

**Massachusetts Bay
Transportation Authority**

Forging Ahead: Capital Reallocation

Fiscal and Management Control Board

November 9, 2020

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Overview: Capital Reallocation

- A short-term reallocation of capital funds to the operating budget is a key part of our strategy to preserve essential service to transit-dependent riders.
- Two capital funding changes are being proposed:
 - Flexing federal formula funds from capital projects to preventative maintenance and
 - Allocating capital employee salaries to project budgets, once authorized by legislation
- Federal formula funds have traditionally been used for capital investment, but can be applied to certain eligible preventative maintenance expenses on the operating budget.
- In order to shift funding from the capital to operating budget, the MBTA has secured additional state capital funding and identified a limited number of projects to pause for reconsideration until the next five-year CIP.
- Under the proposed approach **over 95%** of the FY21 CIP will continue as planned

Key Principles:

1. **Maintain separation of capital and operating budgets**
 - The 2015 Special Panel recommended the T “Implement a **‘firewall’** between the operating and capital budgets”
 - Reallocating Federal formula funds is a **short term** solution to replace lost revenue
2. **Continue the upward trajectory of capital investment to achieve system safety, reliability, and modernization goals**
 - Maintain momentum by prioritizing projects that address the most pressing capital needs
 - Aggressively pursue alternative funding sources to replace reallocated federal formula funds

Current Status

Progress since 10/5 FMCB:

- ✓ The Commonwealth committed an additional **\$140M** in state bond cap for MBTA project expenditures in FY21
- ✓ Legislature enacted **capital salaries** language via FY20 closeout budget, allowing MBTA to charge costs of employees working on capital projects to Federal funds, MBTA Revenue Bonds, and State Special Obligation Bonds
- ✓ Staff reviewed all 500+ projects in the CIP against the framework presented to the FMCB and identified a limited portfolio of projects to **pause for reconsideration** until the next five-year CIP
- ✓ Based on this project list, staff prepared a draft amendment to the Transportation Improvement Program (TIP) to reallocate **\$380M in federal formula funds** from capital projects to preventative maintenance over the next two years

Next Steps:

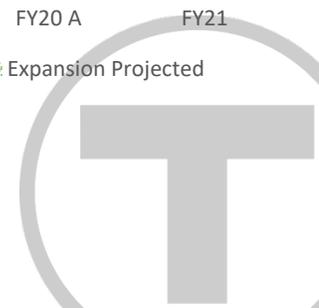
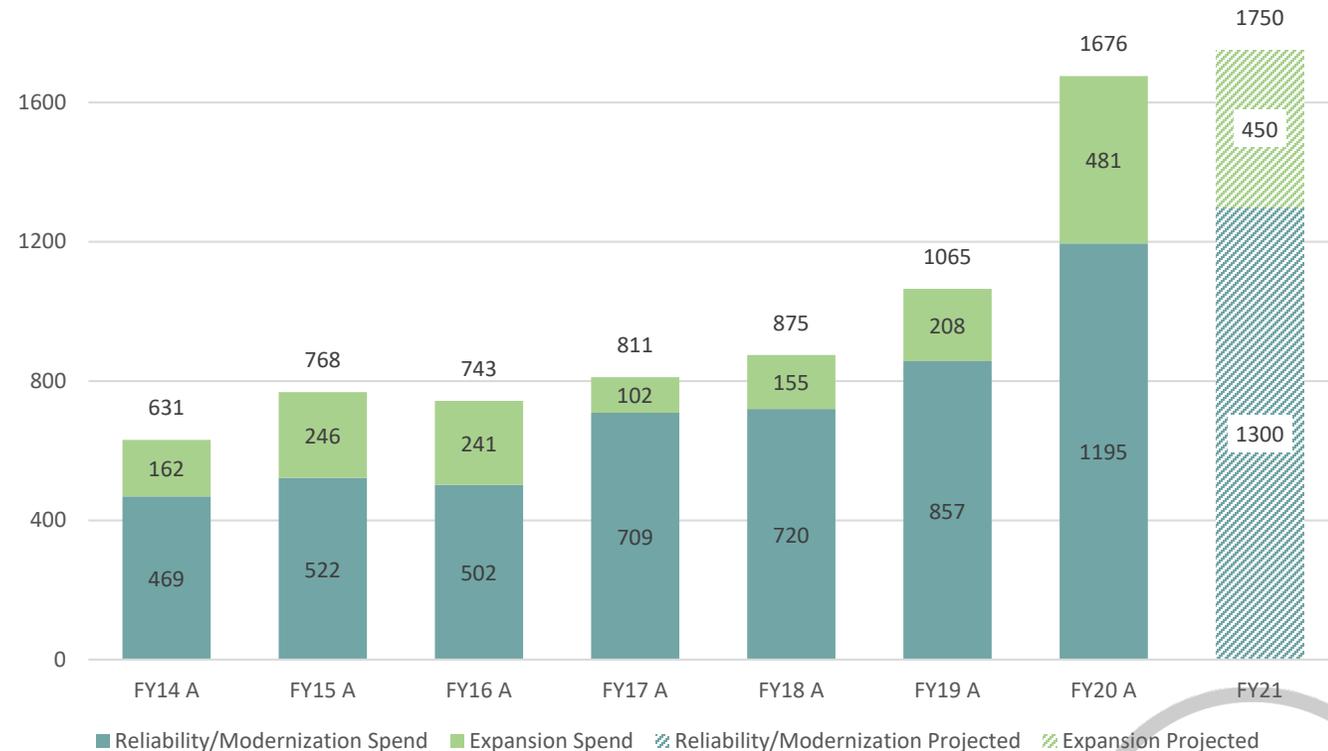
- Finalize “pause list” to limit expenditures on select projects until next CIP cycle
- Execute transfer of \$140M in commonwealth bond cap via MassDOT ISA (Board vote 11/23)
- Bring TIP Amendment to Boston Region MPO (tentatively scheduled 12/3)



