

**Massachusetts Bay  
Transportation Authority**

# FY21 Operating Budget Update

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Fiscal and Management Control Board

October 19, 2020

Mary Ann O'Hara

# Overview

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- Four primary sections:
  1. **Operating Budget Update:** Progress report on resolving the previously identified budget gap due to fare revenue loss
  2. **Fare Revenue Scenarios:** In conjunction with DOT Planning, based upon ridership data and revenue per ride assumptions, project a range of scenarios for fare revenue collections through FY21
  3. **FY21 Budget Revisions and Projection:** Details and explanation of the FY21 budget revision components along with spending and revenue projections based on actuals through August
  4. **FY22 Outlook:** Updated potential fare revenue scenarios for FY22 based on ridership data and Q1 FY21 financial information since the August Pro Forma estimates



# Operating Budget Savings Update



# Operating Budget Update: Components

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## Operating Budget Progress Towards Balance

- **Report on the progress of fiscal actions** under the non-service departmental/programmatic approach through itemized updates

## Fare Revenue

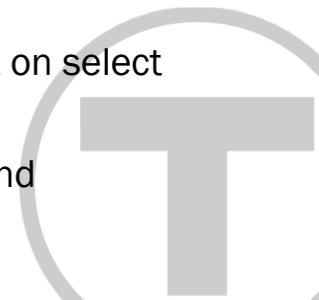
- **Updated FY21 budgeted fare revenue** assumptions using actual ridership and revenue data (by mode) for the last 12 months from a range of plausible scenarios that contemplate factors like potential ridership growth, public health developments, and employer feedback

## FY21 Budget Revisions and Projection

- **Updated FY21 budgeted own source and investment income revenue** assumptions using actual data from the last 12 months by identifying sources that have been impacted by ridership and fare revenue collections since March 2020 and linking their recovery to the recommended fare revenue scenario
- **Updated FY21 budgeted federal revenue** assumptions for the actual amount of one-time Federal CARES Act funding available for FY21 and delaying expected FEMA reimbursement revenue for COVID-19 spending from FY21 into FY22
- **Summarized fare, own source and investment income, and federal revenue changes** to the FY21 budget along with a potential solve for the resulting budget gap

## FY22 Outlook

- **Preview updated fare revenue scenarios in FY22**, informed by DOT Planning, based on COVID-19 abatement and its impact on select economic indicators
- **Updated the range of options to resolving the FY22 budget gap** using capital funding reallocation, service level planning, and departmental/programmatic initiatives as the three main approaches



# Principles for MBTA Fiscal Strategy

Safety

Prioritize and maintain funding for safety-critical spending and positions

Equity

Prioritize and maintain funding for system accessibility and availability for customers who rely on transit the most for day-to-day travel

Sustainability

Create a sustainable foundation for recovery that includes operating revenue and spending solutions

Data Driven

Quantify fiscal impacts and use metrics, outcomes, and key performance indicators to inform decisions

Collaboration

Work closely with departments to generate ideas to resolve the budget gap

Comprehensive

Explore and review all options based on observed ridership, including service levels

Preparation and Planning

Take action at the onset of FY21 to ensure ample time to notify and reach out to departments and customers well in advance of implementation



# Fiscal Control Actions Implemented

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- **Established working groups** that are meeting, generating proposals, and commencing implementation to mitigate the FY21 and FY22 budget gap
- **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
- **Professional services and materials review of contracts and purchases** with a 9% targeted reduction
- **Centralized financial controls and approval process for education and travel reimbursement**
- **Evaluating potential leading indicators for fare revenue** to further improve projections and estimates
- **Partnering with departments to manage expenses**, including new or unbudgeted spending, within approved funding levels
- **Monthly budget updates** to the FMCB to report on actual spending, revenue, and headcount data



# Non-Service Departmental/Programmatic Savings Actions

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- Progress towards generating recommendations to address the budget gap is ongoing among the identified approaches
- **\$50M-\$75M in departmental/programmatic opportunities has been identified** with additional proposals undergoing review and financial analysis
  - **\$35M-\$45M - Refinance parking bonds** in April 2021 to reduce net interest payments
  - **\$10M-\$13M - Fuel savings effort** to take advantage of current pricing relative to budgeted assumptions
  - **\$4M-\$10M - Using technology to reduce overhead costs of parking operations**
  - **\$0.5M-\$2M - Renegotiated transit (Block by Block) ambassador contract** and evaluating postings based on ridership levels
  - **\$1M-\$2M - Ordering fewer CharlieCards** to align with demand
  - **\$1M-\$2M - Paused unaffiliated staff merit pay program for FY20**
  - **\$0.1M-\$0.5M - Centralized travel reimbursement spending** with enhanced controls



# Other Prospective Departmental/Programmatic Ideas

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- **Additional proposals undergoing financial review and research to add to the list of potential options requested for departmental/programmatic ideas**
  - Revising administrative & non-service variable costs for purchased transit services based on actuals and demand (credit card transactions, performance incentives, etc.)
  - Delaying or adjusting compensation and/or benefits for unaffiliated and affiliated staff
  - Retirement or voluntary separation incentive programs
  - Eliminating/Scaling back internship programs
  - Accelerating proceeds from one-time real estate sales
  - Revisions to utility costs based on current market conditions and exploring investments to reduce energy costs in the short and long term
  - Reducing software redundancies
  - Adjusting IT services for non-production environments and off hours availability

