Massachusetts Bay Transportation Authority

FY21/FY22 Budget: July Update

Fiscal and Management Control Board

September 14, 2020

Finance Team

July Operating Budget Summary

- Under the adopted budget, July net revenues (total revenues less total expenses and before transfers) is carried at -$21.0M with $174.5M in total revenues and $195.5M in total expenses
- Actual July net revenues (total revenues less total expenses and before transfers) are -$1.1M with $179.6M in total revenues and $180.7M in total expenses
- Variance of budget to actuals was $19.9M (Budget: -$21.0M; Actual: -$1.1M)
  - Total revenues are $5.1M favorable to budget mostly due to fare revenue collections coming in at 18% of FY20 budgeted levels compared to the 10% estimated
  - Total expenses are $14.8M favorable to budget with spending below budget in most major categories
  - If we manage to the adopted budget for the next 11 months, the **$19.9M variance to budget will mitigate the spending reductions needed to achieve the $400M FY21/FY22 savings target**
- July COVID-19 actual expenses are $3.1M, bringing total COVID-19 spending to $24.1M
- 287 operating budget vacancies carrying through from FY20 drove anticipated regular wage savings as hires and separations in the month aligned with FY21 budget assumptions

Monthly Balance Summary

- **-$1.1M balance** leaves no funds available to be deposited in the reserve fund to support FY21/FY22 savings target
- If we manage to budget over the next 11 months, the **$19.9M variance to budget will mitigate the spending reductions needed to achieve the $400M FY21/FY22 savings target**
  (see programmatic savings on Slide 11 & 12)
- Significant month over month variances are possible and **any potential negative variances to budget over the remaining 11 months in FY21 may offset July's favorable variance to budget**
- Budget and requested adjustments to budget will be **presented to the FMCB quarterly**

	($M) Category	FY YTD Budget	FY YTD Actual	$ Variance	FAV/ UNFAV	July 2019 Actual	FY21 Full Year
REVENUE	Fare Revenues	6.0	10.6	4.5	FAV	62.0	187.8
	Own Source Revenue	0.5	1.9	1.5	FAV	6.5	41.4
	Non-Operating Revenues	157.4	156.5	-0.9	UNFAV	109.7	1920.9
	State Assistance	10.6	10.6	0.0	FAV	10.6	127.0
	Total Revenues	**174.5**	**179.6**	**5.1**	**FAV**	**188.8**	**2277.1**
	Fare Recovery Ratio	*4%*	*8%*	*4%*	*FAV*	*47%*	
EXPENSES	Wages, Benefits and Payroll Taxes	72.4	66.1	6.3	FAV	65.5	831.0
	Non-Wage	79.5	71.2	8.3	FAV	67.2	940.2
	Operating Expenses	151.9	137.3	14.6	FAV	132.7	1771.2
	Debt Service	43.6	43.4	0.3	FAV	40.9	523.5
	Total Expenses	**195.5**	**180.7**	**14.8**	**FAV**	**173.7**	**2294.6**
	Remaining Balance Before Transfers	**-21.0**	**-1.1**	**19.9**	**FAV**	**15.1**	**-17.5**

