Massachusetts Bay Transportation Authority

FY21-FY22 Monthly Financial Update

Fiscal and Management Control Board

December 7, 2020

Mary Ann O’Hara & Elizabeth Winters Ronaldson

Financial Update Overview

- **Monthly Budget Update: October 2020**
  - Fare revenue was below budget for the first time this fiscal year
  - Fare revenue was down month-over-month (MoM) for the first time this fiscal year
  - Operating Budget Deficiency Fund balance increased $7.5M to $56.6M YTD due to favorable sales tax revenues and reduced operating expenses
- **Own Source Revenue Program Update**
  - Parking and advertising revenues have dropped in line with fares while real estate revenues remained more stable
  - Initiatives underway to enhance these revenue sources and achieve savings
- **FY21 and FY22 Financial Plan Update**
  - Budget projections model the impacts of Scenario 3 and Scenario 2 assumptions for FY22
  - Budget challenge in FY22 ranges from $577M-$652M with fare revenue ranging from $279M-$347M
  - $236M-$276M range of one-time savings from FY21 to offset the budget challenge
  - Net savings from service level planning can be reduced $13M-$75M, depending on an acceptable level of risk

FY21 and FY22 Financial Update Overview

- **$236-$276 million at the end of FY21 in the Deficiency Fund:**
  - MBTA staff have been focused on cutting expenses without cutting service
  - $40 million in one-time accelerated sales tax revenue (pending final approval) to put the MBTA on track to end FY21 with as much as $276 million in a deficiency fund to help cover the FY22 budget deficit
  - All state funds will continue to be used to offset the current budget challenge
- **$570 million in one-time sources will be used for FY22 budget:**
  - Although this use of one-time sources creates real risks for budgets in FY23 and beyond, we are focused on the FY22 budget gap
  - Combining revenue from the deficiency fund with additional funds diverted from the capital budget generates $570M in one-time revenue sources that will be used to balance the FY22 budget
  - Accounting for risks during implementation of our cost saving efforts, we have projected potential year end balances, but are not proposing to retain any "surplus" at the end of FY22
- **FY22 fare revenue ranges from $279-$347 million:**
  - The total size of the FY22 budget gap depends on a number of variables, including how much fare revenue is assumed which in turn depends on how fast ridership returns during FY22 as vaccination occurs and the Massachusetts economy reopens
  - As shown on slide 13, the projection for FY22 fare revenue increases by $68 million if ridership tracks Scenario 2 (generating $347 million in fare revenue) rather than Scenario 3 (generating $279 million in fare revenue)
  - Scenario 2 assumes that the vaccine becomes available to the general public in the second quarter of CY21 and that the economy is substantially reopened in the third quarter but still does not anticipate a return to pre-COVID ridership even by the end of FY22

FY21 and FY22 Financial Update Overview (cont'd)

- **Projected FY22 budget challenge ranges from $577-$652 million:**
  - We recommend that, for now, FY22 budget planning should be based on a range of fare revenue, relying on Scenarios 2 and 3 to create that range
  - This results in an FY22 budget challenge ranging in size from $577 million (if fare revenues increase consistent with planning Scenario 2) to $652 million (if fare revenues continue to track planning Scenario 3 throughout FY22)
  - The scenarios will be revisited as part of the budget process for FY22, which begins this month
- **Needed savings from service adjustments in FY22 range from $19 million to $85 million:**
  - In the FY22 budget, service changes remain a last resort and the MBTA has and will continue to identify non-service cost savings
  - If fare revenue matches Scenario 2 projections, $19 million in net savings will be needed from service level changes
  - If the fare revenue continues to track Scenario 3 throughout FY22 the net savings needed rises to $85 million

October Operating Budget Summary

October Overview

- October actuals presented as compared to the revised FY21 budget, as updated through October 19th presentation ($57M net drop adjustment in total revenue)
- The budget (October 19, 2020) reflected October net revenues (total revenues less total expenses and before transfers) of -$4.6M with $185.9M in total revenues and $190.6M in total expenses
- Actual **October net revenues were $7.5M** with $188.3M in total revenues and $180.7M in total expenses
- Compared to budget, **October net revenues were favorable $12.2M** (Budget: -$4.6M; Actual: $7.5M)
    - **Total revenues were $2.3M favorable** to budget mostly due to sales tax revenue collections
    - **Total expenses were $9.9M favorable** to budget due to regular wages, materials and services, and the RIDE
- October COVID-19 actual expenses were $3.4M bringing **total COVID-19 related costs to $37.3M** YTD thru October
- Operating budget employee headcount remains stable; slight increase to 5,973 (0.2%) as hires outpaced separations

Year to Date Summary

- Compared to budget, **YTD net revenues variance is favorable $75.5M**
    - If we manage to the adopted budget for the next 8 months, this favorable variance **to budget to date will mitigate spending reductions needed to address the FY22 budget gap** (budget risks include winter season, fare revenue, FEMA reimbursement, etc.)
    - **YTD transfers of $37.1M ($7.5M plus $29.5M through September),** which will be transferred to the Operating Budget Deficiency Fund to mitigate exposures in FY21 and reduce the FY22 budget gap

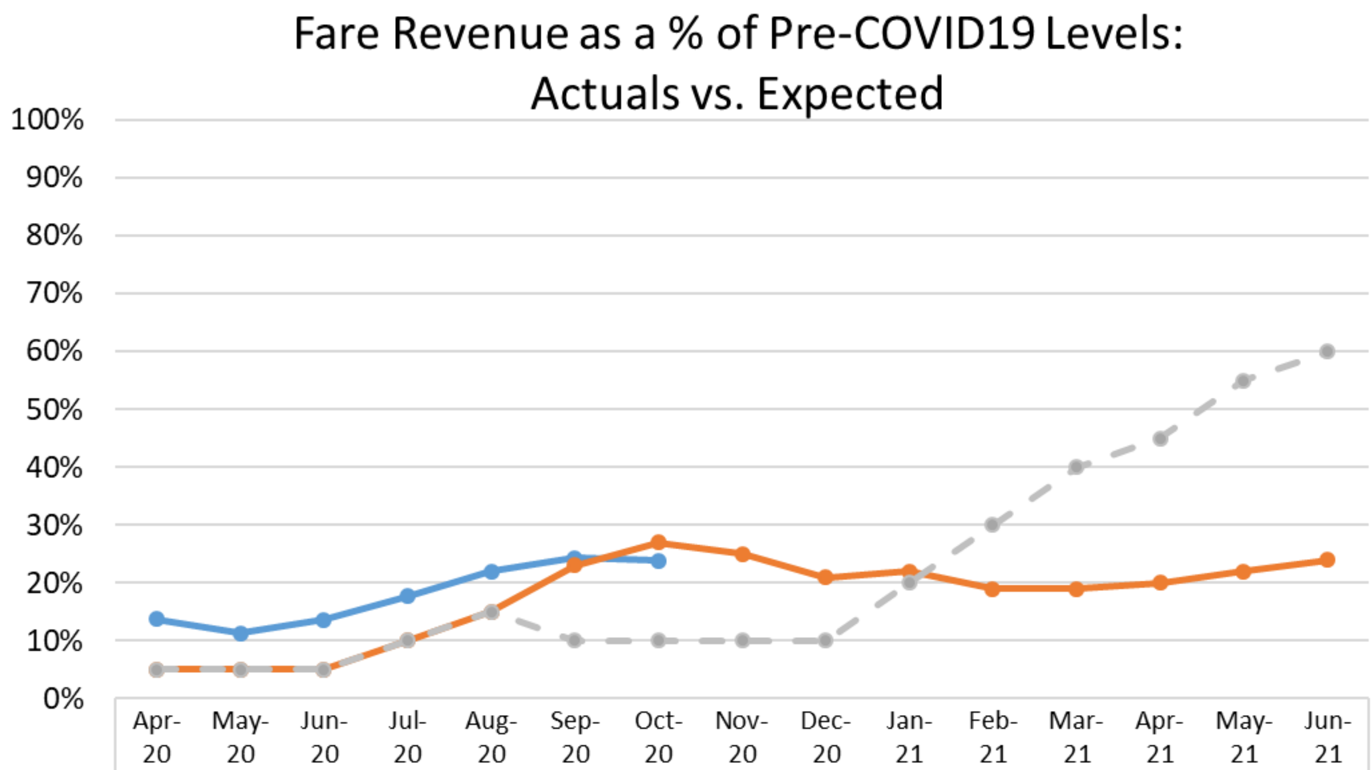
Monthly Balance Summary

- **Fare recovery ratio was 11% as compared to 44% in October 2019**
- **Fare revenues did not meet budget target by $1.8M, 11% below budget**
- Total October revenues and expenses remained favorable to budget
- **CARES Act funding continues to replace fare revenue losses** with CARES Act funding expected to be fully claimed/drawn by January 2021
- **Current budget favorability of $75.5M** captures additional revenues, non-service programmatic savings efforts, normal budget trends, and monthly variances
- **Monthly net revenue of $7.5M**
- **Operating Budget Deficiency Fund now $56.6M** with a target for FY22 of at least $236M

