



# **Massachusetts Bay Transportation Authority**

## **FY21-FY22 Budget: Monthly Update**

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Fiscal and Management Control Board

November 9, 2020

Mary Ann O'Hara

# Budget Deck Overview

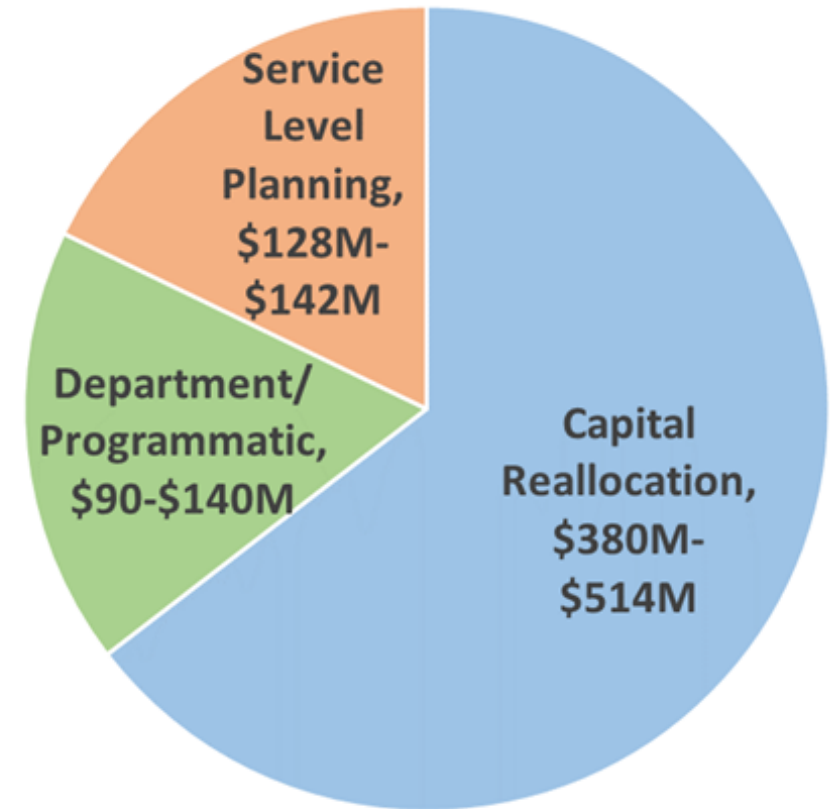
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- September Budget Update
  - Operating Budget Deficiency Fund balance increases \$16M to \$49M YTD
  - September and YTD net revenues favorable to budget after incorporating FY21 budget revisions from October 19 presentation
- FY21 and FY22 Budget Gap Update
  - FY22 budget gap increases to \$579M after incorporating Scenario 3 fare revenue assumptions from October 19 presentation
- Department/Programmatic Savings Update
  - Identified savings increased to \$90-\$140M, up from the \$50M-\$75M identified in the October 19 presentation with the addition of a headcount freeze, RIDE projections, and wholesale electricity contract savings



# Resolving the Budget Gap Summary

- Incorporating Scenario 3 Fare Revenue projection (as presented October 19<sup>th</sup>) FY22 budget gap projection at \$579M.
- Taking steps now in FY21 to build reserves and reduce the level of spending cuts next year
- With the FY22 budget gap estimate at the upper bound of the initially projected range, altering recommendations results in direct trade-offs among the approaches
- Lowering recommendations in any one of the approaches would mean raising recommendations among the other approaches in order to achieve budget balance
- All cost saving actions are estimates and likely upon implementation will not reach full amounts listed



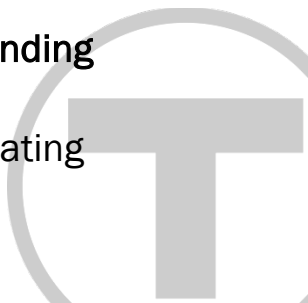
# September Operating Budget Summary

## September Overview

- September actuals have been compared to the revised FY21 budget figures as presented on October 19, 2020
- The budget (October 19, 2020) reflected September net revenues (total revenues less total expenses and before transfers) of **-\$3.1M** with \$187.7M in total revenues and \$190.8M in total expenses
- Actual **September net revenues were \$16.1M** with \$193.3M in total revenues and \$177.2M in total expenses
- Compared to budget, **September net revenues were favorable \$19.2M** (Budget: **-\$3.1M**; Actual: **\$16.1M**)
  - **Total revenues were \$5.6M favorable** to budget mostly due to sales tax revenue collections
  - **Total expenses were \$13.6M favorable** to budget due to regular wages, materials and services, and purchased transit spending like the RIDE and commuter rail
- September COVID-19 actual expenses were \$5.8M bringing **total COVID-19 related payments to \$34.0M**
- Actual **operating budget employee headcount had a slight decrease** to 5,958 (-0.3%) as separations outpaced hires with a net impact below budgeted expectations

## Year to Date Summary

- Compared to budget, **YTD net revenues variance is favorable \$63.3M**
  - If we manage to the adopted budget for the next 9 months, this favorable variance **to budget to date will mitigate spending reductions needed to address the FY22 budget gap**
  - **YTD balance before transfers is \$29.5M (\$16.1M plus \$13.4M through August)**, which will be transferred to the Operating Budget Deficiency Fund to mitigate exposures in FY21 and reduce the FY22 budget gap