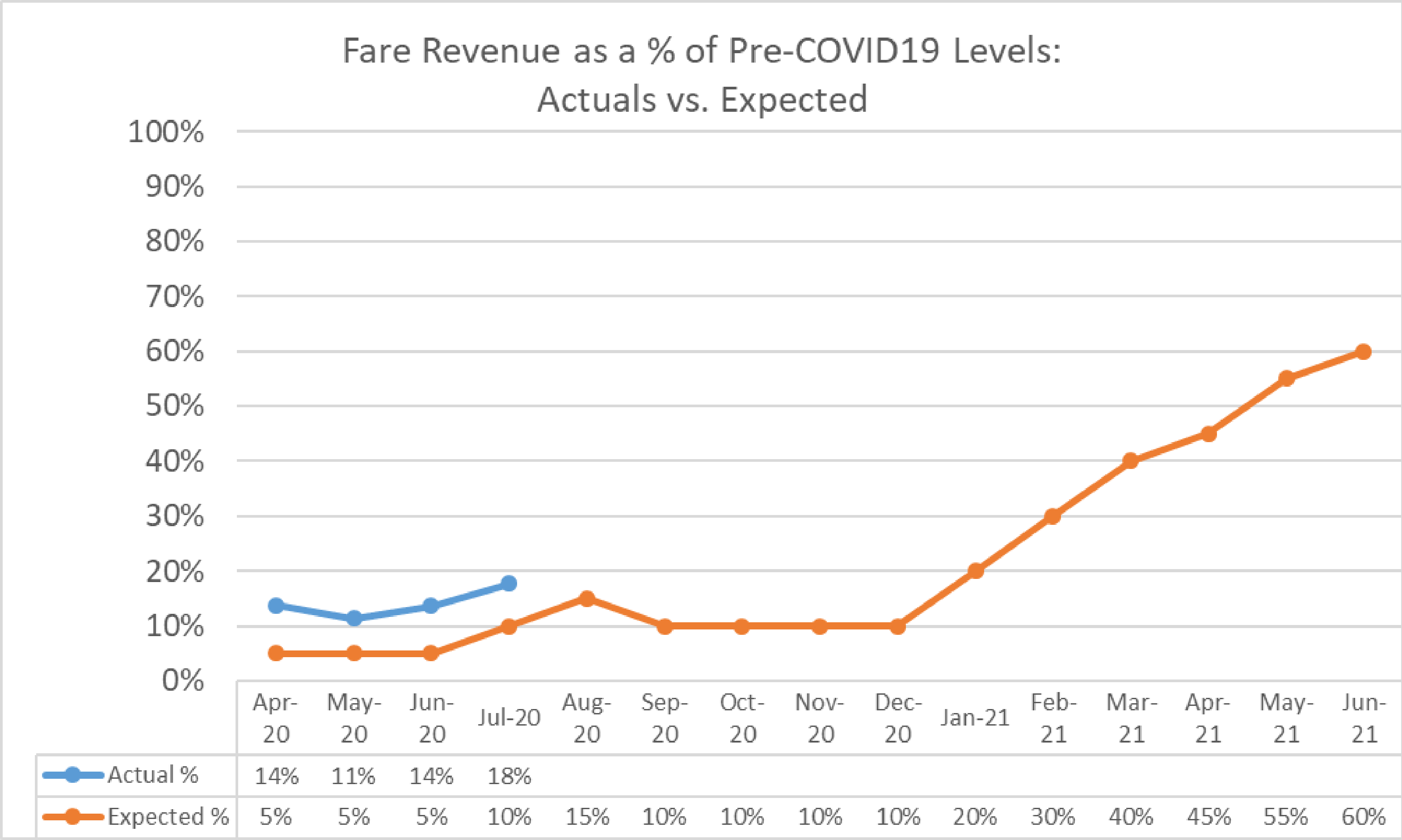
Revenue Summary

- $179.6M in **total revenues for the month were $5.1M favorable to budget**
- **Fare revenues favorable $4.5M** as COVID-19 recovery continues
- **Own source revenues favorable $1.5M** mostly due to parking and real estate collections
- **Other income favorable $0.9M** due to favorable investment income
- **Sales tax revenue $1.6M below budget** for the month but any negative variance to the budgeted base revenue amount of $1,083M would be reconciled by the close of FY21

Revenues ($M)	FY21 YTD Budget	FY21 YTD Actual	$ Variance	FAV/ UNFAV	July FY20 Actual	FY21 Full Year Budget
Fare Revenues	6.0	10.6	4.5	FAV	62.0	187.8
Own Source Revenue	0.5	1.9	1.5	FAV	6.5	41.4
Advertising	0.5	0.5	-0.1	UNFAV	2.0	17.1
Parking	-0.7	0.1	0.8	FAV	3.4	11.5
Other	0.3	0.5	0.2	FAV	0.2	4.8
Real Estate	0.4	0.9	0.6	FAV	1.0	7.9
Total Operating Revenues:	**6.5**	**12.5**	**6.0**	**FAV**	**68.5**	**229.2**
State Sales Tax Revenue	88.6	87.0	-1.6	UNFAV	88.6	1083.3
Local Assessments Revenue	14.8	14.5	-0.3	UNFAV	14.5	177.9
Other Income	54.0	55.0	0.9	FAV	6.6	659.7
Total Non-Operating Revenues:	**157.4**	**156.5**	**-0.9**	**UNFAV**	**109.7**	**1920.9**
State Assistance	10.6	10.6	0.0	UNFAV	10.6	127.0
Total Revenues:	**174.5**	**179.6**	**5.1**	**FAV**	**188.8**	**2277.1**

