



**Massachusetts Bay
Transportation Authority**

FY22 Preliminary Budget

Fiscal and Management Control Board

April 26, 2021

Mary Ann O'Hara, Chief Financial Officer

FY22 Preliminary Budget Agenda

- FY22 preliminary budget highlights
 - Revenue assumptions and historical detail
 - Spending assumptions and historical detail
 - Headcount summary
 - Service level budgeting and initiatives
 - Preliminary budget vote
-
- The Preliminary FY22 Operating Budget is an initial budget, and we anticipate tracking, reporting, and, if necessary, revising, the FY22 budget with routine updates throughout the year as we monitor observed spending, revenue, and ridership trends



FY22 Preliminary Budget Highlights

Increasing Service Consistent with Service Restoration Plans

- Adds back bus and rapid transit service as quickly as possible
- Adds back commuter rail weekend service as soon as possible
- Reintroduce Charlestown/Hingham direct service and adds back Hingham direct and additional Hingham/Hull service
- Funds additional service and support needs of Green Line Extension (GLX)

Continuing Safety & Service Improvement Initiatives

- Invests in new safety-critical and system-critical positions
- Advances Bus Transformation with additional resources to achieve a better, faster, lower emissions service that is more aligned with where riders live, work, and travel
- Advances Regional Rail Transformation with additional resources to develop the business model and development plan for the future

Maximizing Revenues and Planning for Next Fiscal Year

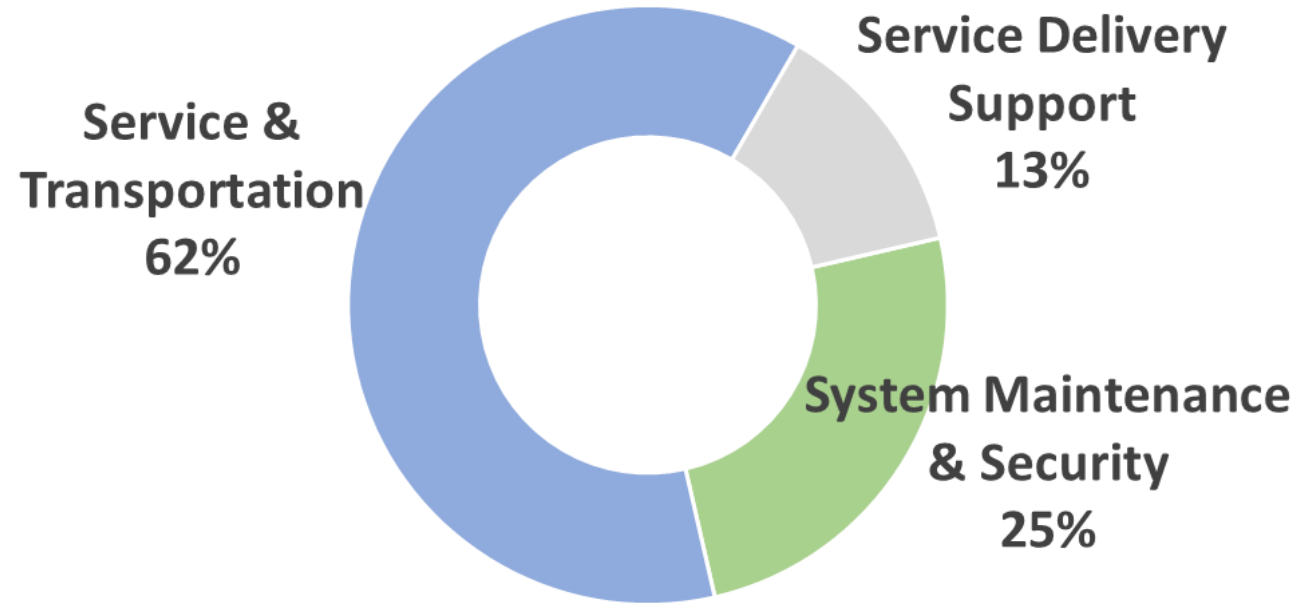
- Does not rely on or include any fare increases
- Does not rely on or include any layoffs or furloughs
- Does not reallocate or divert funds from the capital budget
- Maintains a two-year budget outlook, based on Scenario 3 fare revenue estimates as reviewed at March 29 FMCB presentation, and assumes the existing one-time federal relief funds dedicated to the projected budget gap next year



Operating Expense Breakdown

- 87% of operating expenses directly tied to service transportation and system maintenance
 - 62% directly supports all service and transportation including adding back service from COVID-19 and new service like GLX
 - 25% for system and vehicle maintenance, safety, and security
- 13% to support service delivery and the customer experience

FY22 Breakdown of Operating Expenses



Operating expenses do not include debt service payments. Total expenses in the FY22 budget are operating expenses plus debt service payments.



Revenue Summary & Assumptions

- **Fare revenue and Other operating revenue** (parking, advertising, real estate, etc.) increase with expected ridership return
- **Sales tax revenue** carried at FY22 state estimate, \$91M above the FY21 budget and \$78M above the FY22 certified base revenue amount of \$1,096M
 - Up to \$78M in budget risk in FY22 if state sales tax collections do not meet benchmarks (currently low risk)
 - Base revenue amount of \$1,083M in FY21 budget as adopted but FY21 projections fully incorporate \$92M upside from the state estimate of \$1,175M
- **Other income** reduction reflects the loss of Green Line Extension (GLX) mitigation revenue and one-time state supplemental operating assistance
- **One-time revenue** of \$605M in FY22 captured through two revenue categories, federal revenue and transfers
 - **Federal revenue** includes \$140M in American Rescue Plan (ARP), \$65M in Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), and \$34M in FEMA reimbursement for COVID-19 expenses
 - **Transfers** in FY22 reflect one-time Deficiency Fund transfer from FY21 planned savings approved by FMCB, including budget savings, sales tax upside, CRRSAA funds

Table compares FY21 budget as adopted to FY22 preliminary budget assumptions

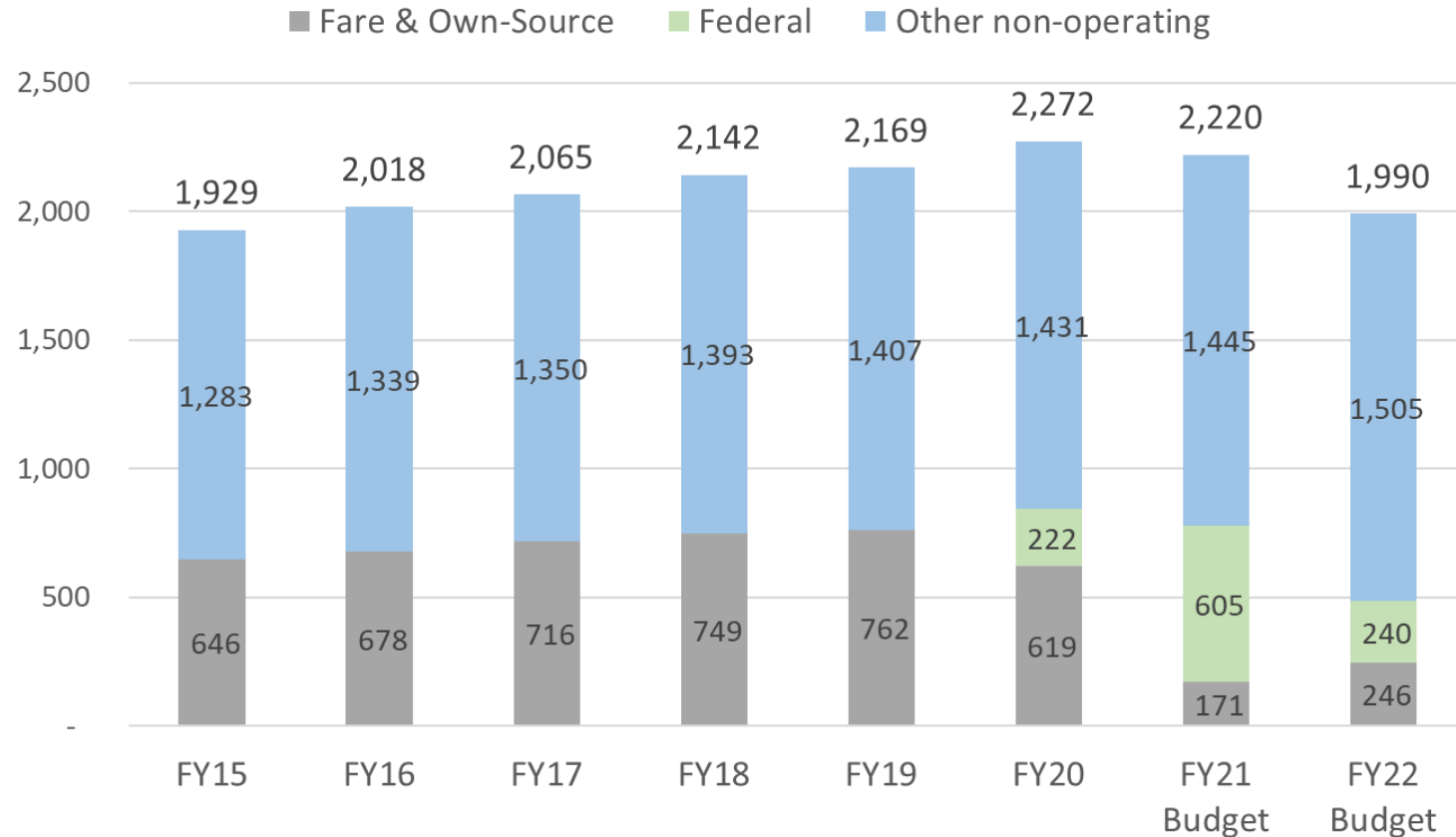
Item (Figures in millions)	FY21 Budget	FY22 Budget	\$ Change	% Change
Fare Revenue	144	200	57	39%
Other Operating Revenue	27	45	18	68%
Subtotal Operating	171	246	75	44%
Sales Tax	1,083	1,174	91	8%
Local Assessment	178	179	1	1%
State Assistance	127	127	-	0%
Other Income	57	24	(32)	-57%
Federal (One-time revenue)	605	240	(366)	-60%
Subtotal Non-operating	2,050	1,745	(305)	-15%
Total Revenue	2,220	1,990	(230)	-10%
Transfers	20	365	345	1753%
Total Sources	2,240	2,355	115	5%



