted by new initiatives
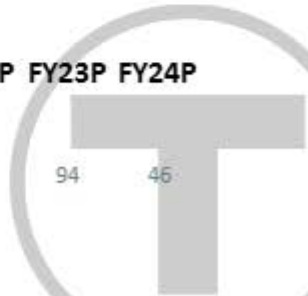
Operating Expense History and Growth Projection – 25 Years
(Debt Service Excluded)

Projected →

Annual Operating Expense Growth Rate
(Excluding Debt Service)
4.2% CAGR – 25 Years

2.9%
Safety & Infrastructure Workforce,
Safety & Expansion Staff (Dec. Sup Budget)
PFML Hires

5.4%
Safety & Infrastructure Workforce,
Safety & Expansion Staff (Dec. Sup Budget)

2.3%
GLX
South Coast Rail

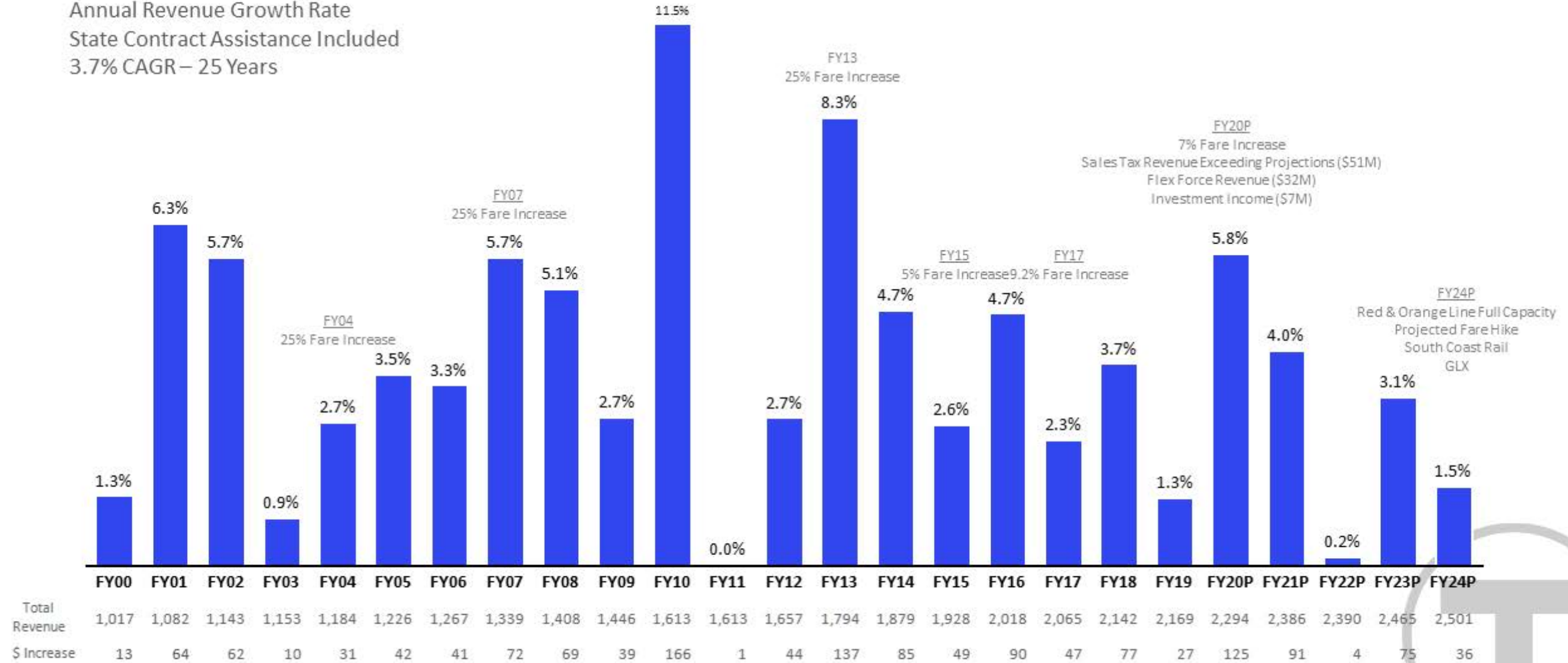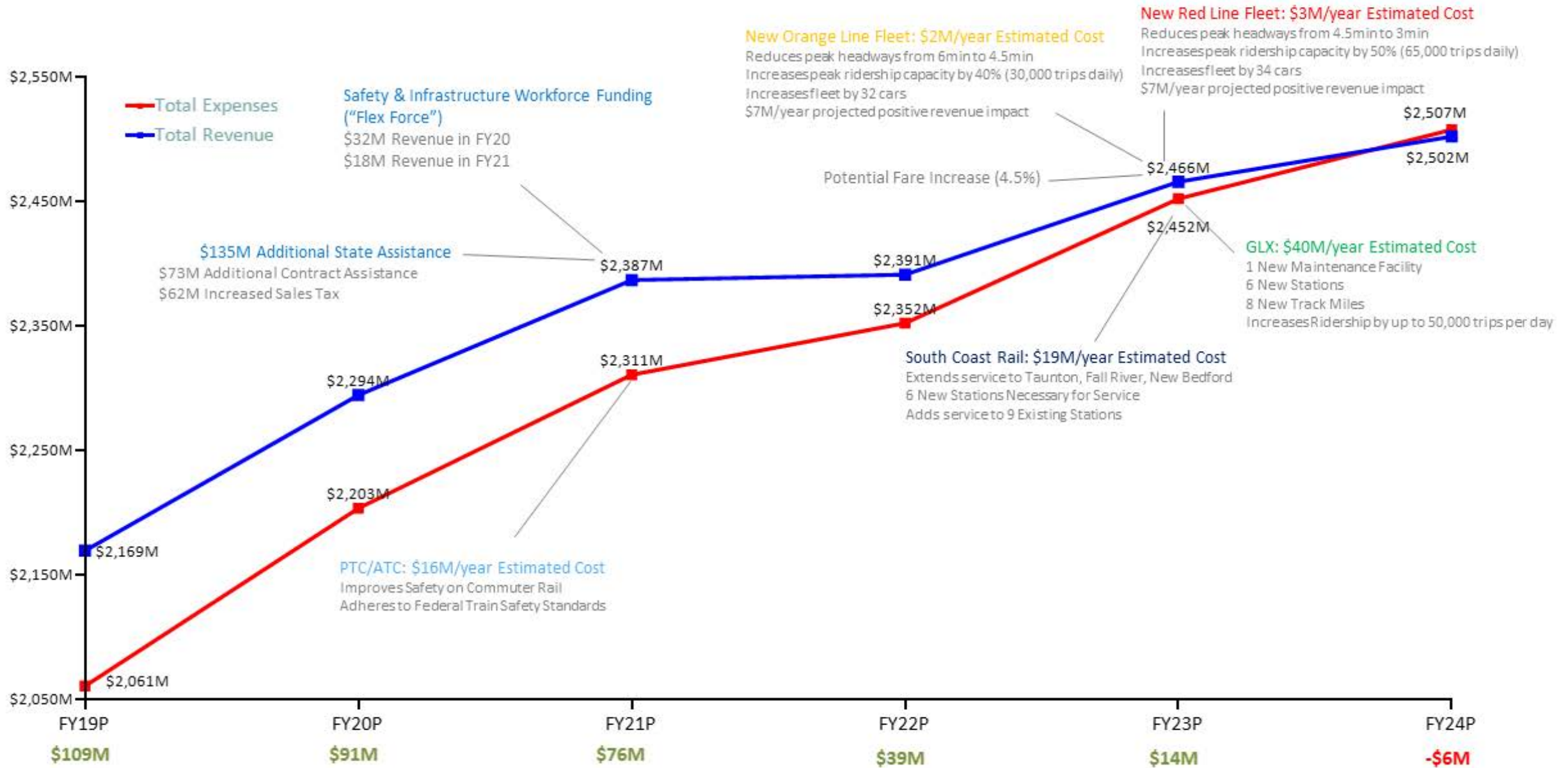|	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20P	FY21P	FY22P	FY23P	FY24P
Growth	2.4%	3.7%	4.9%	3.6%	4.4%	6.2%	5.6%	4.6%	5.8%	9.7%	3.4%	3.7%	6.0%	2.8%	7.6%	5.5%	-0.3%	-0.4%	1.1%	2.0%	8.2%	5.3%	2.1%	5.3%	2.3%
$ Increase	17	26	36	28	35	52	50	43	57	100	39	43	73	37	101	79	-4	-6	16	31	127	90	37	94	46