	($M) Category	Oct Budget	Oct Actual	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	$ Variance	FAV/ UNFAV	Oct FY20	FY21 Annual Budget
REVENUE	Fare Revenues	16.4	14.6	-1.8	45.4	52.9	7.5	FAV	61.9	143.5
	Own Source Revenue	2.7	2.0	-0.7	6.6	9.0	2.4	FAV	8.1	27.0
	Non-Operating Revenues	156.3	161.1	4.8	631.2	650.7	19.5	FAV	107.6	1,979.6
	State Assistance	10.6	10.6	0.0	42.3	42.3	0.0	FAV	10.6	127.0
	Total Revenues	**185.9**	**188.3**	**2.3**	**725.5**	**754.9**	**29.4**	**FAV**	**188.1**	**2,277.1**
	Fare Recovery Ratio	*11%*	*11%*	-1%	*8%*	*10%*	*2%*	*FAV*	*44%*	*8%*
EXPENSES	Wages, Benefits and Payroll Taxes	69.6	65.2	4.4	277.7	263.7	14.0	FAV	69.4	831.0
	Non-Wage	77.4	72.9	4.5	311.8	283.1	28.7	FAV	71.4	940.2
	Operating Expenses	147.0	138.1	8.9	589.5	546.8	42.7	FAV	140.8	1,771.2
	Debt Service	43.6	42.6	1.0	174.5	171.1	3.4	FAV	40.8	523.5
	Total Expenses	**190.6**	**180.7**	**9.9**	**764.0**	**717.9**	**46.1**	**FAV**	**181.7**	**2,294.6**
	Remaining Balance Before Transfers	**-4.6**	**7.5**	**12.2**	**-38.4**	**37.1**	**75.5**	**FAV**	**6.4**	**(17.5)**

Monthly Fare Revenue Collections

- **Fare revenue collections were 3 percentage points below budget target**
  - 24% actual as compared to 27% as budgeted
- 24% fare revenue for October flat as compared to September and below the 2-4 percentage point increases seen since May
- **Result: $1.8M unfavorable for the month**
  - $14.6M actual as compared to $16.4M budgeted
- **YTD: $7.5M favorable**
  - $52.9M actual as compared to the $45.4M budgeted
- **Preliminary fare revenue estimates for November trending below budget**



	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Actual %	14%	11%	14%	18%	22%	24%	24%								
Revised Bud (Oct)	5%	5%	5%	10%	15%	23%	27%	25%	21%	22%	19%	19%	20%	22%	24%
Orginal Bud (May)	5%	5%	5%	10%	15%	10%	10%	10%	10%	20%	30%	40%	45%	55%	60%

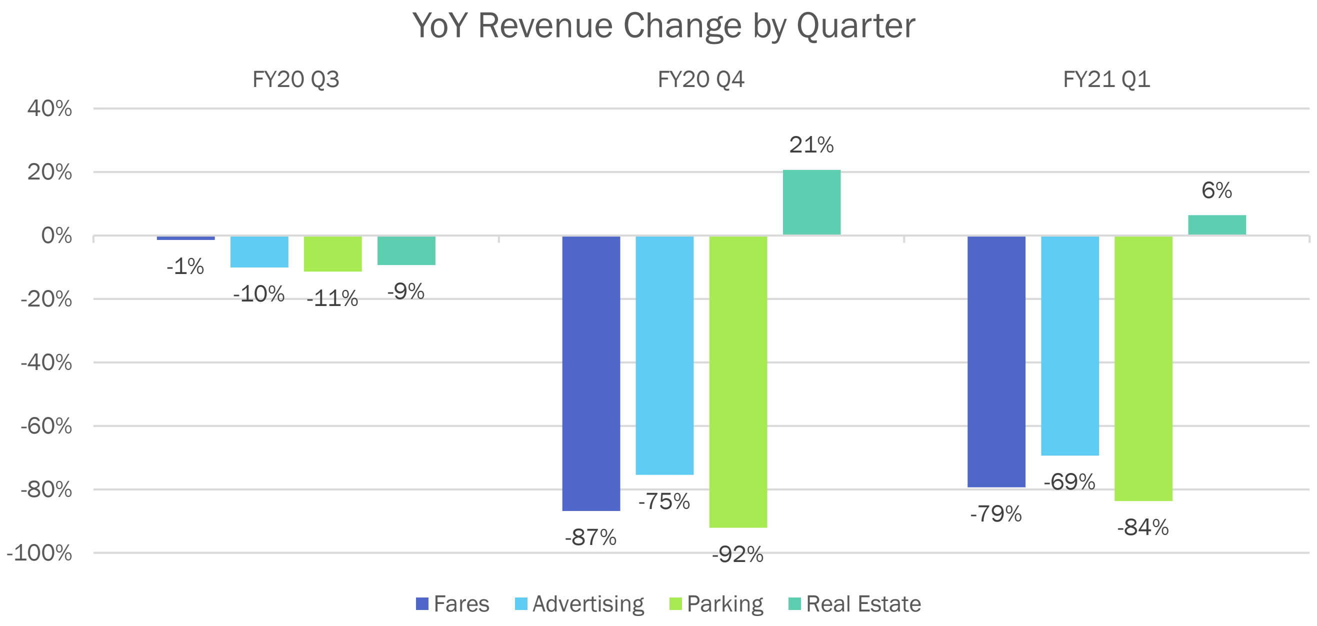
Revenue Summary

- **Fare revenues unfavorable $1.8M for the month, favorable $7.5M YTD** due to collections being below revenue estimates
- **Own source revenues unfavorable $0.7M for the month, favorable $2.4M YTD**
    - Advertising: $3.0M YTD, level to budget
    - Parking: $0.4M YTD, above budget
    - Real estate: $3.7M YTD, above budget
- $188.3M in total revenues were $2.3M favorable to budget for the month, $29.4M YTD

Revenues ($M)	Oct Budget	Oct Actuals	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	$ Variance	FAV/ UNFAV	Oct FY20 Actual	FY21 Annual Budget
Fare Revenues	16.4	14.6	-1.8	45.4	52.9	7.5	FAV	61.9	143.5
Own Source Revenue	2.7	2.0	-0.7	6.6	9.0	2.4	FAV	8.1	27.0
Advertising	0.9	0.9	0.0	3.0	3.0	0.0	FAV	2.9	8.0
Parking	0.8	0.0	-0.7	0.1	0.4	0.3	FAV	3.6	3.6
Other	0.5	0.5	0.0	1.6	1.9	0.3	FAV	0.7	6.0
Real Estate	0.5	0.6	0.0	2.0	3.7	1.7	FAV	0.8	9.5
Total Oper. Revenues:	**19.1**	**16.6**	**-2.5**	**52.0**	**61.9**	**9.9**	**FAV**	**69.9**	**170.5**
State Sales Tax Revenue	88.1	95.2	7.1	356.8	381.7	24.9	FAV	88.1	1,083.3
Federal Funds	48.1	48.1	0.0	192.3	192.3	0.0	FAV	0.0	661.9
Local Assessments Revenue	14.8	14.5	-0.3	59.3	58.1	-1.2	UNFAV	14.5	177.9
Other Income	5.2	3.3	-2.0	22.7	18.5	-4.2	UNFAV	4.8	56.4
Total Non-Oper. Revenues:	**156.3**	**161.1**	**4.8**	**631.2**	**650.7**	**19.5**	**FAV**	**107.4**	**1,979.6**
State Assistance	10.6	10.6	0.0	42.3	42.3	0.0	UNFAV	10.6	127.0
Total Revenues:	**185.9**	**188.3**	**2.3**	**725.5**	**754.9**	**29.4**	**FAV**	**188.0**	**2,277.1**