Operating & Non-operating Revenues

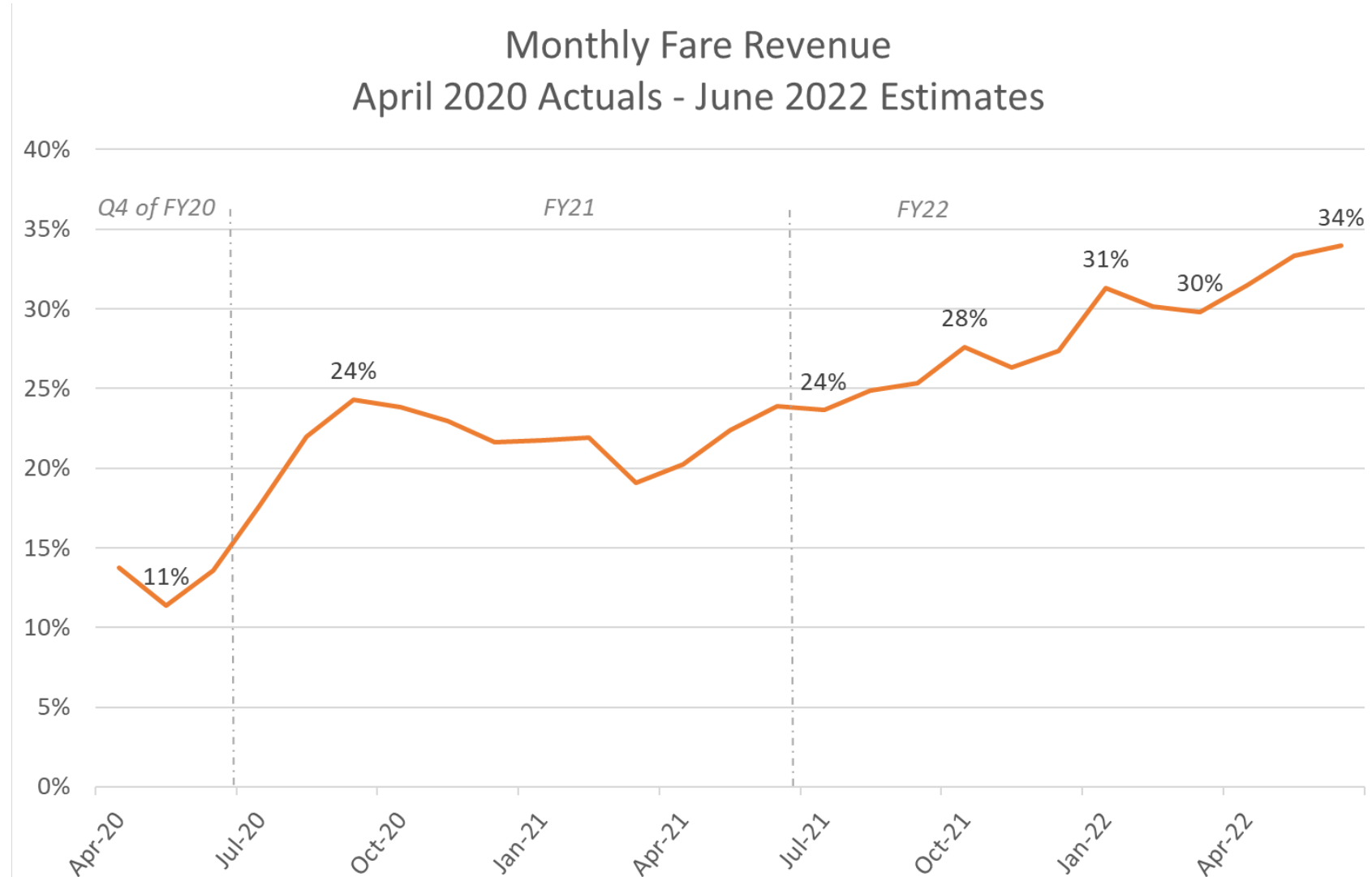
- \$1,745M in non-operating (subsidy) revenue in FY22
 - \$240M in one-time federal revenues
 - \$1,505M in other non-operating, recurring revenue, primarily from sales tax
- 88% of total revenues are from sources subsidizing the cost to operate the system and maintain service
 - Prior to COVID-19, non-operating revenue made up approximately 65% of annual total revenues
- \$246M in fare and own-source (operating) revenue, down 68% from FY19
 - FY19 actuals of \$762M
- Transfers, like the \$365M Deficiency Fund transfer, are not included in operating or non-operating revenues
 - Inclusive of this transfer, total sources in FY22 are \$2,355M, a 5% increase above the FY21 budget

Breakdown of Operating & Non-operating Revenue History (\$M)



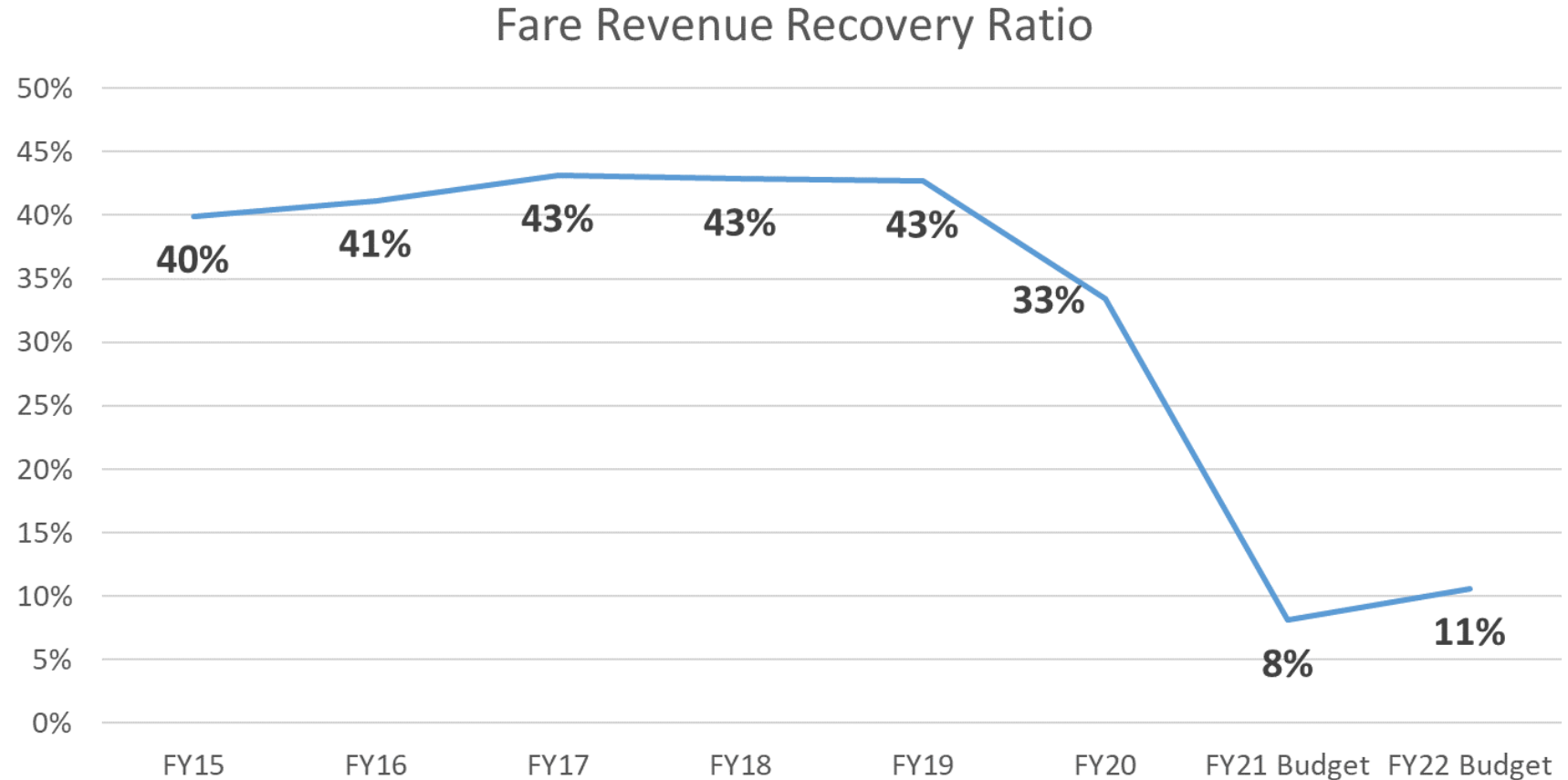
Fare Revenue Growth by Month Since COVID-19 Impacts