FY20P: 5.4% / 2.8%
FY21P: 2.9% / 2.4%
FY23P: 2.3% / 2.0%

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Revenue History and Growth Projection – 25 Years

Annual Revenue Growth Rate
State Contract Assistance Included
3.7% CAGR – 25 Years

FY13
25% Fare Increase

FY07
25% Fare Increase

FY04
25% Fare Increase

FY20P
7% Fare Increase
Sales Tax Revenue Exceeding Projections ($51M)
Flex Force Revenue ($32M)
Investment Income ($7M)

FY15
5% Fare Increase

FY17
9.2% Fare Increase

FY24P
Red & Orange Line Full Capacity
Projected Fare Hike
South Coast Rail
GLX

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20P	FY21P	FY22P	FY23P	FY24P
Growth %	1.3%	6.3%	5.7%	0.9%	2.7%	3.5%	3.3%	5.7%	5.1%	2.7%	11.5%	0.0%	2.7%	8.3%	4.7%	2.6%	4.7%	2.3%	3.7%	1.3%	5.8%	4.0%	0.2%	3.1%	1.5%
Total Revenue	1,017	1,082	1,143	1,153	1,184	1,226	1,267	1,339	1,408	1,446	1,613	1,613	1,657	1,794	1,879	1,928	2,018	2,065	2,142	2,169	2,294	2,386	2,390	2,465	2,501
$ Increase	13	64	62	10	31	42	41	72	69	39	166	1	44	137	85	49	90	47	77	27	125	91	4	75	36

Operating Budget Revenue & Expense Forecast

New Red Line Fleet: $3M/year Estimated Cost
Reduces peak headways from 4.5min to 3min
Increases peak ridership capacity by 50% (65,000 trips daily)
Increases fleet by 34 cars
$7M/year projected positive revenue impact

New Orange Line Fleet: $2M/year Estimated Cost
Reduces peak headways from 6min to 4.5min
Increases peak ridership capacity by 40% (30,000 trips daily)
Increases fleet by 32 cars
$7M/year projected positive revenue impact

Potential Fare Increase (4.5%)

Safety & Infrastructure Workforce Funding ("Flex Force")
$32M Revenue in FY20
$18M Revenue in FY21

$135M Additional State Assistance
$73M Additional Contract Assistance
$62M Increased Sales Tax

GLX: $40M/year Estimated Cost
1 New Maintenance Facility
6 New Stations
8 New Track Miles
Increases Ridership by up to 50,000 trips per day

South Coast Rail: $19M/year Estimated Cost
Extends service to Taunton, Fall River, New Bedford
6 New Stations Necessary for Service
Adds service to 9 Existing Stations

PTC/ATC: $16M/year Estimated Cost
Improves Safety on Commuter Rail
Adheres to Federal Train Safety Standards

— Total Expenses
— Total Revenue

	FY19P	FY20P	FY21P	FY22P	FY23P	FY24P
Revenue	$2,169M	$2,294M	$2,387M	$2,391M	$2,466M	$2,502M
Expenses	$2,061M	$2,203M	$2,311M	$2,352M	$2,452M	$2,507M

FY19P	FY20P	FY21P	FY22P	FY23P	FY24P
$109M	**$91M**	**$76M**	**$39M**	**$14M**	**-$6M**

Amount available for lockbox includes capital salaries (target of $90M/annual)

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FY20 Projected Risks and Opportunities (Preliminary)

Favorable sales tax projections and YTD actual results projected to be offset by remaining risks

Historically, in Q2 and Q3 revenues drop and expenses rise

- Safety Panel recommendations, capital acceleration, professional services and increasing demands on operations departments and customer facing communications (E&M, CEX, CTD)

- Winter cold and snowfall is yearly risk and potentially a major expense driver, impacting fuel & utility, overtime and other costs

- RIDE $3M trending unfavorable due to contract delays and lower than expected productivity improvements

- With $13M one time real estate gain from South Station, Own Source Revenue is on target for $100M

- Streamlined hiring processes and aggressive hiring targets projected to increase headcount related expenses

- Expenses and third party contracts have caught up with projected expenditure

← Under Budget Over →

Value	Category
$36.5	**FY20 Budgeted Deficit**
-$127.0	Contract Assistance
-$42.2	Sales Tax to $1,114
-$32.0	Safety & Infrastructure Workforce (Flex Force)
-$13.0	Actual Results YTD (December)
$3.0	RIDE
$4.0	Fuel
$4.0	Utilities
$4.5	Fringe Benefits
$5.0	Own Source Revenue
$6.4	Professional Services & Cleaning Contract
$11.4	Overtime
$14.0	Debt Service
$14.4	Safety & Expansion Staff (Dec. Sup Budget)
$20.3	Safety & Infrastructure Workforce
-$90.9	**$90.9 Available for Lockbox Transfer**

FY20 Remaining Risks, Opportunities, Initiatives

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Revenue: Sales Tax Projections

Sales Tax Base Revenue Amount (BRA) vs. Actual Collections

Revenue Projected to Exceed BRA in FY20

Legend:
- Base Revenue Amount
- Projection
- Actual/Projected Collections

March 1, 2019
Certified Letter from Comptroller
Projects $1,084M in Sales Tax Revenue
$21M Above BRA

July 27, 2019
Legislative Conference Committee
Consensus Revenue Projection
$1,099M in Sales Tax Revenue
$36M Above BRA

November 15, 2019
Certified Letter from Comptroller
Projects $1,114M in Sales Tax Revenue
$51M Above BRA

January 22nd, 2020
House 2
Projects $1,176M in Sales Tax Revenue FY21
$40M One Time Sales Tax Acceleration

Additional $160M
Debt Service Cushion

Data points:
- FY14 (BRA Act.): $799 / $799
- FY15 (BRA Act.): $971 / $971
- FY16 (BRA Act.): $986 / $986
- FY17 (BRA Act.): $992 / $992
- FY18 (BRA Act.): $1,005 / $1,007
- FY19 (BRA Act.): $1,032 / $1,053
- FY20 (BRA Proj.): $1,063 / $1,084
- FY20 (BRA Proj.): $1,063 / $1,099
- FY20 (BRA Proj.): $1,063 / $1,114
- FY21 (BRA Proj.): $1,114 / $1,176

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Headcount: MBTA Net Hiring Summary YTD 1/23/2020

Historical

➢ Average Hires Per Year FY16 – FY19:
  ➢ 544
➢ Average Separations Per Year FY16 – FY19:
  ➢ 635
    ➢ 274 Retirements
    ➢ 361 Voluntary Separations

Going Forward

➢ Hiring rates have increased through a series of initiatives:
  ➢ Dedicated recruiters for major departments
  ➢ Employing third party firm to support capital employee hires
  ➢ Working with ODCR and legal, HR is actively Streamlining hiring process
➢ In addition to hiring, HR has promoted 200+ employees internally