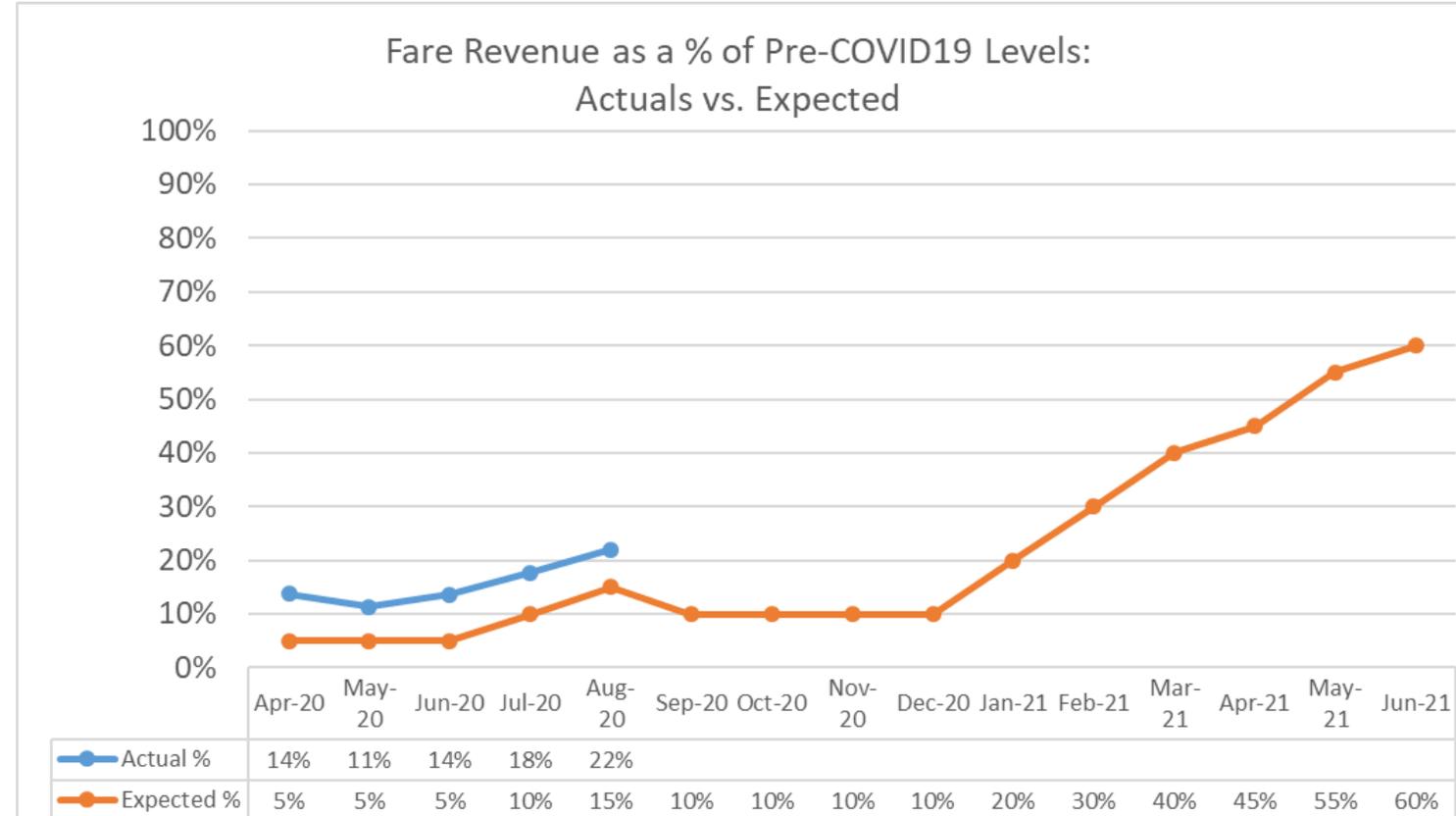


# Fare Revenue Projection Update



# Fare Revenue: FY21 Approved Budget Assumptions

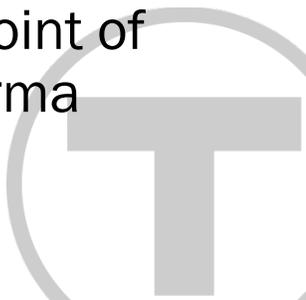
- **Considerable uncertainty and risk with FY21 budgeted fare revenue assumptions** (as approved in May 2020) despite favorability to date
  - Monthly budget assumptions from September to December are below actual collections during peak COVID-19 impacts in April and May
  - July and August revenue collections were above budget for the month but below the 27% average for the entirety of FY21
  - Fare revenue growth jumps 5-10 percentage points each month for the second half of the fiscal year while recovery thus far has been 3-4 percentage points
  - 79% of total budgeted revenue collections for FY21 are expected after January 2021 (second half of FY21)



# Fare Revenue: Methodology & Approach

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- Monthly fare revenue estimates generated from ridership forecasts and revenue per ride assumptions
  - Forecast monthly ridership (unlinked passenger trips) by mode based on recent trends and MassDOT Planning research
  - Assume future monthly revenue-per-ride by mode after correcting for unused Perq (corporate) passes and recent modal allocation trends that result in a higher bus revenue allocation
- In forecasting ridership, select a recommended scenario from a range of outcomes given the uncertainty surrounding the long-term effect of COVID-19 on public transit ridership
  - Forecasts consider ridership growth, public health developments, and employer return to in-person operations
- In presenting scenarios, maintain percentage of FY20 budgeted fare revenue as a point of reference to compare future projections with prior month actuals and August Pro Forma estimates



# Fare Revenue: FY21 Scenario Planning and Assumptions

- Three scenarios developed in collaboration with MassDOT planning contemplating ridership growth, the current public health pandemic, and employer operations
- Adjusting assumptions for each factor accounts for a range of possible scenarios
- Adjusting budget assumptions to Scenario 3 only in FY21 increases current ridership levels in the short-term (relative to FY21 budget) and prepares us for the possibility of a regression in COVID-19 recovery this winter
- If ridership growth trends closer to Scenarios 1 or 2, it would create budget favorability or upside that would be used to offset the FY22 budget gap

## Scenario 1

Economic, demographic, and mobility patterns gradually return to mostly pre-COVID-19 conditions with slight increases in the number of teleworkers

## Scenario 2

Travel patterns diverge from economic recovery as consumers and employees adopt to a new normal, especially in light of new and emerging remote meeting and e-commerce technologies

## Scenario 3

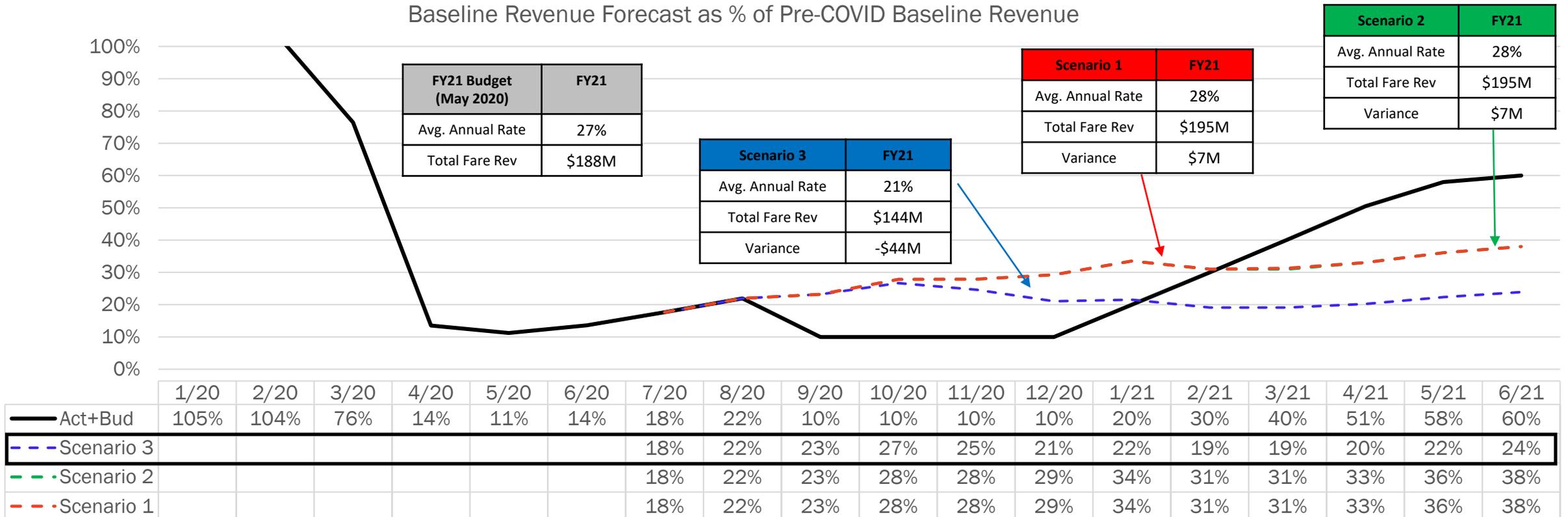
The economic impacts of COVID-19 have depressed travel and mobility, especially on the MBTA, and telecommuting is standard practice for the foreseeable future



