



**Massachusetts Bay
Transportation Authority**

FY21 Preliminary Itemized Operating Budget

Fiscal and Management Control Board

David Panagore and Mary Ann O'Hara

March 9, 2020

Agenda

1. Overview

2. FY21 Preliminary Operating Budget

- Established Budget Priorities
- Policy Choices Made by FMCB
- Policy Choices to Be Made



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
- April 13:** FMCB vote to release the Approved Itemized Budget to MBTA Advisory Board
- April 15:** Statutory deadline for FMCB to approve FY21 Budget



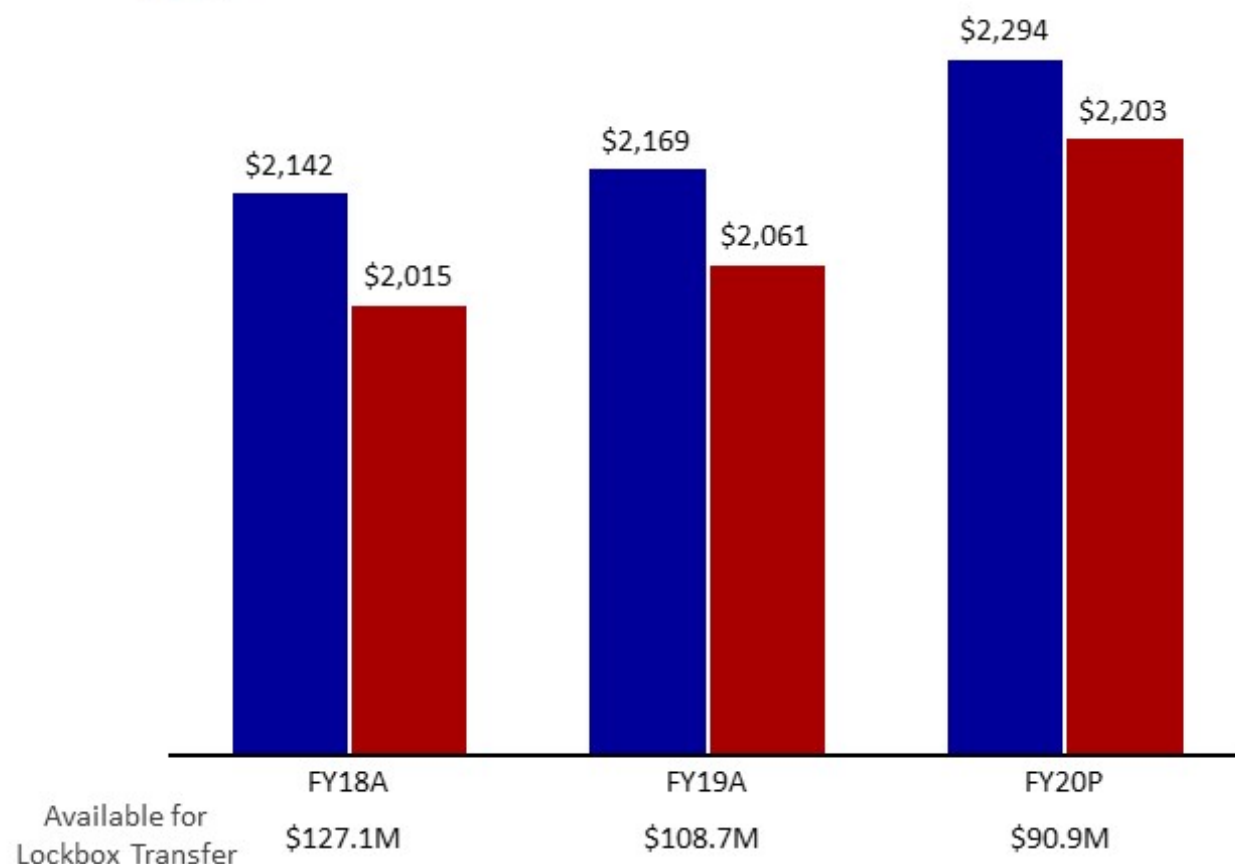
Historical Revenue, Expenses, Headcount

Revenues Increasing by \$125M from FY19A to FY20P

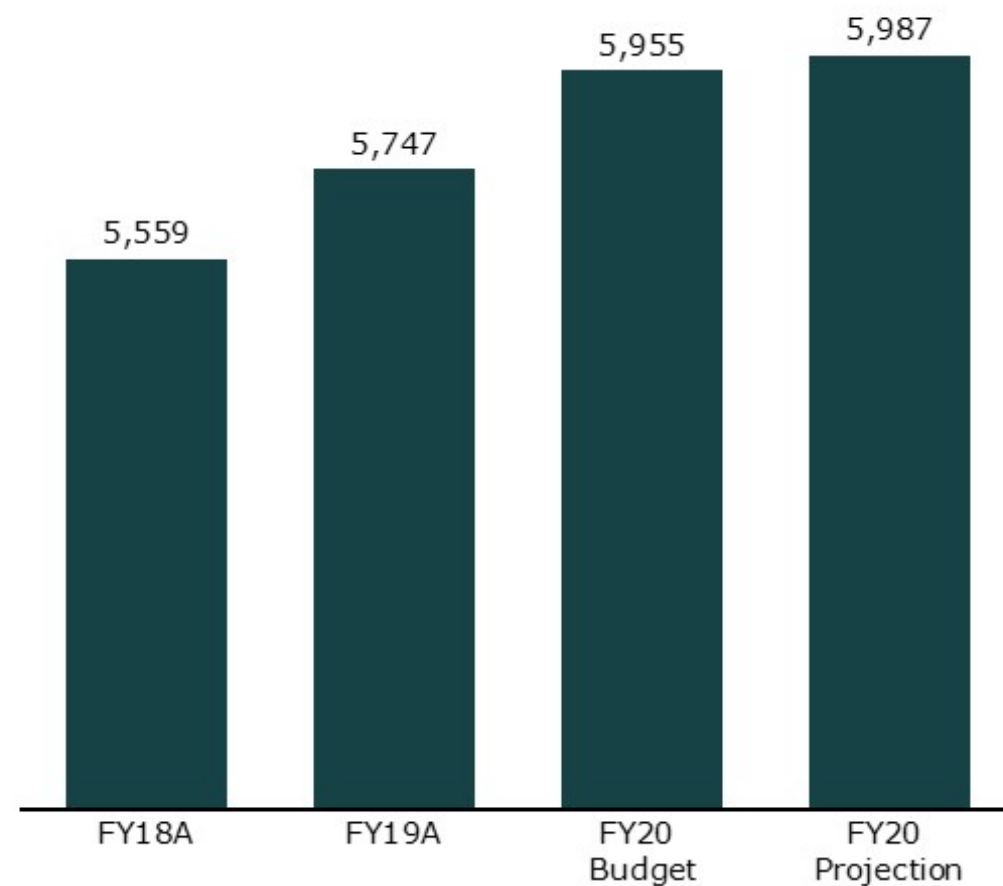
Expenses Increasing by \$142M from FY19A to FY20P

■ Revenue

■ Expenses



FY18 – FY20 Headcount Increase



Historical Op. Ex. Budget Requests vs. Final Budget (Excluding Debt Service)