Own Source Revenue: Impact of Covid-19

- **Since March, advertising, and parking revenues have dropped dramatically** in line with declines in fare revenue
- **Real Estate revenues have remained more stable** through the pandemic because of an emphasis on creating stable income independent of ridership
- In Q4 FY20 and Q1 FY21, the MBTA realized additional one-time revenues through sales, easements, and new agreements
- Parking revenue is reported as a gross figure before securitization payments and as a net figure in the monthly balance summary



Quarterly Revenue

Quarter	Year	Fares	Advertising	Parking	Real Estate
Q3	FY19	$160,759,131.32	$5,664,452.14	$13,175,458.91	$4,615,375.91
	FY20	**$158,473,791.20**	**$5,094,569.91**	**$11,671,957.48**	**$4,186,138.13**
Q4	FY19	$172,713,138.53	$8,516,779.68	$13,908,943.31	$3,782,036.32
	FY20	**$22,792,022.79**	**$2,093,346.75**	**$1,098,942.35**	**$4,563,759.33**
Q1	FY20	$185,026,862.54	$6,976,709.50	$13,733,423.93	$2,905,675.13
	FY21	**$38,256,622.85**	**$2,138,221.79**	**$2,240,751.34**	**$3,091,564.11**

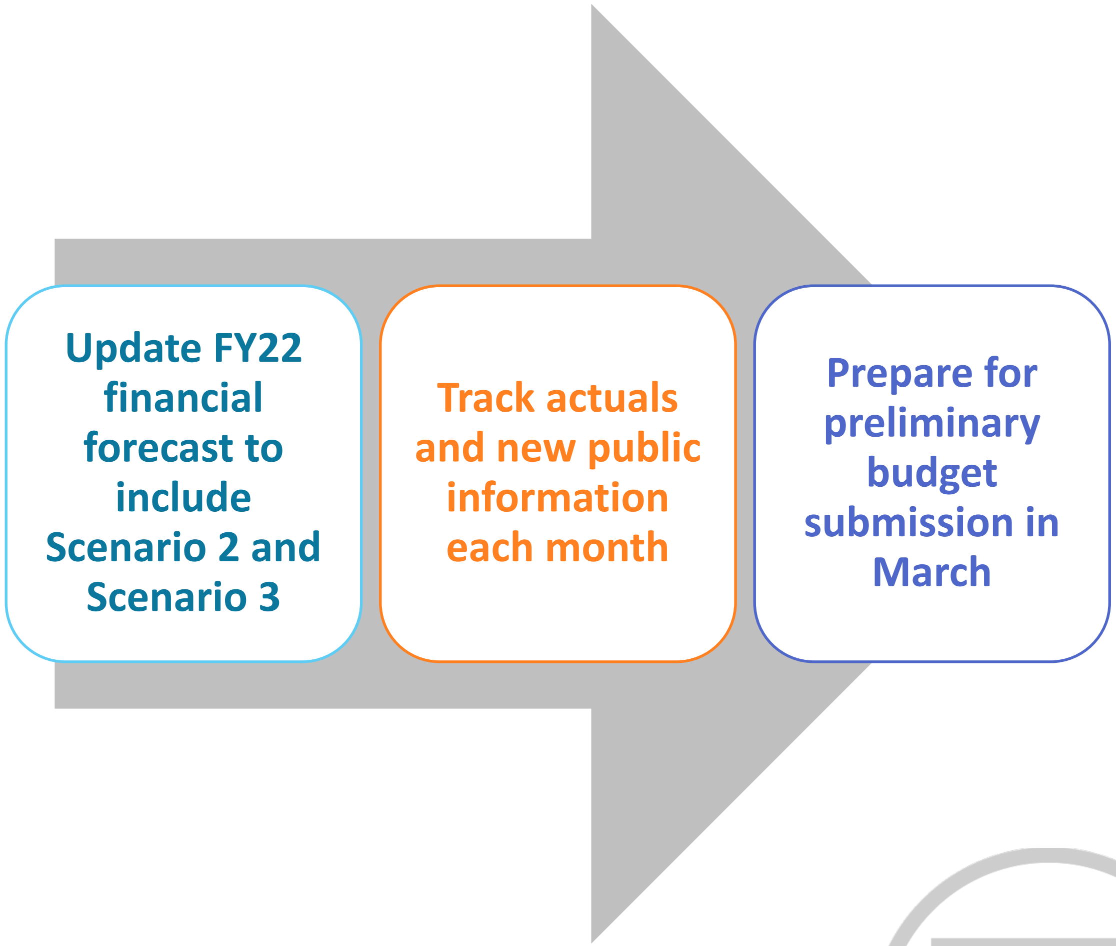
Own Source Revenue: FY21 and FY22 Initiatives

- Pre-COVID, OSR growth was driven by, increases advertising concessions, optimizing parking prices for utilization and increased revenues, and leveraging the MBTA's Real Estate assets
- As part of the ongoing cost controls, working groups have been formed which have identified additional revenue and cost saving initiatives in FY21 and FY22 (below)
- The MBTA continues to pursue long-term sources of incremental value including Telecommunications Infrastructure Opportunities (PTC) and Transit Oriented Development

Advertising	Parking	Real Estate
• Focus on off-system assets (Up to $0.5M over FY21/FY22) • New Street Furniture Concession (Up to $0.5M in FY22)	• Technology implementation at garages (Up to $9M over FY21/FY22) • Examine existing agreements for savings and additional revenue (Up to $0.5M over FY21/FY22) • Alternative uses for and licensing opportunities at parking facilities (Up to $0.1M over FY21/FY22)	• Concession RFI released to gauge market interest (+/-$200K in FY22) • ATM ITB to be released early 2021 (+/-$300K in FY22) • Restructuring of payments on existing contracts to realize immediate revenue impact (Up to $6M over FY21/22)

Updating FY22 Fare Revenue Planning

- Three fare revenue scenarios presented on October 19
  - From a common start date, September 2020, the scenarios provided an outlook through June 2022
  - Scenarios factor in COVID-19 impacts, vaccine potential and abatement, as well as the pace of economic recovery, and other employment and transportation behavioral changes
- Given publically reported vaccine developments, our FY22 budget projections have been updated to include two models
  - Incorporating a Scenario 2 as of July 2021 that assumes more optimistic and favorable fare revenue collections
  - Maintaining Scenario 3 assumptions in FY21 and continue to track actuals and new information each month
  - Scenarios are financial forecasts only reflecting a range of budget outcomes, the preview of the FY22 budget is currently scheduled for March 2021, with a preliminary itemized budget to be presented before May 15, 2021
- Use of Scenario 3 and Scenario 2 in FY22 identifies the range of fare revenue estimates and budget gap range, given the degree of risk and uncertainty surrounding COVID-19 impacts



FY22 Scenario Planning Assumptions

- Scenario 3 assumes a slower return from telework and later COVID-19 abatement than Scenario 2
- COVID-19 abatement assumed in Q4 of 2021 in Scenario 3, two quarters later than Scenario 2
- COVID-19 abatement and full reopening of the economy is the beginning of the recovery, not the end of COVID-19 impacts
  - Economic impacts will continue to be felt for several years and may result in long term systemic changes (e.g., travel behavior)

Driver	Scenario 3	Scenario 2
COVID-19 Abatement	Fourth Quarter CY2021	Second Quarter CY2021
Employment	Growth of more than 100,000 jobs by Q4 2023, but still 250,000 jobs below pre-COVID levels	Growth of more than 300,000 jobs by Q4 2023, but still 50,000 jobs below pre-COVID levels
Vehicle Miles Traveled	By then end of the forecast period, VMT is 18% below pre-COVID levels, but is trending upward as the economy recovers	By then end of the forecast period, VMT is 22% below pre-COVID levels, and is trending level as travel behavior changes solidify
Telework	Jobsite return in Q1 2022; 50% of employees telework three days/week	Jobsite return in Q3 2021; 50% of employees telework three days/week

Fare Revenue Scenario Planning Analysis

- For the FY21 budget, the fare revenue actuals are tracking Scenario 3, with a currently unfavorable outlook
  - October 2020 fare revenues were below budget by $1.8M
  - Preliminary November 2020 fare revenues trending below budget
- Fare revenue in FY22 could range from $279M (Scenario 3) to $347M (Scenario 2 in FY22)
- Recent vaccine developments indicate positive future trends, although timeline, availability, teleworking changes, and travel behavior are all variables that carry significant uncertainty