# Fare Revenue: Monthly Revenue as a Percentage of Baseline

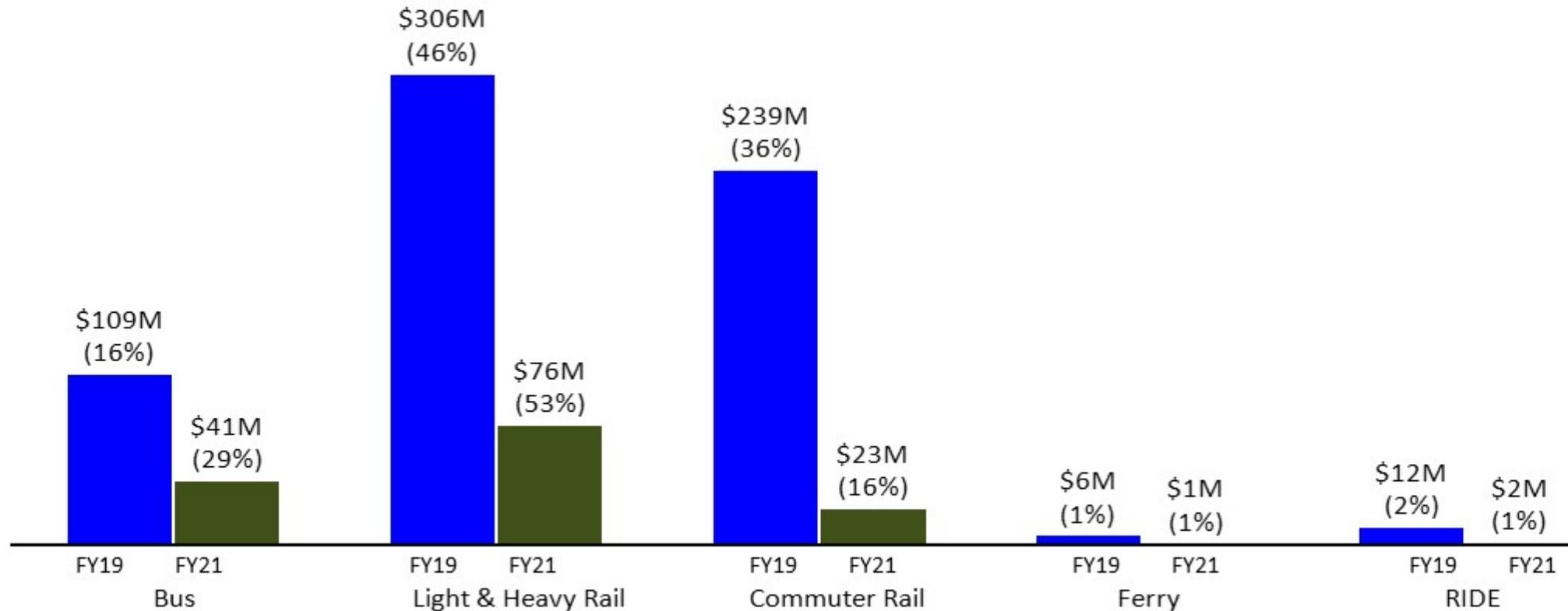
- The scenarios range from an average 21% of baseline revenue to 28% in FY21
- Scenario 3 has an average annual rate of 21% of baseline revenue
- FY21 currently approved budget has an average annual rate of 27%
- Scenarios 1 and 2 have similar ridership implications in FY21 and begin to diverge at the start of FY22
- Budgeting for Scenario 3 mitigates the uncertainty and risk that comes with future ridership growth assumptions

Baseline Revenue Forecast as % of Pre-COVID Baseline Revenue



# Fare Revenue: Fare Revenue Totals by Mode

- Commuter rail revenue makes up 16% of overall fare revenues in FY21, considerably lower than the 36% in FY19
- Modal allocation revenue based on Scenario 3 after accounting for an updated methodology for modal revenue allocations that considers ridership data both pre and post COVID-19
- Percentages reflect the percentage of total fare revenue for that given mode



# FY21 Budget Revision



# FY21 Budget Revisions and Projection Summary

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- Revised select revenue projections for September 2020-June 2021 and combined these revisions with actual spending and revenue data through August generating an updated FY21 projection
  - **Based on Scenario 3, updated FY21 budgeted fare revenue assumptions**
  - **Updated FY21 budgeted own source and investment income revenue assumptions**
  - **Updated FY21 budgeted federal revenue assumptions**
  - **Projected spending and revenue for FY21 incorporating actuals through August and potential exposures**



# FY21 Budget Revision - Summary

- **\$57M total revenue reduction to FY21 budget** revenue results in an FY21 budget gap of \$54M
  - **\$44M net decrease to fare revenue** in FY21 based on Scenario 3 for ridership and fare revenue levels
  - **\$11M net decrease to multiple own source revenue categories**, which consists of decreases to advertising and parking revenue offset by increases in real estate and other revenue
  - **\$2M net decrease to one-time federal revenue** as we update our CARES Act balance and account for uncertainty surrounding FEMA reimbursement revenue
- **FY21 budget revisions do not retroactively update budget figures for July and August**, but this data will be incorporated into an updated projection or estimate for FY21 spending and revenue

	<b>FY21 Budget (May 2020) (\$M)</b>	<b>FY21 Revised Budget (October 2020) (\$M)</b>	<b>Variance \$</b>
Fare Revenue	188	144	(44)
One Time Revenue	710	708	(2)
Other Revenue	1,465	1,455	(11)
<b>Total Revenue</b>	<b>2,363</b>	<b>2,306</b>	<b>(57)</b>
Operating Expenses	1,771	1,771	-
Debt Service	523	523	-
Capital Salaries	66	66	-
<b>Total Expenses</b>	<b>2,361</b>	<b>2,361</b>	<b>-</b>
<b>Remaining Balance</b>	<b>2</b>	<b>(54)</b>	<b>(57)</b>



# FY21 Budget Revision – Other Changes: Own Source Revenue and Investment Income

- **\$10.6M net budget reduction in FY21 own source and investment income revenue**
  - **\$9.1M decrease in system wide and billboard advertising revenue** due to revised ridership in Scenario 3
  - **\$8.0M net decrease to parking revenue** projection due to ridership impact of Scenario 3 on parking and enforcement revenues
  - **\$1.6M increase to real estate revenue** as it has been less responsive to COVID-19 impacts and has ranged between 75%-95% of baseline each month compared to the budgeted 30%-45%
  - **\$3.7M increase in investment income** based upon current cash balances and interest rates
  - **\$1.1M increase in other revenue** as budgeted reductions for COVID-19 impacts have not been realized and collections match prior years

Type (\$M)	FY21 Original Budget (May 2020)	FY21 Revised Budget (October 2020)	Variance
Advertising	17.1	8.0	(9.1)
Parking	11.5	3.5	(8.0)
Real Estate	7.9	9.5	1.6
Investment Income	17.4	21.1	3.7
Other	4.8	6.0	1.1
<b>Total Own Source Revenue and Investment Income</b>	<b>58.8</b>	<b>48.2</b>	<b>(10.6)</b>



# FY21 Budget Revision – Other Changes: One-time Revenue

- **\$1.8M net budget reduction in FY21 one-time revenue**
  - **\$28.2M increase in available CARES Act funding** updates the FY21 available balance based on FY20 actuals of \$221.8M resulting in the remaining \$605.2M of the total \$827.0M available for FY21
  - The FY21 revised budget will continue to draw down and apply CARES Act funding as needed to offset fare revenue losses and balance the budget
  - **Delaying \$30.0M FEMA reimbursement expectation** into FY22 to account for uncertainty regarding the timing and availability of these funds

Type (\$M)	FY21 Original Budget (May 2020)	FY21 Revised Budget (October 2020)	Variance
CARES Act	577.0	605.2	28.2
FEMA Reimbursement	30.0	-	(30.0)
<b>Total One-time Revenue</b>	<b>607.0</b>	<b>605.2</b>	<b>(1.8)</b>



# Solving the Projected FY21 Gap and Potential Exposures

- The FY21 budget revisions to the various revenue sources result in a revised FY21 budget gap of \$54M
- After accounting for the spending and revenue favorability through August (July and August actual results compared to budget), the FY21 projected ending balance is -\$18M
  - The projection for the current year is calculated formulaically based on actuals for prior months and budgeted values for future months
- The \$36M favorability through August 2020 does not account for the favorable sales tax revenue collections from July and August
- The projection also does not account for the revised FY21 H.2 (state budget) that includes \$59M in additional potential revenue to the MBTA in FY21
  - \$40M increase in estimated sales tax revenue collections contingent on the Legislature’s adoption of a sales tax acceleration proposal
  - \$19M increase in sales tax above the budgeted certified base revenue amount of \$1,083M to the estimated \$1,102M