Hiring vs. Attrition
MBTA on Track to Meet Hiring Goals

- Hirees
- Retirements
- Voluntary Separations

Chart: Hiring vs. Attrition by fiscal year

	Hires	Seps.
FY15	589	649
FY16	536	675
FY17	348	746
FY18	571	634
FY19	675	473
FY20 YTD	489	402
FY20 Hiring Plan	1,047	500
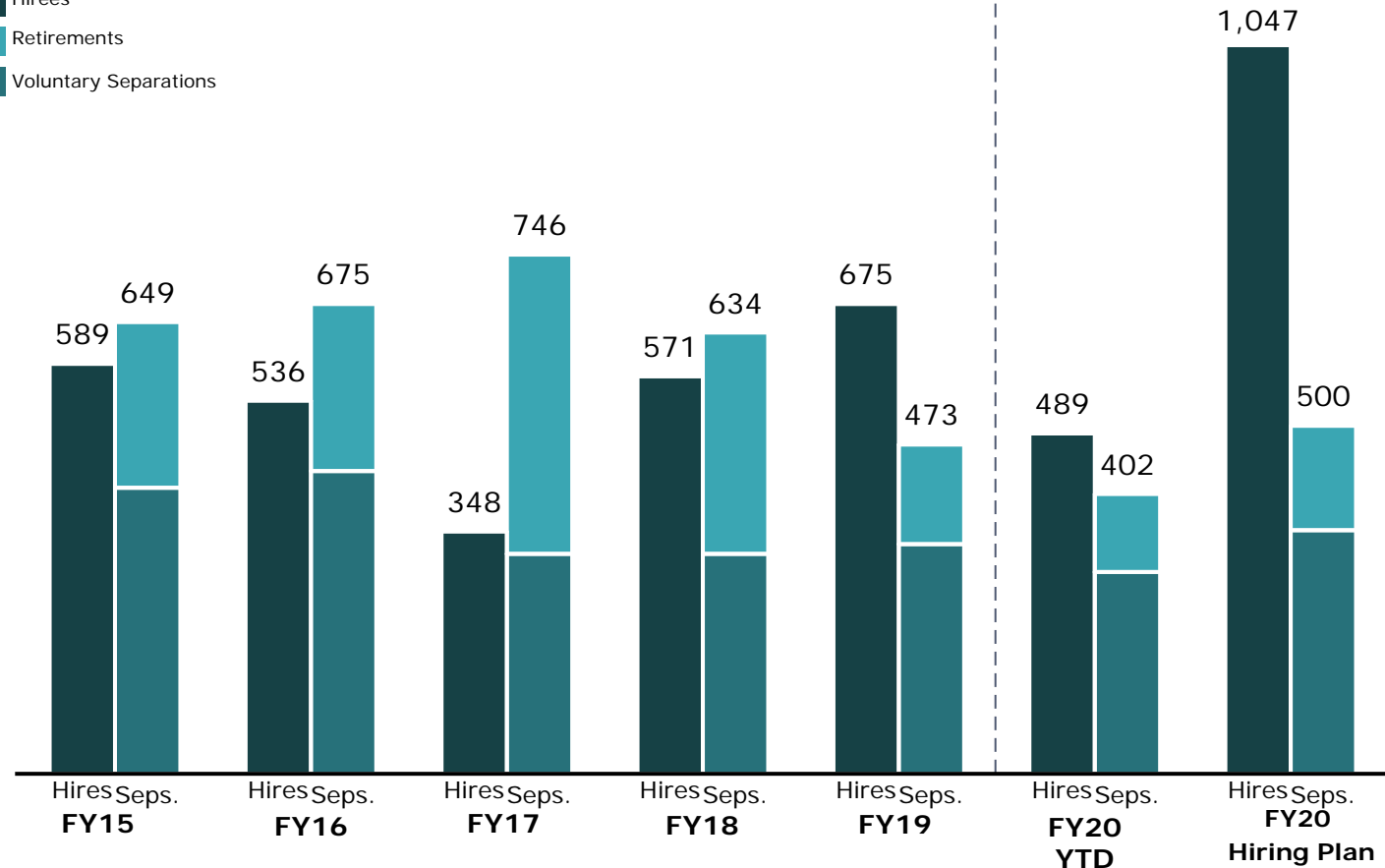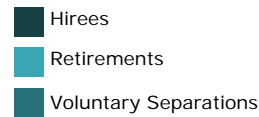
Pension Sensitivity

Pension Rate of Return

Actual vs. Target Rate of Return				
	FY17	FY18	FY19	FY20
Target Rate of Return	7.75%	7.75%	7.5%	7.5%
Actual Rate of Return	15.8%	-3.08	TBD	TBD

- Target Rate of Return on pension assets is 7.5%
- **Average Actual Rate or Return from FY15 to FY17 was 5.13%**
- A lower rate of return means increased employer contributions

Annual Pension Expense

Repeating Past 5 Year Performance (12% YOY Growth)

6% Target ROR (8% YOY Growth)

7.5% Target ROR (6% YOY Growth)

Bar chart values:
- FY17A: 91M
- FY18A: 94M
- FY19A: 102M
- FY20E: 120M
- FY21E: 132M (lower), 158M (total)
- FY22E: 138M (lower), 165M (total)
- FY23E: 147M (lower), 175M (total)
- FY24E: 150M (lower), 179M, 184M (total)
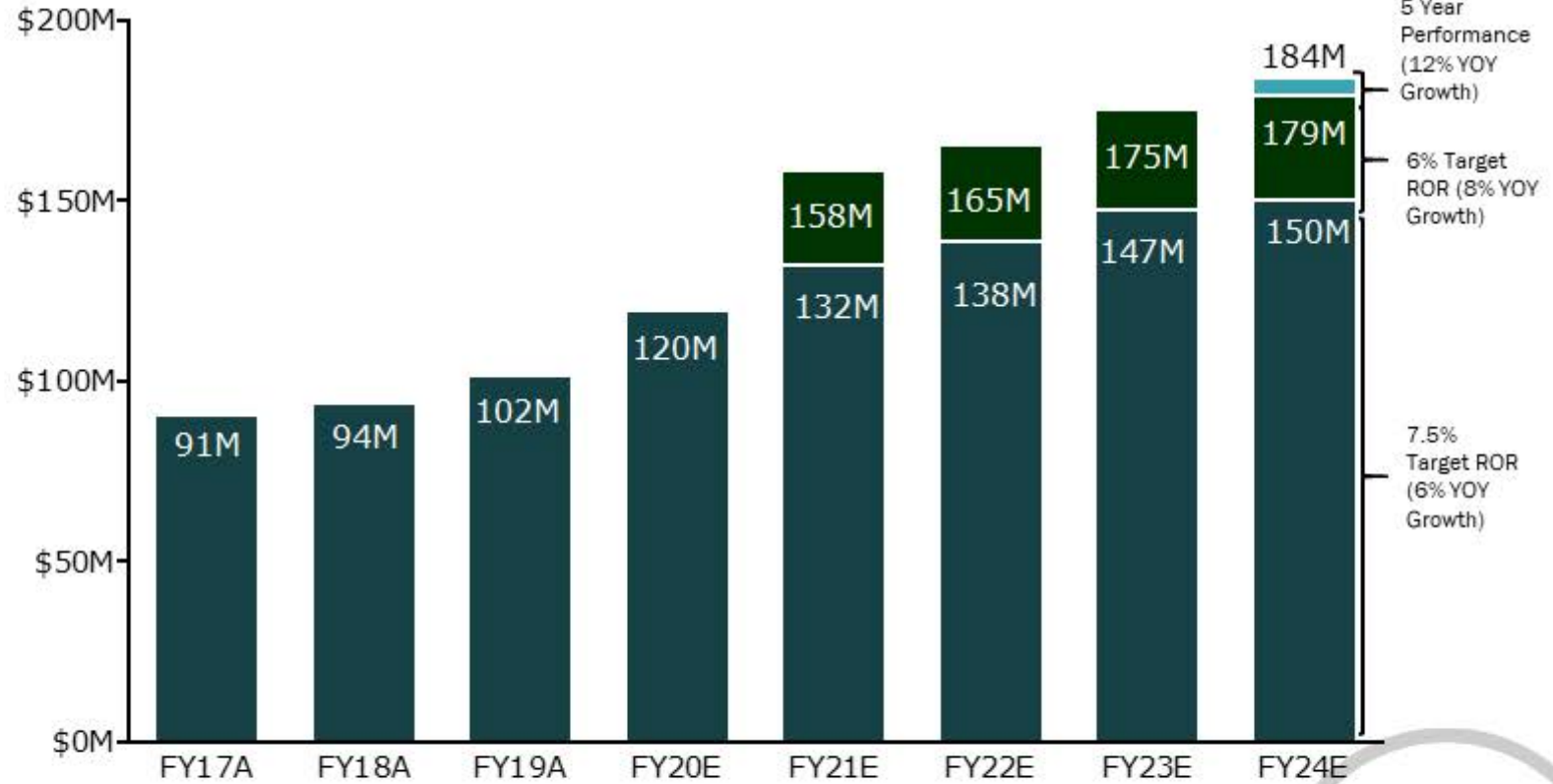
*Flex Force presumed to be funded through legislative mandate

Next Steps

Through the FY21 operating budget process:

- Available on-going revenues will be reviewed to ensure safety/maintenance requirements and capital support priorities as well as expansion initiatives
- Inefficiencies and cost savings to be identified
- Any realized sales tax acceleration will support additional cost of capital acceleration and Lock box funding level of $90M
- Targeted investments need to be considered in revenue generating departments (Commercial Strategies, Real Estate)

FY21 Budget Timeline:

- February – FY21 Operating Budget Preview
- March – Preliminary Vote
- April – Board Approval

Cost Control Efforts:

- MBTA must focus on pension risk as employer contribution rates increase
- Continuing analysis on overtime spending
- CAO to establish a cost control/performance management team
- CFO to establish & regularly report on a series of financial key performance measures

