



Massachusetts Bay Transportation Authority

FY21/FY22 Budget: August Update

Fiscal and Management Control Board

October 5, 2020

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August Operating Budget Summary

August Overview

- The adopted budget (May 21, 2020) reflected August net revenues (total revenues less total expenses and before transfers) of **-\$9.7M** with **\$177.4M** in total revenues and **\$187.1M** in total expenses
- Actual **August net revenues were \$14.5M** with **\$193.7M** in total revenues and **\$179.2M** in total expenses
- Compared to the adopted budget, **August net revenues were favorable \$24.2M** (Budget: **-\$9.7M**; Actual: **\$14.5M**)
 - **Total revenues were \$16.3M favorable** to budget mostly due to sales tax revenue collections and fare revenues
 - **Total expenses are \$7.9M favorable** to budget mostly due to regular wages, materials and services, and purchased transit spending
- August COVID-19 actual expenses were **\$4.1M**, bringing **total COVID-19 related payments to \$28.2M**
- Actual **operating budget employee headcount had a slight decrease** to 5,975 (-0.4%) as separations outpaced hires with a net impact largely consistent with expectations

Year to Date Summary

- Compared to the adopted budget, **YTD net revenues variance is favorable \$44.1M** (\$19.9M in July)
 - If we manage to the adopted budget for the next 10 months, the **\$44.1M variance to budget to date will alleviate fare revenue uncertainty and mitigate spending reductions to achieve the initial \$400M FY21/FY22 savings target**
 - Combined with July results, **YTD net revenues total \$13.4M** (-\$1.1M in July), which will be transferred to the Operating Budget Deficiency Fund to mitigate risk in FY21 and reduce the FY22 budget gap



Monthly Balance Summary

- If we manage to the adopted budget over the next 10 months, the **\$44.1M variance to budget YTD will alleviate risks in FY21 or mitigate the FY22 budget gap**
 - In accordance with FMCB approved action, **\$13.4M to be transferred to the Operating Budget Deficiency Fund** resulting from a \$14.5M net revenue balance in August offsetting the -\$1.1M balance from July
- Fare recovery ratio of 1% this month compared to 47% in August 2019 shows one-time CARES Act funding replacing fare revenue losses to balance the budget as adopted

	(\$M) Category	August Budget	August Actuals	Monthly Variance	FY YTD Budget	FY YTD Actual	\$ Variance	FAV/UNFAV	August FY20 Actual	FY21 Full Year
REVENUE	Fare Revenues	8.9	12.9	4.0	14.9	23.5	8.6	FAV	60.6	187.8
	Own Source Revenue	1.0	2.2	1.2	1.5	4.2	2.6	FAV	7.4	41.4
	Non-Operating Revenues	156.9	168.0	11.1	314.3	324.5	10.2	FAV	104.8	1920.9
	State Assistance	10.6	10.6	0.0	21.2	21.2	0.0	FAV	10.6	127.0
	Total Revenues	177.4	193.7	16.3	351.9	373.3	21.4	FAV	183.4	2277.1
	<i>Fare Recovery Ratio</i>	1%	2%	1%	5%	9%	4%	FAV	47%	
EXPENSES	Wages, Benefits and Payroll Taxes	66.2	65.7	0.5	138.6	131.9	6.8	FAV	64.0	831.0
	Non-Wage	77.2	71.1	6.2	156.7	142.2	14.5	FAV	64.7	940.2
	Operating Expenses	143.5	136.8	6.7	295.3	274.1	21.2	FAV	128.7	1771.2
	Debt Service	43.6	42.4	1.2	87.2	85.8	1.4	FAV	39.9	523.5
	Total Expenses	187.1	179.2	7.9	382.6	359.9	22.7	FAV	168.6	2294.6
	Remaining Balance Before Transfers	-9.7	14.5	24.2	-30.6	13.4	44.1	FAV	14.8	-17.5



Revenue Summary

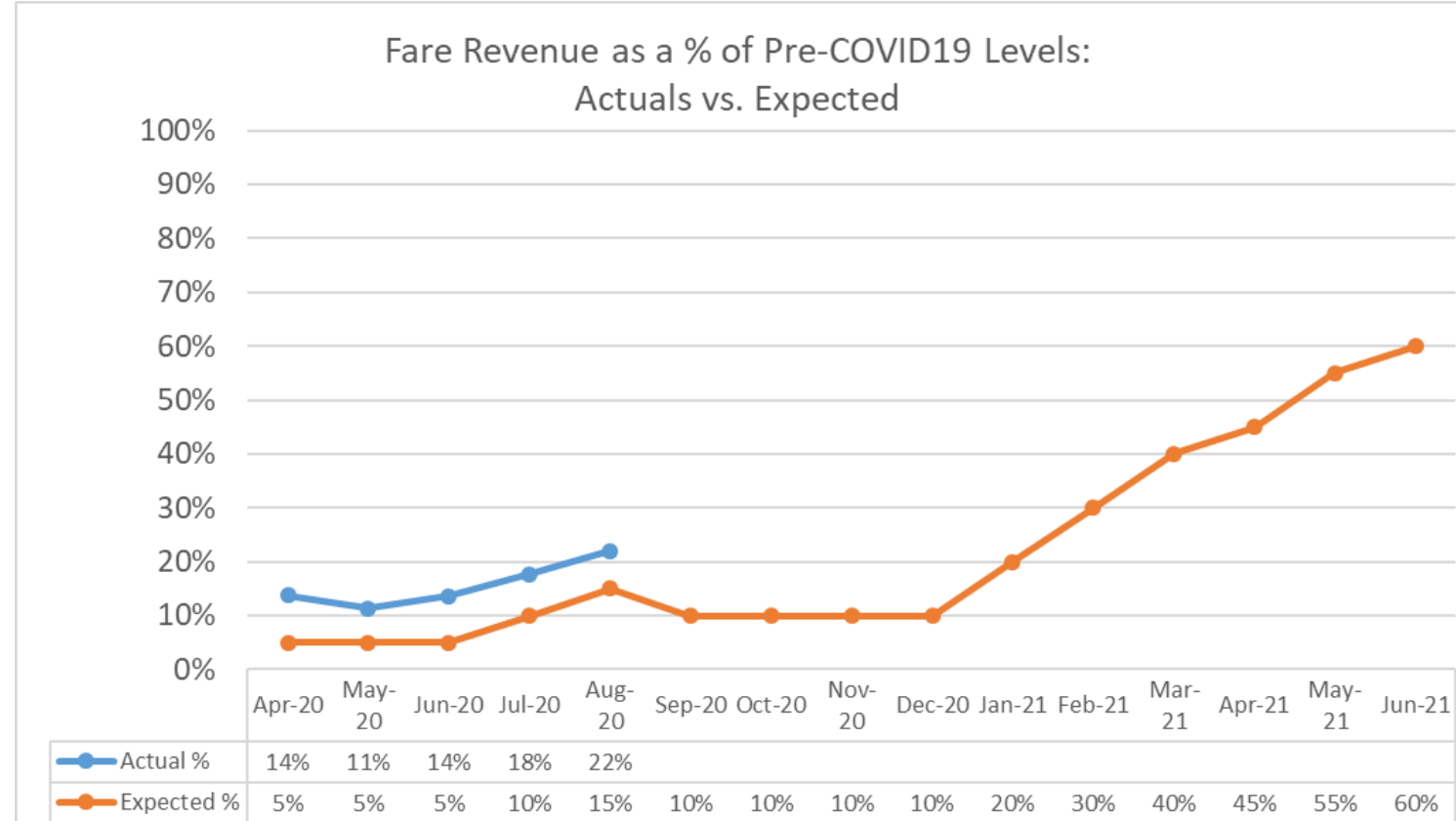
- \$193.7M in total revenues were \$16.3M favorable to budget for the month, \$21.4M YTD
- Fare revenues favorable \$4.0M for the month, \$8.6M YTD as COVID-19 recovery continues
- Own source revenues favorable \$1.2M for the month, \$2.6M YTD mostly due to parking and real estate collections
- Sales tax revenue favorable \$13.4M for the month, \$11.8M YTD has potential to exceed the budgeted base revenue amount
- Other income down \$2.0M for the month, \$1.1M YTD on a net basis (less than 1%), which includes \$48M in monthly CARES Act funding and other sources