Type (\$M)	FY21
<b>Original FY21 Budget Ending Balance (May 2020)</b>	<b>2</b>
<i>Fare Revenue Change: Scenario B</i>	<i>(44)</i>
<i>Own Source Revenue Change</i>	<i>(11)</i>
<i>One-time Federal Revenue Change</i>	<i>(2)</i>
<b>Revised FY21 Budget Balance (October 2020)</b>	<b>(54)</b>
<i>*FY21 Favorability Through August 2020</i>	<i>36</i>
<b>Projected Ending Balance (October 2020)</b>	<b>(18)</b>



# Solving the Projected FY21 Gap and Potential Exposures

- Incorporating potential risks and exposures increases the projected ending balance from -\$18M to -\$46M
- Overtime and COVID-19 spending were two previously identified spending exposures based on two months of actual spending
  - **Overtime:** trending over budget in a manner consistent with historical actuals but above budgeted levels
  - **COVID-19 spending projections:** Continuing at current spending rate is on pace to create a \$13M exposure beyond the \$40M budgeted in FY21
- Pending action on the state budget, federal formula funding reallocation could be executed to resolve the issue and achieve balance
  - Utilizing a portion (50%) of the lowest scenario (\$160M) of federal formula funding reallocation as presented on October 5 would balance FY21
- Executing the federal formula funding reallocation to resolve an FY21 budget gap leaves less funding available to address the potential FY22 budget gap

Type (\$M)	FY21
<b>Projected Ending Balance (October 2020)</b>	<b>(18)</b>
<i>Overtime Exposure</i>	<i>(15)</i>
<i>COVID-19 Exposure</i>	<i>(13)</i>
Exposures Subtotal	(28)
<b>Projected Ending Balance + Exposures</b>	<b>(46)</b>
<i>Federal Formula Funds Solve</i>	<i>80</i>
Solves Subtotal	80
<b>Projected Ending Balance + Exposures + Solves</b>	<b>34</b>



# FY22 Fiscal Outlook



# Economic Scenario Planning for FY22

- Reapplying the general factors and resulting scenarios from MassDOT Planning's presentation to FY22 would impact FY22 MBTA ridership and fare revenue to varying degrees
- Projecting ridership and fare revenue growth will continue to be tracked and updated as the actual slope of recovery may follow any path within or beyond these scenarios

## Scenario 1

Economic, demographic, and mobility patterns gradually return to mostly pre-COVID-19 conditions with slight increases in the number of teleworkers

## Scenario 2

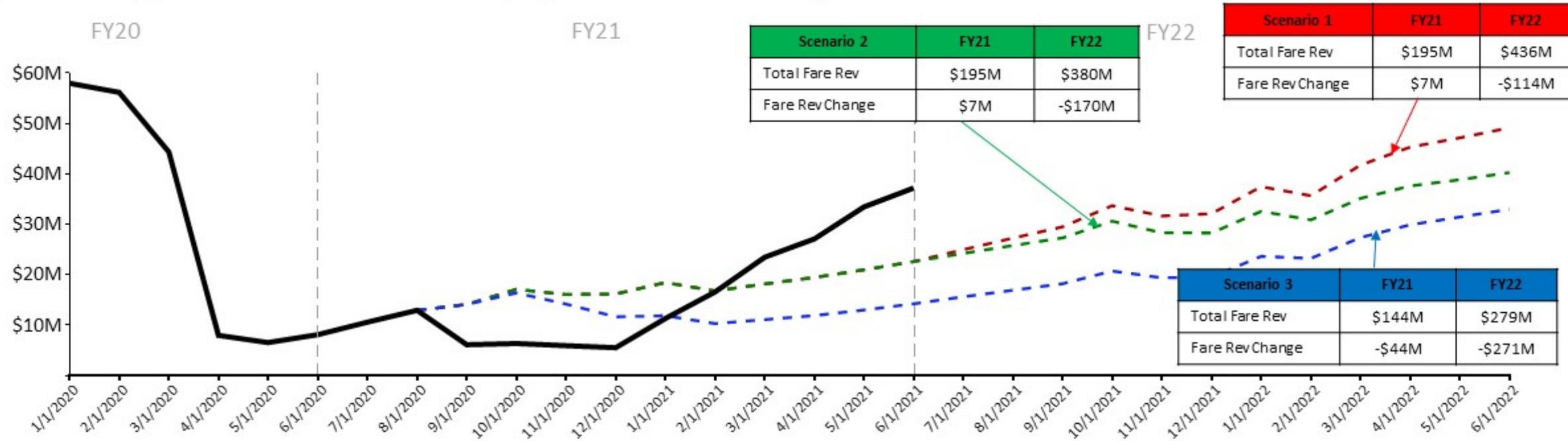
Travel patterns diverge from economic recovery as consumers and employees adopt to a new normal, especially in light of new and emerging remote meeting and e-commerce technologies

## Scenario 3

The economic impacts of COVID-19 have depressed travel and mobility, especially on the MBTA, and telecommuting is standard practice for the foreseeable future

# Potential Fare Revenue Scenarios for FY22

- Fare revenue scenarios range from -\$44M to +\$7M in FY21 and -\$271M to -\$114M in FY22 relative to the FY21 approved budget and FY22 fare revenue projections from the August Pro Forma



Actual + Budget	100%	100%	76%	14%	11%	14%	18%	22%	10%	10%	10%	10%	20%	30%	40%	51%	58%	60%																			
Scenario 3								22%	23%	27%	25%	21%	22%	19%	19%	20%	22%	24%	26%	29%	30%	34%	34%	35%	43%	43%	47%	51%	54%	55%							
Scenario 2								22%	23%	28%	28%	29%	34%	31%	31%	33%	36%	38%	40%	44%	45%	50%	49%	51%	59%	57%	61%	64%	67%	68%							
Scenario 1								22%	23%	28%	28%	29%	34%	31%	31%	33%	36%	38%	42%	46%	49%	55%	55%	58%	68%	66%	72%	77%	81%	83%							

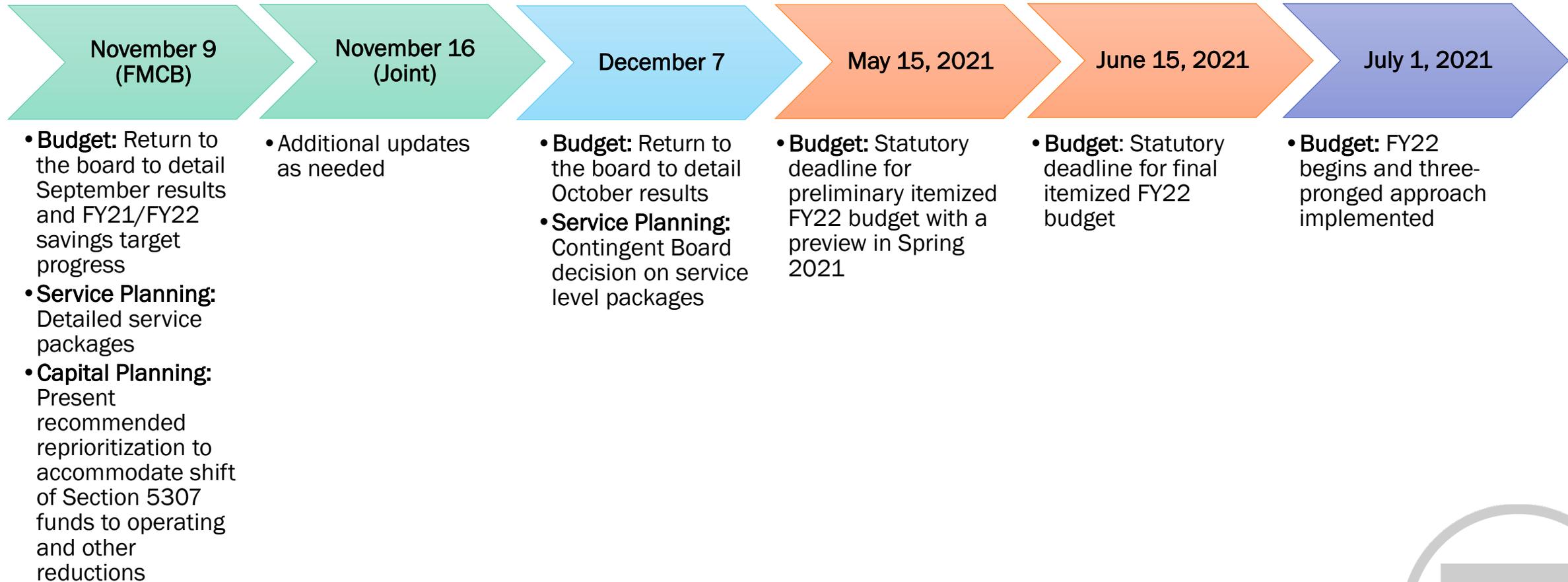
# Range of Options to Address an FY22 Budget Gap