# Monthly Balance Summary

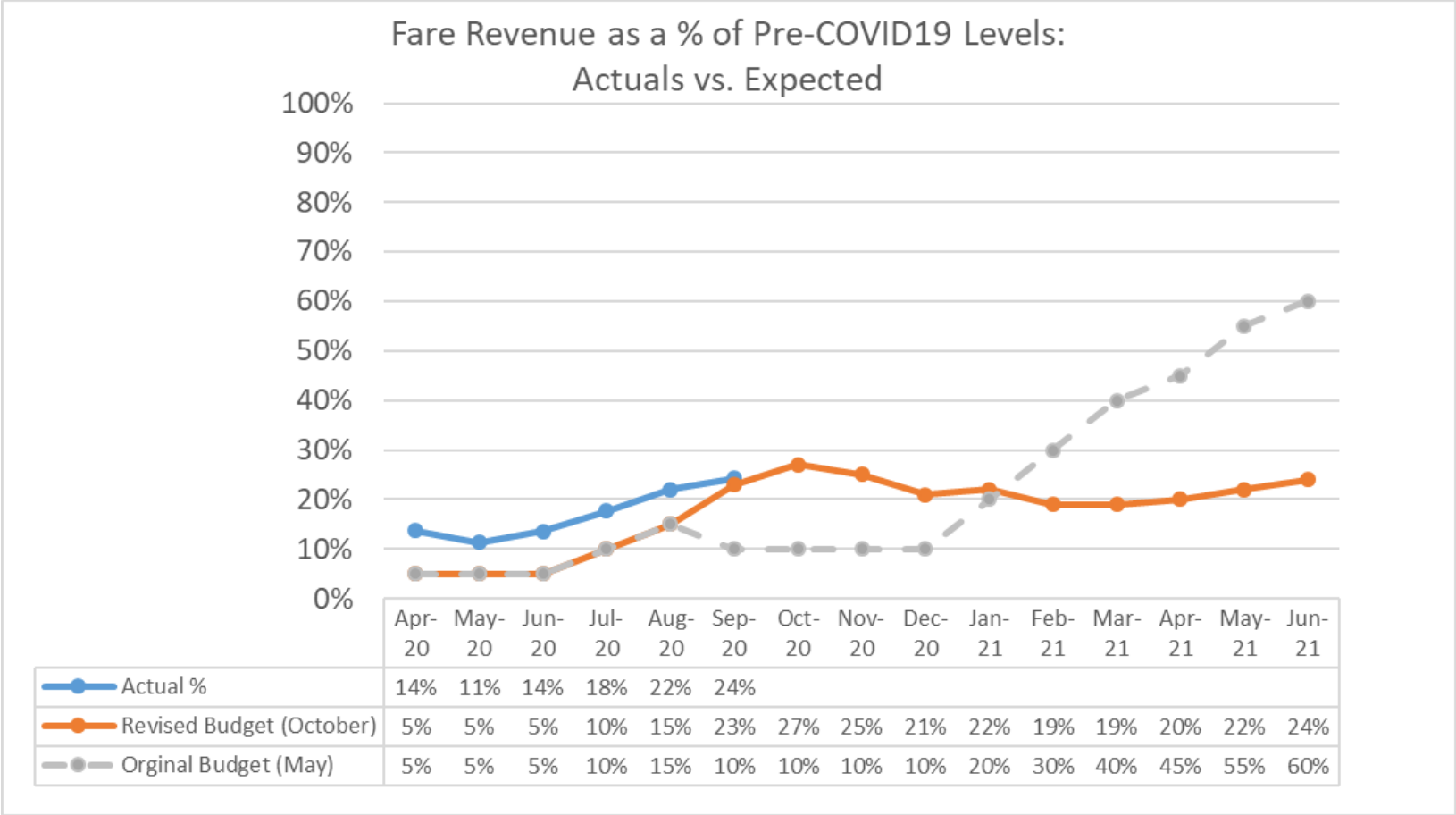
- September revenues and expenses were both favorable to budget after incorporating October 2020 revisions into the budget assumptions
- If we manage to the adopted budget over the next 9 months, the **\$63.3M** variance YTD mitigates the FY22 budget gap
  - In accordance with FMCB approved action, \$16.1M to be transferred to the Operating Budget Deficiency Fund this month to bring YTD transfers to \$29.5M
- Fare recovery ratio of 11% this month compared to 48% in September 2019 shows one-time CARES Act funding replacing fare revenue losses to balance the budget

	(\$M) Category	September Budget	September Actuals	Monthly Variance	FY YTD Budget	FY YTD Actual	\$ Variance	FAV/ UNFAV	September FY20 Actual	FY21 Full Year
REVENUE	Fare Revenues	14.1	14.8	0.7	29.0	38.3	9.2	FAV	62.4	143.5
	Own Source Revenue	2.4	2.9	0.5	3.9	7.0	3.1	FAV	7.9	27.0
	Non-Operating Revenues	160.6	165.1	4.5	474.9	489.6	14.7	FAV	109.2	1,979.6
	State Assistance	10.6	10.6	0.0	31.8	31.7	0.0	FAV	10.6	127.0
	<b>Total Revenues</b>	<b>187.7</b>	<b>193.3</b>	<b>5.6</b>	<b>539.6</b>	<b>566.6</b>	<b>27.0</b>	<b>FAV</b>	<b>190.2</b>	<b>2,277.1</b>
EXPENSES	<i>Fare Recovery Ratio</i>	10%	11%	1%	7%	9%	3%	FAV	48%	8%
	Wages, Benefits and Payroll Taxes	69.4	66.6	2.8	208.1	198.5	9.6	FAV	63.9	831.0
	Non-Wage	77.7	68.0	9.7	234.5	210.2	24.2	FAV	65.5	940.2
	Operating Expenses	147.2	134.6	12.6	442.5	408.7	33.8	FAV	129.4	1,771.2
	Debt Service	43.6	42.6	1.0	130.9	128.4	2.5	FAV	41.0	523.5
	<b>Total Expenses</b>	<b>190.8</b>	<b>177.2</b>	<b>13.6</b>	<b>573.4</b>	<b>537.1</b>	<b>36.3</b>	<b>FAV</b>	<b>170.4</b>	<b>2,294.6</b>
	<b>Remaining Balance Before Transfers</b>	<b>-3.1</b>	<b>16.1</b>	<b>19.2</b>	<b>-33.8</b>	<b>29.5</b>	<b>63.3</b>	<b>FAV</b>	<b>19.8</b>	<b>(17.5)</b>



# Monthly Fare Revenue Collections

- Fare revenue collections in September were 24% of FY20 budgeted levels compared to the 23% budgeted for the month
  - The updated budget figures from October have replaced previous figures (May 2020) as the benchmark for fare revenue collections
- \$0.7M favorable for the month with \$14.8M in fare revenue compared to the \$14.1M budgeted for September
- \$9.2M favorable YTD with actual fare revenue at \$38.3M compared to the \$29.0M budgeted
- 2 percentage point increase in September is below the 4 percentage point increases seen in the last two months