Revenues (\$M)	August Budget	August Actuals	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/UNFAV	August FY20 Actual	FY21 Full Year Budget
Fare Revenues	8.9	12.9	4.0	14.9	23.5	8.6	FAV	60.6	187.8
Own Source Revenue	1.0	2.2	1.2	1.5	4.2	2.6	FAV	7.4	41.4
<i>Advertising</i>	0.7	0.6	-0.1	1.2	1.1	-0.2	UNFAV	2.1	17.1
<i>Parking</i>	-0.5	0.0	0.5	-1.2	0.1	1.3	FAV	3.2	11.5
<i>Other</i>	0.3	0.5	0.1	0.7	0.9	0.3	FAV	1.2	4.8
<i>Real Estate</i>	0.5	1.1	0.7	0.9	2.1	1.2	FAV	0.9	7.9
Total Operating Revenues:	9.9	15.1	5.2	16.4	27.7	11.2	FAV	68.0	229.2
State Sales Tax Revenue	88.0	101.4	13.4	176.6	188.5	11.8	FAV	88.0	1083.3
Local Assessments Revenue	14.8	14.5	-0.3	29.6	29.1	-0.6	UNFAV	14.5	177.9
Other Income	54.0	52.0	-2.0	108.0	107.0	-1.1	UNFAV	2.3	659.7
Total Non-Operating Revenues:	156.9	168.0	11.1	314.3	324.5	10.2	FAV	104.8	1920.9
State Assistance	10.6	10.6	0.0	21.2	21.2	0.0	UNFAV	10.6	127.0
Total Revenues:	177.4	193.7	16.3	351.9	373.3	21.4	FAV	183.4	2277.1



Monthly Fare Revenue Collections

- **Fare revenue collections in August were 22% of FY20 budgeted levels** compared to the 15% assumed for the month and the **26% required for the year** to meet budgeted revenues
- This translates into **\$4.0M in favorability for the month** with \$12.9M in fare revenue compared to the \$8.9M budgeted for August
- **YTD fare revenue is favorable \$8.6M** with actual fare revenue at \$23.5M compared to the \$14.9M budgeted
- **Fare revenues have increased 3-4 percentage points since May**
 - 11% of FY20 budgeted revenue in May has increased to 22% in August
- **Although favorable for the two months of FY21, considerable uncertainty and risk remain with current fare revenue assumptions**
 - **Beginning in January 2021, the adopted budget relies on growth jumping 5-10 percentage points each month for the second half of the fiscal year**
 - As stated in the August 24 presentation, a gradual recovery to 40% by June 2021 creates a **\$32M exposure in FY21**



Revenue reforecasting planned for October 19 meeting to mitigate uncertainty surrounding budgeted fare revenue recovery in FY21 and FY22



Fare Type Revenue Detail

- Revenue across all fare types is up month-over-month (MoM) from July to August, including an 8% increase in monthly pass, 18% increase in stored value, and a 28% increase in 7-day Pass revenue
- Compared to last year, the proportion of revenue has shifted from monthly passes to stored value and 7-day Pass types
 - Monthly pass sales accounted for 42% of all fare revenue compared to 49% this time last year
 - Stored value sales accounted for 31% of all fare revenue compared to 25% this time last year
 - 7-day Pass sales accounted for 12% of all fare revenue compared to 7% this time last year

Revenue by Fare Type (\$M)	August 2020	% Total	July 2020	% MoM	August 2019	% YoY
Monthly Pass	5.5	42%	5.1	8%	28.9	-81%
Stored Value	4.1	31%	3.4	18%	14.9	-73%
7-day Pass	1.6	12%	1.2	28%	4.4	-64%
All Other	1.8	14%	0.8	123%	11.4	-84%
Total	12.9	100%	10.5	22%	59.6	-78%

Stored value allows customers to deposit a desired amount to create a cash balance that is deducted by the fare amount of each trip
 7-day passes allows for unlimited travel for 7 days on subway, bus, Silver Line, Commuter Rail Zone 1A, and the Charlestown Ferry
 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

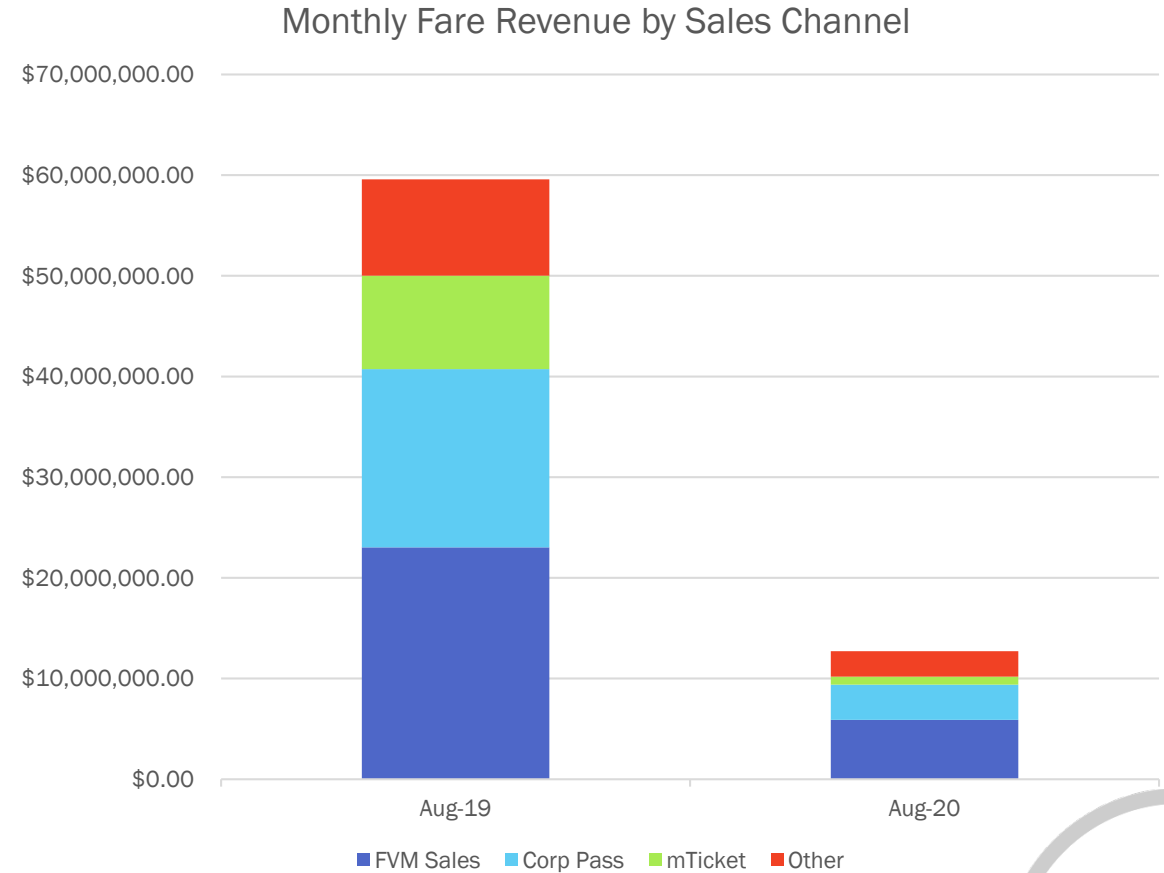
- Revenue across all sales channels is up month-over-month (MoM) from July to August with the exception of the Corporate Pass and Student Pass programs
- Fare vending machine sales are the primary driver of MoM increases in monthly pass revenue
- Corporate Pass program sales, the largest channel of monthly pass revenue, decreased 1% from last month but remains largely static at \$3.5M

Revenue by Sales Channel (\$M)	August 2020	% Total	July 2020	% MoM	August 2019	% YoY
Fare Vending Machine	5.9	46%	4.9	20%	23.0	-74%
Corporate Pass	3.5	27%	3.5	-1%	17.7	-80%
mTicket	0.8	6%	0.5	76%	9.3	-91%
Bus/GL Farebox	0.8	6%	0.3	122%	1.9	-59%
Student Pass Program	0.6	4%	0.6	0%	-	
All Other	1.4	11%	0.7	87%	7.7	-82%
Total	12.9	100%	10.5	22%	59.6	-78%