Monthly Fare Revenue Collections

- **Fare revenue collections were 18% of FY20 budgeted levels** compared to the 10% budgeted
- Although favorable for the first month of FY21, **considerable uncertainty and risk remain with current budget assumptions**
  - A 55% revenue collection level in June 2021 compared to the budgeted 60% level would entirely offset the favorability realized this month
- In the context of overall budgeted revenues for the year, **July revenues account for 7.7% of annual revenues** and **fare revenue accounts for 8.2% of total annual revenues**
- In FY20, **July revenues accounted for 8.3% of annual revenues and fare revenue accounted for 24% of total annual revenues**



	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Actual %	14%	11%	14%	18%											
Expected %	5%	5%	5%	10%	15%	10%	10%	10%	10%	20%	30%	40%	45%	55%	60%

Budget projections and revisions to be reviewed as needed at November FMCB meeting as outlined in the August Pro Forma timeline

Fare Type Revenue Detail

- Revenue across all fare types is up month-over-month (MoM) from June to July with the exception of monthly passes
- 15% decline in monthly pass revenue largely due to a one-time payment in June from Boston Public Schools for the last few months of the school year

Revenue by Fare Type ($M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Monthly Pass	5.1	48%	5.9	-15%	29.5	-83%
Stored Value	3.4	33%	2.0	68%	15.1	-77%
7-day Pass	1.2	12%	0.7	66%	4.7	-74%
Other	0.8	8%	0.3	181%	11.2	-93%
Total	**10.5**	100%	**9.0**	**17%**	**60.5**	**-83%**

Other includes a collection of commuter rail, ferry, and bus cash and farebox types in addition to refunds and adjustments

Sales Channel Fare Revenue Detail

- Revenue across all sales channels is up month-over-month (MoM) from June to July with the exception of the student pass program due to the one-time payments in June from the past school year
- 57% increase in fare vending machine sales from June to July made it nearly half (47%) of the July revenue total as COVID-19 recovery continues

Revenue by Sales Channel ($M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Fare Vending Machine	4.9	47%	3.1	57%	23.9	-79%
Corporate Pass	3.5	33%	3.4	2%	17.5	-80%
Student Pass Program	0.6	5%	1.7	-67%	-	
mTicket	0.5	4%	0.2	118%	9.5	-95%
Bus/GL Farebox	0.3	3%	0.0	N/A	1.6	-78%
All Other	0.7	7%	0.6	32%	8.0	-91%
Total	**10.5**	**100%**	**9.0**	**17%**	**60.5**	**-83%**