At end of FY20

- Presentation of year end results followed by update to pro forma

Appendix

Revenue Categories

** South Station Air Rights Revenue Posted to Capital

Revenue ($M)	FY17A	FY18A	FY19A	FY20B	% of Budgeted Revenue	FY20 Forecast	FY21 Forecast	FY22 Forecast	FY23 Forecast	FY24 Forecast
Operating Revenues										
Revenue from Transportation	$659.0	$661.1	$671.7	$696.8	31.5%	$707.6	$712.3	$713.1	$755.9	$761.5
Other Operating Revenues**	$56.6	$88.1	$90.2	$111.3	5.0%	$95.4**	$97.1	$102.9	$106.9	$110.2
Total Operating Revenues:	**$715.6**	**$749.2**	**$761.9**	**$808.1**	36.6%	**$803.0**	**$809.4**	**$816.0**	**$862.8**	**$871.7**
Fare Recovery Ratio	*43.2%*	*42.8%*	*42.7%*	*42.8%*		*41.6%*	*39.9%*	*39.1%*	*39.3%*	*38.7%*
Non-Operating Revenues										
Dedicated Sales Tax Revenue	$992.2	$1,006.8	$1,053.2	$1,063.0	48.1%	$1,114.2	$1,136.5	$1,159.2	$1,182.4	$1,206.0
Dedicated Local Assessments	$164.0	$166.5	$170.1	$174.4	7.9%	$174.4	$177.9	$182.5	$187.1	$190.8
Contract Assistance	$127.0	$127.0	$127.0	$127.0	5.7%	$127.0	$200.0	$200.0	$200.0	$200.0
Other Income	$53.3	$92.9	$57.2	$37.4	1.7%	$75.7	$61.9	$32.3	$32.3	$32.3
Total Non-Operating Revenues:	$1,336.50	$1,393.20	$1,407.50	$1,401.80	63.4%	$1,491.30	$1,576.30	$1,574.00	$1,601.80	$1,629.10
Total Revenues:	$2,052.2	$2,142.3	$2,169.4	$2,209.9	100.0%	$2,294.3	$2,385.7	$2,390	$2,464.5	$2,500.8
Revenue Recovery Ratio	*50.4%*	*54.6%*	*52.0%*	*51.9%*		*50.1%*	*48.8%*	*46.5%*	*46.6%*	*46.0%*

December Year to Date Overtime Spending By Department
$12.3M Above Budget

Overtime Actuals vs. Budget
Overtime spending is $10M above budget YTD

Legend: ■ Actual — Budget

Department	Actual	Budget
Bus Transportation	6.0	3.5
Police	3.8	3.2
Rail Maintenance	3.3	2.2
Power Systems Maintenance	1.9	0.5
Heavy Rail	2.7	1.6
Bus Maintenance	2.5	1.5
Maintenance of Way	2.6	1.0
Transit Facilities Maintenance	1.9	0.6
Signals & Communications	1.5	0.7
Light Rail	1.2	0.7
Everett Main Repair	0.8	1.0
Customer Technology	0.6	0.2
OCC & Training	0.5	0.3

FMCB actions to date have resulted in $965M cumulative savings

Legend:
- Actual Total Expenses
- Actual Total Revenue
- Projected Total Expenses
- Projected Total Revenue

CAGR

Projected Total Expenses: $1,922M, $2,021M, $2,135M, $2,250M, $2,340M, $2,402M — 4.6%

Actual Total Revenue / Projected Total Revenue: $1,803M, $1,851M, $1,893M, $1,915M, $1,949M, $1,975M — 1.8%

Cumulative Difference Between Projected Total Expenses and Actual Total Expenses (FY15-FY20P):

$965M

FY15A	FY16A	FY17A	FY18A	FY19A	FY20P
-$119M	-$86M	-$30M	$0M	-$18M	-$36M

Y-axis: $1,500M, $2,000M, $2,500M

Pro Forma 5 Year Snapshot YOY Growth %

| Revenue	FY20P	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Revenue From Transportation	5.3%	0.7%	0.1%	6.0%	0.7%	5.2%	0.0%	4.6%	0.0%
Own Source Revenue	5.8%	1.7%	6.0%	3.9%	3.1%	2.7%	2.5%	2.5%	2.5%
Sales Tax	5.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Local Assessments	2.5%	2.0%	2.6%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Income	32.4%	-18.2%	-47.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Contract Assistance	0.0%	57.5%	0.0%	0.0%	0.0%	0.0%	-36.5%	0.0%	0.0%
Total Revenue	5.8%	4.0%	0.2%	3.1%	1.5%	2.8%	-1.6%	2.7%	1.3%
Expenses									
Regular Wages	8.0%	7.1%	2.6%	8.4%	2.6%	2.6%	2.5%	0.0%	5.1%
Overtime	13.8%	-12.5%	2.6%	1.6%	2.5%	1.9%	2.5%	2.5%	2.5%
Pension	17.1%	11.2%	4.5%	6.3%	2.6%	2.6%	2.5%	2.5%	2.5%
Health	4.4%	6.8%	-1.8%	8.4%	2.6%	2.6%	2.5%	2.5%	2.5%
Workers Comp	5.4%	7.0%	-0.7%	8.4%	2.6%	2.6%	2.5%	2.5%	2.5%
Other Fringes	50.9%	107.5%	-2.0%	4.8%	2.6%	2.6%	2.6%	2.6%	2.6%
FICA	1.7%	4.3%	-1.9%	8.4%	2.6%	2.6%	2.5%	2.5%	2.5%
PFMLA	0.0%	3.4%	2.6%	8.4%	2.6%	2.6%	2.5%	2.5%	2.5%
Unemployment	43.8%	2.9%	2.5%	3.1%	2.5%	2.5%	2.5%	2.5%	2.5%
Health & Welfare	35.0%	-19.5%	2.2%	8.4%	2.6%	2.6%	2.5%	2.5%	2.5%
Materials	8.8%	3.8%	2.0%	7.0%	3.2%	3.2%	2.8%	2.5%	2.2%
Services	16.6%	15.0%	3.7%	4.1%	2.2%	2.1%	2.1%	2.2%	2.1%
Fuel	-1.7%	-0.8%	1.1%	7.9%	1.1%	1.1%	1.1%	1.1%	1.1%
Utility	3.5%	-1.2%	-2.9%	3.9%	-1.3%	-0.9%	-1.8%	-1.7%	-1.8%
Contract Cleaning	11.9%	3.2%	2.6%	2.1%	1.9%	1.7%	2.0%	2.1%	2.1%
Risk Insurance	47.9%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Injuries & Damages	42.5%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Commuter Rail	4.3%	3.2%	3.3%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
RIDE	0.2%	0.0%	0.2%	3.7%	2.5%	2.2%	2.9%	5.4%	2.6%
LSS	-5.6%	1.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ferry	5.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Financial Services	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Op Ex	8.1%	5.0%	2.2%	5.3%	2.3%	2.3%	2.3%	1.7%	3.0%
Debt Service	3.3%	4.4%	0.3%	0.6%	2.0%	1.0%	3.8%	1.8%	0.6%
Total Expenses	6.9%	4.8%	1.8%	4.2%	2.3%	2.0%	2.6%	1.7%	2.5%

Parking Revenue Sensitivity Analysis

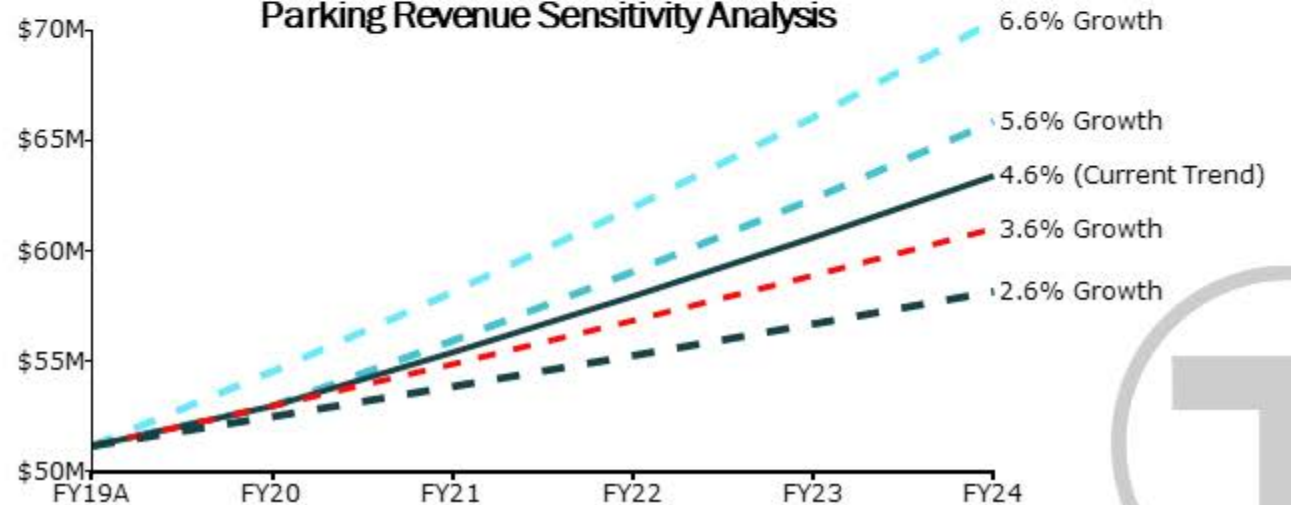| Committed Future Model Assumptions |
| --- |
| ➢ Capital Projects examined in the Pro Forma not expected to have a major impact on own source revenue |