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

Fare Revenue by Sales Channel

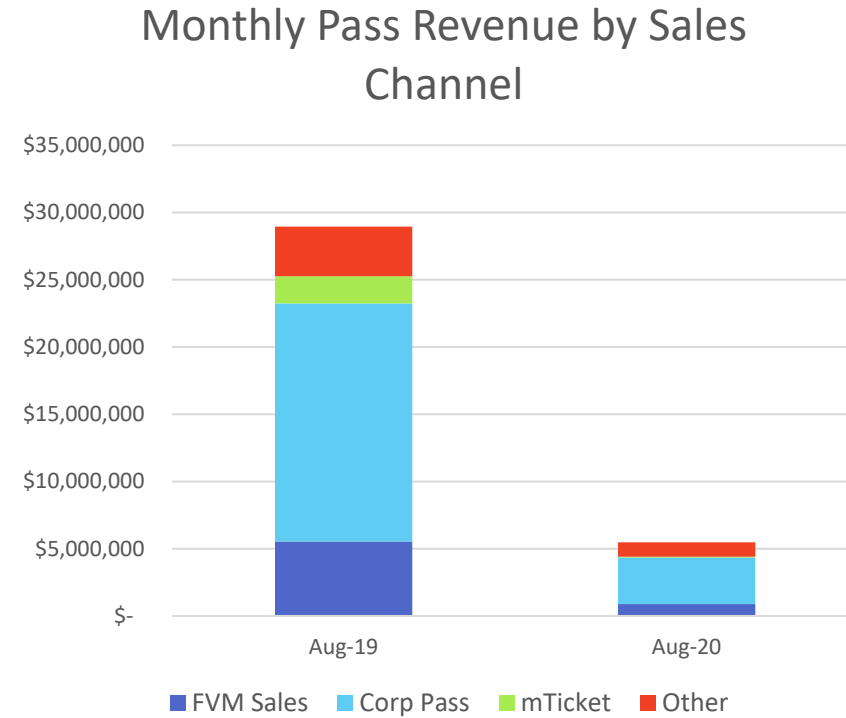
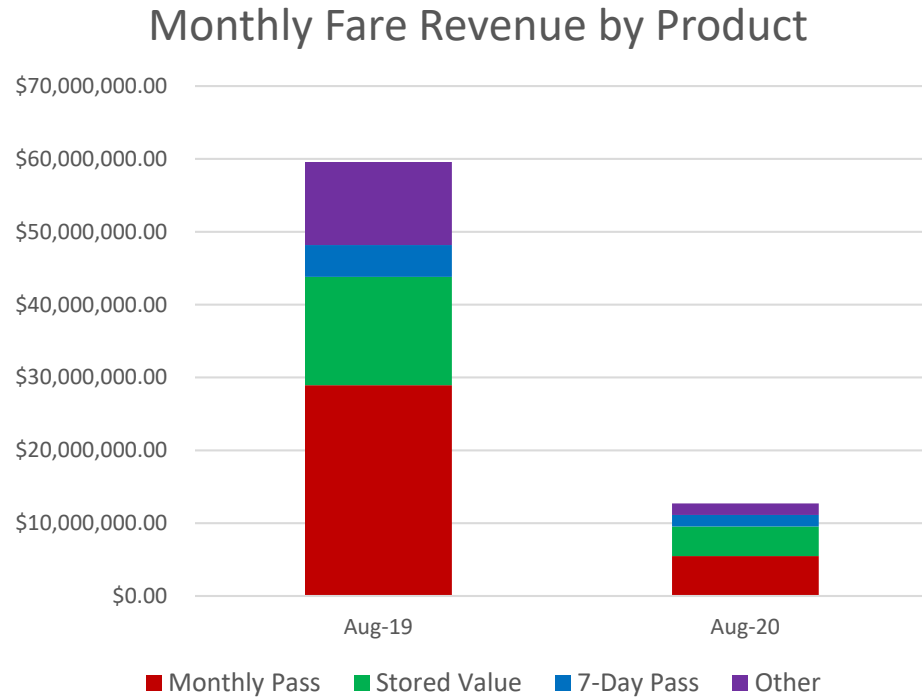
- Fare Revenue is collected through 15+ Sales Channels
- Historically, the three largest sales channels have been:
 - Fare Vending Machines
 - Corporate Pass Program (Perq for Work)
 - mTicket
- Since the pandemic, FVMs and Perq have made up an increased proportion of monthly fare revenue



Notes and Sources: Unallocated monthly fare revenue from MBTA Accounting. Excludes boat operator sales and The RIDE. Monthly Pass revenue is reported in the month the pass is valid. All other fare media revenue is reported in the month of sale.

Fare Revenue by Product

- Pre-Covid-19, ~50% of fare revenue came from monthly passes
- The majority of monthly passes are purchased through the Corporate Pass Program (Perq for Work)

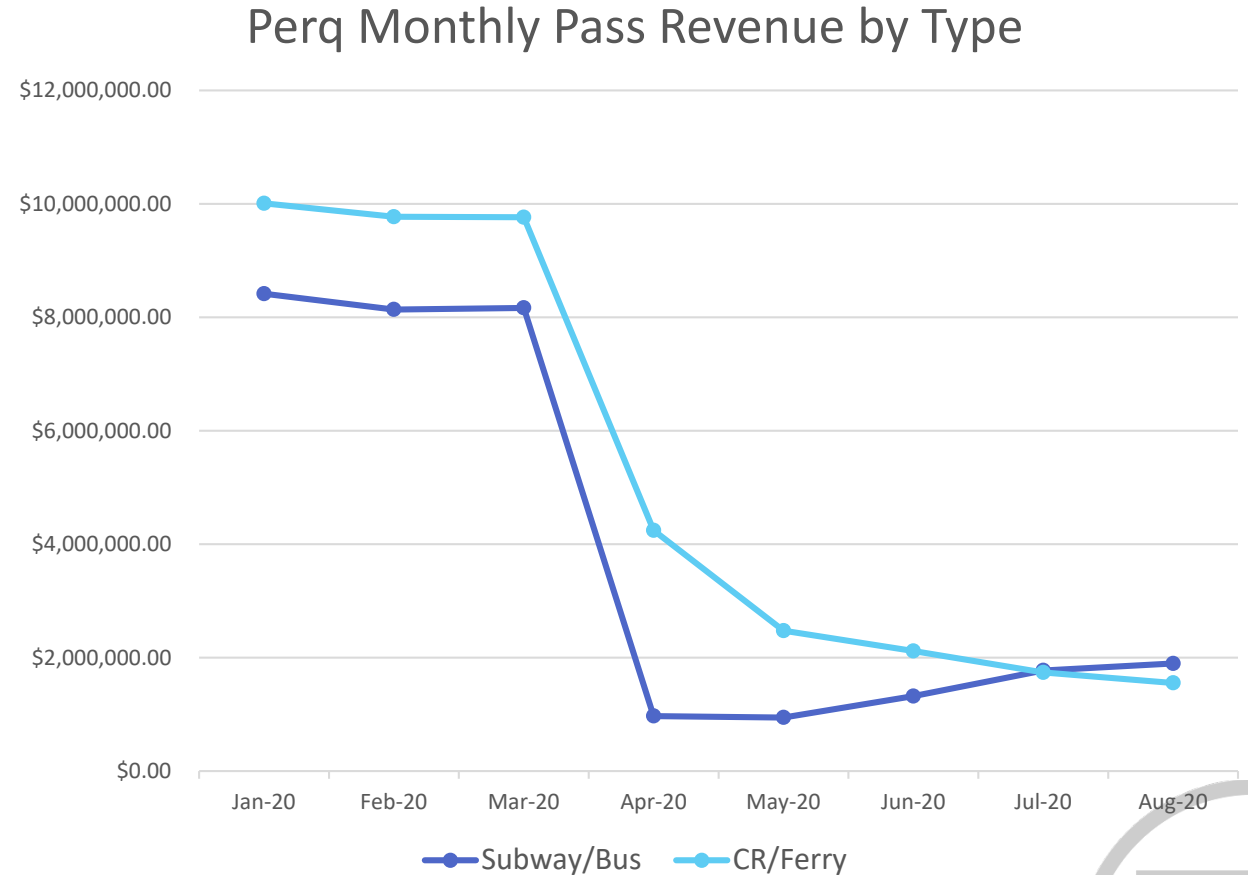


Notes and Sources: Unallocated monthly fare revenue from MBTA Accounting. Excludes boat operator sales and The RIDE. Monthly Pass revenue is reported in the month the pass is valid. All other fare media revenue is reported in the month of sale.