- FY22 Fare revenue estimate of \$200.2M
 - 39% increase above the FY21 budget
- Growth in FY22 increases from a low of 11% of baseline in May 2020 (\$6.6M) to 34% of baseline in June 2022 (\$20.2M)
- 29% average of the pre-COVID-19 baseline for the year in FY22
- February 2021 actuals, 22% of baseline (\$11.8M)



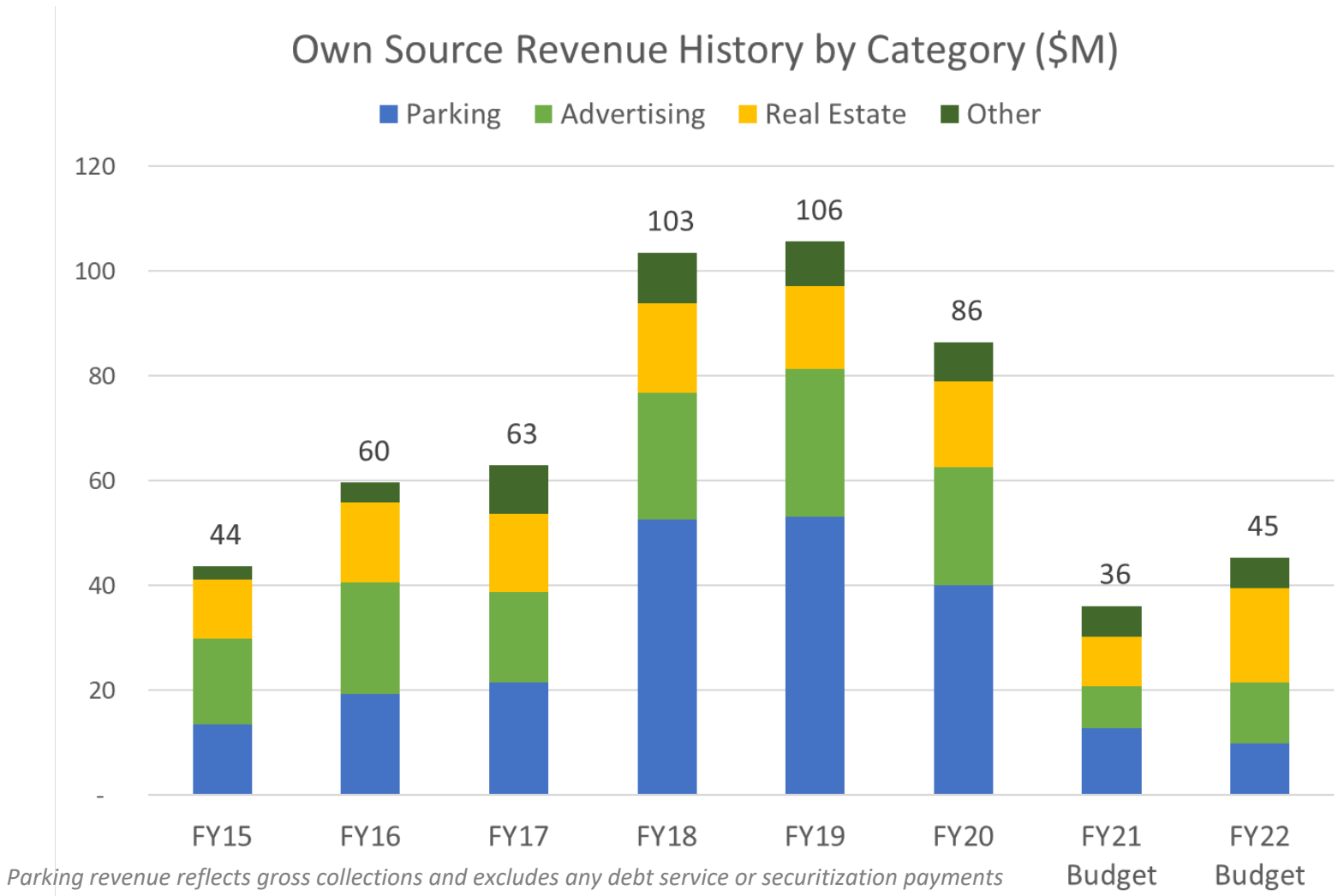
Fare Revenue Recovery Ratio

- Although fare revenue estimates increase in FY22, the fare revenue recovery ratio has decreased significantly from pre-COVID-19 levels
 - Non-operating subsidy revenue like one-time federal relief funding and planned savings from FY21 support a greater percentage of FY22 operating expenses
- 11% fare revenue recovery ratio in FY22 means that fare revenue supports only 11% of operating expenses
- Prior to COVID-19, fare revenue recovery ratio increased to 43% from FY15-FY19



Own-Source Operating Revenue

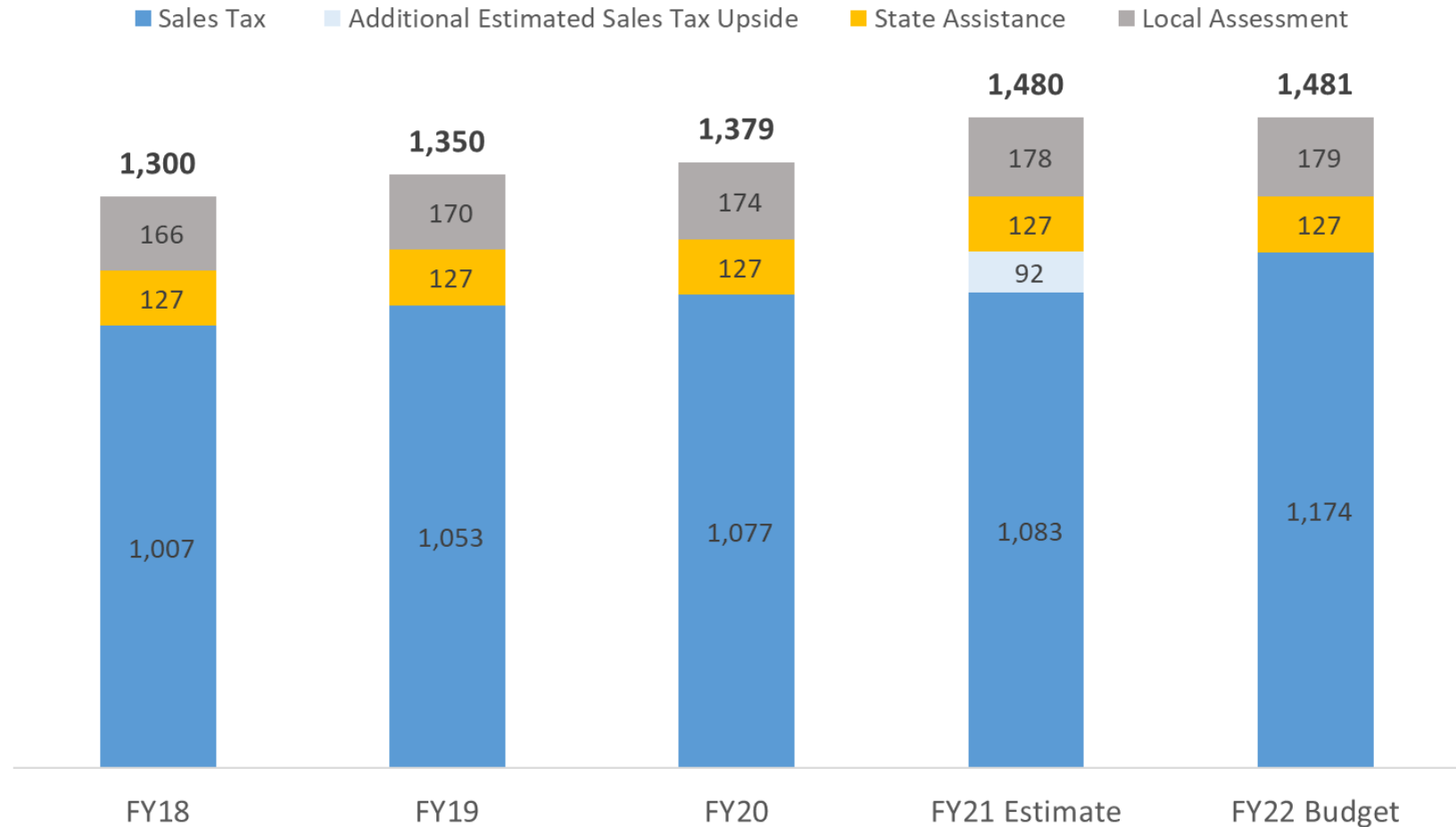
- Own-source revenue correlates with fare revenue assumptions as COVID-19 impacts have reduced parking and advertising revenue, while real estate revenues have remained more stable
- \$45M in own-source operating revenue in FY22, a 57% decrease below FY19 actuals
 - \$10M in parking revenue, a 81% decrease from FY19
 - \$12M in advertising revenue, a 59% decrease from FY19
 - \$18M in real estate revenue, a 14% increase from FY19
- Prior to COVID-19, own-source operating revenue realized 25% average annual growth from FY15-FY19
 - 41% increase in parking revenue
 - 15% increase in advertising revenue
 - 9% increase in real estate revenue