# Revenue Summary

- **\$193.3M in total revenues** were \$5.6M favorable to budget for the month, \$27.0M YTD
- **Fare revenues favorable \$0.7M for the month, \$9.2M YTD** as budget assumptions were increased from 10% of baseline to 23%, consistent with Scenario 3 presented on October 19
- **Own source revenues favorable \$0.5M for the month, \$3.1M YTD** mostly due to real estate collections
- **Sales tax revenue favorable \$5.9M for the month, \$17.8M YTD** and has potential to exceed the budgeted base revenue amount
  - Revised FY21 H.2 state budget estimates \$1,102M (excluding sales tax acceleration), \$19M above the \$1,083M certified base amount budgeted
- **Other income down \$1.2M for the month, \$2.2M YTD** mostly due to timing of investment income collections

Revenues (\$M)	September Budget	September Actuals	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/ UNFAV	September FY20 Actual	FY21 Full Year
Fare Revenues	14.1	14.8	0.7	29.0	38.3	9.2	FAV	60.6	143.5
Own Source Revenue	2.4	2.9	0.5	3.9	7.0	3.1	FAV	7.4	27.0
<i>Advertising</i>	0.9	1.1	0.2	2.1	2.1	0.1	FAV	2.1	8.0
<i>Parking</i>	0.5	0.3	-0.2	-0.7	0.4	1.1	FAV	3.2	3.6
<i>Other</i>	0.5	0.5	0.0	1.1	1.4	0.3	FAV	1.2	6.0
<i>Real Estate</i>	0.5	1.0	0.5	1.4	3.1	1.7	FAV	0.9	9.5
<b>Total Operating Revenues:</b>	<b>16.5</b>	<b>17.6</b>	<b>1.2</b>	<b>32.9</b>	<b>45.3</b>	<b>12.4</b>	<b>FAV</b>	<b>68.0</b>	<b>170.5</b>
State Sales Tax Revenue	92.1	98.0	5.9	268.7	286.5	17.8	FAV	88.0	1,083.3
Federal Funds	48.1	48.1	0.0	144.2	144.2	0.0	UNFAV	0.0	661.9
Local Assessments Revenue	14.8	14.5	-0.3	44.5	43.6	-0.9	UNFAV	14.5	177.9
Other Income	5.6	4.4	-1.2	17.5	15.3	-2.2	UNFAV	2.3	56.4
<b>Total Non-Operating Revenues:</b>	<b>160.6</b>	<b>165.1</b>	<b>4.5</b>	<b>474.9</b>	<b>489.6</b>	<b>14.7</b>	<b>FAV</b>	<b>104.8</b>	<b>1,979.6</b>
State Assistance	10.6	10.6	0.0	31.8	31.7	0.0	UNFAV	10.6	127.0
<b>Total Revenues:</b>	<b>187.7</b>	<b>193.3</b>	<b>5.6</b>	<b>539.6</b>	<b>566.6</b>	<b>27.0</b>	<b>FAV</b>	<b>183.4</b>	<b>2,277.1</b>



# Spending Summary

- **\$177.2M in total expenses** were \$13.6M favorable to budget for the month, \$36.3M YTD
- **Purchased transit services \$6.6M favorable for the month, \$12.7M YTD** due to COVID-19 ridership impacts to commuter rail and RIDE services
- **Regular wages \$3.2M favorable for the month, \$8.8M YTD** due to controlled headcount levels and vacancies
- **Materials and services \$3.4M favorable for the month, \$10.3M YTD** due to a variety of factors including fuel, utility costs, and cash collection services
- **Overtime \$0.3M above budget for the month, \$2.9M YTD** but on pace to be 10% below FY20 actuals through the first quarter of this year

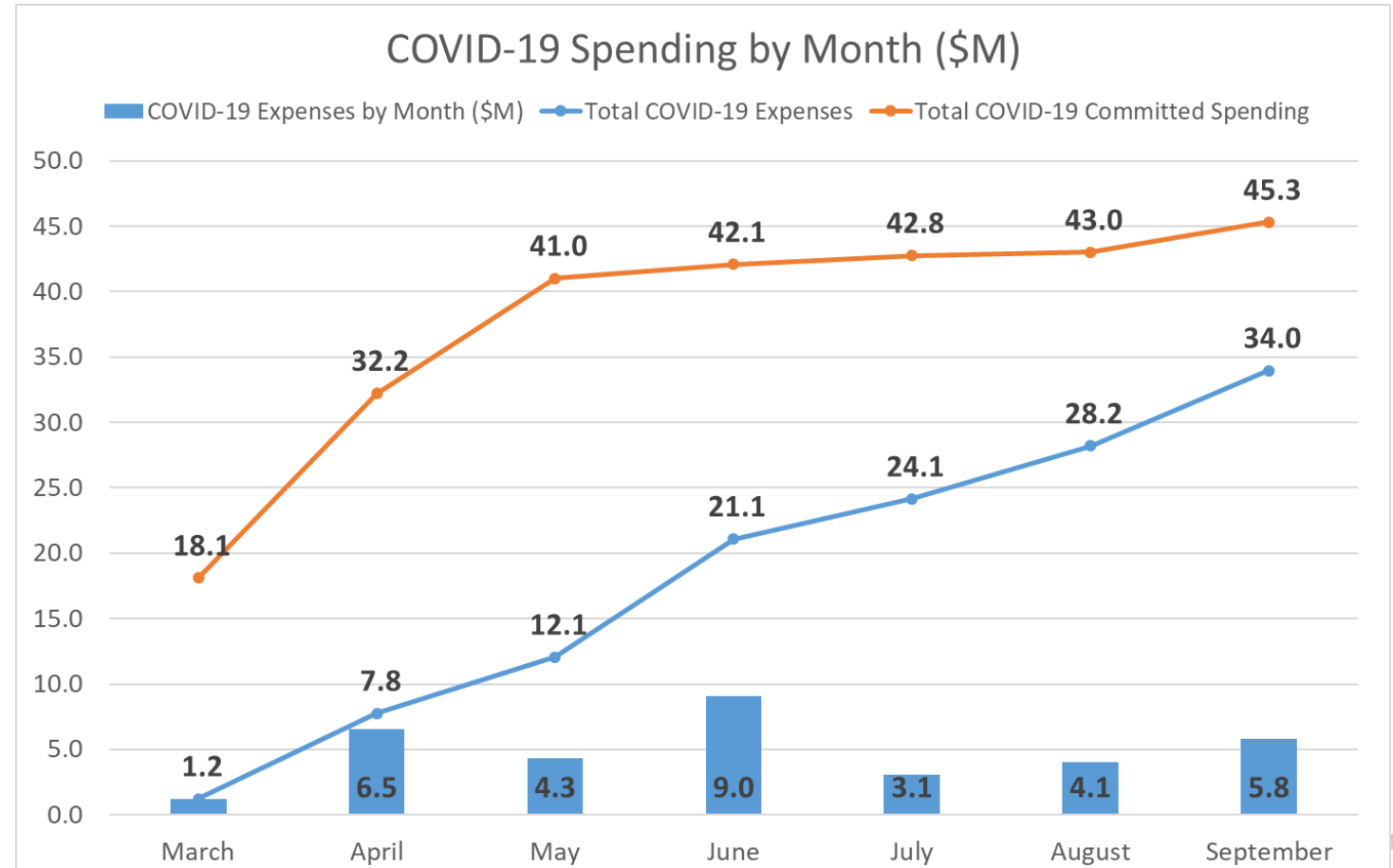
Expenses (\$M)	September Budget	September Actuals	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/ UNFAV	September FY20	FY21 Full Year
<i>Regular Wages</i>	41.0	37.9	3.2	122.9	114.1	8.8	FAV	36.0	489.3
<i>Overtime</i>	2.8	3.1	-0.3	8.1	11.0	-2.9	UNFAV	5.3	34.5
Wages	43.8	40.9	2.8	131.0	125.1	5.9	FAV	41.2	523.7
Fringe	25.7	25.7	0.0	77.1	73.4	3.7	FAV	22.7	307.3
Materials & Services	26.2	22.8	3.4	78.9	68.6	10.3	FAV	18.0	317.2
Insurance	1.5	2.0	-0.5	4.4	4.1	0.3	FAV	0.9	17.7
<i>Commuter Rail</i>	36.9	32.6	4.3	111.4	106.1	5.3	FAV	34.3	448.9
<i>RIDE</i>	10.8	8.8	2.0	32.5	26.3	6.2	FAV	9.7	128.7
<i>LSS &amp; Ferry</i>	1.7	1.5	0.3	5.4	4.2	1.2	FAV	1.9	20.7
Purchased Transit Services	49.5	42.8	6.6	149.4	136.7	12.7	FAV	46.0	598.3
Financial Service Charge	0.6	0.4	0.2	1.8	0.8	0.9	FAV	0.7	7.0
<b>Total Operating Expenses</b>	<b>147.2</b>	<b>134.6</b>	<b>12.6</b>	<b>442.5</b>	<b>408.7</b>	<b>33.8</b>	<b>FAV</b>	<b>129.4</b>	<b>1,771.2</b>
Debt Service	43.6	42.6	1.0	130.9	128.4	2.5	FAV	41.0	523.5
<b>Total Expenses</b>	<b>190.8</b>	<b>177.2</b>	<b>13.6</b>	<b>573.4</b>	<b>537.1</b>	<b>36.3</b>	<b>FAV</b>	<b>170.4</b>	<b>2,294.6</b>