- The initial August Pro Forma outlined an approach for one scenario
- Increasing the estimate of all approaches enables us to plan for a full range of potential scenarios
  - These are options and do not reflect approved actions
  - Recommended actions will only be taken up to an amount to balance the budget
- Each of the three main approaches have had their estimates increased to a level based on department and working group feedback
  - **Capital funding reallocation:** Up to \$514M, consistent with October 5 presentation (FY21-FY23 “high scenario”)
  - **Service level planning:** Up to \$150M, consistent with October 5 presentation
  - **Non-service departmental/programmatic:** Up to \$150M with \$50M-\$75M identified as noted in the Operating Budget Savings section
- **Not pursuing recommended options in one approach has trade-offs** and would require approval of other proposals within another approach if available
- **Generating a range of options** ensures that the budget gap is fully resolved for potential outcomes
  - Each approach may not be able to generate ideas up to the amount shown or the proposed options may not be advisable or recommended

Updating Potential Options to Address a Budget Gap		
Item/Approach	Initial Estimate: August Pro Forma	Range of Options: October 2020
<i>Capital Salaries</i>	134	134
<i>Federal Formula Funds (5307)</i>	146	380
Capital Funding Reallocation		
Subtotal	280	514
Service Level Planning	60	150
Non-Service Departmental/ Programmatic	60	150
<b>Subtotal of Options</b>	<b>400</b>	<b>814</b>



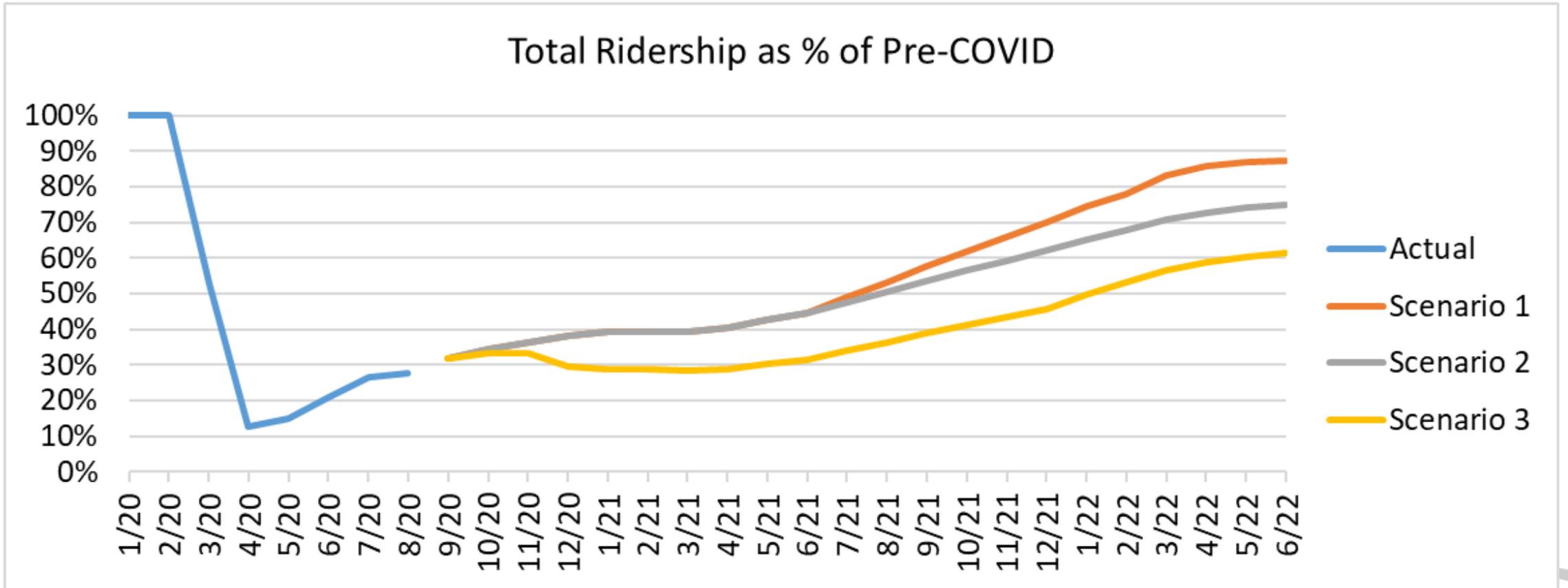
# Timeline for Service, Budget, and Capital Decisions