Impact of Capital Reallocation Proposal

- Because of COVID-related uncertainty, MassDOT and MBTA published a one-year (FY21) “maintenance of effort” CIP earlier this year
- Next year, MassDOT/MBTA plan to issue a five-year FY22-26 CIP, reflecting updated funding sources and uses aligned with COVID scenario planning
- The exercise to reallocate federal formula funds has minimal impact to the FY21 CIP – over 95% of projects will continue unchanged, including major programs like GLX, SCR, RL/OL, AFC, etc.
- Given new funds (state/federal), the MBTA **does not** anticipate a change to the \$1.75B FY21 spending target set this spring

MBTA Capital Investment FY2014-2021
(in millions)



Federal Formula Fund Reallocation

- Reallocating Federal formula funds for preventative maintenance costs is a **short term** solution to replace lost revenue
 - We assume the MBTA can either recover enough ridership or make sufficient structural budget changes to begin restoring formula funds to the capital budget in FY23
- On October 5, staff recommended a 5-year target of \$460M in Sec. 5307 formula fund reallocation over the five-year CIP
 - While operating and service planning are focused on FY21/22 only, it is prudent to use a longer time horizon for capital planning given the multi-year cash flows of capital investments.
- The **revised** staff recommendation maintains the \$460M total over five years, but reflects two modifications:
 - Incorporating Sec. 5337 funds for fixed guideway investments in addition to Sec 5307, consistent with FTA guidance
 - Accelerating reallocation of available FFY20 balances because of additional FY21 state bond cap provided by ANF

Recommendation: Plan for a total of \$460M in federal formula fund reallocation over the 5-year CIP, of which \$380M would be targeted in the initial TIP amendment

Additional State Capital Funding

The Commonwealth has allocated an additional **\$140M in FY21 State Bond Cap** to the MBTA

- FY21 Bond Cap must be expended this fiscal year (i.e. cannot be rolled to next year)
- Additional bond cap allows the MBTA to **accelerate** critical bus lane and power projects during a period of lower ridership and **avoid pausing** projects previously identified as possible sources for reallocation
- Using bond cap for existing projects will minimize the impact of the formula fund reallocation on the capital program and preserve MBTA debt capacity for future years