Scenario ($M)	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	FY21 Total
Actuals	10.6	12.9	14.8	14.6									52.9
Scenario 3/ FY21 Budget	6.0	8.9	14.1	16.4	14.2	11.6	11.8	10.3	11.1	11.9	13.0	14.2	143.5
Variance	**4.5**	**4.0**	**0.7**	**(1.8)**									**7.5**

Scenario ($M)	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	FY22 Total
Scenario 3/ FY21 Budget	15.6	16.9	18.2	20.7	19.4	19.5	23.6	23.2	27.4	29.9	31.4	33.0	278.9
Scenario 2 in FY22	16.7	19.0	21.3	25.1	24.1	24.9	29.6	28.8	35.8	38.8	40.5	42.4	347.0
Variance	**1.1**	**2.1**	**3.1**	**4.4**	**4.7**	**5.4**	**6.0**	**5.6**	**8.4**	**8.9**	**9.0**	**9.5**	**68.1**

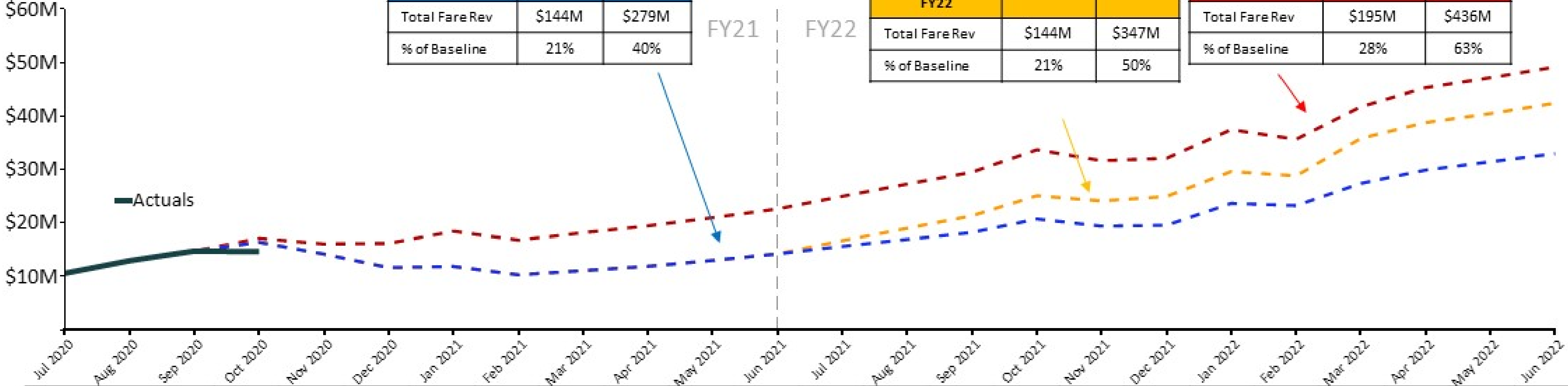
Fare Revenue Scenario Planning Analysis

- Applying Scenario 2 assumptions in FY22 to model a potential for accelerated, optimistic growth
  - June 2022 revenue at 71% of baseline in Scenario 2 compared to 55% under Scenario 3
  - October 2020 actual revenue at 24% of baseline
- Fare revenues are estimates before any service level changes and percent of baseline is total revenue relative to FY20 budget

Scenario 3	FY21	FY22
Total Fare Rev	$144M	$279M
% of Baseline	21%	40%

Scenario 2 in FY22	FY21	FY22
Total Fare Rev	$144M	$347M
% of Baseline	21%	50%

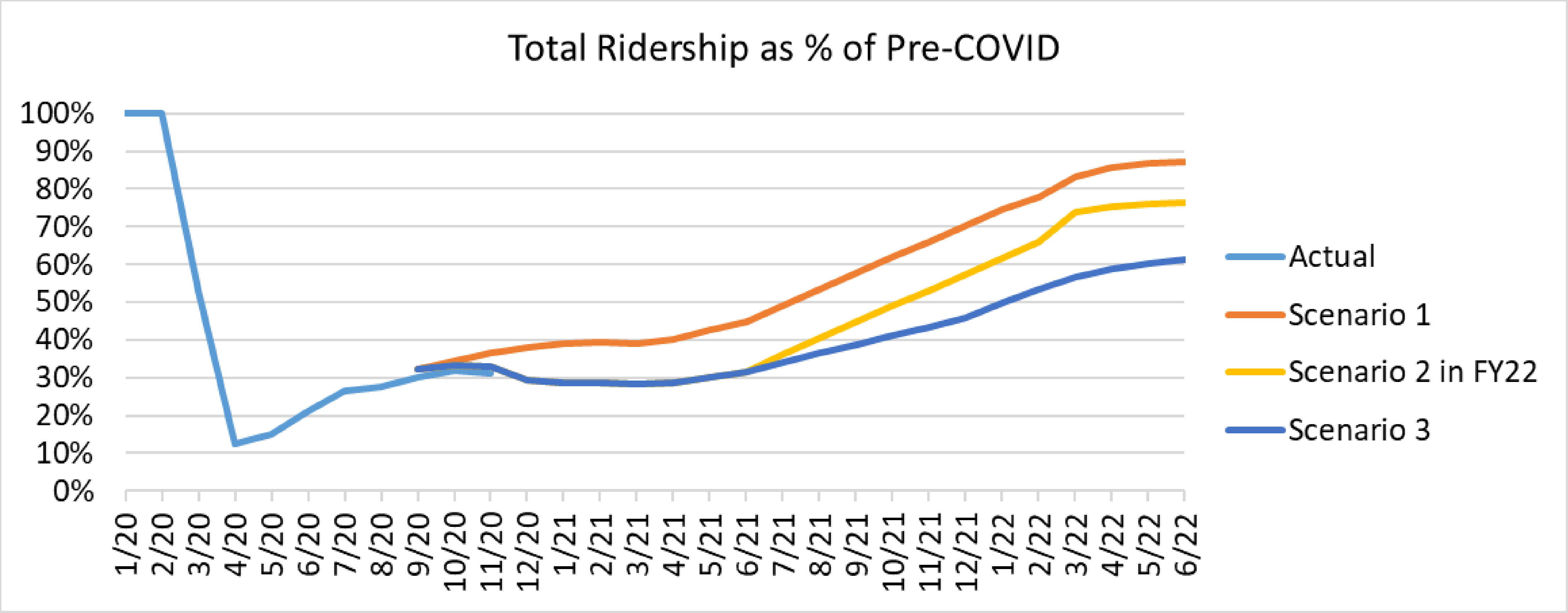
Scenario 1	FY21	FY22
Total Fare Rev	$195M	$436M
% of Baseline	28%	63%



Scenario 3	27%	25%	21%	22%	19%	19%	20%	22%	24%	26%	29%	30%	34%	34%	35%	43%	43%	47%	51%	54%	55%
Scenario 2 in FY22	27%	25%	21%	22%	19%	19%	20%	22%	24%	28%	32%	35%	41%	42%	45%	54%	53%	62%	66%	70%	71%
Scenario 1	28%	28%	29%	34%	31%	31%	33%	36%	38%	42%	46%	49%	55%	55%	58%	68%	66%	72%	77%	81%	83%

Ridership Scenarios

- Actual total ridership to date at 31%, tracking at or below Scenario 3 assumptions in recent months
- Applying Scenario 2 in FY22 results in ridership at 76% by June 2022 compared to the 61% under Scenario 3



Sources for Actual: Monthly ridership (UPT) as reported to NTD plus estimates for November 2020. All modes including The RIDE.