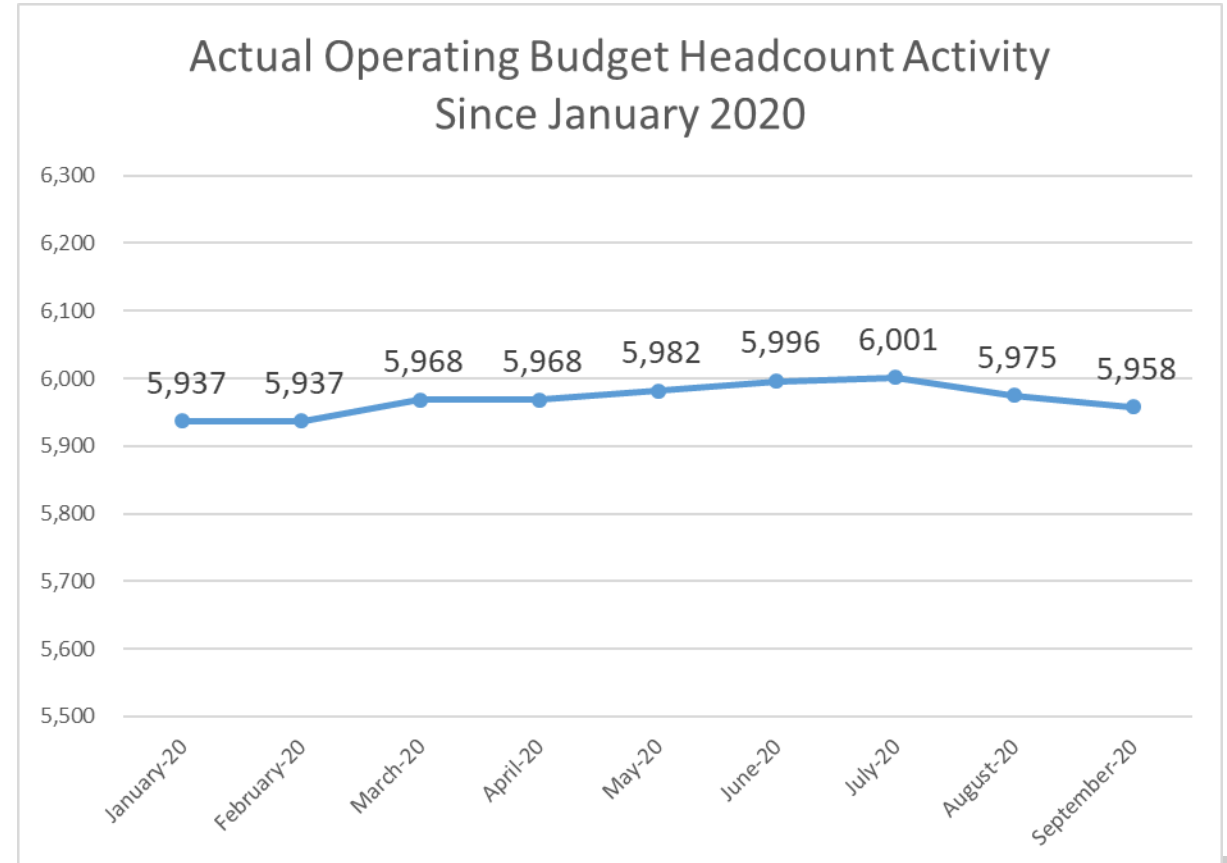
# COVID-19 Spending Detail by Month

- **\$34.0M in COVID-19 actual expenses and \$45.3M in committed spending** since the onset of the pandemic in March
  - Total committed spending relates to approved and pending items, while actual expenses show what has been paid
  - Actual expenses continue to increase at a steady rate as costs are incurred each month for services rendered or materials used
- **\$45.3M in total committed spending**
  - **59% for cleaning services**
  - **29% for PPE**
  - **12% for testing and other related expenses**
- 75% FEMA reimbursement rate for eligible spending through September 15, 2020