Corporate Pass Program (Perq for Work)

- Historically, Perq Revenue from CR/Ferry Passes exceeded Subway/Bus Passes
- During recovery, pass makeup is shifting
 - CR/Ferry Pass Revenue continues to decline
 - Subway/Bus Pass Revenue is growing
- If these changes persist, may see flat or lower Perq monthly revenue while pass volumes increase

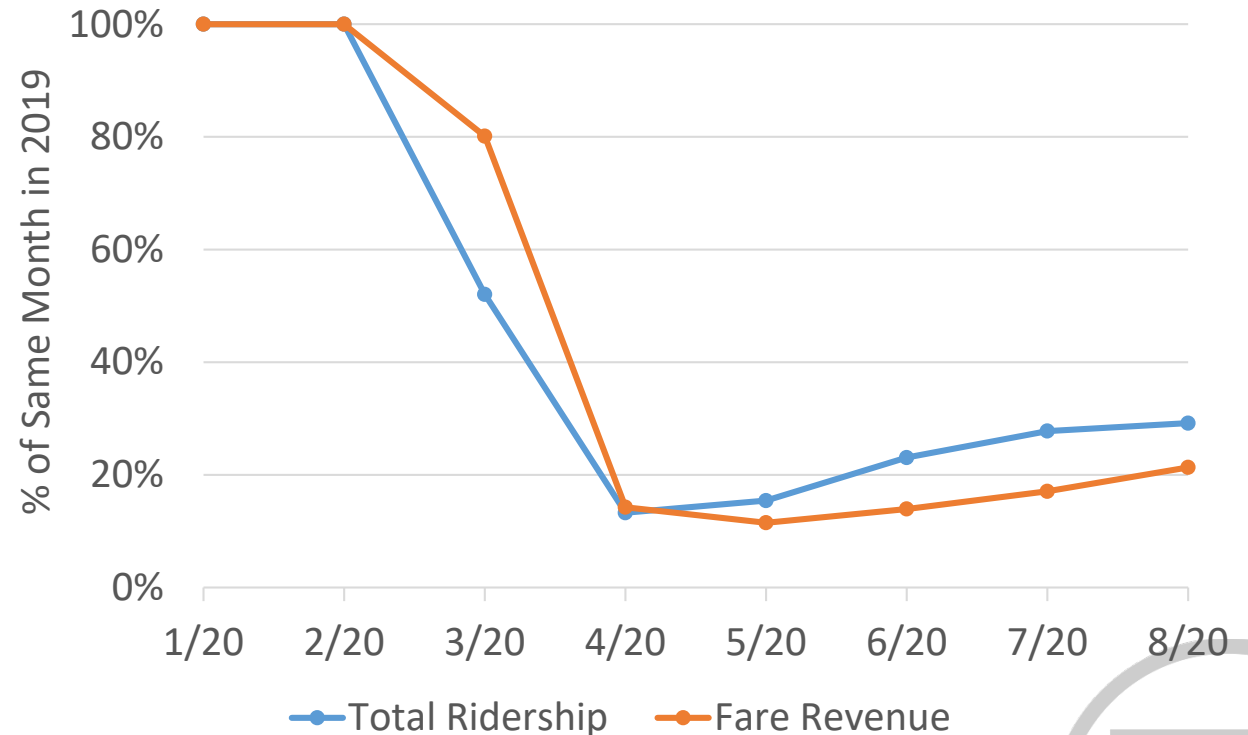


Notes and Sources: Unallocated monthly fare revenue from MBTA Accounting. Monthly Pass revenue is reported in the month the pass is valid.

Ridership and Revenue

- Initially, revenue fell more slowly than ridership due in part to Perq
- During recovery, revenue is lagging ridership
 - Higher share of ridership on modes with lower fares
 - Limited fare collection (rear door boarding on bus until late July)
 - Shift toward shorter-term fare products (pay-per-ride, 7-day pass)
 - Higher share of current riders have reduced fares
- Some of these changes may persist, resulting in lower revenue at the same ridership level

Estimated Total Ridership and Fare Revenue
As % of Same Month in 2019



Notes and Sources: Monthly ridership as reported to NTD plus estimates for August 2020. Monthly fare revenue from MBTA Accounting. All modes including The RIDE.

Spending Summary

- \$179.2M in total expenses were \$7.9M favorable to budget for the month, \$22.7M YTD
- Major Categories
 - Purchased transit services \$1.0M favorable for the month, \$6.1M YTD due to COVID-19 impacts to ridership on the RIDE and ferry service
 - Regular wages (\$1.2M) and fringe costs (\$0.7M) favorable for the month, \$9.4M combined YTD, due to controlled headcount levels and vacancies
 - Materials and services spending \$4.4M favorable for the month, \$6.9M YTD due to a variety of factors including fuel, utility costs, and cash collection services
 - Overtime \$1.4M above budget for the month, \$2.6M YTD but aligned with historical spending

Expenses (\$M)	August Budget	August Actuals	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/UNFAV	August FY20	FY21 Full Year Budget
<i>Regular Wages</i>	38.6	37.4	1.2	81.9	76.2	5.7	FAV	36.7	489.3
<i>Overtime</i>	2.6	4.0	-1.4	5.3	7.9	-2.6	UNFAV	4.5	34.5
Wages	41.2	41.3	-0.2	87.2	84.1	3.1	FAV	41.2	523.7
Fringe	25.1	24.4	0.7	51.4	47.7	3.7	FAV	22.8	307.3
Materials & Services	25.5	21.1	4.4	52.7	45.8	6.9	FAV	16.9	317.2
Insurance	1.5	0.9	0.5	2.9	2.2	0.8	FAV	0.9	17.7
<i>Commuter Rail</i>	37.5	38.5	-1.0	74.5	73.6	1.0	FAV	34.5	448.9
<i>RIDE</i>	10.4	8.9	1.4	21.7	17.5	4.2	FAV	10.2	128.7
<i>LSS & Ferry</i>	1.8	1.3	0.5	3.7	2.7	0.9	FAV	1.5	20.7
Purchased Transit Services	49.6	48.7	1.0	99.9	93.8	6.1	FAV	46.1	598.3
Financial Service Charge	0.6	0.3	0.3	1.2	0.5	0.7	FAV	0.7	7.0
Total Operating Expenses	143.5	136.8	6.7	295.3	274.1	21.2	FAV	128.7	1771.2
Debt Service	43.6	42.4	1.2	87.2	85.8	1.4	FAV	39.9	523.5
Total Expenses	187.1	179.2	7.9	382.6	359.9	22.7	FAV	168.6	2294.6



COVID-19 Spending: What We're Doing

Committed to public health on public transportation

Cleaning and disinfecting vehicles

Buses, trolleys, subway cars, Commuter Rail coaches, ferries, and RIDE vehicles are being disinfected on a daily basis

Cleaning high-contact areas

All high-contact areas at subway stations (handrails, fare gates, and fare vending machines) are being cleaned every 4 hours

Cleaning and disinfecting MBTA property

All business locations, including the RIDE Eligibility Center and CharlieCard store, are being disinfected every 24 hours