Scenario Comparison: FY22 Budget Outlook & Risk

- **Budget challenge in FY22 ranges from $577M-$652M** under Scenario 2 and Scenario 3 assumptions
    - **$347M-$279M in fare revenue in FY22** based on Scenario 2 and 3 respectively before any service changes
    - $75M budget variation includes fare and own source revenue updates
- **Maximum savings of $276M from FY21** to offset the budget gap
    - Range of $236M-$276M after incorporating $40M in one-time sales tax acceleration in FY21
- **$13M-$75M could be available at the end of FY22 depending on fare revenue collections** after accounting for only $60M in implementation risk and a base service model
    - $75M available using maximum potential FY21 savings and favorable Scenario 2 assumptions in FY22
    - $13M available using maximum potential FY21 savings and continuing the current path of Scenario 3 assumptions

Description Figures in $M	**Scenario 2 in FY22**	**Scenario 3 in FY22**	**Variance**
Budget Gap	**(509)**	**(584)**	**75**
COVID-19 Spending	*(58)*	*(58)*	-
Overtime	*(10)*	*(10)*	-
Subtotal of Identified Risks	(68)	(68)	-
Gap + Risks	**(577)**	**(652)**	**75**
Federal Formula Funds	*209*	*209*	-
Capital Salaries	*68*	*68*	-
Department/Programmatic	*65*	*74*	*(9)*
Service Level Planning (Net)	*94*	*98*	*(4)*
Subtotal of Identified Solves	436	449	(13)
Estimated Balance in FY22	**(141)**	**(203)**	**62**
FY21 Maximum Potential Cost Savings	*276*	*276*	-
Implementation Risk	*(60)*	*(60)*	-
Potential Projected Ending Balance	**75**	**13**	**62**

Identified Implementation Risks

- **$33M-$73M to mitigate risks, a 1%-3% margin of error, as per November 23 budget presentation**
- This range is for budget projection purposes and prepares the MBTA to, at least partially, offset any and all unfavorable spending and revenue changes due to system demands and external factors/information from now until June 2022
- Potential implementation risks and new information that may need to be addressed or mitigated
    - **Fare revenue and ridership:** trending below FY21 budget assumptions in October and November
    - **Sales tax acceleration and upside:** pending final approval into law and achieving the $40M estimated
    - **FEMA reimbursement revenue:** certain COVID-19 cleaning expenses submitted may be deemed ineligible, potentially reducing reimbursement revenue up to $10M
    - **Headcount freeze:** adding headcount beyond current limit due to identified safety needs, reduce dropped trips, or other priority hires
    - **Overtime:** unforeseen and/or additional work to maintain the system could eliminate the 10% savings target already assumed in the budget risk calculation
    - **Snow and ice costs:** more snow in October 2020 in Boston than February, March, and April combined
    - **Fuel prices:** any fuel price increase reduces the $17M in estimated savings
    - **RIDE projections:** return of ridership and demand for services above assumptions reduces the estimated savings of $15M in FY21
    - **Non- service savings effort:** Provides margin of error for identified saving target maximums
- **Recommend incorporating $60M (3% of total estimated spending in FY22) in implementation risk to address these items and the continued uncertainty of COVID-19 impacts**
- **While FY22 is balanced with $570M in one-time sources**, the implementation risk does not attempt to retain any savings for FY23 to offset these losses

Recommendation:
3% of FY22 spending in implementation risk

Timeline for Service, Budget, and Capital Decisions

December 7

- **Budget:** Return to the board to detail October results and FY21 and FY22 budget update
- **Service Planning:** Timeline for implementation and tiers of additions back to base service

December 14

- **Budget:** Updates and feedback from 12/7 presentations as necessary
- **Service Planning:** Contingent Board decision on service level packages, equity analysis plan, and customer outreach implementation plan

January 11, 2021

- **Budget:** Return to the board to detail November results, updates as needed
- **Service Planning:** Partial implementation of Commuter Rail changes

February 8, 2021

- **Budget:** Return to the board to detail December results, policy guidance for FY22 Budget

March 2021

- **Budget:** Preliminary view of FY22 budget
- **Service Planning:** Implementation Rapid Transit changes and Ferry suspension

May 15, 2021

- **Budget:** Statutory deadline for preliminary itemized FY22 budget followed by submission to Advisory Board
- **Capital planning:** FMCB and Joint Board review draft of FY22-FY26 CIP and release for public comment
- **Service Planning:** Implementation of rest of Commuter Rail changes

June 15, 2021

- **Budget:** Statutory deadline for final itemized FY22 budget
- **Capital planning:** FMCB and Joint Board review and approve final FY22-FY26 CIP

July 1, 2021

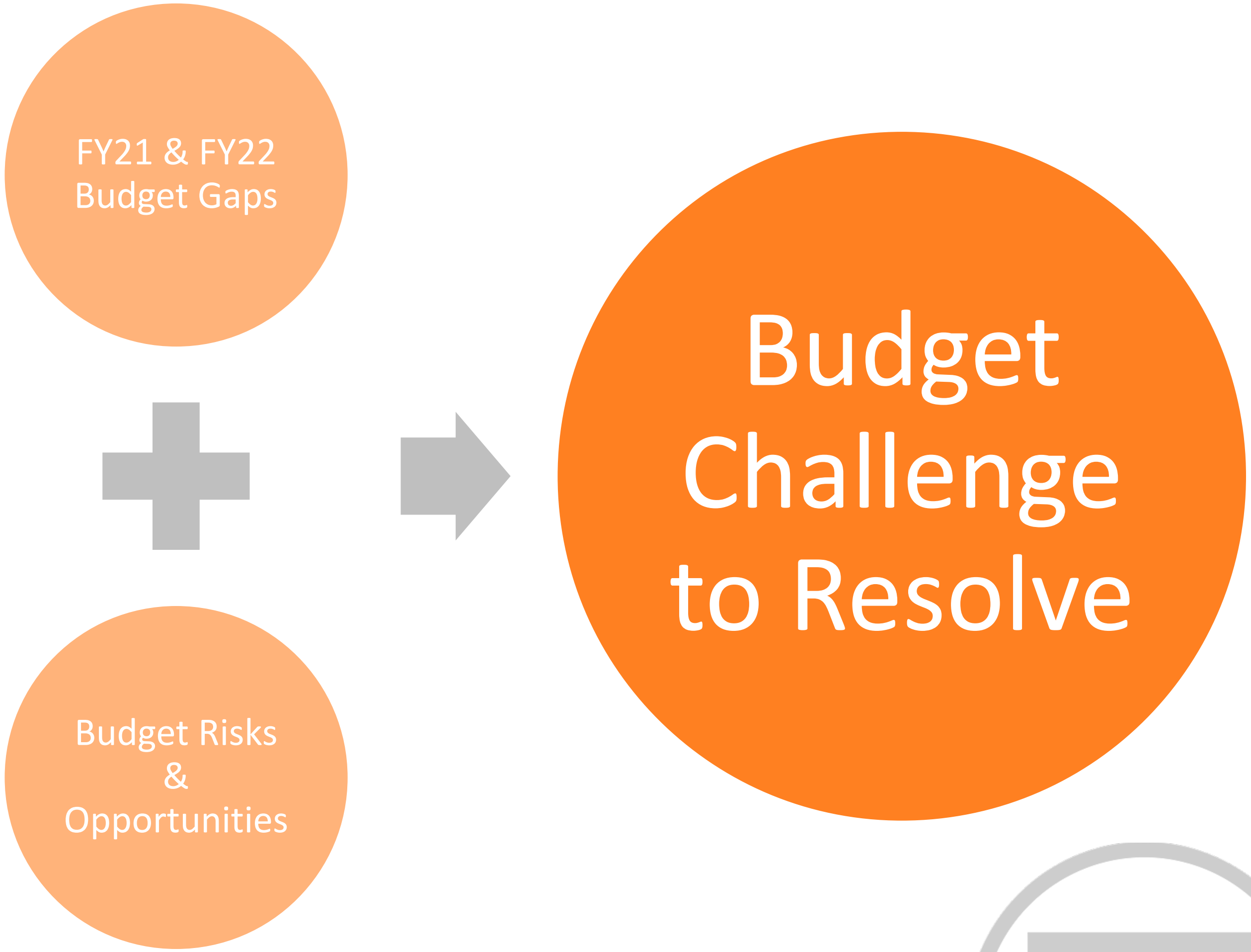
- **Budget:** FY22 begins and three-pronged approach implemented
- **Service Planning:** Implementation of Bus changes

Implementation timeline for service planning is under review

Appendix

Identifying and Planning for the Budget Challenges in FY21 and FY22

- Update FY21 and FY22 budget outlook monthly based on the latest spending and revenue data available
  - Incorporate FMCB comments, decisions, and budget estimates
  - Update any known budget risks and exposures
  - Identify potential revenue opportunities and favorability
  - COVID-19 impacts to revenue and spending add to the budget development challenge for next year over and above any pre-existing budget challenge
- Efforts to balance the FY22 budget directly impact the FY23 budget and should be considered
  - This includes the use of one-time money, timing of the restoration of the federal formula funds, as well as any deferred costs