State and Local Operating Revenue Sources

- \$1,481M estimate for FY22 in state and local revenue, largely level to FY21 estimates
- FY21 sales tax estimate of \$1,175M is \$92M above the base revenue (floor) amount, but consistent with state budget revenue benchmark estimates, including \$40M in one-time sales tax acceleration revenue
 - Estimated state sales tax revenue growth in FY22 largely offset by loss of one-time acceleration revenue
- Sales tax revenue supports 50% of expenses
- State assistance supports 5% and local assessments support 8% of expenses

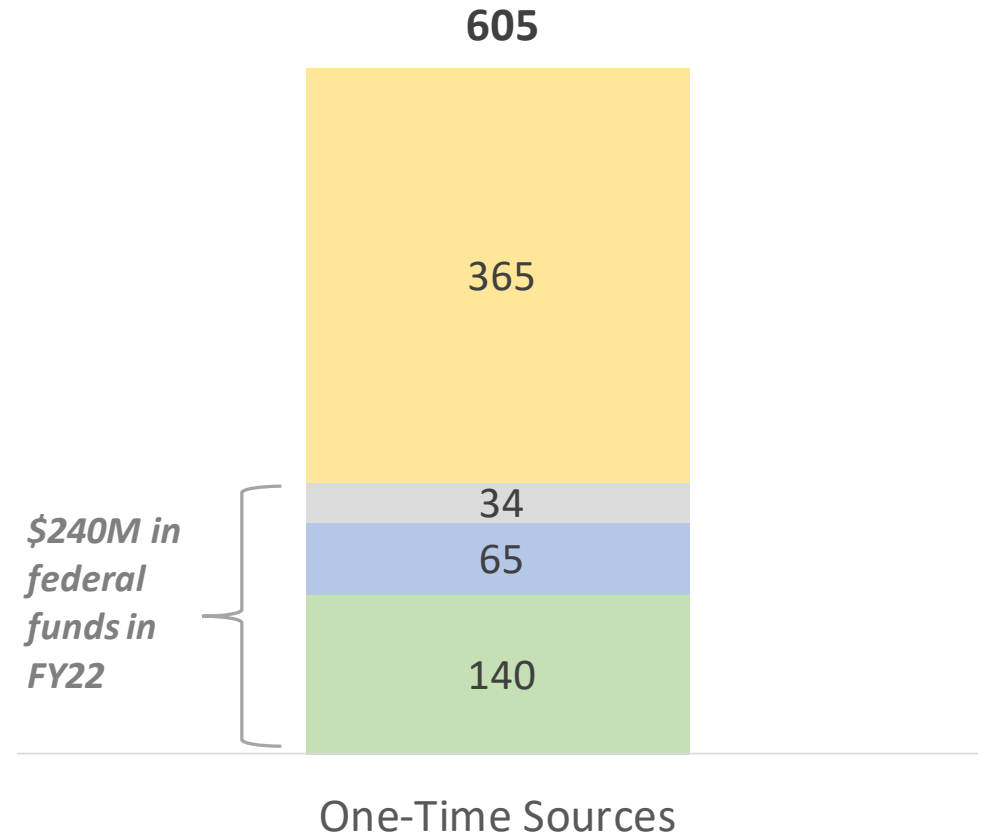
State & Local Operating Revenue Sources (\$M)



One-Time Sources in FY22

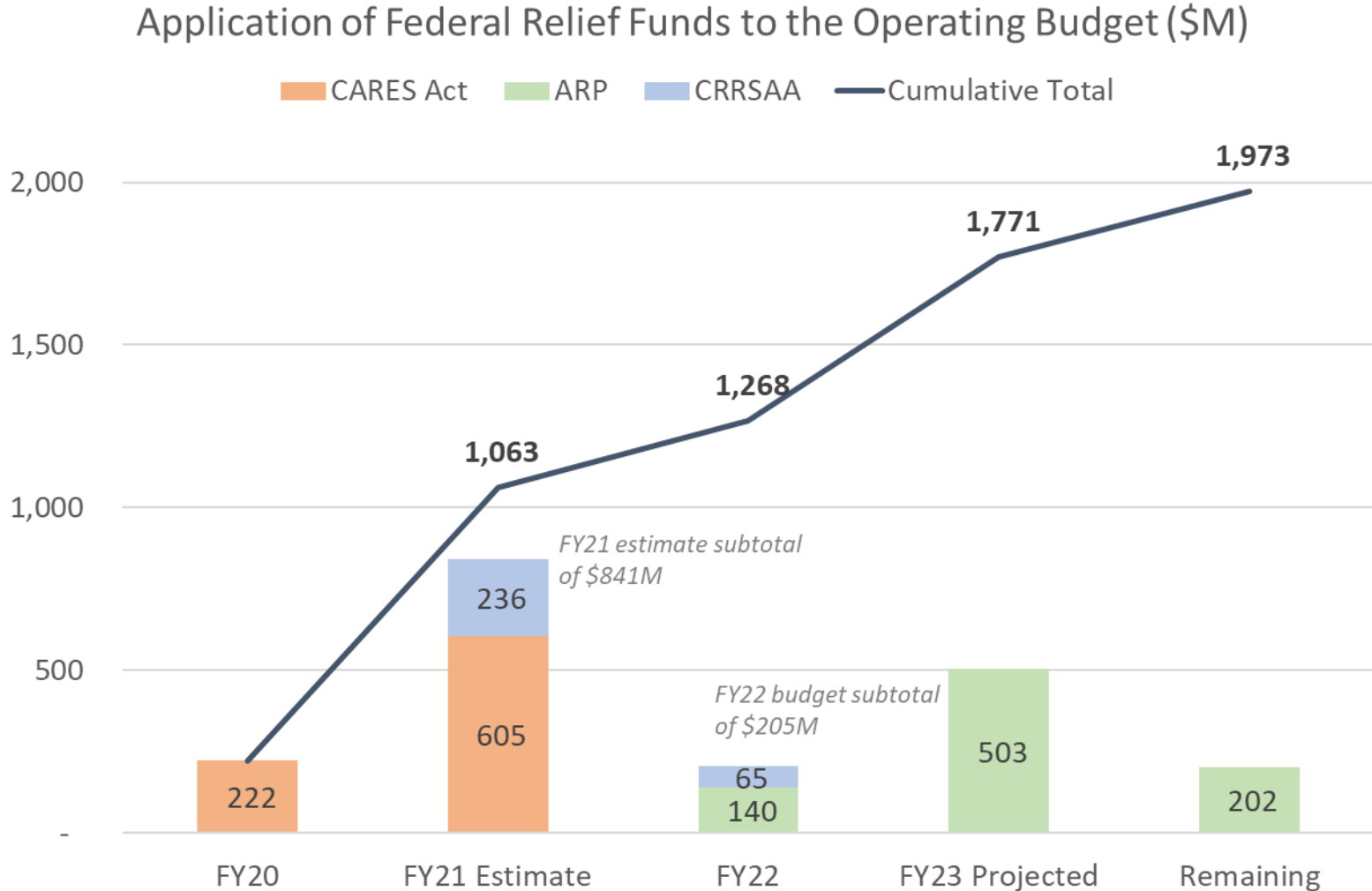
- **\$605M in one-time sources create a path to balance in FY22**
 - 26% of FY22 total expenses supported through one-time revenues
- **\$240M in federal funding through COVID-19 relief/reimbursement**
 - \$140M from the American Rescue Plan with the remaining \$705M (\$845 estimated total not yet finalized) available to be applied to the projected operating budget in FY23 to address long-term COVID-19 impacts
 - \$65M of the \$301M estimated in CRRSAA federal relief funds in FY22 (remaining included in Deficiency Fund transfer)
 - \$34M in FEMA reimbursement for COVID-19 eligible expenses following a Presidential executive order in January 2021 increasing the reimbursement rate from 75% to 100%
 - Monitoring latest guidance to maximize potential reimbursement
- **\$365M Deficiency Fund Transfer of FY21 savings**
 - Combination of FY21 cost savings, revenue upside, and federal relief (including all other CRRSAA funds)

FY22 One-Time Sources (\$M)



Application of Federal Relief Funds to the Operating Budget

- \$1,275M or 65% of estimated federal relief funds applied to the operating budget by the end of FY22
 - \$1,778M or 90% by the end of FY23 after maintaining a prospective budget outlook
 - \$1,063M or 54% within the next few months by June 2021
- Estimates assume a total of \$1,973M in one-time federal relief
 - \$827M from CARES Act
 - \$301M from CRRSAA
 - \$845M from ARP, a preliminary estimate
- \$503M in FY23 is a projection as of the March Pro Forma presentation to the FMCB on 3/8, subject to revisions and updates