Other includes a variety of ticket window, online, and agent sales channels

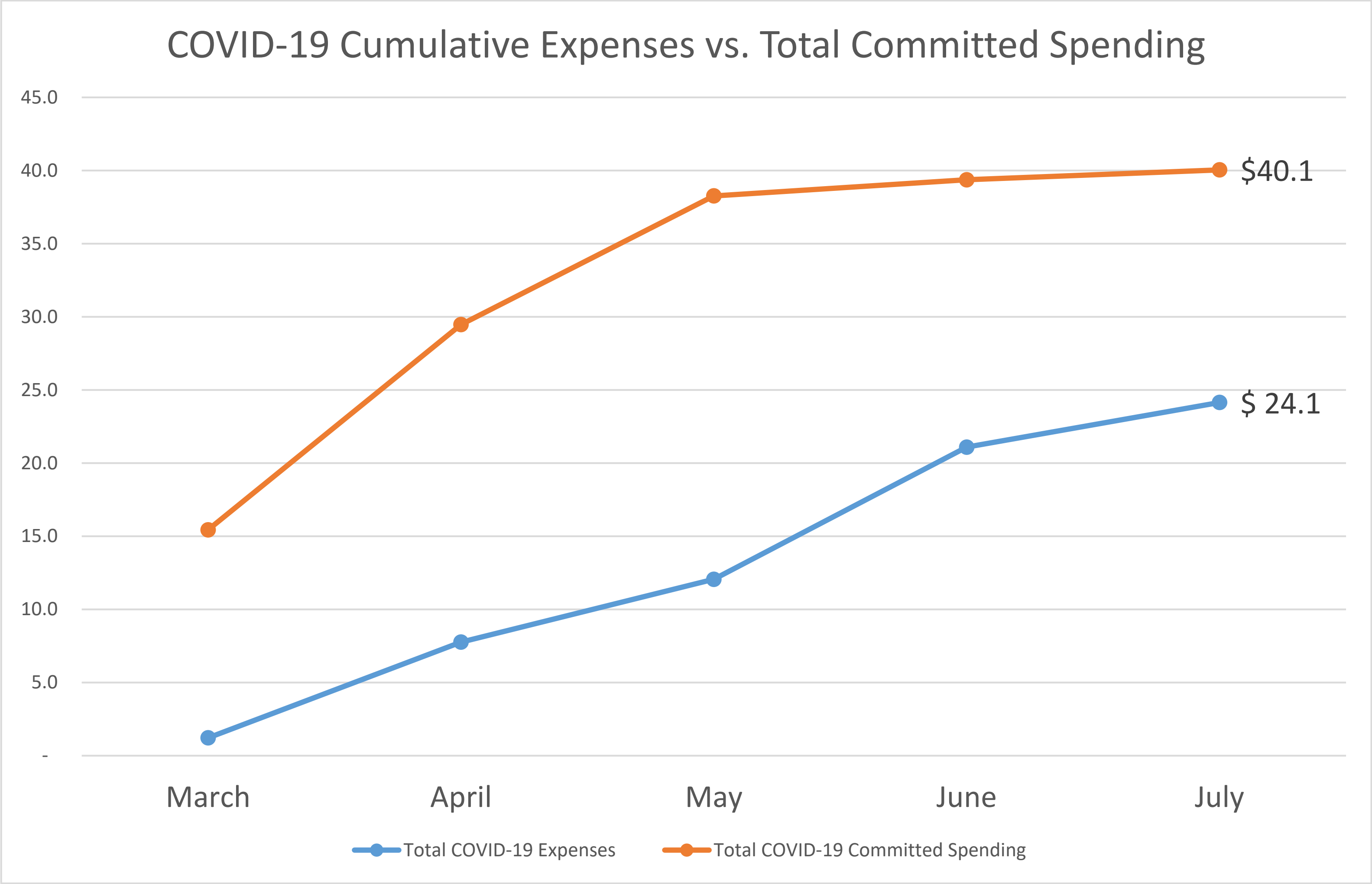
Spending Summary

- $180.7M in **total expenses for the month were $14.8M favorable to budget**
- **Purchased transit services $5.1M favorable** due to COVID-19 impacts to ridership on the RIDE and commuter rail
- **Regular wages ($4.5M) and fringe costs ($3.0M) favorable** due to vacancies
- **Materials and services spending $2.5M favorable** due to a variety of factors including fuel, utility costs, cash collection services
- **Overtime $1.3M above budget** spread among 12 departments, mostly related to operations and aligned with prior year actual spending