Non-Service Departmental/Programmatic Savings Detail

- **$129M in total departmental/programmatic opportunities between FY21 and FY22 under Scenario 2 in FY22, $9M reduction from Scenario 3 due to RIDE projections and credit card transaction fees**
  - **$38M - Headcount freeze** that allows all backfills with provisions to ensure safety priorities are met
  - **$37M - Refinance parking bonds** in April 2021 to reduce net interest payments
  - **$15M - RIDE projections** based lower ridership, fewer service hours, and fuel prices
  - **$17M - Fuel savings effort** to take advantage of current pricing relative to budgeted assumptions (FY22 savings may overlap with service level planning estimates)
  - **$9M** - **Overhead cost savings of parking operations** through technology
  - **$6M - Wholesale fixed price electricity contract** update
  - **$4M - Credit card transaction fees on commuter rail** reduced due to lower ridership and lower volume
  - **$1M - Ordering fewer CharlieCards** to align with demand
  - **$1M - Paused unaffiliated staff merit pay program for FY20**
- All estimates will continue to be refined throughout FY22 budget development

Category ($M)	FY21	FY22	Total
Headcount freeze	19	19	38
Refinance parking bonds	-	37	37
RIDE projections	15	-	15
Fuel savings	17	-	17
Parking operations overhead	4	5	9
Electricity contract	2	3	6
Credit card transaction fees	4	-	4
CharlieCard orders	1	-	1
Unaffiliated staff merit pay	1	-	1
All other	1	1	2
Total	**64**	**65**	**129**

Savings figures are estimates and may not be realized at the levels targeted

One-Time and Temporary Sources Balancing FY22

- **FY22 budget plan relies on $570M in one-time funds or temporary sources**
- **$570M is 25% of total annual spending**
- Relies on one-time or temporary sources in the short term assuming ridership and fare revenue returns in the long term
- Use of one-time and temporary savings impacts mid-term MBTA plans to accelerate capital, enhance safety efforts and create a sustainable foundation for recovery
- Department cost savings does not include recurring savings from parking operations overhead

Type	Amount ($M)
FEMA Reimbursement	26
FY21 Maximum Potential Cost Savings	276
Capital Reallocation of FY22 Federal Funding	209
FY22 Department Cost Savings & Headcount Freeze	59
Total One-Time Sources in FY22	**570**

Own Source Revenue: Pre-Pandemic

- On the eve of COVID-19 pandemic, the MBTA was on track to generate nearly **$700M in fare revenue** and **$100M in own source revenue** in FY20
- Own Source Revenue growth was driven by:
  - Negotiating industry-leading advertising concessions
  - Implementing parking price changes that optimized utilization and increased revenues across the system
  - Leveraging the MBTA’s real estate assets through diversification and continuous portfolio analysis

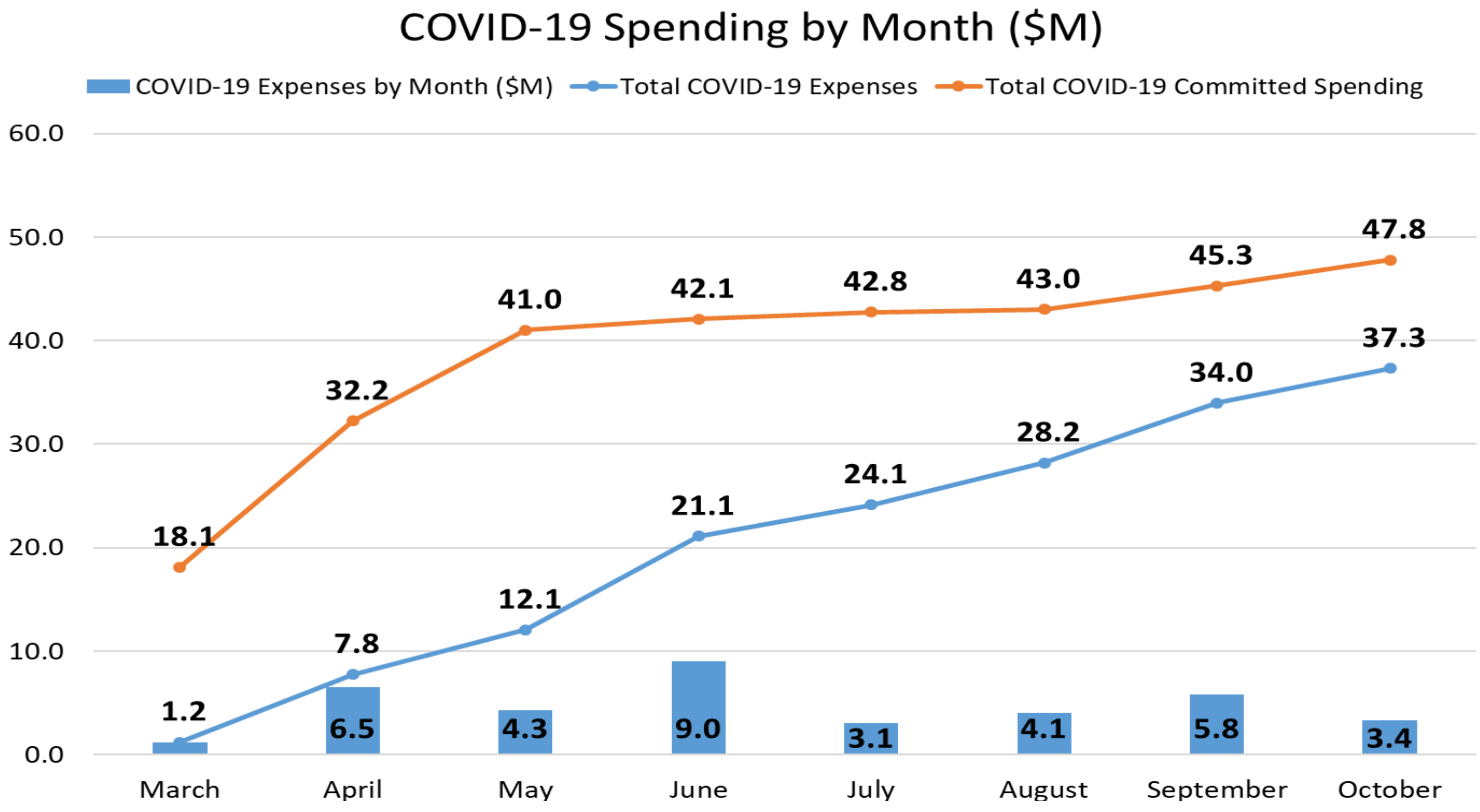
Spending Summary

- **$180.7M in total expenses** were $9.9M favorable to budget for the month, $46.1M YTD
- **Regular wages $2.7M favorable for the month, $11.5M YTD** due to headcount controls
- **Overtime $0.1M above budget for the month, $3.0M YTD** and on pace to be 13.5% below FY20 actuals
- **Materials and services $4M favorable for the month, $14.3M YTD** due to a variety of factors including fuel and utility costs
- **Purchased transit services $0.4M favorable to budget for the month, $13.1M YTD**

Expenses ($M)	Oct Budget	Oct Actual	Monthly Variance	FY21 YTD Budget	FY21 YTD Actual	$ Variance	FAV/ UNFAV	Oct FY20	FY21 Annual Budget
Regular Wages	41.1	38.4	2.7	164.0	152.5	11.5	FAV	39.9	489.3
Overtime	2.8	2.9	-0.1	10.8	13.9	-3.0	UNFAV	5.5	34.5
Wages	43.8	41.3	2.6	174.8	166.3	8.5	FAV	45.5	523.7
Fringe	25.8	24.0	1.8	102.9	97.4	5.5	FAV	23.9	307.3
Materials & Services	25.8	21.8	4.0	104.7	90.4	14.3	FAV	22.4	317.2
Insurance	1.5	1.6	-0.1	5.9	5.7	0.2	FAV	1.3	17.7
Commuter Rail	37.3	39.0	-1.7	148.7	145.1	3.6	FAV	35.2	448.9
RIDE	10.5	8.5	2.0	43.1	34.8	8.2	FAV	10.2	128.7
LSS & Ferry	1.7	1.6	0.1	7.1	5.8	1.3	FAV	1.7	20.7
Purchased Transit Services	49.5	49.1	0.4	198.9	185.8	13.1	FAV	47.1	598.3
Financial Service Charge	0.6	0.4	0.2	2.3	1.2	1.1	FAV	0.7	7.0
Total Operating Expenses	**147.0**	**138.1**	**8.9**	**589.5**	**546.8**	**42.7**	**FAV**	**140.8**	**1,771.2**
Debt Service	**43.6**	**42.6**	**1.0**	**174.5**	**171.1**	**3.4**	**FAV**	**40.8**	**523.5**
Total Expenses	**190.6**	**180.7**	**9.9**	**764.0**	**717.9**	**46.1**	**FAV**	**181.7**	**2,294.6**