CIP ID	Project Name	FY21 CIP Funding Source	Additional State Bond Cap – Anticipated Use
FY21 Accelerated Projects			
P0613	Bus Priority and Accessibility Improvements	MBTA Revenue Bond	\$2,000,000
P0705	Power System Resiliency/Systemwide Duct Bank Replacement Program	Section 5337 and Pay-Go/Lockbox	\$10,000,000
Projects That Were Previously Identified for Possible Pause			
P0261	Worcester Line Track Improvements Incl. 3 rd Track Feasibility	Federal Funds	\$19,000,000
P0591	Green Line Central Tunnel Track and Signal Replacement	Federal Funds	\$76,115,680
P0395	Worcester Union Station – Design and Construction	Federal Funds	\$32,884,320*
TOTAL			\$140,000,000

Decision-Making Framework for Capital Reallocation

Key considerations for projects with flexibility:

- Safety is never compromised – safety investments may be needed even for projects targeted for reallocation
- Decisions should weigh project flexibility, placement on the framework, and anticipated benefits/outcomes to transit-dependent riders
- New projects in all categories may be paused or scaled down to focus resources on completing existing work

	Safety/ Maintenance	Accessibility	Capacity/ Amenities	Expansion
Higher ridership (current or propensity)	Continue or accelerate projects	Continue projects, based on impact	Continue select projects, consistent with demand	Advance planning/design, if resources allow
Lower ridership (current or propensity)	Focus on safety-critical elements	Consider scaling down, based on impact	Pause or scale down, consistent with demand	Pause or defer investments

Outcomes of reallocation exercise

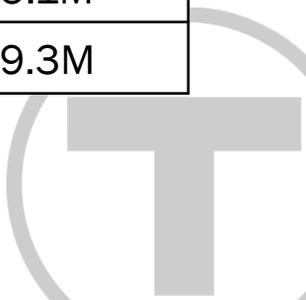
1. **Continue over 95% of FY21 CIP with no changes.** No impact to in-flight major programs, including Green Line Extension, South Coast Rail, Positive Train Control, Red Line/Orange program, Fare Transformation, bridge program, bus lanes, and others.
2. Pause further investment in **expansion and capacity** projects
3. Pause some **station upgrade** projects (including wayfinding) or scale down to critical safety investments
 - *Worcester Union Station advancing due to recently awarded FRA grant and matching state funds*
4. Pause or scale down some **Commuter Rail** vehicle, facility, and capacity projects
5. Pause or scale down lower-priority projects with **partial funding** or alternative delivery mechanisms
6. Revisit scope, timeline, and expectations for major **transformation** programs
7. Focus on delivering existing projects while building an appropriately sized design **pipeline** for future opportunities



FY21 CIP Projects to Pause for Reconsideration

- \$2.29B, or 97%, of projects in the FY21 CIP will continue unchanged

Summary of FY21 Projects Proposed to Pause				
CIP ID	Project	FY21 CIP	Total Authorized	Est. Reallocation
Expansion/Capacity Projects				
P0867	Green Line Extension to Mystic Valley Parkway	\$1M	\$9M	\$9M
Station Upgrade Projects				
Program	Wayfinding Program	\$44.0M	\$152.3M	\$45M
P0179	Winchester Station Improvements	\$15.0M	\$49.9M	\$42.8M
P0178	South Attleboro Station Improvements	\$1.8M	\$48.6M	\$41.6M
P0170	Newton Commuter Rail Stations Design	\$2.8M	\$20.6M	\$15.1M
Multiple	Other Station Upgrade Projects (4 total)	\$16.2M	\$220.55	\$39.3M



FY21 CIP Projects to Pause for Reconsideration

- \$2.29B, or 97%, of projects in the FY21 CIP will continue unchanged

Summary of FY21 Projects Proposed to Pause				
CIP ID	Project	FY21 CIP	Total Authorized	Est. Reallocation
Commuter Rail Projects				
P0652	Procurement of 181 Bi-Level Commuter Rail Coaches	\$0.2M	\$639.8M	\$596.0M
P0882	CR Coach Refurbishment	\$7.0M	\$33.0M	\$10.0M
P0640	Commuter Rail Vision - Early Action Items	\$1.5M	\$20.0M	\$10.0M
P0214	Franklin Double Track and Signal	\$13.1M	\$50.0M	\$10.0M
Multiple	Other Commuter Rail Projects (2 total)	\$2.0M	\$30.0M	\$25.0M
Partially Funded and New Projects				
Multiple	Partially Funded and New Projects (4 total)	\$1.3M	\$7.00M	\$7.00M