Spending Summary & Assumptions

- **Wages and benefits** increases account for additional headcount for GLX operation, new safety hires, ratified collective bargaining agreements, overtime, and pension costs
 - 6,351 operating budget positions, 438 (7%) above FY22 baseline from Winter 2020-2021
 - Pension costs growing at 10% in FY22, consistent with five-year average growth
- **Service level** funding in accordance with service restoration plans as presented
- **Other operating expenses** include insurance policies increasing as premium costs trend higher following COVID-19 uncertainty
- **The RIDE** projected to be consistent with average ridership demand of 64% of baseline
 - Higher observed ridership will increase costs and result in a potential budget risk while lower ridership will decrease costs resulting in potential budget favorability
- **Debt service payment** reduction resulting from parking bond refunding savings
 - \$562M debt service payment in FY23 per March 2021 Pro Forma FMCB presentation, a \$95M (20%) increase above FY22

Table compares FY21 budget as adopted to FY22 preliminary budget assumptions

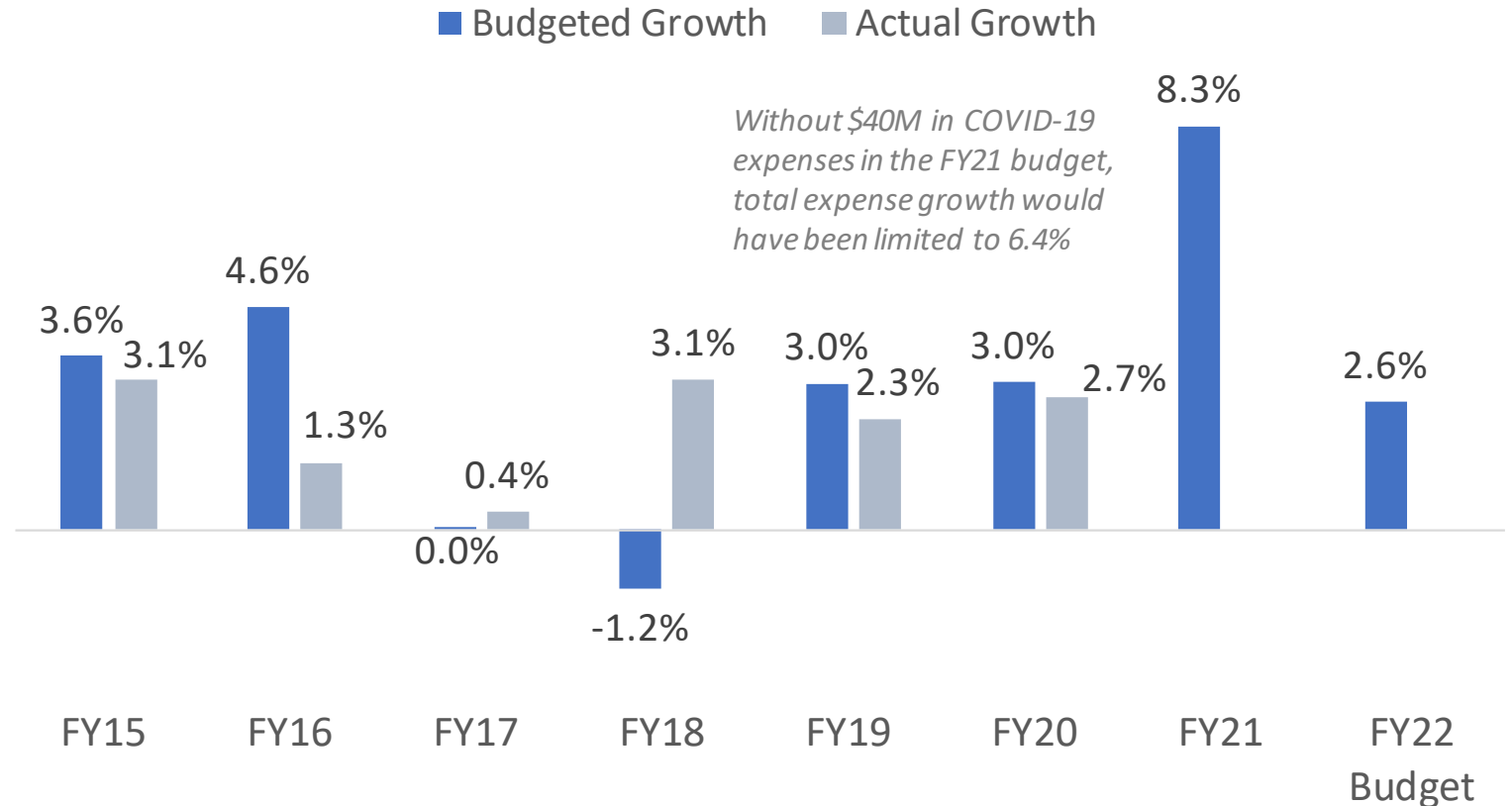
Item (Figures in millions)	FY21 Budget	FY22 Budget	\$ Change	% Change
Wages & Benefits	831	899	68	8%
Materials, Supplies, & Services	317	338	20	6%
Other Operating Expenses	25	33	8	33%
Commuter Rail	449	481	32	7%
The RIDE	129	115	(14)	-11%
Ferry	17	18	1	3%
Other Local Service Subsidy	3	3	0	1%
Subtotal Operating	1,771	1,887	115	7%
Debt Service	523	468	(56)	-11%
Total Expenses	2,295	2,354	60	3%



Spending Growth History: Actuals and Budget

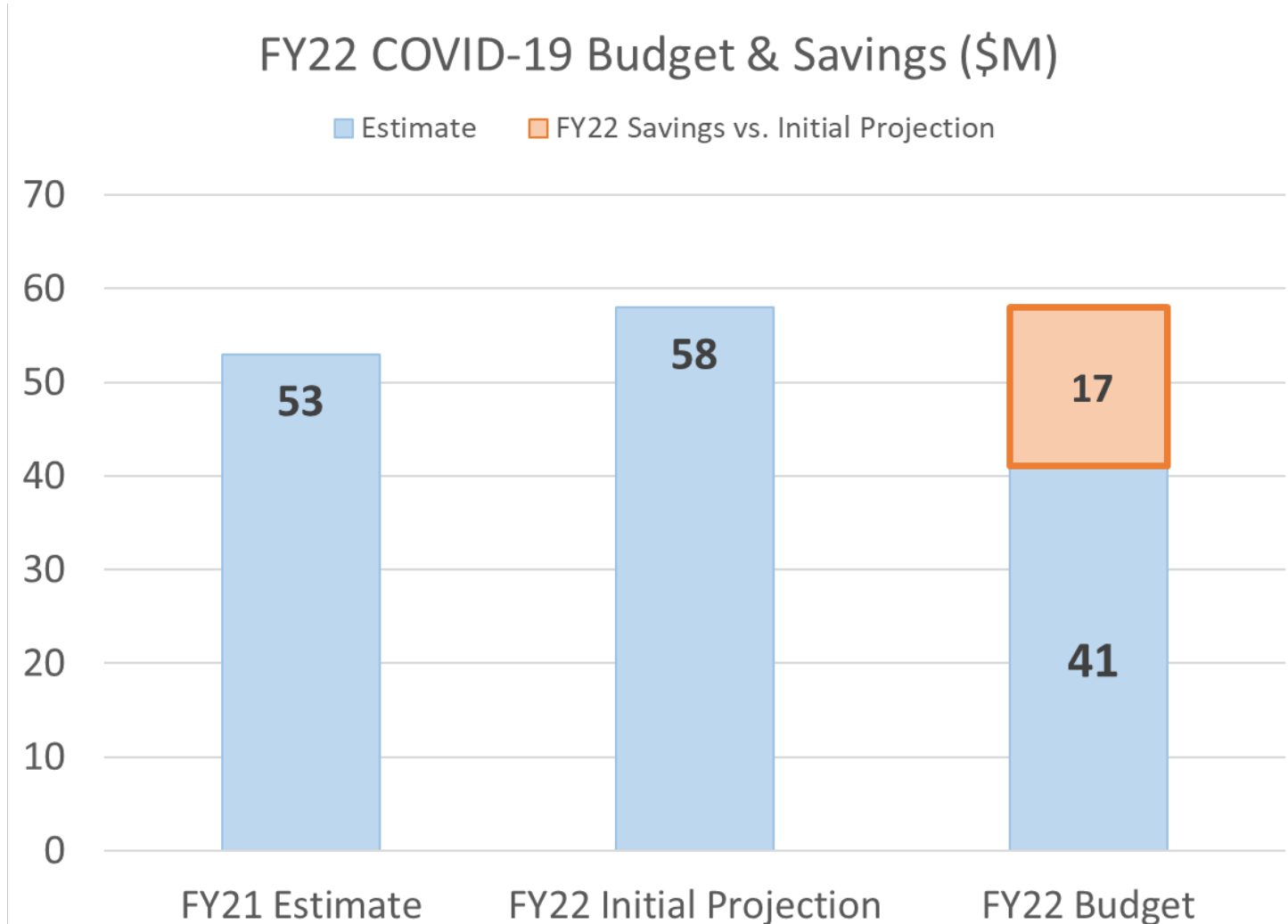
- 2.6% budgeted total expense growth in the FY22 budget
- Below budgeted expense growth since FY19 and aligned with actual expense growth in FY20
 - FY22 growth limited by \$56M (11%) decrease in debt service expense payments
- FY21 budget increase driven by COVID-19 expenses, debt service payments, and commuter rail contract extension