# Operating Budget Headcount

- **5,958 operating budget headcount in September**, a net 17 employee decrease from August
- **7 hires and 24 separations in the month** created the net headcount decrease for September
- **Both hires and separations are below average budgeted projections** of 17 backfills and 42 separations each month
  - Reduced hires partially attributable to 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
- All 7 hires contained within six operations departments
- 15 of the 24 separations occurred within operations departments with the remaining 9 among seven administrative departments
  - 12 separations among transportation departments
  - 2 separations among system and vehicle maintenance departments
  - 1 separation in the service and scheduling department
- Actual hires and separations may vary significantly from month to month based on timing and processing



# 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 to mitigate current or future obligations
  - \$29.5M available for transfer as of September 2020 adds to the pre-existing fund balance
- Given potential risks, targeting a minimum FY21 ending balance of \$167-\$200M

Operating Budget Deficiency Fund	
Description	Amount (\$M)
<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>
<i>September 2020 Net Revenue</i>	<i>16.1</i>
<b>FY21 Net Transfers to Date</b>	<b>29.5</b>
<b>FY21 Balance Amount to Date</b>	<b>49.0</b>
<i>FY21 Minimum Targeted Ending Balance</i>	<i>167.0 - 200.0</i>



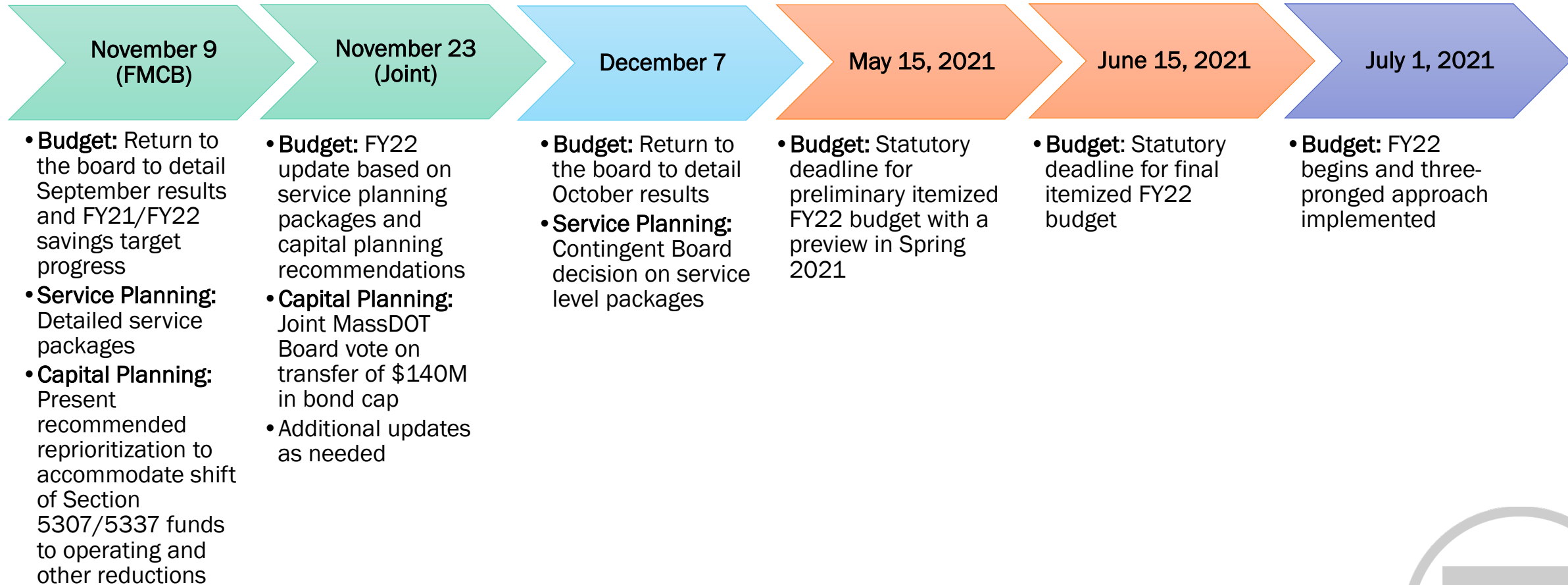
# Non-Service Departmental/Programmatic Savings Actions

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- Progress towards generating recommendations to address the budget gap is ongoing
- **\$90M-\$140M in departmental/programmatic opportunities identified** with additional proposals undergoing review and financial analysis
  - **\$35M-\$40M - Refinance parking bonds** in April 2021 to reduce net interest payments
  - **\$20M-\$40M – Headcount freeze** that allows backfills to maintain current safety and operational staffing
  - **\$15M-\$20M - RIDE savings** based lower ridership, fewer service hours, and fuel prices
  - **\$10M-\$15M - Fuel savings effort** to take advantage of current pricing relative to budgeted assumptions
  - **\$5M-\$10M - Using technology to reduce overhead costs of parking operations**
  - **\$3M-\$5M – Credit card transaction fees on commuter rail** reduced due to lower ridership and lower volume
  - **\$3M-\$5M – Wholesale fixed price electricity contract** update
  - **\$1M-\$2M - Ordering fewer CharlieCards** to align with demand
  - **\$1M-\$2M - Paused unaffiliated staff merit pay program** for FY20
  - **\$0.5M-\$2M - Renegotiated transit (Block by Block) ambassador contract** and evaluating postings based on ridership levels
  - **\$0.1M-\$0.5M - Centralized travel reimbursement spending** with enhanced controls



# Timeline for Service, Budget, and Capital Decisions



# Appendix



# Fare Revenue: FY21 Scenario Planning and Assumptions

- **Adjusting budget assumptions to Scenario 3 only in FY21** increases current ridership levels in the short-term and prepares us for the possibility of a regression in COVID-19 recovery this winter
- Adjusting revenue assumptions downward means favorable variances realized in prior months may be limited or nonexistent going forward
- If ridership growth does trend closer to Scenarios 1 or 2, it would create budget favorability or upside that would be used to offset the FY22 budget gap
- Three scenarios developed in collaboration with MassDOT planning contemplating ridership growth, the current public health pandemic, and employer operations