Expenses ($M)	FY21 YTD Budget	FY21 YTD Actual	$ Variance	FAV/ UNFAV	July FY20	FY21 Full Year Budget
Regular Wages	43.3	38.8	4.5	FAV	38.6	489.3
Overtime	2.7	3.9	-1.2	UNFAV	4.0	34.5
Wages	46.0	42.8	3.3	FAV	42.6	523.7
Fringe	26.4	23.4	3.0	FAV	22.9	307.3
Materials & Services	27.2	24.6	2.5	FAV	16.7	317.2
Insurance	1.5	1.2	0.2	FAV	1.6	17.7
Commuter Rail	37.0	35.1	1.9	FAV	36.0	448.9
RIDE	11.3	8.6	2.7	FAV	10.5	128.7
LSS & Ferry	1.9	1.5	0.4	FAV	1.8	20.7
Purchased Transit Services	50.3	45.1	5.1	FAV	48.2	598.3
Financial Service Charge	0.6	0.1	0.4	FAV	0.7	7.0
Total Operating Expenses	**151.9**	**137.3**	**14.6**	**FAV**	**132.7**	**1771.2**
Debt Service	**43.6**	**43.4**	**0.3**	**FAV**	**40.9**	**523.5**
Total Expenses	**195.5**	**180.7**	**14.8**	**FAV**	**173.7**	**2294.6**