Budgeted and Actual Spending Growth History



COVID-19 Spending & Savings Summary

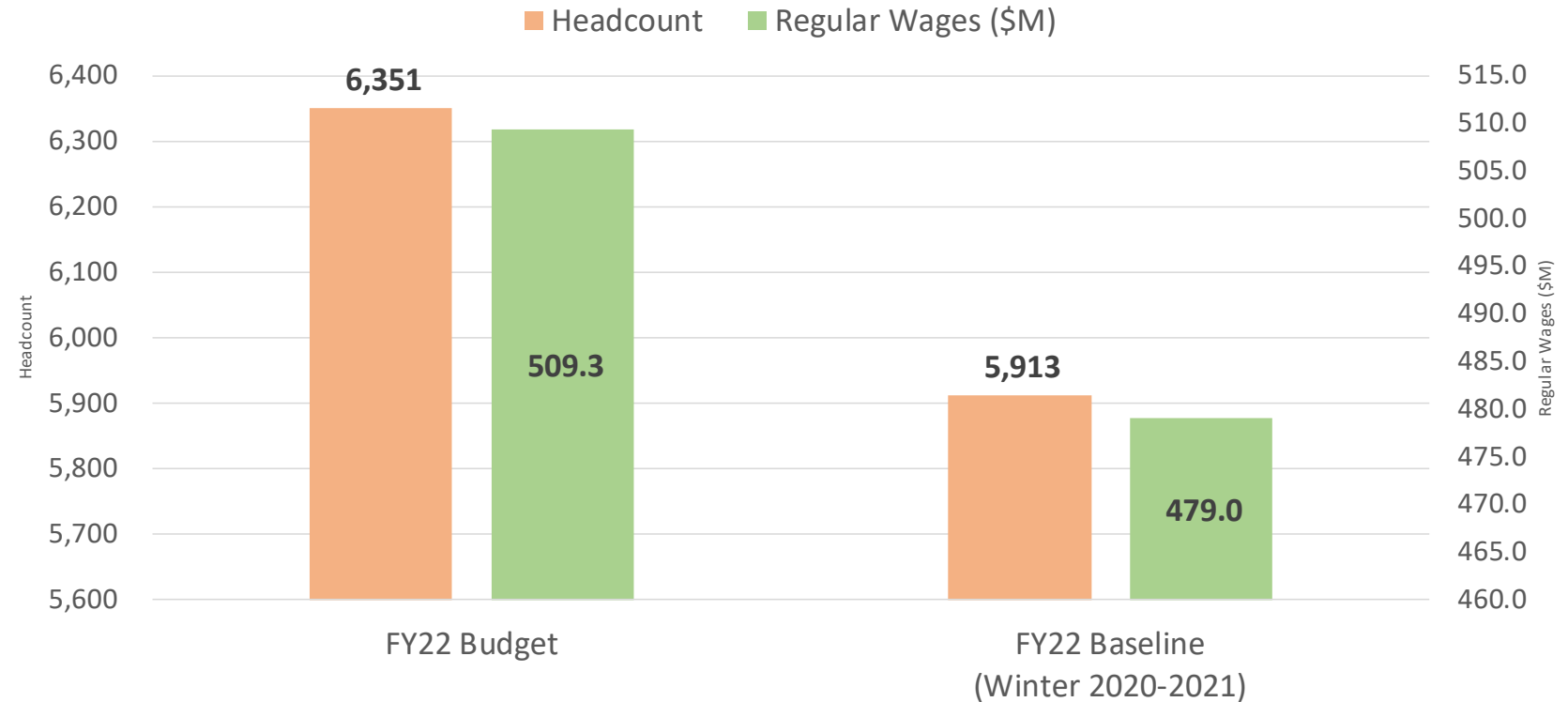
- \$41M in COVID-19 related spending in FY22 to continue cleaning protocols consistent with the latest public health guidance
- \$17M, 29% savings from initial FY22 projection of \$58M from November 2020 budget update presentation
 - \$12M, 23% savings from FY21 estimate of \$53M that includes \$40M budgeted and \$13M in deficiency/risk
- Savings from initial projections resulting from renegotiated contracts considering increased market competition and maximizing MBTA PPE inventory
- FY22 actuals will vary to budget with any updates to public health guidance for operator and rider safety



FY22 Headcount Overview

- FY22 budget includes 6,351 operating budget positions
- 438 (7%) above FY22 baseline from Winter 2020-2021
- 438 positions plus 474 backfills for attrition (FY19-FY20 average) throughout FY22 would mean at least 912 total hires, 40% higher than the average amount the last two years (651 average)
 - \$350K in additional HR support to meet demand as quickly as possible

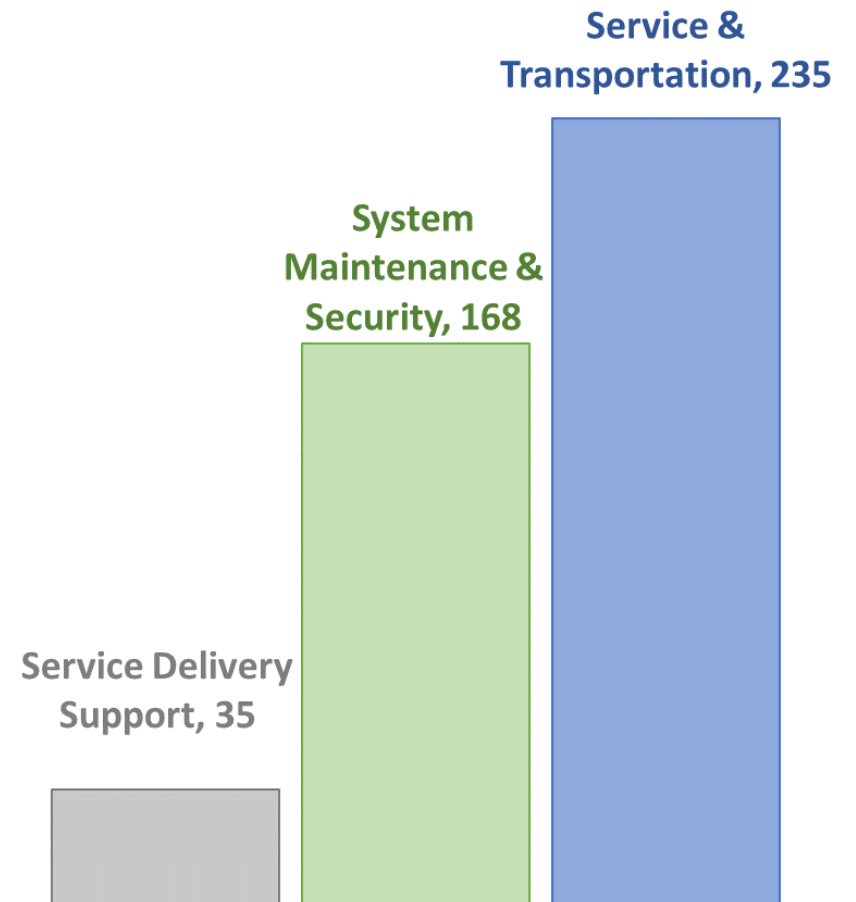
Total Headcount & Regular Wages Detail



FY22 Headcount Detail

- 6,351 operating budget positions, 438 (7%) above FY22 baseline from Winter 2020-2021
- **235 positions directly for service & transportation**
 - 97 positions to restore bus service and 31 positions among the other modes
 - 71 transportation-related positions to operate GLX
 - 36 positions for operations planning, training, and engineering
- **168 positions for system maintenance & security**
 - 98 positions for system and facilities maintenance
 - 43 positions for vehicle maintenance for the bus and rail system
 - 27 positions among security, health & safety, and transit police
- 35 positions for service delivery support among 18 other departments

FY22 Headcount Increases Above Baseline



Green Line Extension & Headcount

- 166 headcount increase for Green Line Extension Service
- 89 system and vehicle maintenance positions including rail repairers and wirepersons
- 71 transportation positions and operators to run the additional service
- 6 operations planning and training positions
- Additional revenue for GLX limited due to projected light rail ridership levels and riders currently using available bus service

Green Line Extension

166
positions

\$14M in
annual
wages

Operations Safety & Headcount

- 125 headcount increase for operations safety positions
- 78 positions for system and vehicle maintenance, including system repairers and technicians
- 32 positions for transportation safety, including rapid transit motorpersons and bus supervisors
- 10 positions for operations planning and training, including dispatchers and supervisors
- 5 positions for security, including system administrators
- To date, despite the hiring challenges of COVID-19 and headcount controls, approved and recruited for over 100 safety-critical positions and filled over 80 of those positions, including 12 employees in the Safety department
- Additional positions improve transportation and system safety and reliability with the added benefit of reducing overtime