## 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 Type Revenue Detail

- **Revenue across all fare types is up month-over-month (MoM)** from August to September, including an 11% increase in monthly pass, 17% increase in stored value, and a 9% 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 41% of all fare revenue compared to 51% this time last year
  - Stored value sales accounted for 32% of all fare revenue compared to 24% 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)	September 2020	% Total	August 2020	% MoM	September 2019	% YoY
Monthly Pass	6.1	41%	5.5	11%	31.6	-81%
Stored Value	4.8	32%	4.1	17%	14.9	-68%
7-day Pass	1.7	12%	1.6	9%	4.5	-62%
All Other	2.2	15%	1.8	26%	11.4	-80%
<b>Total</b>	<b>14.8</b>	<b>100%</b>	<b>12.9</b>	<b>15%</b>	<b>62.4</b>	<b>-76%</b>

*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 August to September with the Corporate Pass program remaining level
- Fare vending machine sales is a significant driver of MoM increases in monthly pass revenue
- Corporate Pass program sales, the largest channel of monthly pass revenue, remains level at \$3.5M
- The mTicket sales channel accounted for 7% of revenue compared to 15% this time last year

Revenue by Sales Channel (\$M)	September 2020	% Total	August 2020	% MoM	September 2019	% YoY
Fare Vending Machine	6.7	45%	5.9	14%	23.1	-71%
Corporate Pass	3.5	24%	3.5	0%	17.8	-80%
mTicket	1.0	7%	0.8	23%	9.2	-89%
Bus/GL Farebox	1.0	7%	0.8	27%	1.7	-44%
Student Pass Program	0.6	4%	0.6	6%	0.7	-13%
All Other	2.0	13%	1.3	48%	9.9	-80%
<b>Total</b>	<b>14.8</b>	<b>100%</b>	<b>12.9</b>	<b>15%</b>	<b>62.4</b>	<b>-76%</b>

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

# Revenue Allocation by Mode Detail

- Revenue increases from August primarily attributable to continued recovery on light and heavy rail and bus service, which accounted for over 75% of September 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)	September 2020	% Total	August 2020	% MoM	September 2019	% YoY
Heavy & Light Rail and Bus	11.4	77%	10.0	14%	37.9	-70%
Commuter Rail	3.0	20%	2.6	14%	22.7	-87%
Ferry	0.1	1%	0.1	-5%	1.2	-89%
RIDE (including adjustments and credits)	0.2	1%	0.2	30%	0.7	-67%
<b>Total</b>	<b>14.8</b>	<b>100%</b>	<b>12.9</b>	<b>14%</b>	<b>62.4</b>	<b>-76%</b>

*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*



# 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

# Potential Budget Risks and Opportunities

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## Risks

- **Overtime:** trending in a manner consistent with historical actuals but above budgeted levels
- **COVID-19 spending projections:** Continuing at current spending rate creates a \$13M exposure beyond the \$40M budgeted in FY21
- **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

## Potential Upside

- **Sales tax:** revised FY21 H.2 (state budget) 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



# Revised House 2 Impact on FY21 & FY22

- The MBTA receives two forms of funding through the state budget
  - Funding from dedicated sales tax revenues with a guaranteed “base revenue amount”
  - Additional “state assistance” via a transfer from the Commonwealth Transportation Fund in the amount of \$127M (level funded from FY20)
- Revised FY21 H.2 includes \$59M in additional revenue to the MBTA not currently programmed in the MBTA’s FMCB-approved FY21 operating budget
  - \$19M increase in sales tax above the budgeted certified base revenue amount of \$1,083M to an estimate of \$1,102M
  - \$40M increase in estimated sales tax revenue collections contingent on the Legislature’s adoption of a sales tax acceleration proposal
- Revised House 2 would also establish the legal framework for an updated fee structure for Transportation Network Companies (TNCs such as Uber and Lyft) and, subject to appropriation in a future FY22 H.1 proposal, distribute funds to the MBTA
  - 70% of the revenue would be dedicated to the Commonwealth Transportation Fund for MBTA investments
  - Even with decreases in TNC ridership, this could provide an estimated \$55M for the MBTA in FY22 (and \$19M for municipalities)



# Categorizing and Prioritizing Departmental/Programmatic Initiatives

- Departmental/programmatic initiatives can be based on their connection to operations and the potential impact to MBTA employees
- All initiatives do carry short-term and/or long-term impacts to operations and employees
- Items with lower impacts for both considerations will likely be implemented and items with higher impacts for both considerations overlap with service level planning and have been analyzed under that approach

	Higher impact to employees	Lower impact to employees
Higher connection to operations	Consider within forging ahead service level planning outcomes	Approve operational efficiencies that do not impact service level planning
Lower connection to operations	Approve on a temporary or voluntary basis	Most likely to approve or implement



# \$90M-\$140M Department/Programmatic Savings Under Each Category

- Identifying and approving savings with lower impacts to operations and employees has been a priority and it accounts for the majority of the identified savings under this approach

	Higher impact to employees	Lower impact to employees
Higher connection to operations	<b>Forging ahead service level planning outcomes</b>	<b>Estimated Savings: \$5M-\$10M</b> <ul style="list-style-type: none"> <li>Transit ambassador (Block by Block) contract</li> <li>CharlieCard purchases</li> <li>Technology for parking operations</li> </ul>
Lower connection to operations	<b>Estimated Savings: \$21M-\$43M</b> <ul style="list-style-type: none"> <li>Headcount freeze</li> <li>Pause unaffiliated staff merit pay</li> <li>Travel reimbursement controls</li> </ul>	<b>Estimated Savings: \$64M-\$87M</b> <ul style="list-style-type: none"> <li>Refinance parking bonds</li> <li>RIDE projection</li> <li>Fuel prices</li> <li>Wholesale electricity contract</li> <li>Credit card fees from reduced commuter rail purchases</li> </ul>



# Other Prospective Departmental/Programmatic Ideas

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- **Additional proposals undergoing financial review and research**
  - 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
  - Renegotiating larger vendor contracts for professional services and materials
  - Reducing software redundancies
  - Adjusting IT services for non-production environments and off-hours availability