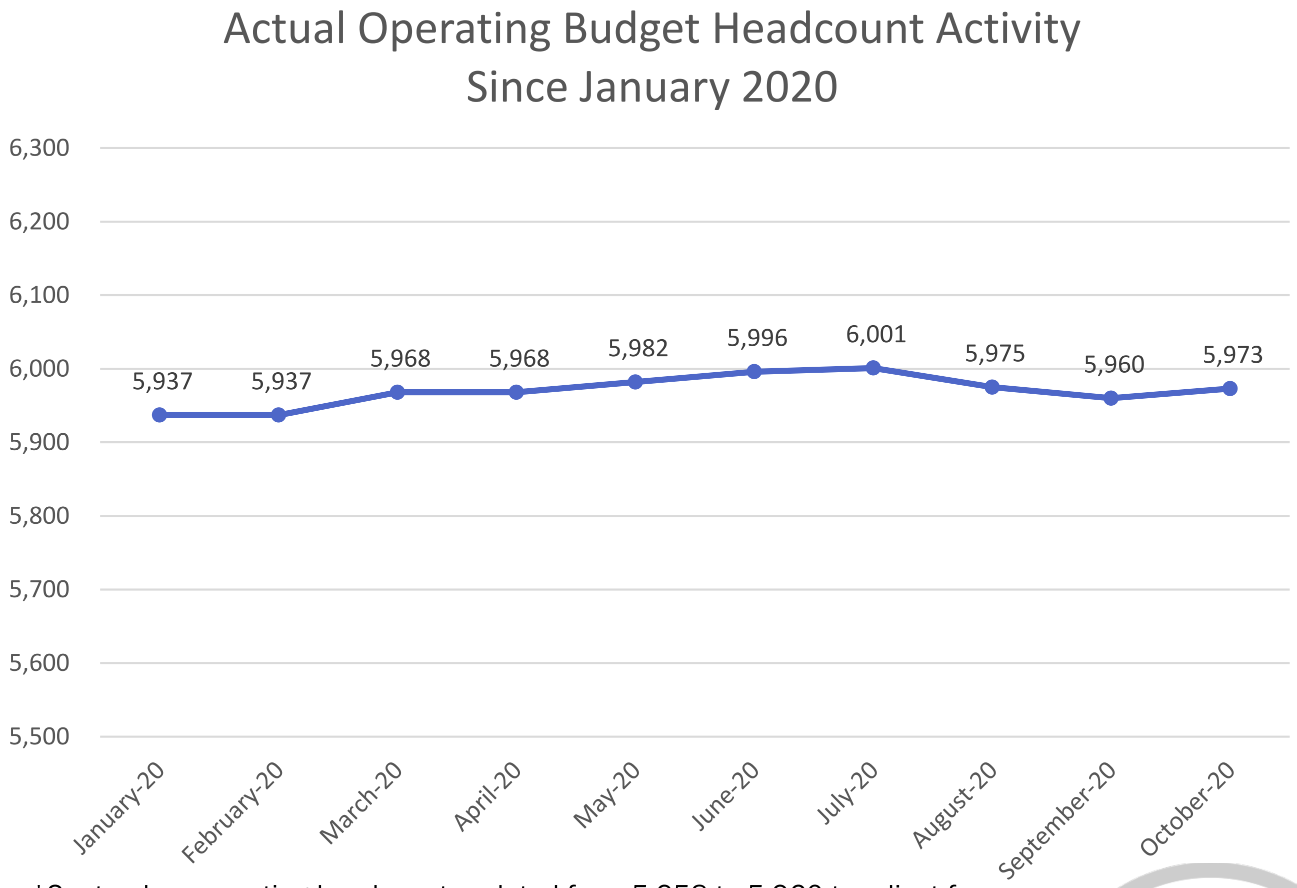
COVID-19 Spending Detail by Month

- **$37.3M in COVID-19 actual expenses and $47.8M 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
- $47.8M 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

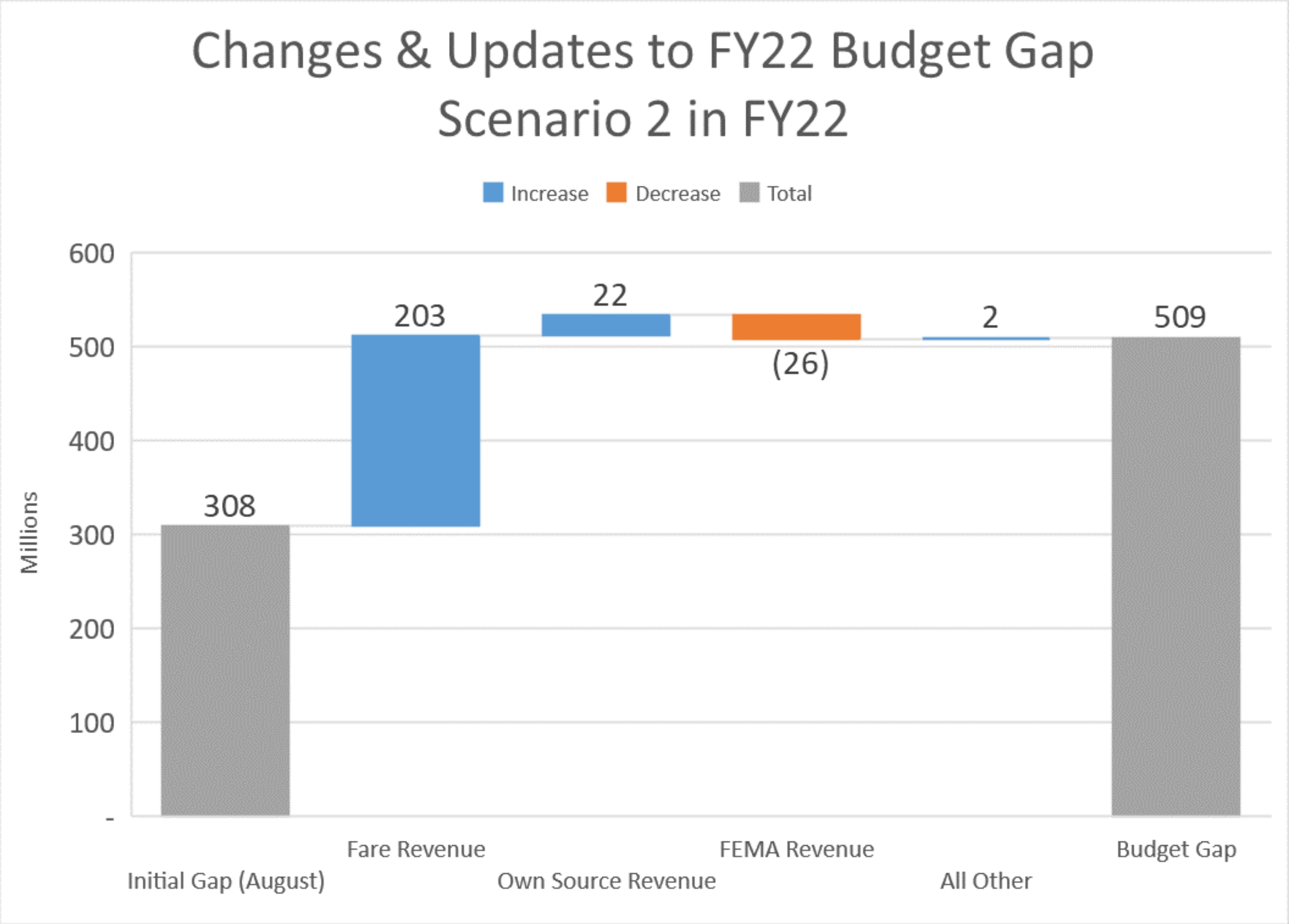
- **5,973 operating budget headcount in October**, a net 13 employee increase from September
- **51 hires and 38 separations in the month**
- Of the 51 hires, 45 in Operations with 42 of the hires being Operators/Motorpersons, 6 across all other departments
- Of the 38 separations, 31 in operations and 7 separations in Administration departments
    - Majority of separations concentrated among 14 Operators/Motorpersons and 13 specialized Engineering & Transportation Maintenance professionals
- Actual hires and separations may vary significantly from month to month due to timing and processing