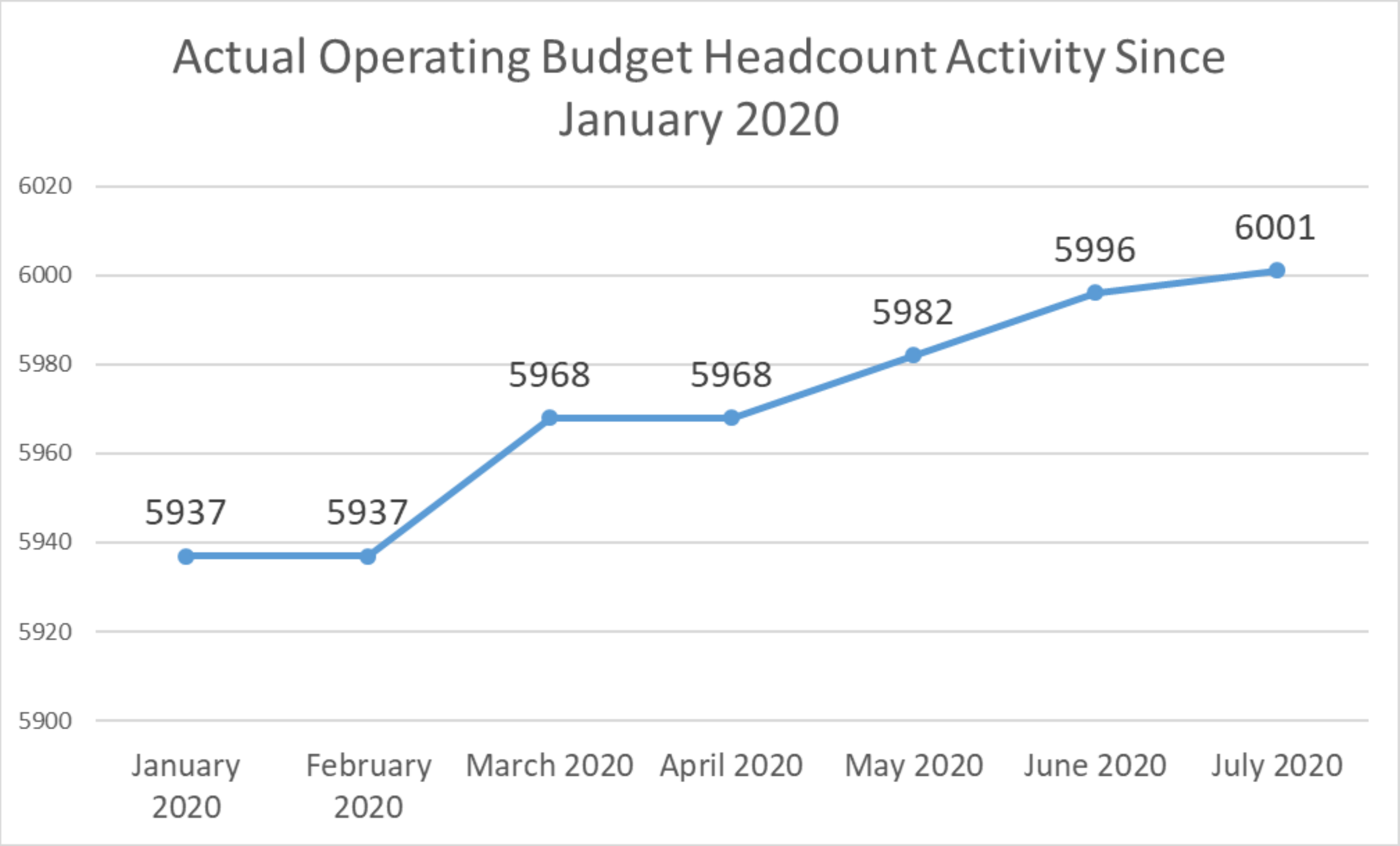
COVID-19 Spending Detail by Month

- **$24.1M in total COVID-19 actual expenses** since onset of pandemic in March and **$40.1M in committed spending**
- Total **committed spending** relates to approved and pending spend, while actual expenses show what has already been paid
- **$40.1M in total committed spending**
  - **$21.2M in cleaning services**, 53% of total spend
  - **$14.0M in PPE**, 35% of total spend
  - **$4.9M in testing and other related expenses**, 12% of total spend



Operating Budget Headcount

- **6,001 operating budget headcount in July**, an increase from June but below the 6,279 budgeted positions
- Overall, hires are tracking close to budgeted assumptions and separations are tracking below budget due to current job market conditions
- Maintaining and monitoring this level of vacancies is necessary to stay within approved FY21 wage spending levels
  - **174 vacancies (63%) among operations departments** and 104 vacancies (37%) among all other departments
- **FY21 budgeted headcount of 6,279 positions with regular wages spending totaling $489.3M**, after including expected turnover or attrition savings
  - **FY21 approved budget assumption of 30 hires per month** reflects 13 safety hires per month (151 total for the year) and 17 backfill positions per month (204 total for the year)
  - **FY21 approved budget assumption:** 40-42 employees leaving service monthly (498 total) and projects an equally distributed amount of separations for each month
- Actual hires and separations will vary from month to month to correct and adjust for the effective date of personnel activity



Working Group Goals and Summary Table

	Capital Inflows and Funding Reallocation	Own Source Revenue	Debt Service and Interest Income	Wages, Benefits, and Hiring	Overtime
Goals	• Reallocation of Federal 5307 funding • Potential reallocation of Federal 5337 funding • Implementation of capital salaries funding transfer • Analyze impacts to capital spending and CIP • Maximize discretionary grant opportunities	• Introduction of new, more flexible fare products • Licensing of parking facilities to new types of customers • Expansion of existing outdoor advertising revenue sources • Eliminating cash handling, optimizing staff coverage, and transitioning garages to License Plate Reader (LPR) enforcement • Expanding online platforms	• Refunding parking bonds to target reduced debt service spending in FY22 • Structure debt to shape our obligations to provide a more continuous debt service profile and create a stable foundation for future issuance • Analyze any additional capacity for MBTA revenue bonds to support capital programs • Review opportunities to enhance interest income	• Review hires and promotions through the position control process to achieve approved turnover and attrition savings • Align staffing decisions in a manner consistent with ridership and service levels • Review travel, training, and education reimbursement policies and processes • Analyze savings based on executive pay adjustment scenarios	• Develop recommendations to enhance controls to manage expenses with improved coordination between operations and finance • Explore policy changes for operating employees working on capital projects • Set a reasonable overtime budget level that considers prior year actuals with achievable savings targets
Leads	• Samantha Silverberg, Deputy Chief Administrative Officer	• Lizzy Winters Ronaldson, Chief Commercial Strategy Officer	• Pat Landers, Treasurer	• Matt St. Hilaire, Chief HR Officer	• Bill DeCoste, Bill DeCoste, Senior Director of Finance