Parking Revenue Expected Growth

Sensitivity Analysis
➢ Average YOY Growth from FY17-FY19 was 4.6%
➢ An increase of 1%, to 5.6% YOY Growth through FY24 will result in a **$5.9M cumulative increase in revenue**
➢ A decrease of 1%, to 3.6% YOY Growth through FY24 will result in a **$5.8M decrease in cumulative revenues**

Parking Revenue Sensitivity Analysis

6.6% Growth
5.6% Growth
4.6% (Current Trend)
3.6% Growth
2.6% Growth
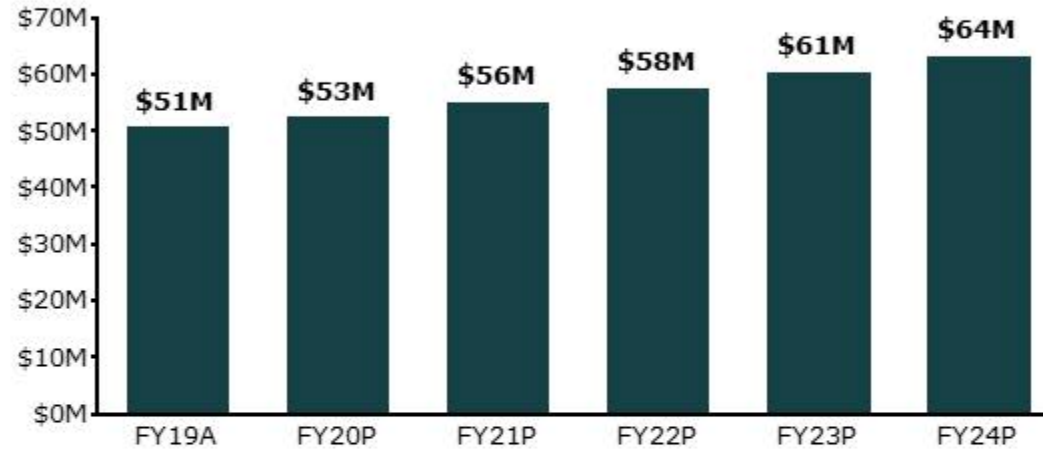
Capital Program and Fare Policy Impacts on Revenue

Committed Future Model Assumptions

➢ +4.5% fare increases assumed in FY23, FY25, and FY27 in line with current FMCB policy

➢ Assumes capital projects completed according to current projected schedules

➢ Fare policy decisions will be a key driver (means tested fare adjustments not included)

Sensitivity Analysis

➢ All scenarios assume fare increases of 4.5%, but at different frequencies

➢ Fare increases every 2 years (FY22, FY24)

➢ Cumulative additional revenues vs. current projection (FY21-FY24): **$65.7M**

Capital Project Impacts

Fare Policy Sensitivity Analysis

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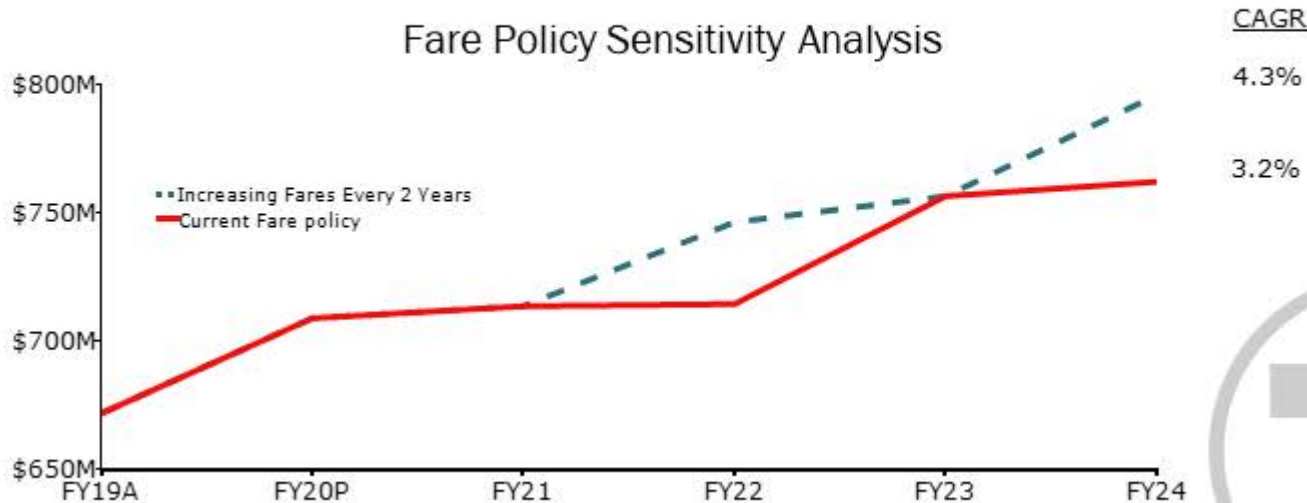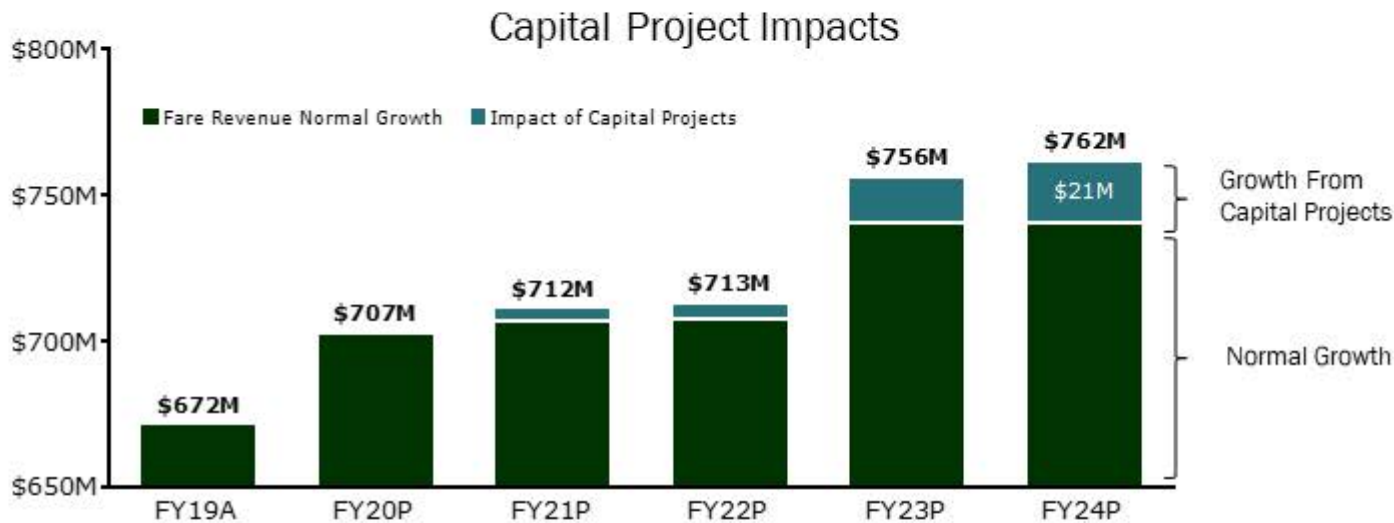
Purchased Services Expenses vs. Budget