**Operations
Safety**

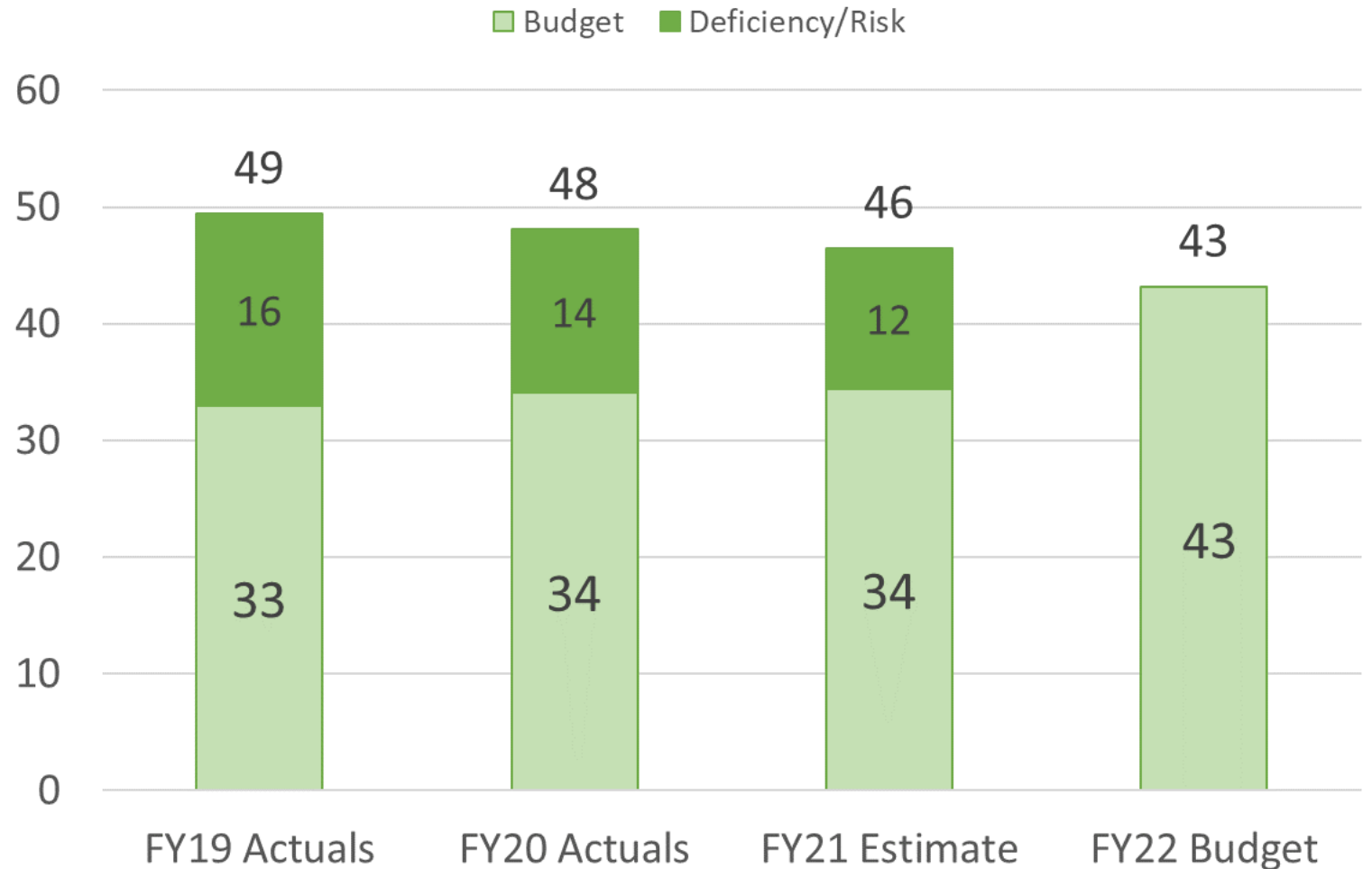
**125
positions**

**\$11M in
annual
wages**

Overtime Spending Trend & Targeted Savings

- FY22 budget level mitigates the potential overtime budget risk/deficiency that has been realized annually
 - FY19-FY21 budget levels created \$12M-\$16M deficiency/risk each year
- \$43M overtime budget in FY22 continues downward trend of actual/projected spending since FY19
 - FY22 budget targets 10% savings in overtime spending compared to FY20 actuals of \$48M
- Overtime cost-control working group actively managing to mitigate or reduce the \$12M estimated deficiency/risk in FY21

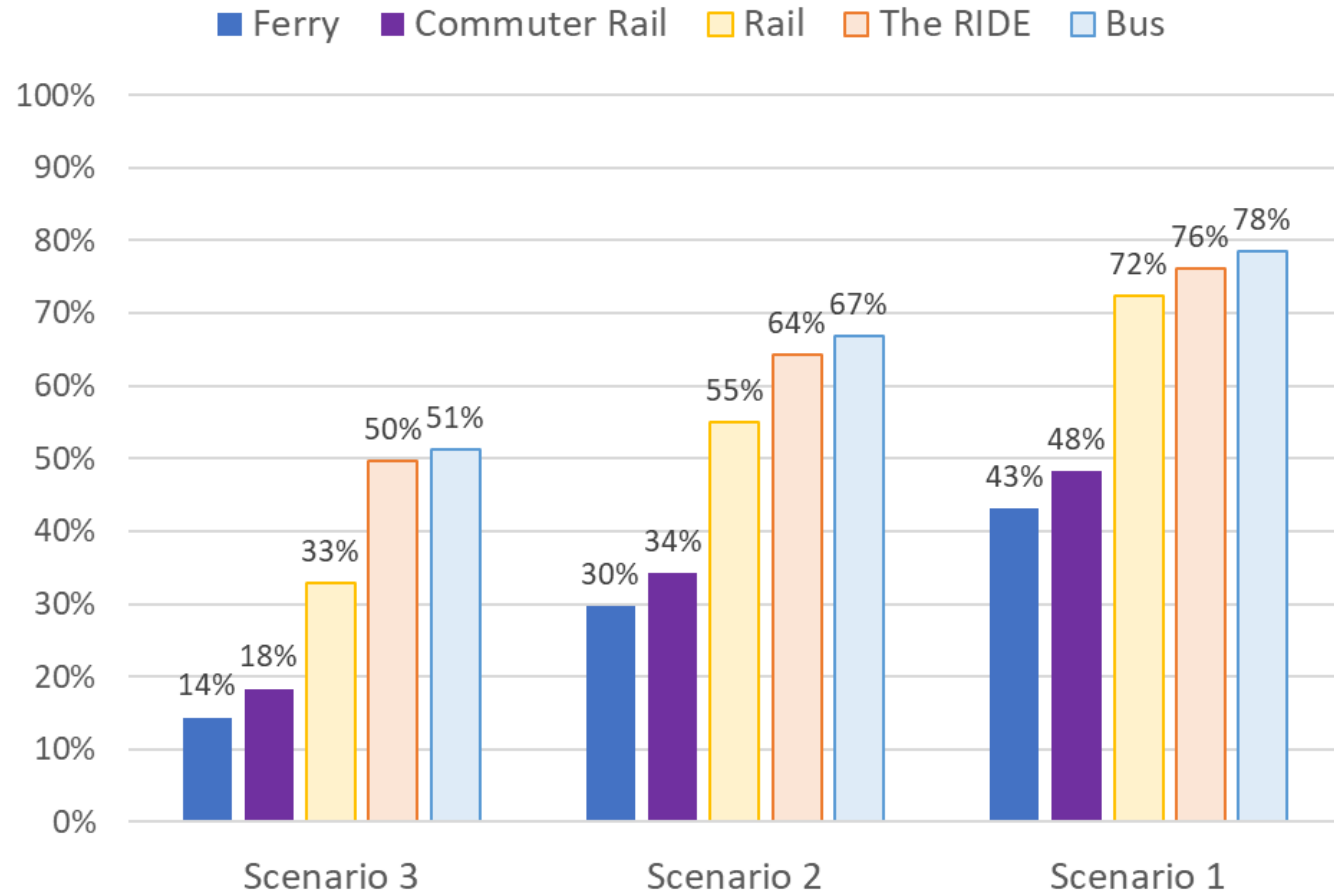
FY22 Overtime Budget Approach (\$M)



Service Level Planning & Ridership Projection Ranges

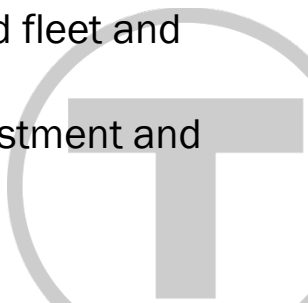
- **Service level** funding in accordance with service restoration plans as presented, sufficient for the full range of ridership projections
- **Bus and rapid transit service funded for flexibility to add back full service as quickly as possible**, with attrition, hiring, and absences as the primary limiting factors
 - 9 additional instructors added to increase training class sizes and bring back service as quickly as possible
- **Commuter rail service** adds back weekend service as soon as possible and builds on regional rail model
 - Serves new travel demand and includes \$10M in efficiencies from maximizing crew and equipment time and resources
- **Ferry service** reintroduces Charlestown/Hingham direct service and adds back Hingham direct and additional Hingham/Hull service
- **The RIDE** projected to be consistent with average ridership demand of 64% of baseline