Working Group Goals and Summary Table

	Labor and Pension	Professional Services Committee	IT Governance	Real Estate	Purchased Transit Services	Service Level Planning
Goals or Targets	• Explore opportunities and packages that would result in net payroll savings, including initiatives instituted in prior years • Focus on opportunities to contain, curtail, or defer year over year pension growth increases	• Establish individual and consolidated reporting to review and understand the breadth of services being procured or used • Review contractors, consultants, and professional services spending to ensure consistent practices and control costs	• Report usage metrics to review existing licenses and applications • Analyze the impact of new applications or updates on existing platforms and services that may now make them obsolete • Quantify the operating budget impacts of upcoming capital projects	• Analyze short and long term impacts of COVID-19 to real estate market for opportunities to enhance revenue or reduce costs	• Review current cost estimates and compare them to FY21 approved budget assumptions to update projections and estimates as needed, including quantifying any variable cost savings from observed ridership levels • Fixed and variable costs of ferry services	• Based on observed ridership levels and budget constraints, develop scenarios for service delivery and properly engage all departments, stakeholders, and constituencies in advance of any potential changes
Leads	• Ahmad Barnes, Director of Labor Relations	• Jeff Cook, Chief Procurement and Contract Administration Officer	• John Glennon, Chief Information Officer	• Richard Henderson, Chief Real Estate Officer	• Bill DeCoste, Senior Director of Finance	• Laurel Paget-Seekins, Assistant General Manager for Policy • Kat Benesh, Chief of Ops Strategy, Policy & Oversight

Timeline for Service, Budget, and Capital Updates

September 21 (Joint Board)

- **Service Planning:** Seek policy direction on service level tradeoffs

October 5 (FMCB)

- **Budget:** Return to the board to detail August results (monthly recurrence) - budget balance, spending, revenue (by mode, product, or channel), and headcount activity
- **Service Planning:** High level scenarios by mode based on essential service analysis
- **Capital Planning:** Seeking policy direction on capital tradeoffs

November 2020

- **Budget:** Return to the board to revise budget projections as needed based on Q1 results
- Update on FY21 savings initiatives to achieve budget targets
- **Service Planning:** More detailed service scenarios
- **Capital Planning:** Present recommended CIP reprioritization to accommodate shift of 5307 funds to operating and other reductions

December 2020

- **Service Planning:** Preliminary Board consideration of service level scenarios

July 1, 2021

- **Budget::** FY22 begins and three-pronged approach implemented

Appendix

Sequestering Funds to Mitigate the FY22 Budget Gap

- **Preserve the realized savings (positive net revenues) from the three-pronged approach and any budget favorability through a transfer to an Operating Budget Deficiency Fund to mitigate fare revenue uncertainty in FY21 and balance FY22**
- Positive monthly net revenues are defined as total revenues less total expenses above budget
- Transfer any FY20 savings over and above the budgeted amount to the Operating Budget Deficiency Fund to mitigate uncertainties in FY21 and the projected budget gap in FY22
- During FY21, make monthly transfers into the Operating Budget Deficiency Fund in FY21 for any month where net revenue is favorable or above budget
- Progressing through FY21, all decisions that would increase spending or reduce revenue in FY21 need to be weighed against a potential service level reduction in FY22
- Evaluate the deficiency fund balance in December 2020 and update the expected one-time revenue amount for any potential FY22 shortfall or the projected FY22 budget gap

Revenue Allocation by Mode Detail

- Revenue increases from June primarily attributable to continued recovery on light and heavy rail and bus service, which accounted for over 75% of July revenue collections
- Revenue by mode is done through an allocation methodology, which would differ from month-over-month (MoM) or year-over-year (YoY) trends in ridership data

Revenue by Mode($M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Heavy & Light Rail and Bus	8.3	78%	6.7	24%	37.1	-78%
Commuter Rail	2.2	21%	2.2	0%	22.8	-90%
Ferry	0.1	1%	0.1	60%	1.4	-91%
RIDE (including adjustments and credits)	-	0%	(0.9)	-100%	0.7	-100%
Total	10.6	100%	8.1	32%	62.0	-83%

The methodology to allocate revenue by mode is based on unit sales by source and product consistent with the publicly-available data provided to NTD but it does not yet reflect recent ridership trends and the impact of the COVID-19 pandemic