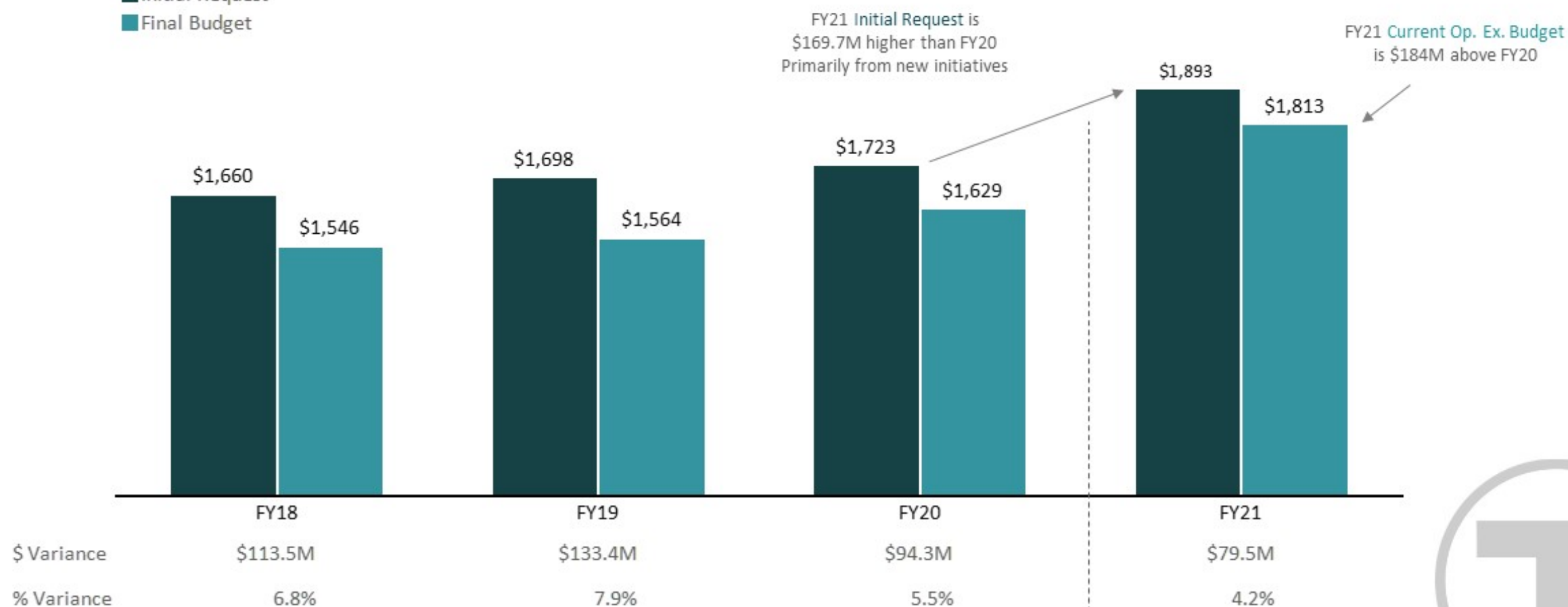
Initial Op. Ex. Budget Requests average \$105.2M (6.1%) Above Final Budget FY18 – FY21

Expenses reduced through conversations with departments and hiring schedule refinements

Excluding Debt Service

■ Initial Request

■ Final Budget



Budget Considerations

- Operational constraints on hiring speed and expenditure capacity
 - Both are significantly improving, reducing budget lag
- Debt Service
 - MBTA has a level of flexibility in structuring debt payments
- Fuel & Utility Price Fluctuations
 - Fuel Hedge currently @ 50%, expires June 2020
- This budget assumes the sale tax consensus revenue of \$1,136M which exceeds Sales Tax Base Revenue Amount of \$1,083M
- Overtime costs running significantly over budget in FY20 due to lag in hiring; expect lower OT levels when at full levels of staffing
- New state-wide PFML benefit begins 1/1/2021: impact on attendance and service unknown
- Passage of financial support package through state legislature will not occur before April 15 budget deadline