# Fiscal Control Actions

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- **Implementing a headcount freeze**, which will contain costs and maintain current safety and operational staffing need
- **Developed financially-based, department-led hiring plans through Position Control**, which will continue to approve all approved backfills under the headcount freeze
- **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
- **Distributed a standardized form to solicit cost-saving ideas** from departments and employees



# MBTA Budget Framework for FY21 & FY22

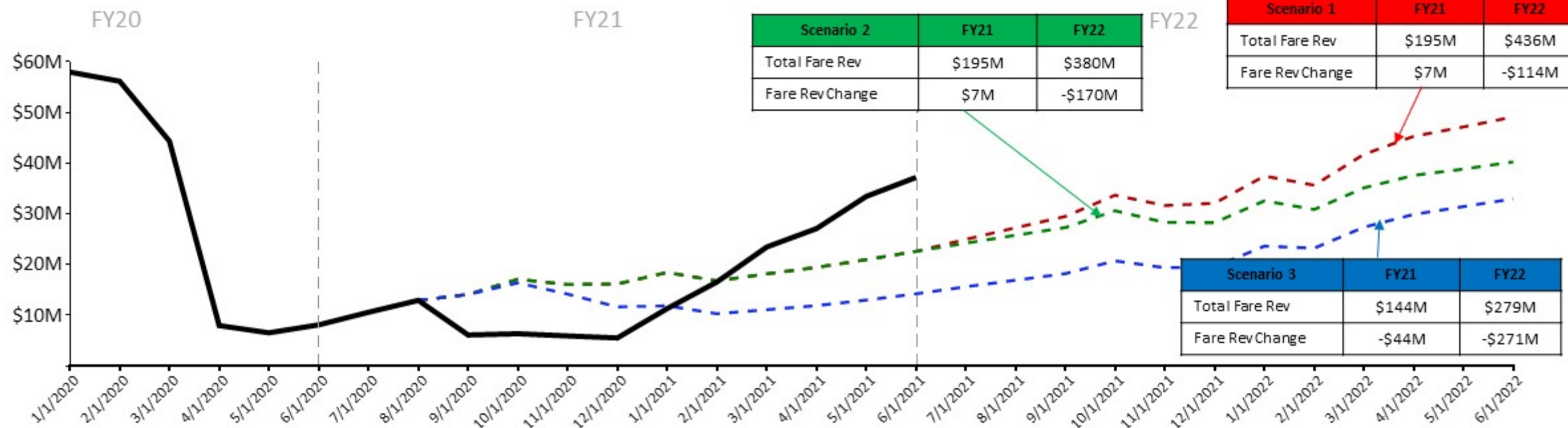
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Strategy for closing the FY21 budget gap and building up reserves against the FY22 shortfall:

- **Capital Reallocation:** shift federal formula funds (Section 5307/5337) from the capital budget to the operating budget for eligible preventative maintenance spending and obtain legislative authorization to bond for capital salaries so eligible capital employees can be budgeted within the CIP (up to \$66M in FY21 and up to \$68M in FY22)
- **Department/Programmatic:** implement internal non-service cost saving actions and increase revenue where possible, beginning in FY21 to ensure implementation before the start of FY22
- **Service Level Planning:** initiate “Forging Ahead” service planning process to prioritize and protect essential services while cutting spending on currently underutilized services

## Fare Revenue: Assumptions for FY22 Planning

- 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%

# FY22 Budget Gap Range and Planning

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- Since the August 24<sup>th</sup> presentation, the FY22 budget gap has been referenced as a range from \$300M-\$600M
- Relying on Scenario 3 fare revenue assumptions indicates an FY22 budget gap of \$579M, incorporating the \$271M fare revenue decrease to the August Pro Forma budget gap of \$308M
  - The \$579M estimate does not assume pending state legislative, capital, non-service or service planning actions



# 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 is 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>



# Sequestering Funds to Mitigate the FY22 Budget Gap

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- 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



# September Headcount Summary

- 5,958 operating budget headcount in September, a net 17 employee decrease from August
  - 7 Total Operating Hires
  - -24 Total Separations
  - 17 Net Decrease

Headcount Totals			
Department	Aug	Sept	Variance
Operations	5,291	5,283	(8)
Admin/Back Office	684	675	(9)
<b>Total Operating</b>	<b>5,975</b>	<b>5,958</b>	<b>(17)</b>
Capital	436	437	1
<b>Total MBTA</b>	<b>6,411</b>	<b>6,395</b>	<b>(16)</b>

Hires & Separations			
Department	Hires	Separation	Variance
Operations	7	15	(8)
Admin/Back Office	-	9	(9)
<b>Total Operating</b>	<b>7</b>	<b>24</b>	<b>(17)</b>
Capital	1	-	1
<b>Total MBTA</b>	<b>8</b>	<b>24</b>	<b>(16)</b>



# September Operations Headcount

Headcount Totals			
Department	Aug	Sept	Variance
Operations	5,291	5,283	(8)
Admin/Back Office	684	675	(9)
<b>Total Operating</b>	<b>5,975</b>	<b>5,958</b>	<b>(17)</b>
Capital	436	437	1
Total MBTA	6,411	6,395	(16)

Hires & Separations			
Department	Hires	Separation	Variance
Operations	7	15	(8)
Admin/Back Office	-	9	(9)
<b>Total Operating</b>	<b>7</b>	<b>24</b>	<b>(17)</b>
Capital	1	-	1
Total MBTA	8	24	(16)

Operations		Aug	Sept	Variance
Transportation	Bus Transportation	1,987	1,980	(7)
	Heavy Rail	574	574	-
	Light Rail	598	595	(3)
System Maintenance	Signals &	159	161	2
	Power Systems	243	242	(1)
	Maintenance of Way	306	306	-
	Transit Facilities	188	189	1
Vehicle Maintenance	Bus Maintenance	414	413	(1)
	Everett Main Repair	182	182	-
	Rail Maintenance	385	385	-
Other Transit Services	OCC & Training	141	141	-
	Security	3	4	1
Engineering	Engineering	10	10	-
Other Operations	Service & Scheduling	36	35	(1)
	Chief Operating Officer	9	9	-
	System-wide	9	9	-
Contract Transit Serv	Commuter Rail	31	31	-
	Ferry	-	-	-
	RIDE	16	17	1
<b>Total Operations</b>		<b>5,291</b>	<b>5,283</b>	<b>(8)</b>