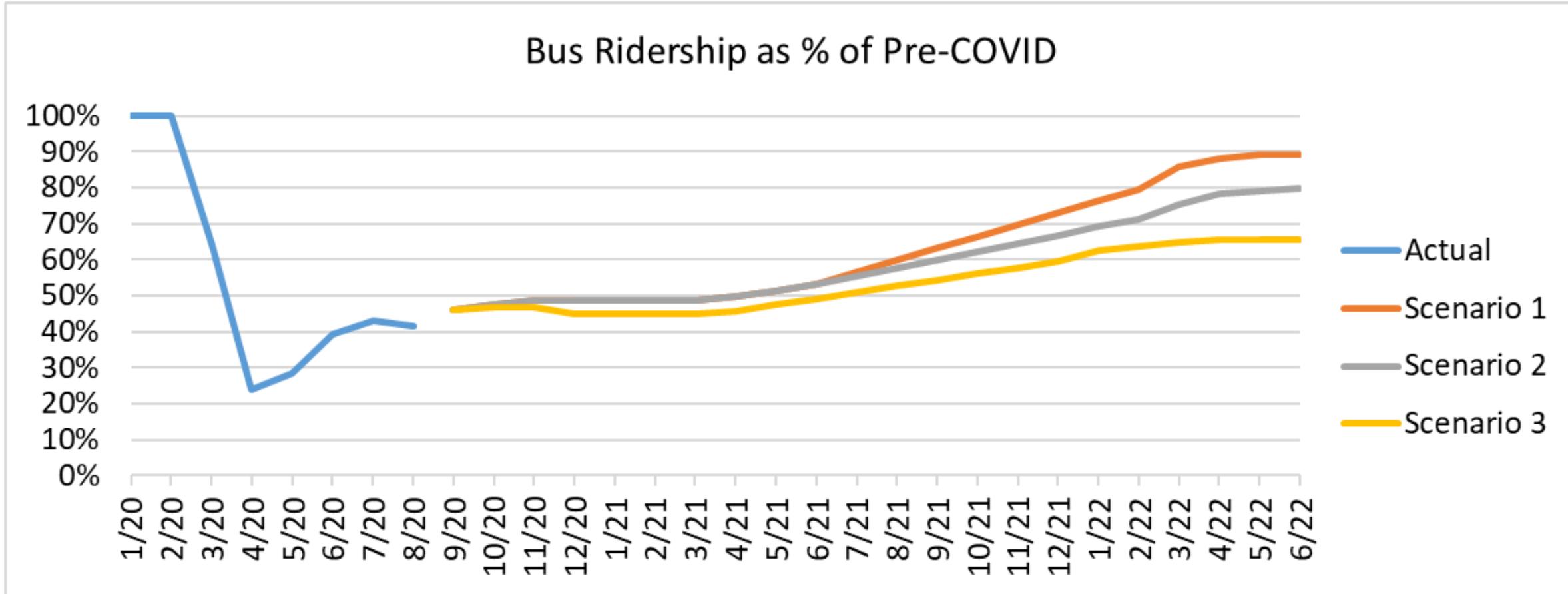
# Appendix



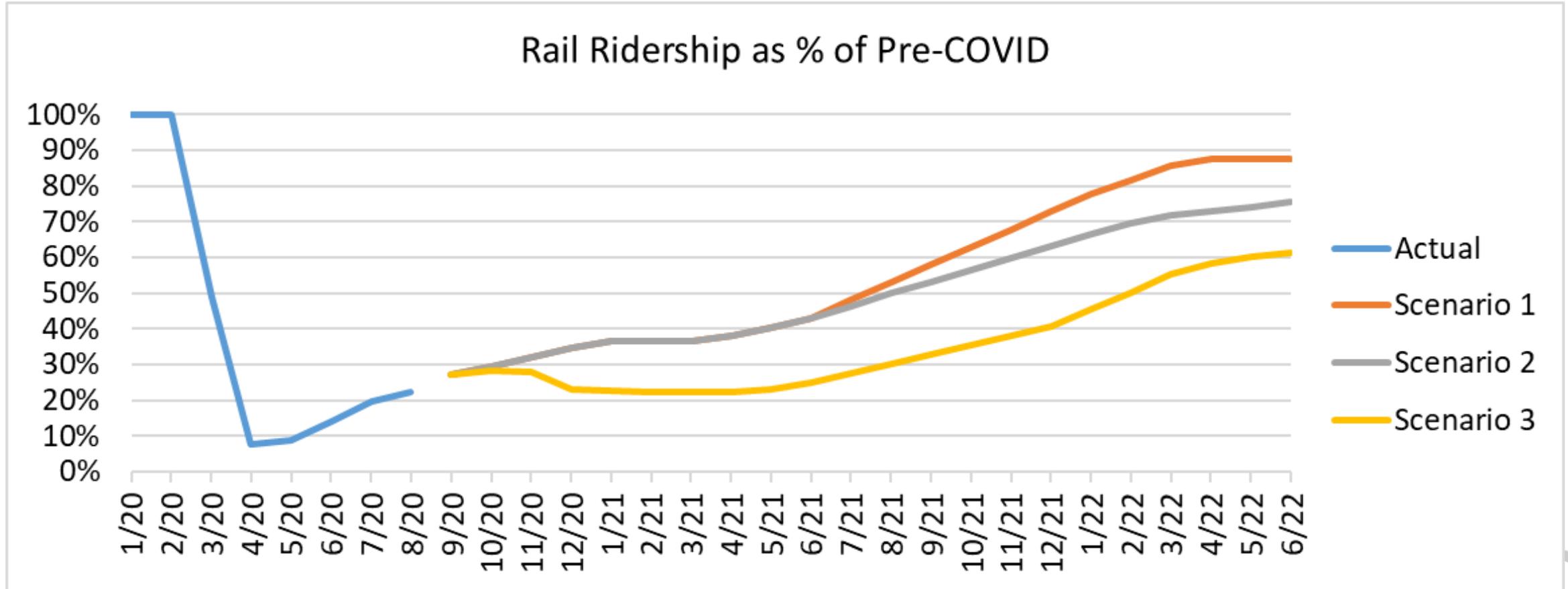
# Modal Ridership Projections: Total



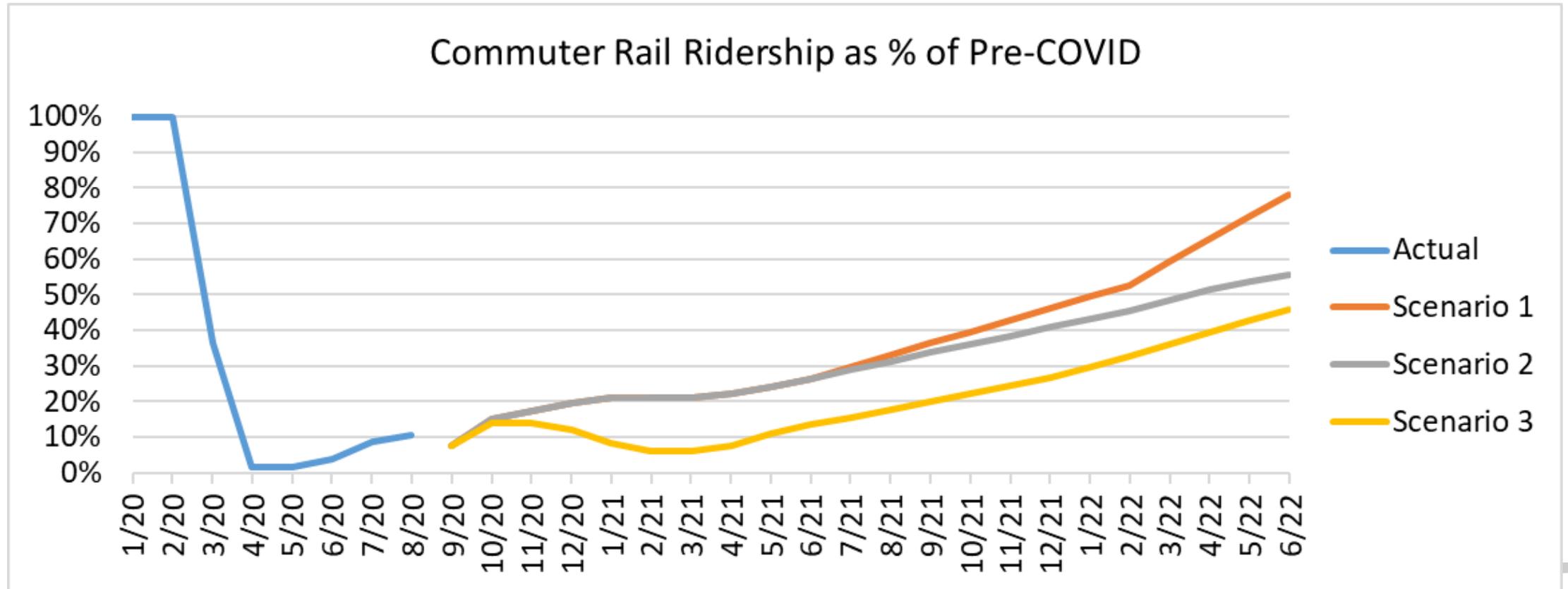
# Modal Ridership Projections: Bus



# Modal Ridership Projections: Rail



# Modal Ridership Projections: Commuter Rail



# FY21 Operating Budget Summary Through August

- Compared to the FY21 adopted budget (May 2020), **net revenues variance is favorable \$44.1M** through August
  - \$373.3M in **total revenues are \$21.4M favorable YTD**
  - \$359.9M in **total expenses are \$22.7M favorable YTD**
- 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**