Structural Considerations

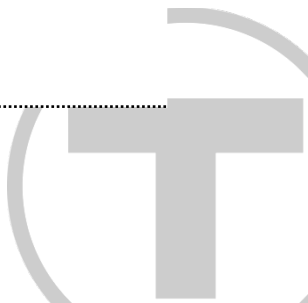
- Operating Expense excluding debt service CAGR 4.2% increasing faster than Revenue CAGR, 3.7% over last 25 years
- No Fare Increases Assumed
- Pension Expense is dependent on rate of return, employer contribution rate, and headcount
- Headcount Related Structural Issues
 - Bus Operator Turnover & Overtime
 - Police Hiring through Civil Service
 - Training period required for several front line E&M positions



Assumptions for FY21 Preliminary Itemized Operating Budget

FY21 Baseline Assumptions

Revenue	<ul style="list-style-type: none"> • State Contract Assistance increasing from \$127M to \$200M (\$73M Increase) • Increases in Sales Tax to \$1,136M and Local Assessments to \$177M • Supplemental Revenue Necessary for Safety & Infrastructure Support \$18M • No change to fare structure assumed • Growth in Parking & Advertising revenue (\$100M+) • One Time Accelerated Sales Tax \$40M available for Capital Program
Expenses	<ul style="list-style-type: none"> • Wages to increase in FY21 due to improved hiring processes, closing hiring lag and annual collective bargaining • Contractual increases for commuter rail (\$16.8M), specialized services such as infrastructure maintenance contracts (\$3.7M), cleaning & station systems contracts • Other materials, services, and supplies spend level funded • Utility and commodity expenses estimated based on national market rates • Pension employer contribution rate increase
Debt Service	<ul style="list-style-type: none"> • Debt is issued consistent with policy • Long-term issuance expected in April FY20 (\$275M) to support FY21 Capital Plan • FY21 issuances estimated \$400M - \$500M (depending upon outcome of CIP process)



FY21 Established Budget Priorities

- Operational commitments to deliver safety and infrastructure enhancements
- 333 new employees recommended to support Safety and Expansion goals
 - Safety Panel made 34 recommendations in December 9th report
 - To address Safety Panel, 30 hires are in process
 - 275 new employees recommended to address PMI, specialized inspections, increased training for employees
 - Safety & Infrastructure Support will be operational by Late Spring of 2020 with 200+ staff (formerly “Flex Force”)
 - \$18M Supplemental Budget Request Necessary to sustain and support new staff and activities
 - 33 new staff recommended to address PFML service impact
- Available Funding Remaining -> \$80.4M

Initiative Headcount Build-Up

Initiative	Total Headcount FY20	Additional Headcount FY21	Total Headcount FY21
Safety Panel Recommendations	30	275	305
Safety & Infrastructure Support (FF)	220	-	220
Other Operational Initiatives	6	25	31
PFML Coverage	-	33	33
Total	256	333	589

FY20 & FY21 Initiative Spend

Initiative	Total Spend FY20	Additional Spend FY21
Safety Panel Recommendations	4.8	44.3
Safety & Infrastructure Support (FF)*	-	-
Other Operational Initiatives	1.0	4.0
PFML Coverage	-	4.2
Total (\$M)	5.8	52.6

*Safety & Infrastructure Support Staff have dedicated funding to offset expenses in FY20 and FY21



Calculating Available Remaining Funding

- Total Revenue of \$2,388M
- Operating Expense/Normal Growth of \$1,741M
 - Third party & Contractual obligations
 - Wages & Collective Bargaining Agreements
 - Operational commitments to deliver safety and infrastructure enhancements
- Established Budget Priorities of \$52.6
 - 333 new employees recommended to support Safety and Expansion goals
 - 275 new employees recommended to address PMI, specialized inspections, increased training for employees
- Available Funding Remaining for Policy Initiatives -> \$80.4M
- This leaves the FMCB with \$20M for other policy priorities

Available for Lockbox

Available for Lockbox Transfer	Amount
Total Revenue	2388.0
Operating Expenses Including Normal Growth	-1741.0
Debt Service	-514.0
Balance Available	133.0
Established Budget Priorities	-52.6
Balance Available for Policy Choices Made, Policy Choices to be Made, Lockbox	80.4