More sanitation equipment

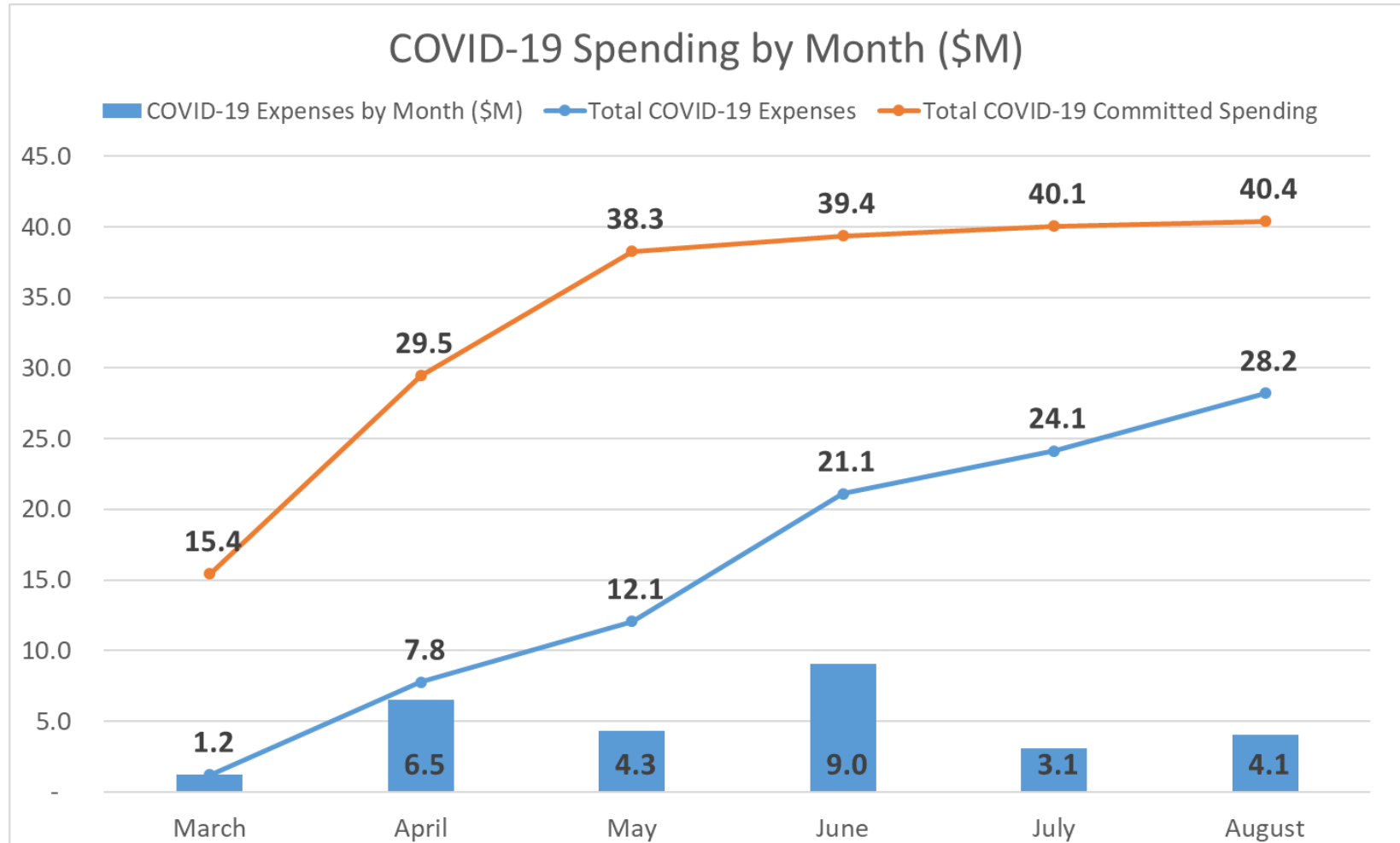
Hand sanitizing dispensers, disinfectant wipes, and cleaning sprays will be deployed at MBTA facilities and stations throughout the system

Installing new protective barriers and decals

All transit vehicles have protective barriers to help maintain distance between riders and operators, allowing us to resume front-door boarding on buses and at street-level trolley stops

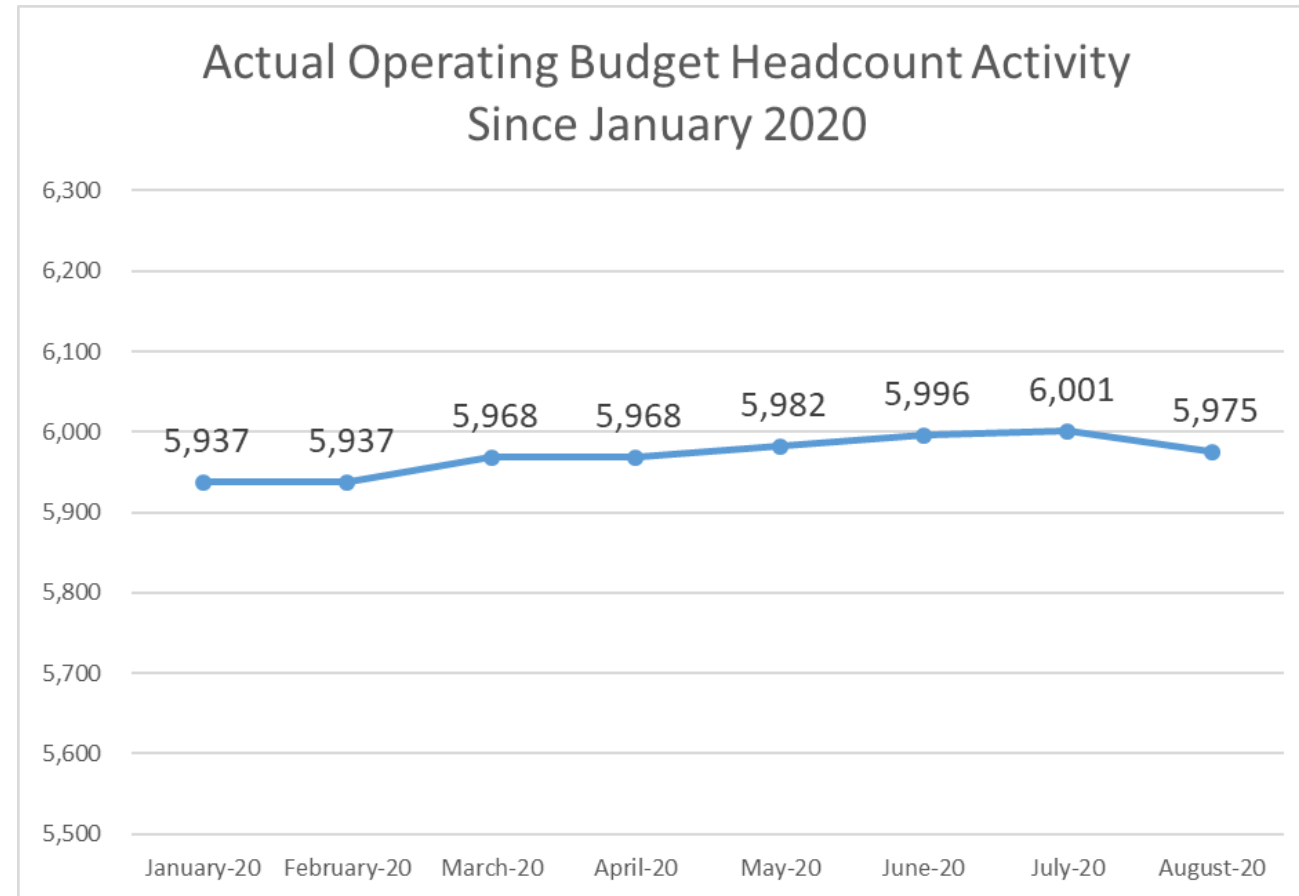
COVID-19 Spending Detail by Month

- **\$28.2M in total COVID-19 actual expenses and \$40.4M in committed spending** since the onset of the pandemic in March
- Total **committed spending** relates to approved and pending spend, while **actual expenses** show what has been paid
- **Actual expenses and payments have increased** in July and August at a consistent rate and overall **committed spending has remained level** from last month
- **\$40.4M in total committed spending**
 - **\$21.4M 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**
- **FEMA reimbursement rate for eligible spending is 75%**



Operating Budget Headcount

- **5,975 operating budget headcount in August**, a net 26 employee decrease from July
- **20 hires and 46 separations** created the net headcount decrease for August, which has historically been a higher month for separations
- **Number of hires and separations largely aligns with adopted budgeted projections** of 17 backfills and 42 separations as a monthly average
- Net decrease a function of **active management and natural turnover and hiring timeline**
 - Active management through the Position Control process and departmental prioritization of hires and backfills
 - 498 projected separations in FY21 (40-42 monthly) is below the 500+ separations realized annually
- Hires occurred within bus transportation (12), safety (3), and system maintenance (2) with the remaining three hires spread among three different departments
- All of the separations occurred within operations departments, a function of the size and turnover rates within these departments
- While August numbers tracked close to projections, **actual hires and separations may vary significantly from month to month** based on timing and processing



Potential Budget Risks and Opportunities

Risks

- **Fare revenue:** beginning in January 2021, budgeted growth jumps to 5-10% each month for the second half of the fiscal year to 60% by June 2021 (22% as of August 2020)
- **Own Source Revenue:** Continuing at August collection levels for advertising, parking, real estate, and other operating revenues would create an exposure of \$15M-\$20M
- **Overtime:** trending over budget in a manner consistent with historical actuals but above budgeted levels
- **Turnover and attrition savings:** \$20M in budgeted savings are on track but not yet fully realized and requires continued monitoring through the Position Control process
- **FEMA reimbursement:** \$30M assumed in the adopted budget (75% rate of \$40M in spending) carries uncertainty both in the overall amount that will ultimately be approved for reimbursement and the timing of the collection
- **COVID-19 spending projections:** Continuing at current spending rate is on pace to create a \$13M exposure beyond the \$40M budgeted in FY21

Potential Upside

- **Sales tax:** Collections trending above budgeted base revenue amount through August
- **Federal legislation:** House Committee on Appropriations introduced the Continuing Appropriations Act, 2021 and Other Extensions Act