Draft FY21-25 TIP Amendment

- The MBTA plans to present an amendment to the Transportation Improvement Program (TIP) that allocates an initial **\$380M** of available and anticipated federal formula funds to preventative maintenance.
- The FFY20 funds will be available to the MBTA upon adoption of the TIP and STIP amendments, and can be applied immediately to eligible preventative maintenance expenses.
- As part of the FY22-26 CIP and TIP process, the MBTA will propose the next round of 5307/5337 reallocation, consistent with the \$460M targets set by the FMCB.

TIP Amendment – Proposed			
Federal Fiscal Year	Section 5307 Funds	Section 5337 Funds	Total
FFY20	\$80M	\$91M	\$171M
FFY21	\$51M	\$128M	\$179M
FFY22	\$0M	\$30M	\$30M
TOTAL	\$131M	\$249M	\$380M



Next Steps for Capital Reallocation

- **October 5:** Present financial scenario, guiding principles, and prioritization approach to the FMCB
- **October 15:** Present Forging Ahead principles and approach to Boston Region MPO
- **November 9:** Present capital reallocation proposal to the FMCB
- **November 18:** Present summary of capital reallocation proposal to MassDOT Capital Programs Committee
- **November 23:** Joint MassDOT Board vote on transfer of \$140M in bond cap
- **December 3 (*tentative*):** Present Transportation Improvement Program (TIP) Amendment to MPO and release for 21-day public comment
- **January 7 (*tentative*):** Seek MPO endorsement of the TIP Amendment
- **January:** MassDOT submit revised Statewide TIP (STIP) to FHWA/FTA
- **January:** MBTA begin to submit grant applications for preventative maintenance
- **February:** Execute FTA grants, and begin draw down of funds for eligible preventative maintenance expenses