*Safety & Infrastructure Support Staff have dedicated funding to offset expenses in FY20 and FY21



FY21 Policy Choices Made

- Resolutions passed for the following initiatives at December 16th FMCB meeting:
 - Rail Transformation
 - Team will oversee interim improvements in existing service and lead projects to enhance and reimagine future service options
 - Fare Transformation
 - Staff needed to make interim improvements in existing system including fare gates, vending machines and back office systems
 - Peak Bus Expansion
 - Bus Operations staff to operate 60 buses being put into service in fall 2020
 - Light/Heavy Rail Enhancements
 - 38 new staff recommended for to support additional service provided through capital investments (GLX Staffing and Red & Orange line operators)
- Available Funding Remaining -> \$69.0M

Initiative Headcount Build-Up

Initiative	Total Headcount FY20	Additional Headcount FY21	Total Headcount FY21
Rail Transformation	5	-	5
Fare Transformation	9	-	9
Peak Bus Expansion	3	50	53
Light/Heavy Rail	-	38	38
Total	12	88	100

FY20 & FY21 Initiative Spend

Initiative	Total Spend FY20	Additional Spend FY21
Rail Transformation	0.8	-
Fare Transformation	1.5	-
Peak Bus Expansion	0.4	6.4
Light/Heavy Rail	-	4.9
Total (\$M)	1.8	11.4

Available for Lockbox

Available for Lockbox Transfer		Amount
Total Revenue		2388.0
Operating Expenses Including Normal Growth		-1741.0
Debt Service		-514.0
Balance Available		133.0
Established Budget Priorities		-52.6
Balance Available		80.4
Policy Decisions Made		-11.4
Balance Available for Policy Choices to be Made, Lockbox		69.0

Policy Choices Made: Rail Transformation

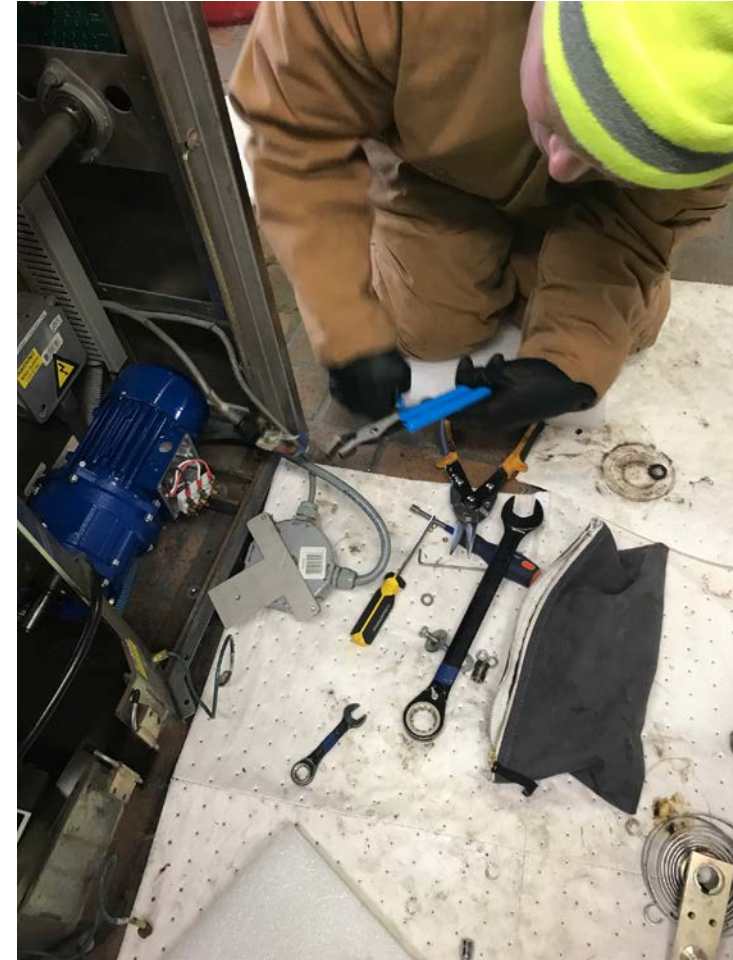
To begin to develop Rail Transformation per the FMCB's resolution new staff will:

- Start and manage the various planning processes
- Identify/prioritize capital projects (start programming into the CIP)
- Develop long-term staffing plan
- Develop contract structures to deliver projects



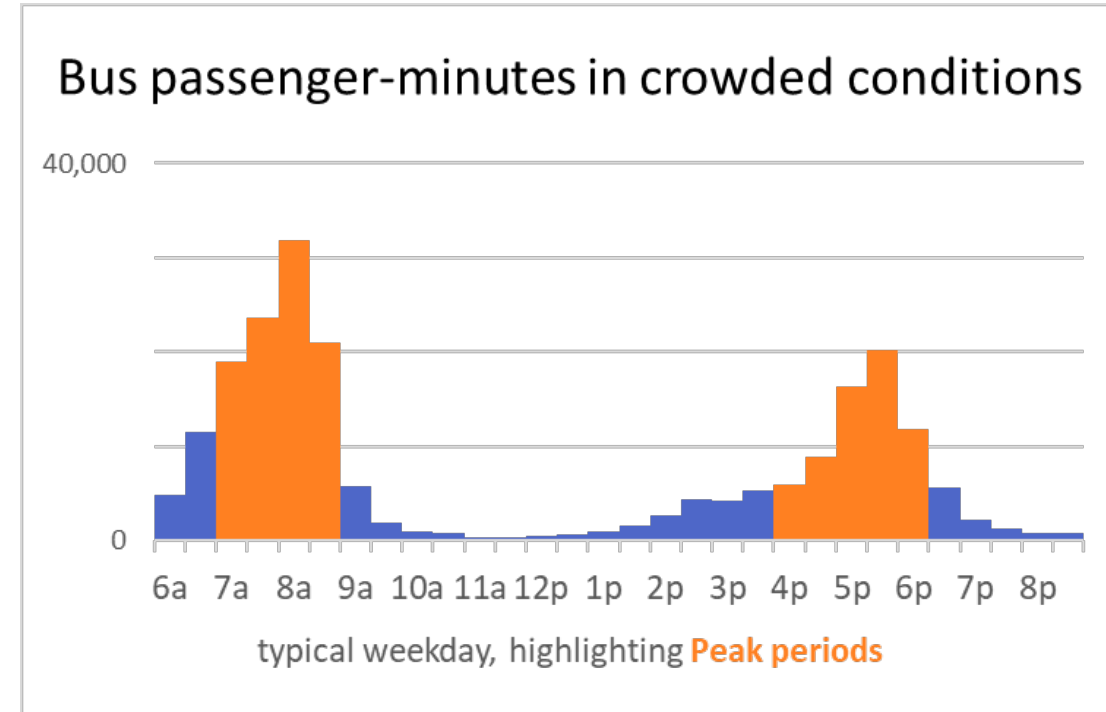
Policy Choices Made: Fare Transformation

- Additional field technicians and foreperson needed for hardware troubleshooting and repairs in approximately 2,800 revenue devices
- Interim investments will improve short-term uptime of fare collection equipment
- Other investments include network, software and fare vending machine updates
- Staff will also support installation of new fare collection equipment as part of Fare Transformation



Policy Choices Made: Investing in Peak Bus Service

- The 60 additional buses will allow the MBTA to increase peak bus service by ~5%
- This will help us meet our frequency and crowding service standards
 - Median bus run times 20-22% longer during peak periods over past 13 years
 - 71% of passenger minutes in crowded conditions are in the peak
- Beyond Silver Line 3, the last substantive peak service add was in 2005 (Original Silver line service)



Policy Choices Made: Light & Heavy Rail

- Additional Operators & Maintenance staff for new service in FY21 and beyond
- Support for ongoing training, inspections, and day to day service
- Support goal of replacing fleet with modern, more efficient vehicles.