Operating Budget Deficiency Fund

- The **Operating Budget Deficiency Fund** contains one-time reserve revenues and may be used to pay debt service on Authority bonds, notes, and other obligations and expenses at the discretion of the CFO
- The **\$19.5M pre-existing balance** (prior to FY21) is less than 1% of total expenses in FY21
- As approved by the board on August 24, transferring net revenues above the adopted budget amounts to mitigate current or future obligations
 - \$13.4M available for transfer as of August 2020 has been added to the pre-existing fund balance
- **\$32.9M balance amount as of August** would be available to cover projected shortfalls
 - Note: \$32M fare revenue exposure in FY21 from the August Pro Forma observed social distancing scenario (40% fare revenue return by June 2021)

Operating Budget Deficiency Fund	
Description	Amount (\$M)
Pre-existing Balance	19.5
<i>July 2020 Net Revenue</i>	<i>(1.1)</i>
<i>August 2020 Net Revenue</i>	<i>14.5</i>
FY21 Net Transfers to Date	13.4
FY21 Balance Amount as of August	32.9
<i>FY21 Minimum Targeted Ending Balance</i>	<i>167.0 - 200.0</i>

- Given potential risks, targeting a minimum FY21 ending balance of **\$167-\$200M** (see Appendix slides 22-23)
 - \$80M from Section 5307 formula funds
 - \$67M from legislative action on capital salaries
 - At least \$20M in non-service programmatic savings with a potential \$33M to account for the fare revenue exposure

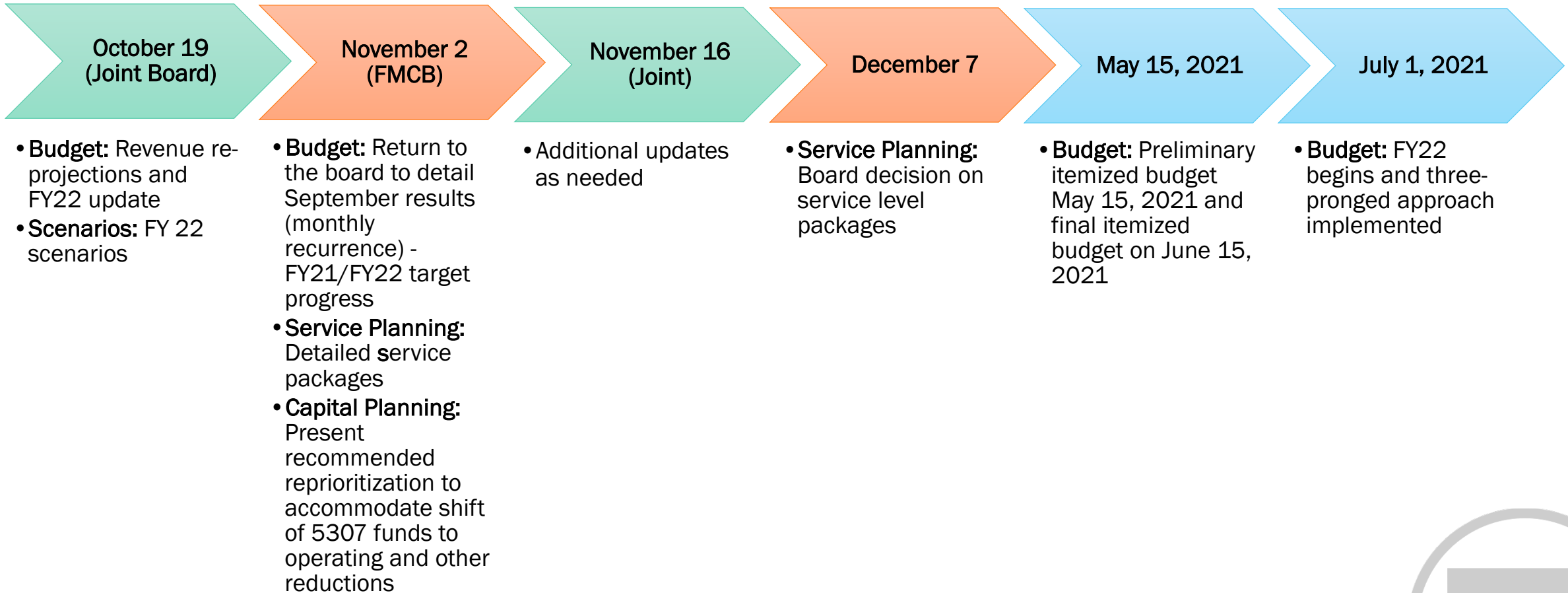


Fiscal Actions Taken to Date

- **Established working groups** that have begun meeting and generating proposals to solve the FY21/22 budget gap
- Monthly operating budget reviews with departments to **manage expenses, including new or unbudgeted spending**, within approved funding levels
- **Paused unaffiliated staff merit pay program for FY20**
- **Developed financially-based, department-led hiring plans through Position Control**, which approves all hires and backfills to ensure we meet the turnover and attrition savings amount included in the approved FY21 budget
- **Enhanced review and approval criteria for budget transfers** to improve fiscal discipline and reduce discretionary spending
- **Reviewed and centralized financial controls and approval process for education and travel reimbursement**
- **Executed fuel hedge savings effort** to take advantage of current pricing relative to budgeted assumptions
- Initiated effort to **refinance parking bonds** in April 2021 to reduce net interest payments
- Using technology to **reduce overhead costs of parking operations**
- Evaluating **potential leading indicators for fare revenue** to further improve projections and estimates



Timeline for Service, Budget, and Capital Decisions



Appendix

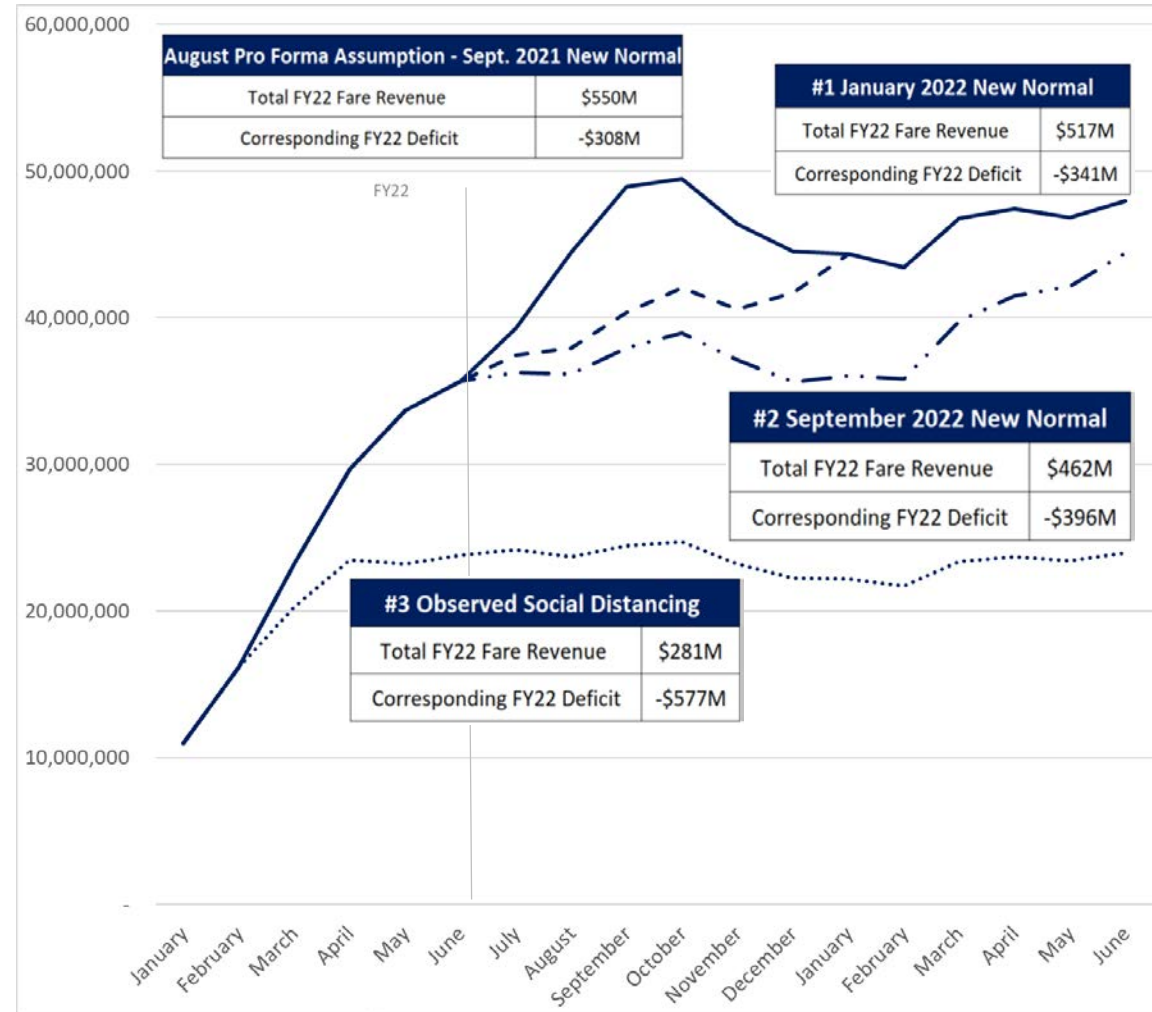


Fare Revenue Sensitivity and Budget Gap Ranges (as of August 2020)