Purchased Commuter Rail Expenses
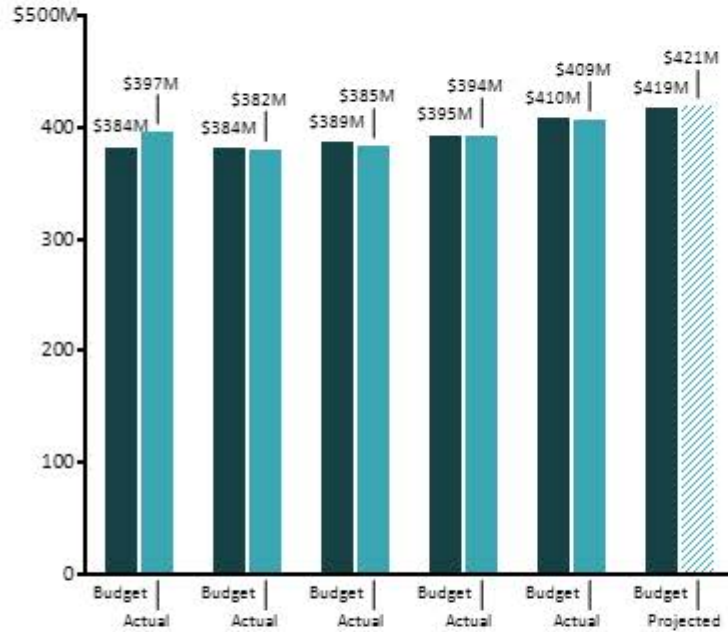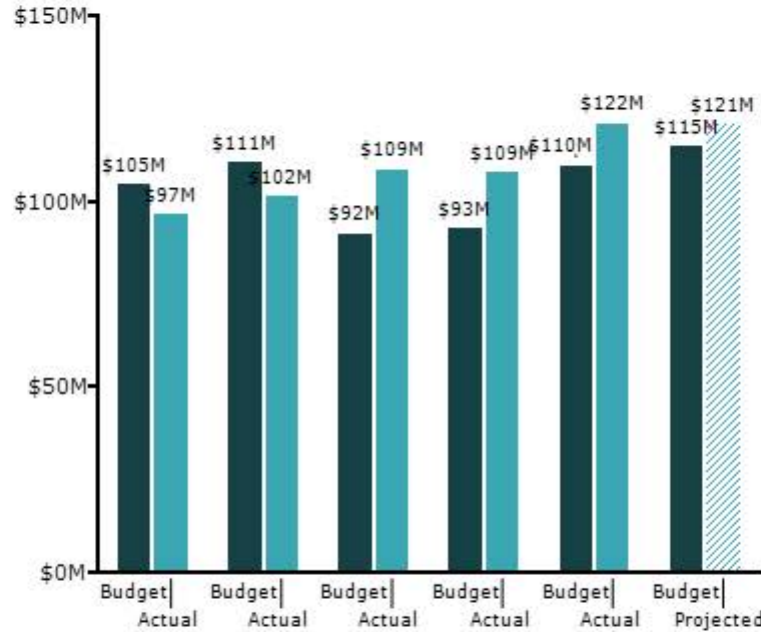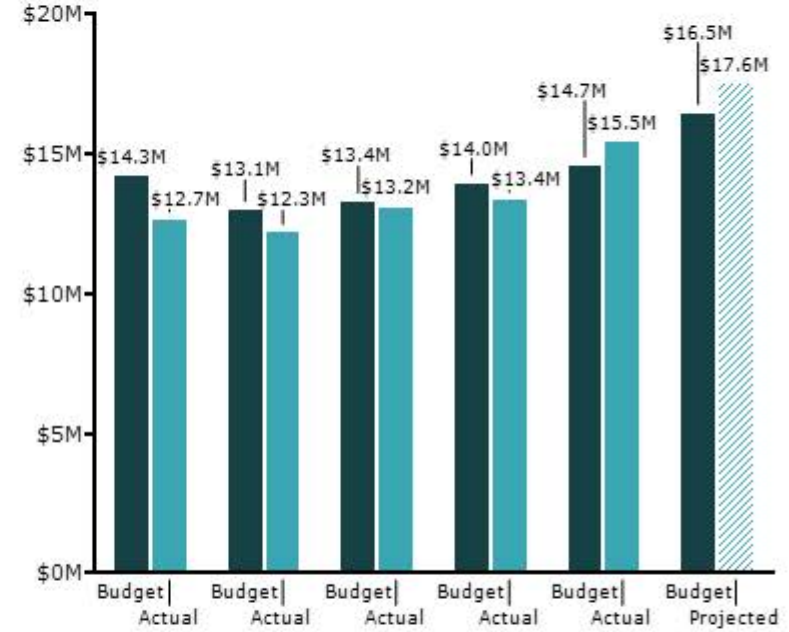
Fiscal Year	FY15	FY16	FY17	FY18	FY19	FY20
Variance	$13M	$2M	$4M	$1M	$1M	$2M

> FY20P based on Q1 actuals ($104.9M).

The RIDE

Fiscal Year	FY15	FY16	FY17	FY18	FY19	FY20
Variance	$8M	$9M	$17M	$15M	$11M	$6M

> Weather was a mitigating factor in FY15

> Aggressive cost savings targets from FY17 – FY19

> FY20P based on Q1 actuals ($30.3M)

Ferry

Fiscal Year	FY15	FY16	FY17	FY18	FY19	FY20
Variance	$1.6M	$0.8M	$0.2M	$0.6M	$0.8M	$1.1M

> FY20P based on Q1 actuals ($4.4M).

Commuter Rail Cost Sensitivity Analysis

Sensitivity Analysis

➤ The Commuter Rail payment has 4 components
  ➤ Fixed Payment
  ➤ Fuel
  ➤ Extra Work & Services
  ➤ PRIAA
➤ The current 2% growth rate is based on contracted increases (Fixed Price), historical extra work & services inflation rates, and National Fuel Price Projections
➤ One Variable was examined for this analysis: change in Fixed Rate Growth after contract expires at end of FY22
  ➤ +2% Fixed Rate Growth (Current Trajectory)
  ➤ -1% Fixed Rate Growth
    ➤ cumulative difference in expenses (FY23-FY24): **+$24.4M**
  ➤ +3% Fixed Rate Growth
    ➤ cumulative difference in expenses (FY23-FY24): **-$8.5M**
  ➤ +5% Fixed Rate Growth
    ➤ cumulative difference in expenses (FY23-FY24): **-$25.0M**

Fixed Payment Sensitivity Analysis
South Coast Rail, PTC/ATC, and Contract Changes happen in FY23