FY21 Policy Choices to be Made

- \$60M+ required in lockbox for funding of projected capital salaries
- Bus Transformation
 - FY 21 Recommendation: 3 positions to
 - Continue to stand up Project Management Organization
 - Internal capacity building to enable implementation of Network Redesign & operational process improvements
- Policy Choices (3 service level options)
 - Service Enhancements
 - Decrease dropped trips and improve OTP
 - Bus Network Redesign – redesign of bus network to address crowding, reliability and frequency
 - Weekend Pilots
 - Pilot new service approaches
 - Weekend / Off-peak pilots
- Available Funding Remaining -> \$61.9M
 - \$61.9M available for Lockbox
 - ❖ Lockbox level subject to CIP approval

Initiative Headcount Build-Up

Initiative	Total Headcount FY 20	Additional Headcount FY 21	Total Headcount FY 21
Bus Transformation	5	3	8
Service Enhancements	-	34	34
Bus Network Redesign/Demonstration Pr	1	12	13
Weekend Pilots	-	5	5
Total	6	54	60

FY20 & FY21 Initiative Spend

Initiative	Total Spend FY20	Additional Spend FY21
Bus Transformation	0.8	0.6
Service Enhancements	-	4.5
Bus Network Redesign/Demonstration F	0.1	1.4
Weekend Pilots	-	0.6
Total (\$M)	0.9	7.1

Available for Lockbox

Available for Lockbox Transfer		Amount
Total Revenue		2388.0
Operating Expenses Included Normal Growth		-1741.0
Debt Service		-514.0
Balance Available		133.0
Established Budget Priorities		-52.6
Balance Available		80.4
Policy Choices Made		-11.4
Balance Available		69.0
Policy Choices		-7.1
Balance Available for Lockbox		61.9

Policy Choices to be Made: Bus Transformation

Define and deliver a transformed Bus experience to new and existing riders, including staff necessary to:

- Stand up Project Management Organization to own vision, roadmap & coordination
- Build Internal capacity to enable implementation of Network Redesign & operational process improvements
- Pilot new service approaches
 - Network Redesign Demonstration Projects
 - Weekend / Off-peak pilots
- Increase resources to decrease dropped trips and improve OTP to support meeting Service Delivery Policy
- Staffing level dependent on policy choices made on projects to be implemented



Bus Network Redesign Demonstration Projects and Pilot Options

- Staff developed options for bus pilots based on demand
- Demonstration projects require phasing based on capital and transit priorities needs
- Transit Priority discussions are underway
 - LMA Area
 - Sweetser Circle
 - Center City Link Corridor
- Staff recommendations based on
 - Geographic and rider equity
 - Existing bus priority from municipal partners
 - Budget priorities and phasing needs
 - Operational feasibility
 - Rider impact



Weekend Pilot Options

	Estimated Annual Opex Costs	What it is	Weekend Pilot detail
1	\$2M	Broadest level of investment, with some more exploratory pilots to add new Sunday service	<ul style="list-style-type: none"> • Below options, with targeted investments to relieve crowding on more routes • Add new Sunday service to routes or segments that demonstrate best potential productivity: <ul style="list-style-type: none"> • Route 33 is most productive Saturday route without Sunday service • Route 87 segment between Arlington Center and Clarendon Hill
2	\$1M	Moderate investment on weekend to enhance weekend service with highest crowding & potential to grow ridership	<ul style="list-style-type: none"> • Below option, and add weekend service to Routes 32, 86, 104, 109 to relieve crowding and maximize ridership growth
3	\$500K	Precision investment focused on weekend routes with highest crowding & potential to grow ridership	<ul style="list-style-type: none"> • Promote Route 31 to Key Bus Route with frequent all-day service, 7 days per week • Add weekend service to Routes 116, 117 to relieve crowding & maximize ridership growth