Numbers may change as all assumptions and variables are subject to revision as the authority receives new or updated information

- FY22 estimate of **\$308M** budget gap under Pro Forma assumption of 80% ridership by **September 2021**
- \$33M deficit increase (\$341M total) in FY22 with 80% ridership by **January 2022 (#1)**
- \$88M deficit increase (\$396M total) in FY22 with 80% ridership by **September 2022 (#2)**
- \$269M deficit increase (\$577M total) in FY22 with **40% revenue for the year (#3)**
 - 40% revenue would also negatively impact Q4 of the FY21 budget by \$32M
- Current Pro Forma assumption of September 2021 corresponds to an 18 month timeline from March 2020 (vaccine timeline) and a delay would likely reduce revenue and increase the budget gap within the above range

Potential FY22 Budget Deficits Given Fare Revenue Uncertainty



Programmatic Savings Overview

- Develop cross-functional cost-control working groups to target specific items, find efficiencies, manage expenses, and enhance funding/revenue
 - Allows for a high-level, initiative/program based approach that could be implemented equitably among individual departments with their support and input
 - Limits risk for duplicative efforts and “double-counting” proposals
 - Weekly steering committee meeting to ensure a holistic approach and coordination among groups

FY21 & FY22 Budget Gap & Options Summary	August Pro Forma Estimate	Observed Social Distancing Scenario w/ level Capital Shift	Observed Social Distancing Scenario w/ level Increased Capital Shift
August Pro Forma Budget Gap	\$ (308)	\$ (577)	\$ (577)
<i>Capital Salaries</i>	\$ 134	\$ 134	\$ 134
<i>Federal Formula Funds</i>	\$ 160	\$ 160	\$ 280
Capital Funding Reallocation Subtotal	\$ 294	\$ 294	\$ 414
<i>Non-Service Programmatic Savings</i>	\$ 60	\$ 60	\$ 60
<i>Target for Service Level Savings</i>	\$ 60	\$ 255	\$ 150
Department & Programmatic Savings Subtotal	\$ 120	\$ 315	\$ 210
Target Subtotal	\$ 414	\$ 609	\$ 624
Options vs. Gap (\$)	\$ 106	\$ 32	\$ 47
Gap as a % of Options	74%	95%	92%
Options vs. MBTA Target (\$400M)	\$ 14	\$ 209	\$ 224

Budget Savings Scenarios: FY21& FY22 breakout

August Pro Forma Estimate (80% by Sept. 2021)			
Budget Gap & Options Summary	FY21	FY22	TOTAL
August Pro Forma Budget Gap	\$ -	\$ (308)	\$ (308)
<i>Capital Salaries</i>	\$ 67	\$ 67	\$ 134
<i>Federal Formula Funds</i>	\$ 80	\$ 80	\$ 160
Capital Funding Reallocation Subtotal	\$ 147	\$ 147	\$ 294
<i>Non-Service Programmatic Savings</i>	\$ 20	\$ 40	\$ 60
<i>Target for Service Level Savings</i>	\$ -	\$ 60	\$ 60
Department & Programmatic Savings Subtotal	\$ 20	\$ 100	\$ 120
Target Subtotal	\$ 167	\$ 247	\$ 414
Options vs. Gap (\$)	\$ 167	\$ (61)	\$ 106
Gap as a % of Options	0%	125%	74%
Options vs. MBTA Target (\$400M)	\$ (233)	\$ (153)	\$ 14

Observed Social Distancing Scenario w/ level Capital Shift (40% by April 2021)			
Budget Gap & Options Summary	FY21	FY22	TOTAL
August Pro Forma Budget Gap	\$ -	\$ (577)	\$ (577)
<i>Capital Salaries</i>	\$ 67	\$ 67	\$ 134
<i>Federal Formula Funds</i>	\$ 80	\$ 80	\$ 160
Capital Funding Reallocation Subtotal	\$ 147	\$ 147	\$ 294
<i>Non-Service Programmatic Savings</i>	\$ 20	\$ 40	\$ 60
<i>Target for Service Level Savings</i>	\$ -	\$ 255	\$ 255
Department & Programmatic Savings Subtotal	\$ 20	\$ 295	\$ 315
Target Subtotal	\$ 167	\$ 442	\$ 609
Options vs. Gap (\$)	\$ 167	\$ (135)	\$ 32
Gap as a % of Options	0%	131%	95%
Options vs. MBTA Target (\$400M)	\$ (233)	\$ 42	\$ 209

Observed Social Distancing Scenario w/ level Increased Capital Shift (40% by April 2021)			
Budget Gap & Options Summary	FY21	FY22	TOTAL
August Pro Forma Budget Gap	\$ -	\$ (577)	\$ (577)
<i>Capital Salaries</i>	\$ 67	\$ 67	\$ 134
<i>Federal Formula Funds</i>	\$ 80	\$ 200	\$ 280
Capital Funding Reallocation Subtotal	\$ 147	\$ 267	\$ 414
<i>Non-Service Programmatic Savings</i>	\$ 20	\$ 40	\$ 60
<i>Target for Service Level Savings</i>	\$ -	\$ 150	\$ 150
Department & Programmatic Savings Subtotal	\$ 20	\$ 190	\$ 210
Target Subtotal	\$ 167	\$ 457	\$ 624
Options vs. Gap (\$)	\$ 167	\$ (120)	\$ 47
Gap as a % of Options	0%	126%	92%
Options vs. MBTA Target (\$400M)	\$ (233)	\$ 57	\$ 224

- Service Level savings, following a public process this fall and implementation process this coming spring, conservatively assumes savings will be achieved in FY22, however, to the extent feasible, if changes to transit can be implemented in FY21, some savings could be moved forward into FY21.



Revenue Allocation by Mode Detail

- Revenue increases from July 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)	August 2020	% Total	July 2020	% MoM	August 2019	% YoY
Heavy & Light Rail and Bus	10.0	77%	8.3	20%	36.1	-72%
Commuter Rail	2.6	20%	2.2	18%	22.5	-88%
Ferry	0.1	1%	0.1	8%	1.4	-90%
RIDE (including adjustments and credits)	0.2	1%	-		0.6	-73%
Total	12.9	100%	10.6	21%	60.6	-79%

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



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



Position Control Process to Manage Wages and Headcount

- To ensure that hiring plans and turnover/attrition savings incorporated in the adopted FY21 budget are realized, all positions will require approval from Position Control
- Position Control is a panel, led by the Chief of Staff, of Finance, Human Resources and Labor Relations staff that considers all staffing promotion, new hire, backfill, and intern requests directly from department staff on a weekly or semi-weekly schedule based on volume
- Position control will review all positions (operating and capital) based on budgeted funds, position types, and labor relations criteria
- Safety hires are top-priority positions
- Position Control has worked with departments and has made them aware that they have the flexibility and autonomy to prioritize their entire employee roster in a way that stays within budget and allows it to best achieve its goals and mission



Working Group Summary Table (1/2)

	Capital Inflows	Capital Planning	Service Level Planning	Debt Service and Interest Income	Human Capital
Goals	<ul style="list-style-type: none"> • Reallocation of Federal 5307 funding • Potential reallocation of Federal 5337 funding • Implementation of capital salaries funding transfer 	<ul style="list-style-type: none"> • Analyze impacts to capital spending and CIP • Review project status and identify potential contracts that could be delayed, paused or scaled down • Maximize grants 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 • Explore opportunities and packages that would result in net payroll savings (e.g. review temporary change transactions, freeze double pay overtime opportunities, pay comp time in lieu of OT, defer ER contributions, model wage freeze etc.) • Focus on opportunities to contain, curtail, or defer year over year pension growth increases
Leads	<ul style="list-style-type: none"> • Joanna Aalto 	<ul style="list-style-type: none"> • Samantha Silverberg 	<ul style="list-style-type: none"> • Kat Benesh • Laurel Paget-Seekins 	<ul style="list-style-type: none"> • Pat Landers 	<ul style="list-style-type: none"> • Ahmad Barnes • Matt St. Hilaire