Operations		Hires	Separation	Variance
Transportation	Bus Transportation	1	8	(7)
	Heavy Rail	-	-	-
	Light Rail	1	4	(3)
System Maintenance	Signals &	2	-	2
	Power Systems	-	1	(1)
	Maintenance of Way	-	-	-
	Transit Facilities	1	-	1
Vehicle Maintenance	Bus Maintenance	-	1	(1)
	Everett Main Repair	-	-	-
	Rail Maintenance	-	-	-
Other Transit Services	OCC & Training	-	-	-
	Security	1	-	1
Engineering	Engineering	-	-	-
Other Operations	Service & Scheduling	-	1	(1)
	Chief Operating Officer	-	-	-
	System-wide	-	-	-
Contract Transit Serv	Commuter Rail	-	-	-
	Ferry	-	-	-
	RIDE	1	-	1
<b>Total Operations</b>		<b>7</b>	<b>15</b>	<b>(8)</b>



# September Administrative/Back Office Headcount

Headcount Totals			
Department	Aug	Sept	Variance
Operations	5,291	5,283	(8)
Admin/Back Office	684	675	(9)
<b>Total Operating</b>	<b>5,975</b>	<b>5,958</b>	<b>(17)</b>
Capital	436	437	1
<b>Total MBTA</b>	<b>6,411</b>	<b>6,395</b>	<b>(16)</b>

Hires & Separations			
Department	Hires	Separation	Variance
Operations	7	15	(8)
Admin/Back Office	-	9	(9)
<b>Total Operating</b>	<b>7</b>	<b>24</b>	<b>(17)</b>
Capital	1	-	1
<b>Total MBTA</b>	<b>8</b>	<b>24</b>	<b>(16)</b>

Administrative/Back Office		Aug	Sept	Variance
<b>EHS</b>	Safety	38	37	(1)
	Occupational Health	31	30	(1)
	Environmental Affairs	15	15	-
<b>Other G &amp; A</b>	Legal	24	24	-
	Police	240	239	(1)
	Office Perf Mgmt &	7	7	-
	Diversity & Civil Rights	17	15	(2)
<b>Finance</b>	Budget	14	14	-
	Treasurer Controller	27	25	(2)
	General Manager	18	17	(1)
	Public Affairs	2	2	-
	Inter-Agency	2	2	-
	Chief Administrative	2	2	-
<b>Administration</b>	Procurement &	20	20	-
	Vendor Management	19	19	-
	Warehouse	7	7	-
	Real Estate & Asset	7	7	-
	Own Source Revenue	8	7	(1)
	Customer Technology	5	5	-
	Fare Transformation	60	60	-
	Information Technology	53	52	(1)
	Human Resources	34	35	1
	MassDOT/U	4	4	-
	Labor Relations	6	6	-
<b>Customer Exp</b>	Customer Experience	24	24	-
<b>Total Back Office</b>		<b>684</b>	<b>675</b>	<b>(9)</b>

Administrative/Back Office		Hires	Separation	Variance
<b>EHS</b>	Safety	-	1	(1)
	Occupational Health	-	1	(1)
	Environmental Affairs	-	-	-
<b>Other G &amp; A</b>	Legal	-	-	-
	Police	-	1	(1)
	Office Perf Mgmt &	-	-	-
	Diversity & Civil Rights	-	2	(2)
<b>Finance</b>	Budget	-	-	-
	Treasurer Controller	-	2	(2)
	General Manager	-	1	(1)
	Public Affairs	-	-	-
	Inter-Agency	-	-	-
	Chief Administrative	-	-	-
<b>Administration</b>	Procurement &	-	-	-
	Vendor Management	-	-	-
	Warehouse	-	-	-
	Real Estate & Asset	-	-	-
	Own Source Revenue	-	1	(1)
	Customer Technology	-	-	-
	Fare Transformation	-	-	-
	Information Technology	-	-	-
	Human Resources	-	-	-
	MassDOT/U	-	-	-
	Labor Relations	-	-	-
<b>Customer Exp</b>	Customer Experience	-	-	-
<b>Total Back Office</b>		<b>-</b>	<b>9</b>	<b>(9)</b>



# September Capital Headcount

Headcount Totals			
Department	Aug	Sept	Variance
Operations	5,291	5,283	(8)
Admin/Back Office	684	675	(9)
<b>Total Operating</b>	<b>5,975</b>	<b>5,958</b>	<b>(17)</b>
Capital	436	437	1
<b>Total MBTA</b>	<b>6,411</b>	<b>6,395</b>	<b>(16)</b>

Hires & Separations			
Department	Hires	Separation	Variance
Operations	7	15	(8)
Admin/Back Office	-	9	(9)
<b>Total Operating</b>	<b>7</b>	<b>24</b>	<b>(17)</b>
Capital	1	-	1
<b>Total MBTA</b>	<b>8</b>	<b>24</b>	<b>(16)</b>

Capital		Aug	Sept	Variance
Capital Programs	Capital Project	14	14	-
	Capital Delivery	259	259	-
	GLX	41	41	-
	Capital Program	5	5	-
	Vehicle Engineering	21	21	-
	Green Line	18	18	-
	South Coast Rail	5	6	1
Capital in Operating	Bus Transportation	-	-	-
	Bus Maintenance	1	1	-
	Commuter Rail	1	1	-
	CTD	12	12	-
	COO	-	-	-
	Engineering	22	22	-
	EVE	2	2	-
	General Manager	1	1	-
	ODCR	-	-	-
	Rail Maintenance	20	20	-
	SCM	9	9	-
	Service Planning	1	1	-
	Law	2	2	-
	TFM	2	2	-
<b>Total Capital</b>		<b>436</b>	<b>437</b>	<b>1</b>

Capital		Hires	Separation	Variance
Capital Programs	Capital Project	-	-	-
	Capital Delivery	-	-	-
	GLX	-	-	-
	Capital Program	-	-	-
	Vehicle Engineering	-	-	-
	Green Line	-	-	-
	South Coast Rail	1	-	1
Capital in Operating	Bus Transportation	-	-	-
	Bus Maintenance	-	-	-
	Commuter Rail	-	-	-
	CTD	-	-	-
	COO	-	-	-
	Engineering	-	-	-
	EVE	-	-	-
	General Manager	-	-	-
	ODCR	-	-	-
	Rail Maintenance	-	-	-
	SCM	-	-	-
	Service Planning	-	-	-
	Law	-	-	-
	TFM	-	-	-
<b>Total Capital</b>		<b>1</b>	<b>-</b>	<b>1</b>