	(\$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
	<b>Total Revenues</b>	<b>177.4</b>	<b>193.7</b>	<b>16.3</b>	<b>351.9</b>	<b>373.3</b>	<b>21.4</b>	<b>FAV</b>	<b>183.4</b>	<b>2277.1</b>
	<i>Fare Recovery Ratio</i>	6%	9%	3%	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
	<b>Total Expenses</b>	<b>187.1</b>	<b>179.2</b>	<b>7.9</b>	<b>382.6</b>	<b>359.9</b>	<b>22.7</b>	<b>FAV</b>	<b>168.6</b>	<b>2294.6</b>
	<b>Remaining Balance Before Transfers</b>	<b>-9.7</b>	<b>14.5</b>	<b>24.2</b>	<b>-30.6</b>	<b>13.4</b>	<b>44.1</b>	<b>FAV</b>	<b>14.8</b>	<b>-17.5</b>



# 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

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	<i>Fare Recovery Ratio</i>	1%	2%	1%	5%	9%	4%	FAV	47%	
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		<b>Remaining Balance Before Transfers</b>	<b>-9.7</b>	<b>14.5</b>	<b>24.2</b>	<b>-30.6</b>	<b>13.4</b>	<b>44.1</b>	<b>FAV</b>	<b>14.8</b>



# 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
<b>Total Operating Revenues:</b>	<b>9.9</b>	<b>15.1</b>	<b>5.2</b>	<b>16.4</b>	<b>27.7</b>	<b>11.2</b>	<b>FAV</b>	<b>68.0</b>	<b>229.2</b>
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
<b>Total Non-Operating Revenues:</b>	<b>156.9</b>	<b>168.0</b>	<b>11.1</b>	<b>314.3</b>	<b>324.5</b>	<b>10.2</b>	<b>FAV</b>	<b>104.8</b>	<b>1920.9</b>
State Assistance	10.6	10.6	0.0	21.2	21.2	0.0	UNFAV	10.6	127.0
<b>Total Revenues:</b>	<b>177.4</b>	<b>193.7</b>	<b>16.3</b>	<b>351.9</b>	<b>373.3</b>	<b>21.4</b>	<b>FAV</b>	<b>183.4</b>	<b>2277.1</b>



# 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 &amp; 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
<b>Total Operating Expenses</b>	<b>143.5</b>	<b>136.8</b>	<b>6.7</b>	<b>295.3</b>	<b>274.1</b>	<b>21.2</b>	<b>FAV</b>	<b>128.7</b>	<b>1771.2</b>
<b>Debt Service</b>	<b>43.6</b>	<b>42.4</b>	<b>1.2</b>	<b>87.2</b>	<b>85.8</b>	<b>1.4</b>	<b>FAV</b>	<b>39.9</b>	<b>523.5</b>
<b>Total Expenses</b>	<b>187.1</b>	<b>179.2</b>	<b>7.9</b>	<b>382.6</b>	<b>359.9</b>	<b>22.7</b>	<b>FAV</b>	<b>168.6</b>	<b>2294.6</b>



# FY21 Minimum Targeted Ending Balance

- Given potential risks, targeting a minimum FY21 ending balance of \$167M-\$200M (August budget update 10/5)
  - \$80M from Section 5307 federal 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
- By applying up to \$80M in Section 5307 federal formula funds to solve the FY21 budget gap, it does not add to the minimum targeted ending balance to mitigate the FY22 budget gap
- The Operating Budget Deficiency Fund ending balance would be \$87M-\$120M after discounting the \$80M in Section 5307 federal formula funds, below the previously identified targeted range of \$167M-\$200M

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



# Spending Assumptions & Growth Rates

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

Line Item	FY22 Growth Rate	Description/Justification
Regular Wages	2.0%	10 year average growth rate is 2%. Collective Bargaining Increases and fluctuations in headcount care the primary driver. Headcount assumed to remain consistent with FY21 budget levels, with incremental adds for major capital projects
Overtime Wages	2.0%	Tied to Regular Wages
Pension	4.1%	Based on expected rate of return on assets (7.5% anticipated return) and employer contribution rate (26.6%)
Healthcare	2.4%	Congressional Budget Office FY20-23 CMS Personal Health Care Growth Rate
Other Fringes	2.4%	Congressional Budget Office PCE Excluding food and energy Inflation Projection
Materials	2.1%	Materials is primarily replacement parts, tracks, hardware, and raw materials. Congressional Budget Office PCE Excluding food and energy Inflation Projection
Services	2.1%	All third party contracts and services, such as specialized inspections, legal and financial services, and engineering consulting Congressional Budget Office PCE Excluding food and energy Inflation Projection
Uniforms	2.0%	Uniforms fluctuate proportionally with headcount regular wages Congressional Budget Office PCE Excluding food and energy Inflation Projection
Fuel	1.1%	Fuel prices fluctuate based on service levels. Pro Forma assumes FY21 service levels with additional expenses layered on top for new heavy rail cars, GLX and South Coast Rail. EIA Transportation Diesel Price Projection
Utilities	-1.7%	Congressional Budget Office EIA Transportation Electricity Price Projection
Contract Cleaning	2.1%	Congressional Budget Office PCE Excluding food and energy

# FY20 Year End Overview – Actuals vs. April 27 Projections and FY20 Budget

- FY20 actual net revenue (total revenues less total expenses and before transfers) is \$155.4M, which is \$12.9M (9%) more favorable than the FY20 projection from April 27 and \$64.9M (72%) more favorable than the approved FY20 budget due to \$228.1M in Federal CARES Act funding
- After the approved capital salaries (\$66.4M) and capital maintenance fund transfers (\$7.4M), \$81.6M balances forward from FY20 into FY21 to support operating spending, \$5.5M above the FY21 budgeted amount of \$76.1M

## FY20 Operating Budget Balance

Category (\$M)	FY20 Actuals	FY20 Projection (as of 4/27)	Variance	% Variance	FY20 Budget	Variance	% Variance
Revenue From Transportation	545.7	531.7	14.0	3%	696.8	(151.2)	-22%
Own Source Revenue	73.8	73.8	(0.0)	0%	111.3	(37.5)	-34%
Non-operating Revenue	1,652.7	1,683.0	(30.3)	-2%	1,401.7	251.0	18%
<b>Total Revenue</b>	<b>2,272.1</b>	<b>2,288.5</b>	<b>(16.4)</b>	<b>-1%</b>	<b>2,209.9</b>	<b>62.3</b>	<b>3%</b>
Operating Expenses	1,630.3	1,657.7	(27.4)	-2%	1,628.5	1.8	0%
Debt Service	486.4	488.3	(1.9)	0%	490.9	(4.5)	-1%
<b>Total Expenses</b>	<b>2,116.7</b>	<b>2,146.0</b>	<b>(29.3)</b>	<b>-1%</b>	<b>2,119.4</b>	<b>(2.7)</b>	<b>0%</b>
<b>Net Revenue (before transfers)</b>	<b>155.4</b>	<b>142.5</b>	<b>12.9</b>	<b>9%</b>	<b>90.5</b>	<b>64.9</b>	<b>72%</b>
Capital Budget Transfer	66.4	66.4	-	0%	90.5	(24.1)	-27%
<b>Ending Balance</b>	<b>89.0</b>	<b>76.1</b>	<b>12.9</b>	<b>17%</b>	<b>-</b>	<b>89.0</b>	
<i>Net Revenue Absent State Assistance</i>	28.4	15.5	12.9	83%	(36.5)	64.9	-178%
<i>Fare Recovery Ratio</i>	33%	32%	0.0	4%	43%	(0.1)	-22%



FY20 actual revenue collections down \$16.4M (1%) relative to projection, mainly due to \$221.8M drawdown of Federal CARES Act funds