Working Group Summary Table (2/2)

	Technology	Procurement	Fare Revenue	Own Source Revenue	Purchased Transit Services	Overtime
Goals or Targets	<ul style="list-style-type: none"> 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 Work with departments to quantify the operating budget impacts of upcoming capital projects 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Develop framework for modal revenue to inform service planning and using revenue as a performance indicator Develop mitigation strategies for fare revenue 	<ul style="list-style-type: none"> Generate a mixture of cost-cutting and revenue generation ideas from real estate, advertising, parking and partnerships (e.g. parking cost controls, parking alternative uses etc.) Work with operating departments to identify potential savings on real estate through renegotiations or alternative arrangements 	<ul style="list-style-type: none"> 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 Specifically address the fixed and variable costs of ferry services for potential savings in FY22 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> John Glennon 	<ul style="list-style-type: none"> Jeff Cook 	<ul style="list-style-type: none"> Lizzy Winters Ronaldson 	<ul style="list-style-type: none"> Lizzy Winters Ronaldson Richard Henderson 	<ul style="list-style-type: none"> Bill DeCoste 	<ul style="list-style-type: none"> Bill DeCoste

August Headcount Summary

- 5,975 operating budget headcount in August, a net 26 employee decrease from July
 - 20 Total Operating Hires
 - -46 Total Separations
 - 26 Net Decrease

Headcount Totals			
Department	July Headcount	August Headcount	Net Change
Operations	5318	5291	-27 ↓
Admin/Back Office	683	684	1 ↑
Total Operating	6001	5975	-26 ↓
Capital	435	436	1 ↑
Total MBTA	6436	6411	-25 ↓

Hires & Separations			
Department	Hires	Separations	Net Change
Operations	15	-42	-27 ↓
Admin/Back Office	5	-4	1 ↑
Total Operating	20	-46	-26 ↓
Capital	1	0	1 ↑
Total MBTA	21	-46	-25 ↓

Hires and separations based on processed date. Processed and effective dates may differ due to the time required for events to be entered into the system.



August Operations Headcount Summary

Headcount Totals					Hires & Separations				
Operations		July Headcount	August Actual	Net Change	Operations		Hires	Separations	Net Change
Transportation	Bus Transportation	1,996	1,987	(9) ↓	Transportation	Bus Transportation	12	(21)	(9) ↓
	Heavy Rail	582	575	(7) ↓		Heavy Rail	1	(8)	(7) ↓
	Light Rail	601	596	(5) ↓		Light Rail	-	(5)	(5) ↓
System Maintenance	Signals & Communication	159	159	-	System Maintenance	Signals & Communication	-	-	-
	Power Systems Maintenance	242	243	1 ↑		Power Systems Maintenance	1	-	1 ↑
	Maintenance of Way	310	307	(3) ↓		Maintenance of Way	-	(3)	(3) ↓
	Transit Facilities Maintenance	188	188	-		Transit Facilities Maintenance	1	(1)	-
Vehicle Maintenance	Bus Maintenance	415	414	(1) ↓	Vehicle Maintenance	Bus Maintenance	-	(1)	(1) ↓
	Everett Main Repair	183	182	(1) ↓		Everett Main Repair	-	(1)	(1) ↓
	Rail Maintenance	385	385	-		Rail Maintenance	-	-	-
Other Transit Services	OCC & Training	141	141	-	Other Transit Services	OCC & Training	-	-	-
	Security	3	3	-		Security	-	-	-
Engineering	Engineering	10	10	-	Engineering	-	-	-	
Other Operations	Service & Scheduling	36	36	-	Other Operations	Service & Scheduling	-	-	-
	Chief Operating Officer	10	9	(1) ↓		Chief Operating Officer	-	(1)	(1) ↓
	System-wide Accessibility	9	9	-		System-wide Accessibility	-	-	-
	Office of Admin	-	-	-		Office of Admin	-	-	-
Contract Transit Serv	Commuter Rail	31	31	-	Contract Transit Serv	Commuter Rail	-	-	-
	Ferry	-	-	-		Ferry	-	-	-
	RIDE	17	16	(1) ↓		RIDE	-	(1)	(1) ↓
Total Operations		5,318	5,291	(27) ↓	Total Operations		15	(42)	(27) ↓

August Admin/Back Office Headcount Summary

Headcount Totals					Hires & Separations				
Administrative/Back Office		July Actual	August Actual	Net Change	Administrative/Back Office		Hires	Separations	Net Change
EHS	Safety	35	38	3 ↑	EHS	Safety	3	-	3 ↑
	Occupational Health Servs	32	31	(1) ↓		Occupational Health Servs	-	(1)	(1) ↓
	Environmental Affairs	15	15	-		Environmental Affairs	-	-	-
Other G & A	Legal	24	24	-	Other G & A	Legal	-	-	-
	Police	241	240	(1) ↓		Police	-	(1)	(1) ↓
	Office Perf Mgmt & Innov	7	7	-		Office Perf Mgmt & Innov	-	-	-
	Diversity & Civil Rights	16	17	1 ↑		Diversity & Civil Rights	1	-	1 ↑
Finance	Budget	15	14	(1) ↓	Finance	Budget	-	(1)	(1) ↓
	Treasurer Controller	27	27	-		Treasurer Controller	-	-	-
	General Manager	17	18	1 ↑		General Manager	1	-	1 ↑
	Public Affairs	2	2	-		Public Affairs	-	-	-
	Inter-Agency	2	2	-		Inter-Agency	-	-	-
	Chief Administrative Officer	2	2	-		Chief Administrative Officer	-	-	-
	General Activities	-	-	-		General Activities	-	-	-
Administration	Procurement & Logistics	21	20	(1) ↓	Administration	Procurement & Logistics	-	(1)	(1) ↓
	Vendor Management	19	19	-		Vendor Management	-	-	-
	Warehouse	7	7	-		Warehouse	-	-	-
	Real Estate & Asset Dev	7	7	-		Real Estate & Asset Dev	-	-	-
	Own Source Revenue	8	8	-		Own Source Revenue	-	-	-
	Customer Technology	5	5	-		Customer Technology	-	-	-
	Fare Transformation	60	60	-		Fare Transformation	-	-	-
	Information Technology Dept	53	53	-		Information Technology Dept	-	-	-
	Human Resources	34	34	-		Human Resources	-	-	-
	MassDOT/U	4	4	-		MassDOT/U	-	-	-
	Labor Relations	6	6	-		Labor Relations	-	-	-
Customer Exp	Customer Experience	24	24	-	Customer Exp	Customer Experience	-	-	-
Total Back Office		683	684	1 ↑	Total Back Office		5	(4)	1 ↑



August Capital Headcount Summary

Headcount Totals					Hires & Separations				
Capital		July Actual	August Actual	Net Change	Capital		Hires	Separations	Net Change
Capital Programs	Capital Project Oversight	14	14	-	Capital Programs	Capital Project Oversight	-	-	-
	Capital Delivery	257	259	2 ↑		Capital Delivery	8	6	2 ↑
	GLX	41	41	-		GLX	-	-	-
	Capital Program Planning	5	5	-		Capital Program Planning	-	-	-
	Vehicle Engineering	21	21	-		Vehicle Engineering	-	-	-
	Green Line Transformation	19	18	(1) ↓		Green Line Transformation	-	(1)	(1) ↓
	South Coast Rail	5	5	-		South Coast Rail	-	-	-
Capital in Operating	Bus Transportation	-	-	-	Capital in Operating	Bus Transportation	-	-	-
	Bus Maintenance	1	1	-		Bus Maintenance	-	-	-
	Commuter Rail	1	1	-		Commuter Rail	-	-	-
	CTD	12	12	-		CTD	-	-	-
	COO	-	-	-		COO	-	-	-
	Engineering	22	22	-		Engineering	-	-	-
	EVE	2	2	-		EVE	-	-	-
	General Manager	1	1	-		General Manager	-	-	-
	ODCR	-	-	-		ODCR	-	-	-
	Rail Maintenance	20	20	-		Rail Maintenance	-	-	-
	SCM	9	9	-		SCM	-	-	-
	Service Planning	1	1	-		Service Planning	-	-	-
	Law	2	2	-		Law	-	-	-
TFM	2	2	-	TFM	-	-	-		
Total Capital		435	436	1 ↑	Total Capital		8	5	1 ↑