*September operating headcount updated from 5,958 to 5,960 to adjust for MassDOT employees on MBTA payroll

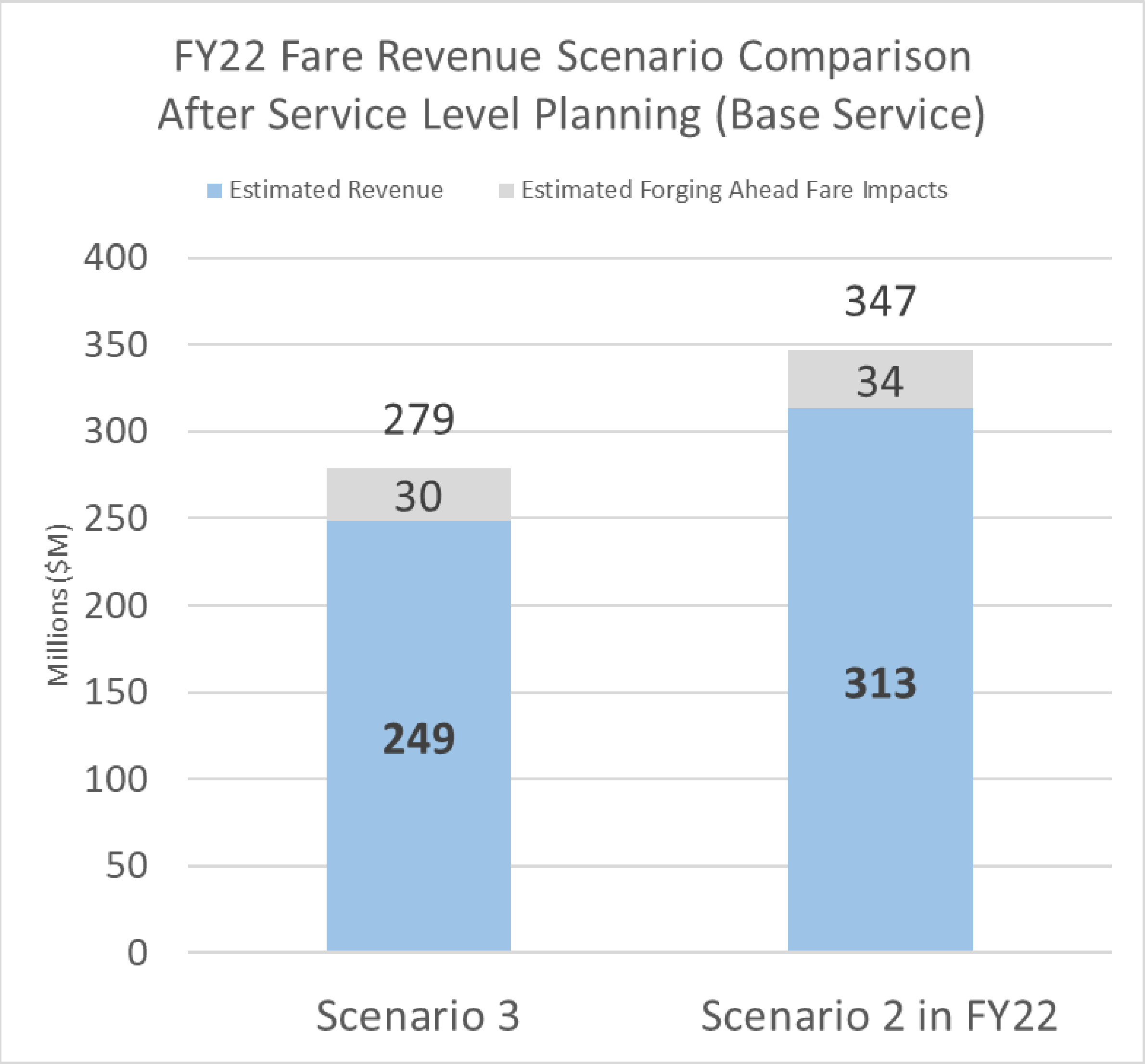
Scenario 2 in FY22: FY22 Budget Gap Update

- **$509M budget gap under Scenario 2 in FY22 fare revenue assumptions**
  - Scenario 2 improves budget gap by $75M from Scenario 3 gap of $584M
- **$22M own source revenue change** to align with Scenario 2 fare revenue assumptions
  - $7M improvement over Scenario 3 assumptions
- $24M net improvement to the budget gap from FEMA reimbursement revenue and all other items
  - No change from Scenario 3 assumptions



Scenario Comparison: FY22 Fare Revenue

- After implementation of Forging Ahead Service level changes
  - Under Scenario 3, $279M projected for fare revenue
    - Estimated $30M loss in fare revenues from the base service level package
    - Net revenue of $249M
  - Under Scenario 2, $347M projected for fare revenue
    - Estimated $34M loss in fare revenues from the base service level package
    - Net revenue of $313M
- Loss in fare revenue increases under Scenario 2 due to overall higher ridership and revenue
- $64M net budget improvement moving from Scenario 3 to Scenario 2 after adjusting for forging ahead base service level impacts



Scenario Comparison: Own Source Revenue Update

- Scenario 3, own source revenues are 46% of baseline (FY20 budgeted amounts)
- Scenario 2 in FY22 own source revenues are 52% of baseline (FY20 budgeted amounts)
- A net $7M increase from Scenario 3 to Scenario 2 as parking and advertising revenues increase to align with the improved ridership assumptions
- Real estate and other revenues remain unchanged as they are less responsive to ridership changes

Total FY22 Estimates and Changes ($M)

Type	Scenario 3	Scenario 2 in FY22	Change
Advertising	14	18	3
Parking	14	17	3
Real Estate	17	17	-
Other	6	6	-
Total	**51**	**58**	**7**

FY22 Revenue Estimates as a Percentage of Baseline

Type	Scenario 3	Scenario 2 in FY22	July 2020-September 2020 Actuals
Advertising	39%	48%	26%
Parking	31%	38%	4%
Real Estate	80%	80%	82%
Other	69%	69%	56%
Total	**46%**	**52%**	**27%**

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 $56.6M** is 24% of the minimum $236M target

Operating Budget Deficiency Fund	
Description	**Amount ($M)**
Pre-existing Balance	**19.5**
July 2020 Net Revenue	*(1.1)*
August 2020 Net Revenue	*14.5*
September 2020 Net Revenue	*16.1*
October 2020 Net Revenue	*7.5*
FY21 Net Transfers to Date	**37.1**
FY21 Balance Amount to Date	**56.6**
Targeted Ending Balance Range	***236.0-276.0***

Summary of Transit System Challenges

- Barring any additional governmental assistance, transit systems across the country are maintaining or planning personnel and/or service changes to respond to the financial challenges resulting from COVID-19 impacts

New York	**Reducing service on subways by 40%, two commuter rail lines by 50%, with up to a quarter of bus routes across the city facing service cuts, and more than 9,300 jobs eliminated in 2021**
Washington, D.C.	**Eliminating 1,400 jobs through buyouts, layoffs and cutting positions that are not associated with safety or other core missions**
Chicago	**Relying on another round of stimulus funding from the federal government to close a $372 million budget gap**
San Francisco	**May maintain the elimination of nearly 60% of its bus lines for the next two years if emergency funding does not arrive**
Los Angeles	**Reducing 20% of bus and rail service**
Denver	**Keeping the 40% service cuts that were made at the start of the pandemic**
Atlanta	**Cannot restore most of the 70 bus routes that were cut in Spring 2020 until conditions change**

https://www.bloomberg.com/news/articles/2020-11-19/-doomsday-transit-cuts-could-cripple-u-s-economy

FY22 Scenario Planning Summary from October

- Fare revenue scenarios, developed in collaboration with MassDOT Planning, as presented on October 19 provide a longer term outlook factoring in COVID-19 impacts, the pace of economic recovery, and behavioral changes
- Scenario 3 adopted model for FY21 budget, and for FY22 budget planning
- Scenario 2 presented in light of potential vaccine
- Scenario 1 was even more optimistic than Scenario 2 and can be contemplated if observed ridership improves beyond Scenario 2 levels

Scenario 3

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

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 telecommuting opportunities