### FY20 Operating Budget Revenue Detail

Category (\$M)	FY20 Actuals	FY20 Projection (as of 4/27)	\$ Variance	% Variance	FY20 Budget	\$ Variance	% Variance
Revenue From Transportation	545.7	531.7	14.0	3%	696.8	(151.2)	-22%
Own Source Revenue	73.8	73.8	(0.0)	0%	111.3	(37.5)	-34%
Sales Tax	1,077.3	1,088.0	(10.7)	-1%	1,063.0	14.3	1%
Local Assessments	174.4	174.4	(0.0)	0%	174.4	0.0	0%
Other Income	52.2	43.6	8.6	20%	37.4	14.8	40%
State Contract Assistance	127.0	127.0	0.0	0%	127.0	0.0	0%
CARES ACT	221.8	250.0	(28.2)	-11%	-	221.8	
<i>Operating Revenue subtotal</i>	<i>619.4</i>	<i>605.5</i>	<i>13.9</i>	<i>2%</i>	<i>808.1</i>	<i>(188.7)</i>	<i>-23%</i>
<i>Non-operating Revenue subtotal</i>	<i>1,652.7</i>	<i>1,683.0</i>	<i>(30.3)</i>	<i>-2%</i>	<i>1,401.7</i>	<i>251.0</i>	<i>18%</i>
<b>Total Revenue</b>	<b>2,272.1</b>	<b>2,288.5</b>	<b>(16.4)</b>	<b>-1%</b>	<b>2,209.9</b>	<b>62.3</b>	<b>3%</b>



FY20 actual spending down \$29.3M (1%) relative to projection, mainly due to wages and purchased transit service underspending

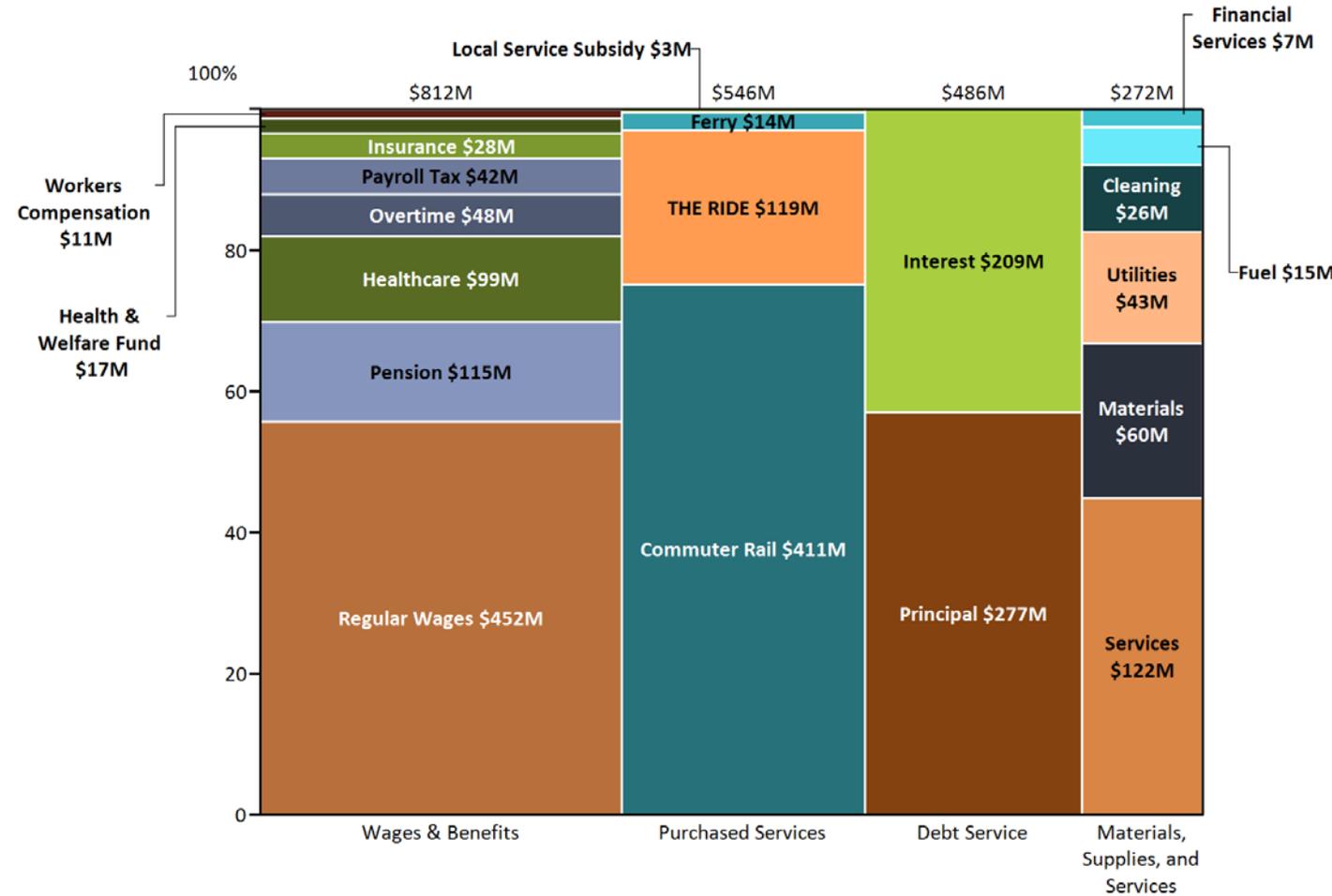
### FY20 Operating Budget Spending Detail

Category (\$M)	FY20 Actuals	FY20 Projection (as of 4/27)	\$ Variance	% Variance	FY20 Budget	\$ Variance	% Variance
Regular Wages	452.3	461.3	(9.0)	-2%	472.9	(20.6)	-4%
Overtime	48.1	47.1	1.0	2%	34.1	14.0	41%
Fringe, Payroll Tax, Benefits & Insurance	283.9	287.5	(3.6)	-1%	302.6	(18.8)	-6%
Materials & Services	299.9	299.9	0.0	0%	265.0	34.9	13%
Commuter Rail	410.6	420.5	(9.9)	-2%	418.9	(8.3)	-2%
RIDE	118.8	122.0	(3.2)	-3%	115.2	3.6	3%
LSS	2.8	2.9	(0.1)	-4%	3.2	(0.4)	-12%
Ferry	14.0	16.5	(2.5)	-15%	16.5	(2.5)	-15%
Debt Service	486.4	488.3	(1.9)	0%	490.9	(4.5)	-1%
<i>Operating expenses subtotal</i>	<i>1,630.3</i>	<i>1,657.7</i>	<i>(27.4)</i>	<i>-2%</i>	<i>1,628.5</i>	<i>1.8</i>	<i>0%</i>
<b>Total expenses</b>	<b>2,116.7</b>	<b>2,146.0</b>	<b>(29.3)</b>	<b>-1%</b>	<b>2,119.4</b>	<b>(2.7)</b>	<b>0%</b>



# Overview of FY20 Spending by Category and Expense

- 36% of operating budget expenses are wages, materials, supplies, and services
  - Regular wages \$452M
  - Services \$122M
  - Materials \$60M
- 26% of operating budget expenses are contracted purchased services
  - Commuter rail \$411M
  - The RIDE \$119M
  - Ferry service \$14M
- 23% (\$486M) of operating budget expenses are debt service payments
- 5% (\$115M) of the operating budget expenses are pension costs, a focus for long-run savings beyond FY22



# COVID-19 and Federal Funding Update

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- On October 1, the President signed into law a continuing resolution to fund the US government through December 11, 2020, which extended the FAST Act authorization for one year
- The US House passed an updated version of the HEROES Act, which is a COVID-19 relief package that includes fiscal relief for local transit authorities
- The HEROES Act is now pending with the US Senate