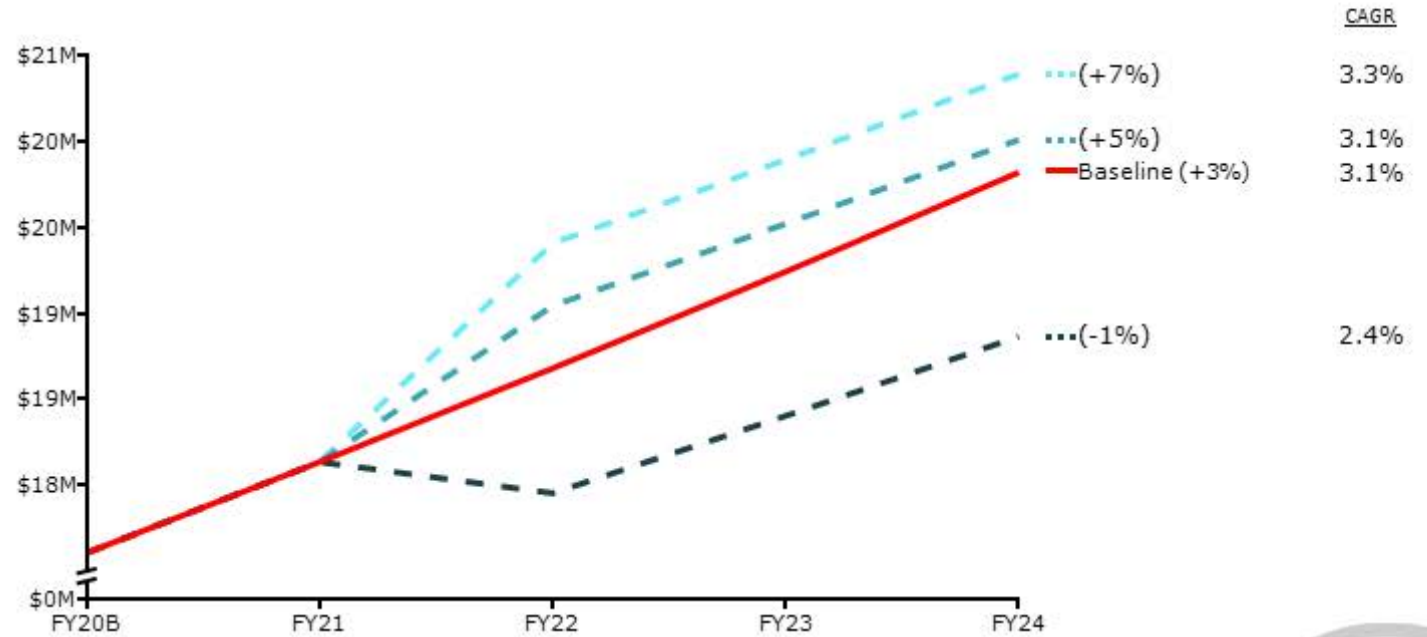| Fixed Payment Growth Rate	CAGR
+5%	3.4%
+3%	3.1%
+2%	2.9%
-1%	2.5%
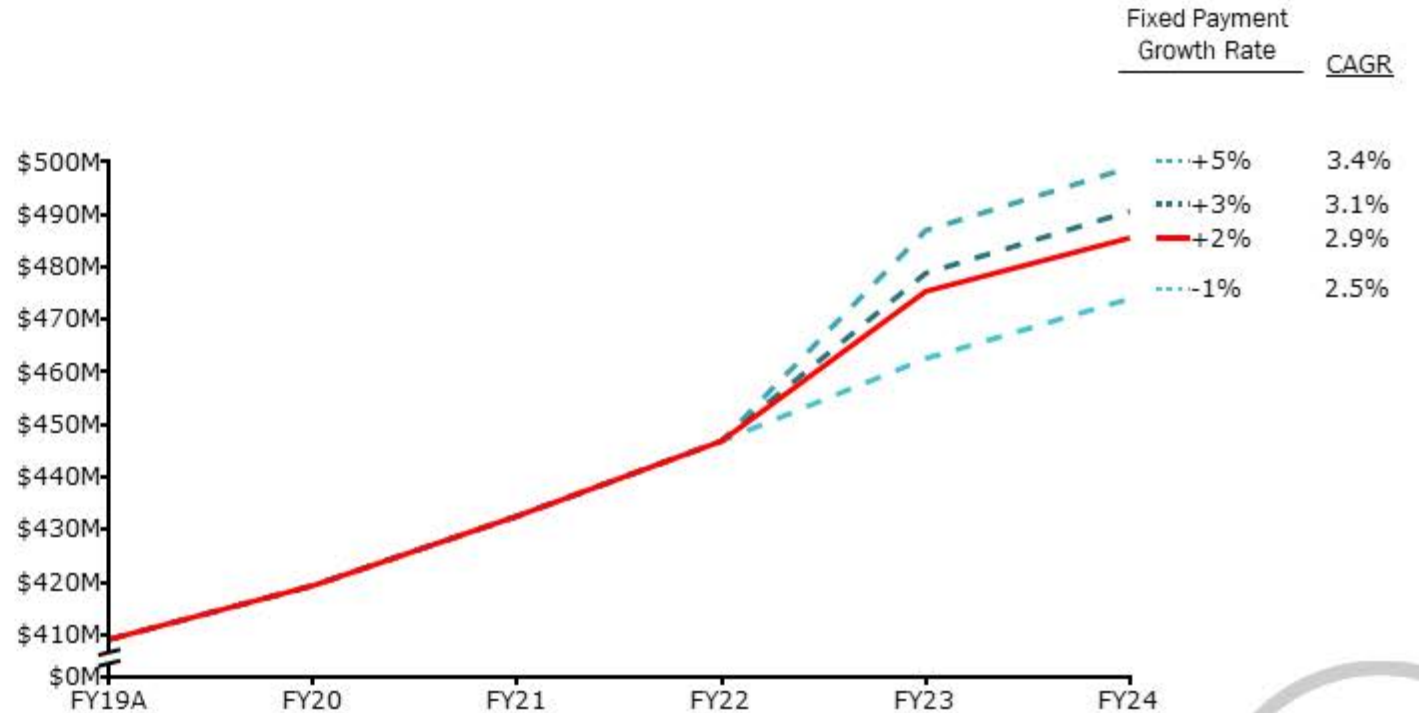
Ferry Sensitivity Analysis

Sensitivity Analysis

- Contract expires June 30th, 2023
- Baseline scenario assumes 3.0% p.a. growth
- Sensitivity analysis evaluates 3 alternative scenarios about FY22 contract growth vs. FY21
  - -1.0%
    - cumulative difference in expenses (FY22-FY28): +$2.5
  - +5.0%
    - cumulative difference in expenses (FY22-FY28): -$0.8M
  - +7.0%
    - cumulative difference in expenses (FY22-FY28): -$2.0M
- All 3 scenarios assume 2.5% p.a. growth in subsequent years

Ferry Sensitivity Analysis

CAGR

- (+7%) 3.3%
- (+5%) 3.1%
- Baseline (+3%) 3.1%
- (-1%) 2.4%

$21M, $20M, $20M, $19M, $19M, $18M, $0M

FY20B, FY21, FY22, FY23, FY24

Alignment Between FY20-24 CIP and Spending Targets

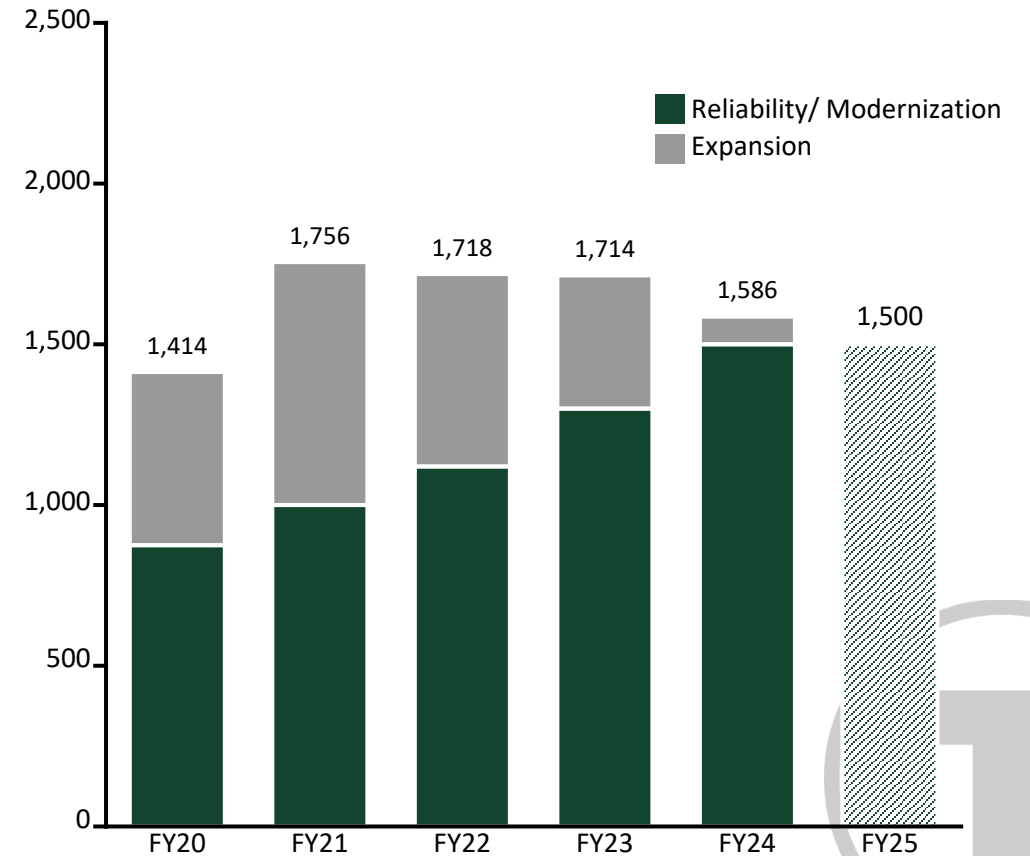## FY20-24 CIP as programmed

$9.4B Capital Investment Plan

$9.4B funding is available from FY20-FY24 and programmed through the CIP to specific projects based on anticipated cash flow forecasts from project managers. This Plan is reflected in the Pro Forma.