Network Redesign Demonstration Project Options

	Estimated Annual Costs	What it is	Demonstration Project Detail
1	Opex: \$6.5M Capex: \$3.7M	Original proposal from December 2019 – 3 demonstration projects	<ul style="list-style-type: none"> Broadway High Frequency Corridors (104/109; 89/101) New Corridor: Mattapan to Longwood Medical Area (contingent on transit priority in LMA) 112 Structural Improvements
2	Opex: \$5.5M Capex: \$2.23M	Revised proposal, focusing on 2 demonstration corridors, based on feedback on 112	<ul style="list-style-type: none"> Broadway High Frequency Corridors (104/109; 89/101) New Corridor: Mattapan to Longwood Medical Area (contingent on transit priority in LMA)
3	Opex: \$2.6M Capex: \$1M	Revised proposal, focusing on existing bus priority corridors, continue planning for Mattapan to LMA	<ul style="list-style-type: none"> FY21: Broadway High Frequency Corridors (104/109; 89/101) Route 112 additional frequency to existing route (pilot)

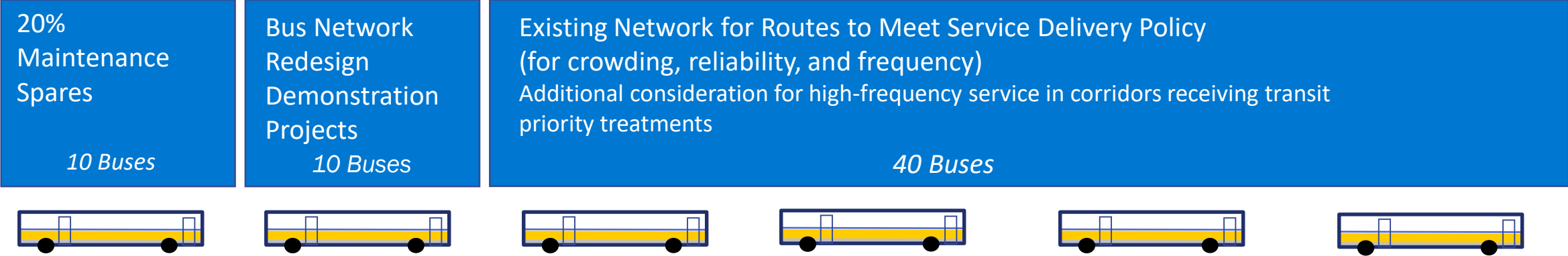
Notes:

- All investments are dependent on the implementation of transit priority treatments**
- Peak operating costs are not included in cost estimates since assumed in peak expansion investment**



Recommended Bus Pilots and Expansion

Decision Made: Peak Expansion



Policy Choices: Recommended Package of Bus Pilots

Weekend Pilots	Network Redesign Demonstration Projects	
<ul style="list-style-type: none">Promote Route 31 to Key Bus Route with frequent all-day service, 7 days per weekAdd weekend service to Routes 116, 117 to relieve crowding & maximize ridership growth <p>\$0.5M OPEX</p>	<p>112 Short-Term Pilot</p> <ul style="list-style-type: none">Add bus to increase frequency along existing route <p>\$620K OPEX</p>	<p>High Frequency Broadway Corridors (off-peak service & additional costs not included in peak expansion)</p> <ul style="list-style-type: none">High frequency service on Broadway bus lanes in Everett and Somerville (104/109; 89/101)Hire inspectors to manage more even headways and use newly developed dispatching software <p>\$2M OPEX; \$744K CAPEX</p>

Notes: All costs are annual estimates; Capex is currently unfunded but incorporated in FY21 CIP request; All demonstration project investments are dependent on the implementation of transit priority treatments

Preliminary Budget Vote for Today

- 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 April 15, 2020 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.