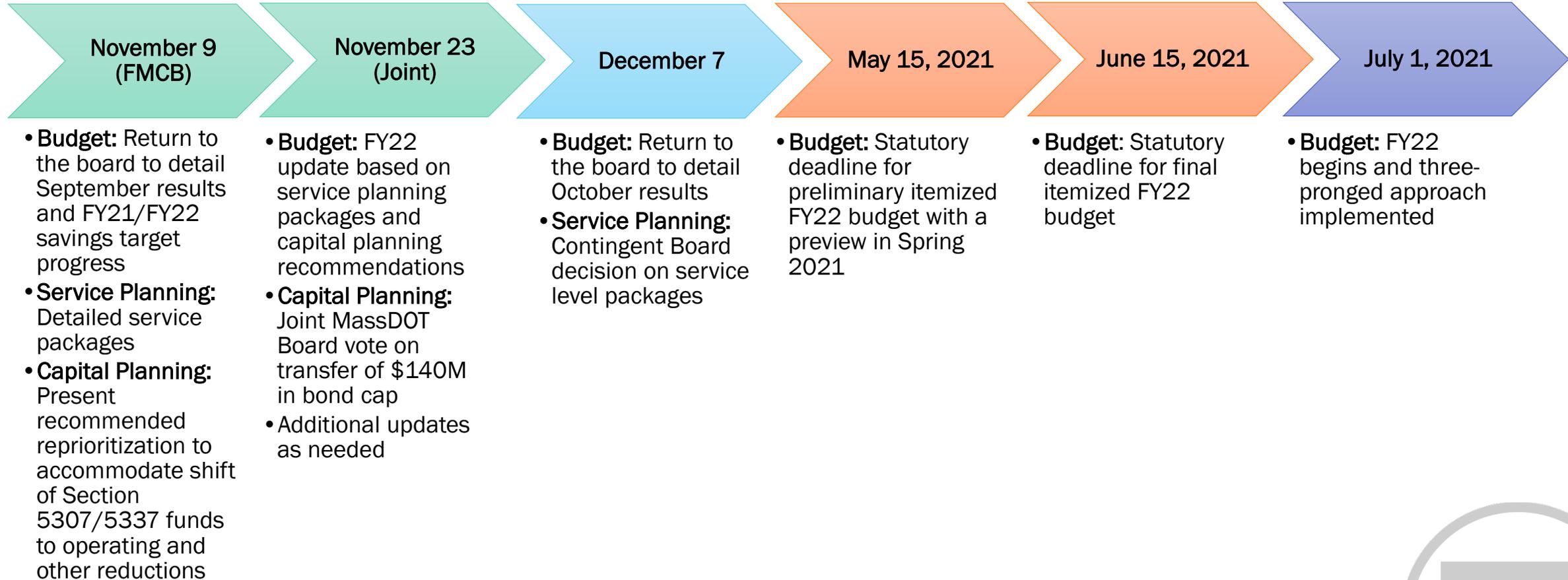
Forging Ahead Public Engagement

- 11 virtual public meetings from Nov 10 - Dec 3
 - 10 meetings focused on sub-regions
 - 1 public hearing
 - 1 system-wide meeting
- Proactive, non-virtual engagement with communities
 - Targeted outreach to communities most impacted and least likely to engage in virtual meetings
- Online feedback tools at www.mbta.com/forgingahead

The engagement process for Forging Ahead will be:

- **Transparent** – we will share all information needed to provide input
- **Proactive** – we will reach out to impacted communities
- **Iterative** – we will return to communities when we have more information
- **Accessible** – we will ensure language access and access to persons with disabilities

Timeline for Service, Budget, and Capital Decisions

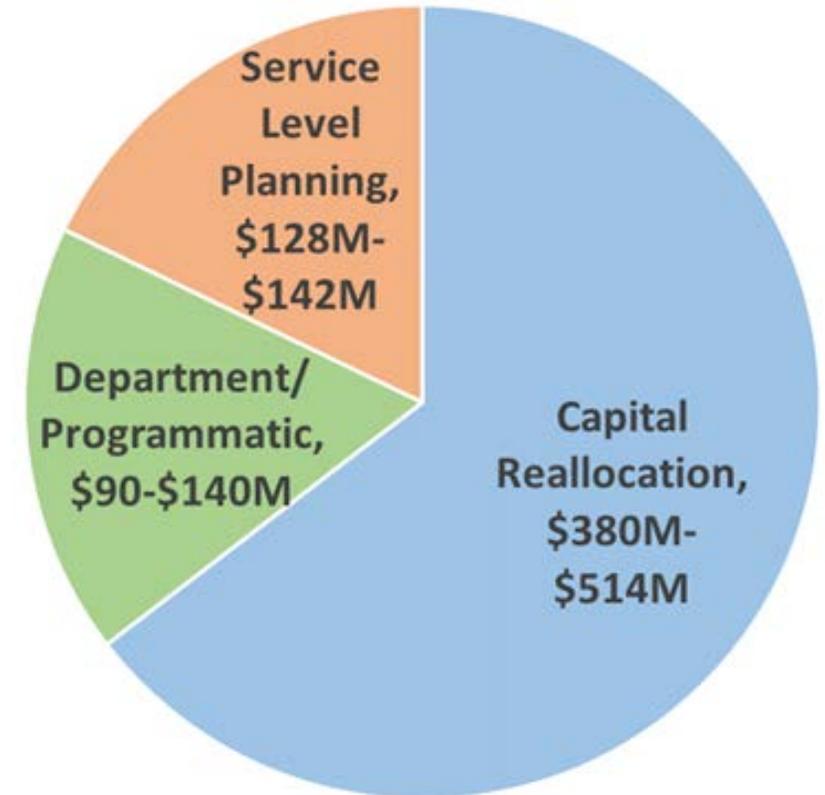


Appendix



Resolving the Budget Gap Summary

- Incorporating Scenario 3 Fare Revenue projection (as presented October 19th) 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



Projects to “pause for reconsideration”

Review of the Capital Program:

- ✓ Completed a collaborative, comprehensive and methodical review of the CIP to identify opportunities for deferring or scaling down projects.
- ✓ Stood up a cross-departmental team to review the status, flexibility, and timing of all projects to evaluate:
 - How much of the CIP is currently obligated (no contract flexibility)?
 - How much flexibility exists within the unobligated segment of projects (projects not currently under contract)?
- ✓ Developed a range of policy streams and channels of analysis to help shape and frame trade-offs and the decision-making process.