Legend:
- Reliability/ Modernization (dark green)
- Expansion (gray)

Values by year: FY20: 1,967 | FY21: 2,478 | FY22: 2,206 | FY23: 1,639 | FY24: 1,160
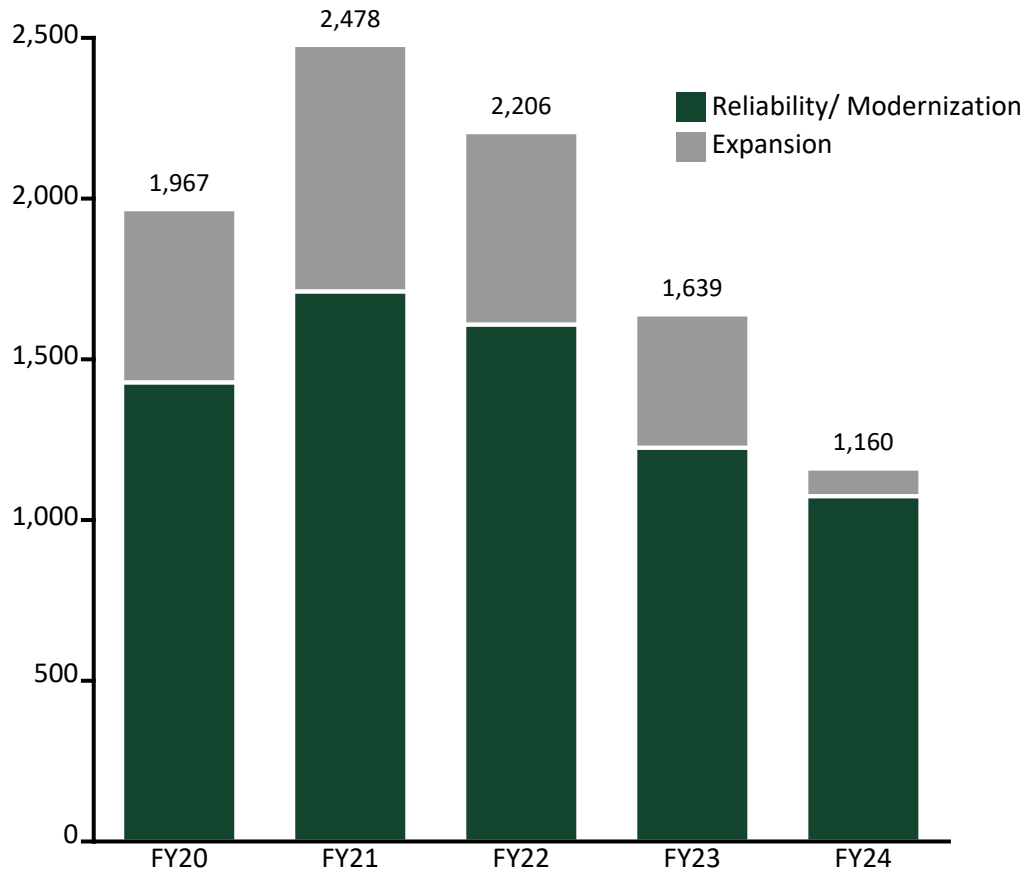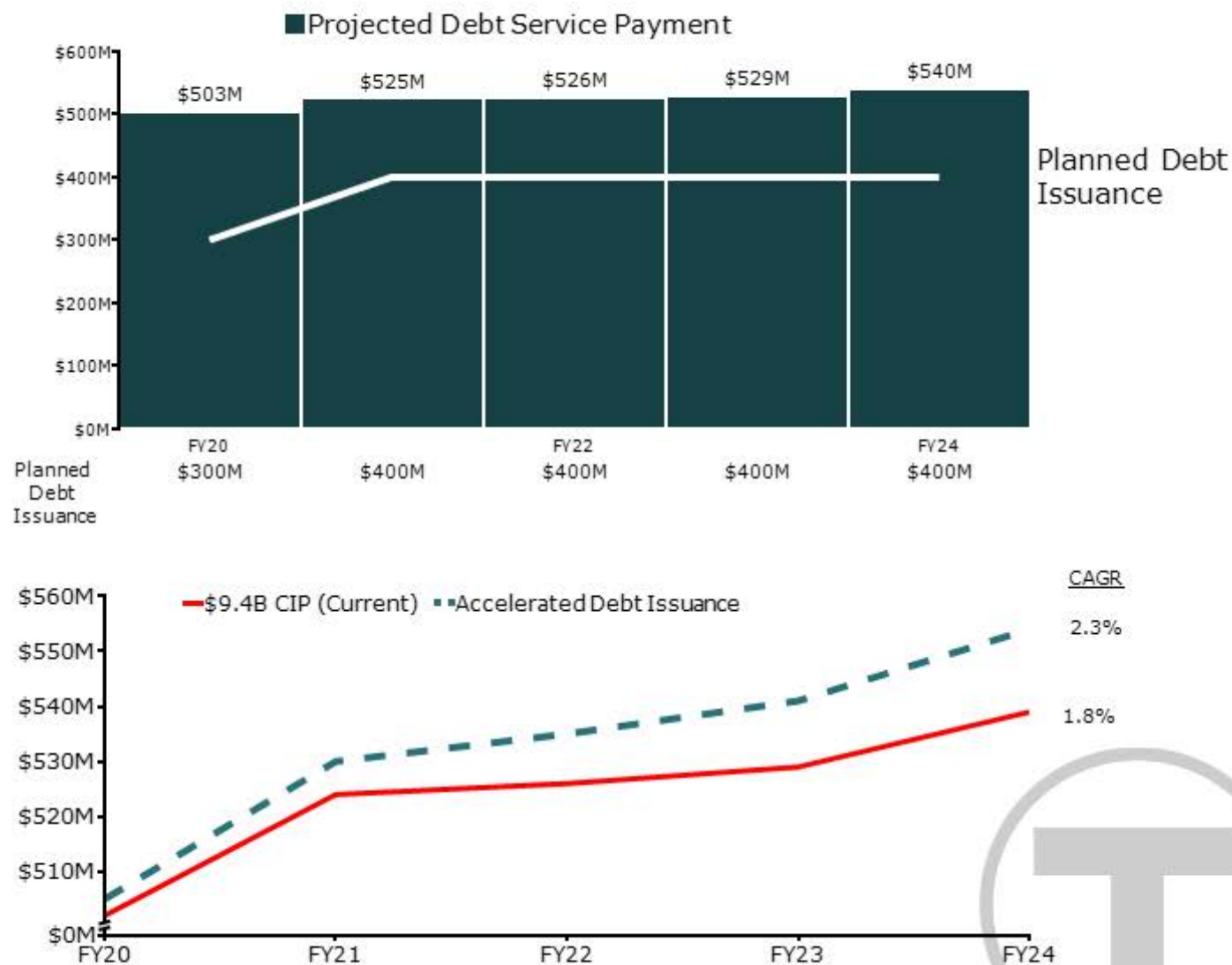
FY20-24 Spending Targets

$8.2B Spending Target

Although $9.4B is available and programmed, the MBTA set more conservative spending targets to reflect a more realistic ramp-up as the agency builds capacity to execute. If the full $9.4B is not spent by FY24, funds will carryover into FY25

Legend:
- Reliability/ Modernization (dark green)
- Expansion (gray)

Values by year: FY20: 1,414 | FY21: 1,756 | FY22: 1,718 | FY23: 1,714 | FY24: 1,586 | FY25: 1,500

Project Implementation Impact – Accelerating Debt Issuance

Committed Future Model Assumptions

➤ Accelerating Debt Issuance by $100M/year will add ~$6M/year to debt service payment

➤ No Debt was issued in FY19

■ Projected Debt Service Payment

Planned Debt Issuance

| Planned Debt Issuance | FY20 $300M | $400M | $400M | $400M | FY24 $400M |

$9.4B CIP (Current)   ■ Accelerated Debt Issuance

CAGR

2.3%

1.8%

Capital Project Fare Revenue Impact Assumptions

Fare Recovery Ratio By Project - First Full Year of Operation
First Full Year of Revenue/Expenses

Red Line Cars

Fiscal Year	FY23
Revenue	7,108,765
Expenses	3,000,601
Fare Recovery	236.9%

Orange Line Cars

Fiscal Year	FY24
Revenue	4,300,669
Expenses	1,665,201
Fare Recovery	258.3%

Green Line Extension

Fiscal Year	FY23
Revenue	1,025,463
Expenses	40,617,826
Fare Recovery	2.5%

South Coast Rail

Fiscal Year	FY23
Revenue	9,441,493
Expenses	18,767,590
Fare Recovery	50.3%

Cumulative Project Totals

Fiscal Year	FY23-FY24
Revenue	21,876,391
Expenses	68,064,830
Fare Recovery	32.1%

- The Fare Recovery Ratio of Capital Projects measures the percent of operating expenses which will be covered by fare revenues
  - New Revenues / Operating Expenses = Fare Recovery Ratio
  - A low ratio indicates that new expenses are much greater than new revenue
- New Red & Orange Line Cars have high fare recovery ratios because only small changes to our existing maintenance & transportation operations are required
- GLX has a low recovery ratios because a large amount of new infrastructure is required for operation
- Cumulatively, new projects will drag down our current fare recovery ratio
- Debt impact not reflected in numbers