Outcome: Recommendations for projects to be paused to support FY21 reallocation of federal formula funds and planning for future reallocation, if needed.

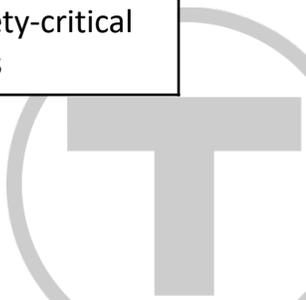
FY21 CIP to Pause: Expansion and Capacity Projects

Summary of Expansion/Capacity Projects Proposed to Pause						
CIP ID	Project Name	FY21 CIP	Total Authorized	Est. Reallocation	Project Status	Proposed Action
P0867	Green Line Extension to Mystic Valley Parkway	\$1M	\$9M	\$9M	New Project	Pause



FY21 CIP to Pause: Station Upgrade Projects

Summary of Station Upgrade Projects Proposed to Pause						
CIP ID	Project Name	FY21 CIP	Total Authorized	Est. Reallocation	Project Status	Proposed Action
Program	Wayfinding Program	\$44.0M	\$152.3M	\$45M	Multiple	Focus on safety-critical work
P0066, P0075	Elevator Design Program	\$11.2M	\$160.7M	\$17M	Multiple	Advance highest impact designs only
P0491	Accessibility Improvements	\$1.0M	\$19.5M	\$4.5M	Design	Scale down to focus on high-priority investments
P0170	Newton Commuter Rail Stations Design	\$2.8M	\$20.6M	\$15.1M	Design	Complete design then pause project
P0178	South Attleboro Station Improvements	\$1.8M	\$48.6M	\$41.6M	Design	Pause project with mitigation
P0179	Winchester Station Improvements	\$15.0M	\$49.9M	\$42.8M	Design	Pause project with mitigation
R0071	Lynn Station & Parking Garage Improvements Phase II	\$2.0M	\$33.1M	\$16.5M	Design	Pause parking garage scope, no change to station scope
P0402	Sullivan Square Station Rehabilitation	\$2.0M	\$7.25M	\$1.3M	Construction	Scale down to safety-critical elements



FY21 CIP to Pause: Commuter Rail Projects

Summary of Commuter Rail Projects Proposed to Pause						
CIP ID	Project Name	FY21 CIP	Total Authorized	Est. Reallocation	Project Status	Proposed Action
P0652	Procurement of 181 Bi-Level Commuter Rail Coaches	\$0.2M	\$639.8M	\$596.0M	Design	Pause before advertisement
P0882	CR Coach Refurbish – 2020 Accel	\$7.0M	\$33.0M	\$10.0M	Construction	Complete first nine coaches then pause
P0640	Commuter Rail Vision - Early Action Items	\$1.5M	\$20.0M	\$10.0M	Planning (0% Committed)	Scale down to 50%; focus on recovery
P0214	Franklin Double Track and Signal	\$13.1M	\$50.0M	\$10.0M	Construction	Complete Phase II and pause design of Phase III
P0609	Billerica MOW Repair Facility	\$1.0M	\$25.0M	\$20.0M	Design	Pause project – not needed at this time
P0849	Critical Switch Heater Locations	\$1.0M	\$5.0M	\$5.0M	Planning (0% Committed)	Pause – sufficient funding in other funded projects



FY21 CIP to Pause: Partial Funding and New Projects

Summary of Station Upgrade Projects Proposed to Pause						
CIP ID	Project Name	FY21 CIP	Total Authorized	Est. Reallocation	Project Status	Proposed Action
P0491	MOW Maintenance Equipment Storage Facility	\$0.9M	\$4.4M	\$4.4M	New Project	Pause project – lower priority
P0607	Back-up Operations Control Center Design	\$.06M	\$1.2M	\$1.2M	New Project	Pause project – design only
P0628	Integrated Track Inspection Pilot Program	\$0.3M	\$0.8M	\$0.8M	New Project	Pause – lower priority
P0660	Switch Crib Heaters - pilot program	\$0.06M	\$0.6M	\$0.6M	New Project	Cancel - duplicate