FY22 Ridership by Mode and Scenario



Transformational Initiatives

- Build a system that will better serve our riders and leverage strategic efforts like Bus Network Redesign and Regional Rail
- Initial steps to redesigning service for 2022 and beyond – envisioning a post-pandemic system
- **15 positions for Bus Transformation between the operating and capital budgets by FY22 to achieve a better, faster, lower emissions service that is more aligned with where riders live, work, and travel**
 - Set up a Bus Transformation Office with 3 new positions, including a lead for the Bus Transformation effort and 2 additional project managers
 - Fully funds the continuation of 4 positions on the Transit Priority Team (piloted over past 2 years with support from the Barr Foundation)
 - FY21 already includes 4 positions for enhanced data analytics and operations-oriented management dashboards, increased capacity for service planning, and dedicated staff for diversion planning (creates capacity in planning and bus operations)
 - On the capital budget, 4 positions including a Bus Network Redesign manager, 2 additional staffers to support bus fleet and facilities program, and a program manager for bus & multimodal transformation
- **Create a staffed Regional Rail Transformation Office and specifically develop a Rail Transformation business case**
 - 2 new positions for a total of up to \$320K
 - One position to lead the environmental and engineering planning aspects, including electrification phasing and fleet and facilities planning
 - One position to support the commercial and financial aspects, including developing the business case for investment and maximizing available federal funds



FY22 Preliminary Budget Balance Overview

- One-time revenue has balanced the \$604M budget gap in FY22
- \$605M in one-time sources applied to solve the budget gap
 - \$240M in federal relief, mostly from ARP and CRRSAA relief funds
 - \$365M deficiency fund transfer from sequestered savings and revenue in FY21
- \$202M remaining in one-time ARP relief funds after dedicating \$503M to balance the projected FY23 budget gap

Description	Amount (\$M)
Recurring Revenues	1,751
Total Expenses	2,354
FY22 Budget Gap	(604)
American Rescue Plan Relief	140
CRRSAA Relief Funds	65
FEMA Reimbursement	34
Net Revenue (before transfers)	(364)
Deficiency Fund Transfer	365
Available Balance	1

FY22 Preliminary Budget Vote

- That the General Manager is hereby authorized and directed to submit the Preliminary FY22 Itemized Budget, in the name and on behalf of the Authority, to the MBTA Advisory Board; and
- That following the Advisory Board review, a Final FY22 Itemized Budget will be submitted to the Fiscal Management and Control Board no later than June 15, 2021 in accordance with section 20 of chapter 161a of the Massachusetts General Laws as amended by chapter 56 of the acts of 2020

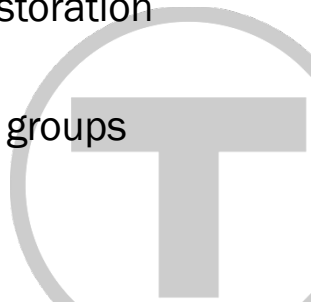


Appendix



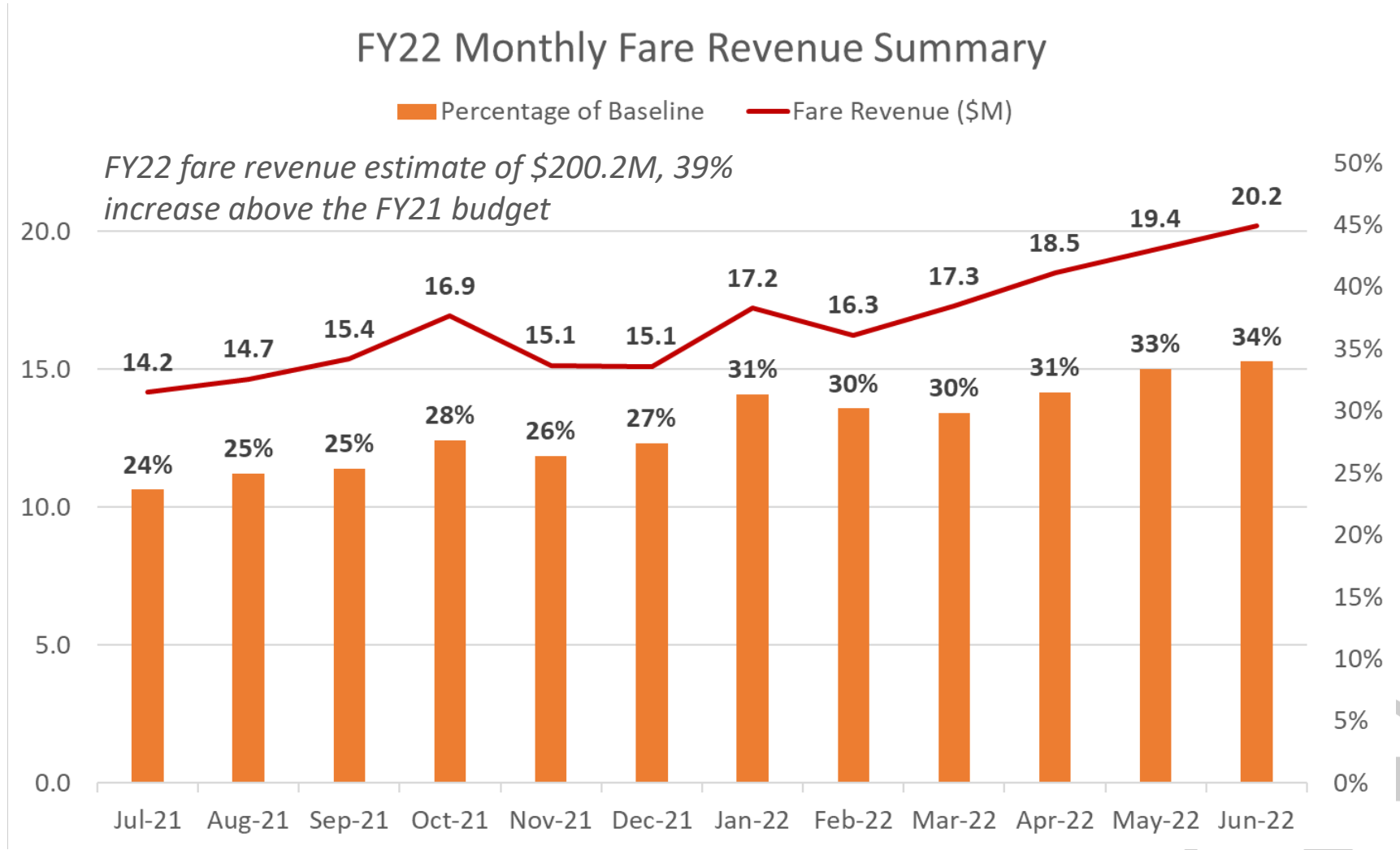
Service Summary (April 12 FMCB presentation)

- **The MBTA is in the process of rebuilding service as soon as possible and creating a better system than we had before the pandemic**
 - As we build back, we aim to create a system that reflects changing travel behaviors and ridership needs (e.g. more all-day frequency) – not to build back exactly the same system we had before
 - We continue to be committed to a more equitable transit system than we had pre-COVID (currently measured as amount of service for low-income and minority riders)
- **Our plan is to build back to pre-pandemic staffing levels first**
 - For example, we will be hiring more bus operators to ensure service is more reliable for riders: targeting ~5% (60-100 operators) increase over pre-COVID staffing
- **COVID-related constraints as well as staffing and internal processes like recruitment, hiring, training, and scheduling impact our ability to “turn the service back on”**
 - Absence rates remain higher due to the ongoing effects of the pandemic and PFML, and there are ongoing staff demands to manage pandemic-related activities
 - Due to pace of hiring, class size caps (impacted by social distancing protocols), and training timelines, service restoration will take time
 - Funding and hiring have been allotted to increase staffing of all relevant departments, and internal working groups have been created to ensure plan stays on track.



FY22 Monthly Fare Revenue Estimates

- FY22 fare revenue estimates based on observed monthly actuals with assumed growth as economy recovers from COVID-19 impacts
- Fare revenue growth assumption minimizes risk of revenue shortfalls and mid-year budget gaps
 - Protects operations from the uncertainty surrounding the timing and type of ridership and fare revenue return
- Increases the potential for favorability or upside that can be saved to improve long-term financial sustainability and/or key initiatives and improvements
- FY22 monthly assumptions account for seasonality of ridership



Projected Revenues: FY21 Carryover for FY22 Budget Gap

- \$605M in CARES Act relief in FY21 has been mitigating the budget challenge in FY21 to \$79M
- \$365M projected to be available for FY22, a \$51M increase from \$314M in December 2020
 - Added \$236M in CRRSAA relief funds in FY21
 - \$21M estimate for residual service level savings based on 12/14 FMCB decision
 - Added \$35M in budget risks and potential deficiencies
- \$35M in additional risks and potential deficiencies in FY21
 - Similar to COVID-19 spending and overtime, other potential spending risks have been identified
 - These new risks been for previously unexpected costs or places where demand has exceeded initial estimates
 - These items are dynamic and are being routinely tracked and monitored, likely changing month to month

Description Figures in \$M	FY21
Budget Gap without CARES Act Relief	-659
<i>CARES Act Relief</i>	605
Budget Gap (October Revision with transfers)	-54
<i>COVID-19 Spending</i>	-13
<i>Overtime</i>	-12
Subtotal of Initial Risks	-25
Budget Challenge (Gap + Initial Risks)	-79
<i>***Capital Reallocation of Federal Formula Funds</i>	0
<i>Capital Salaries</i>	66
<i>Department/Programmatic</i>	64
<i>Residual Service Level Planning (Net)</i>	21
Subtotal of Forging Ahead Solves	151
<i>COVID Relief (CRRSAA)</i>	236
<i>Sales Tax Upside & Acceleration Proposal</i>	92
<i>Additional risks and potential deficiencies</i>	-35
Reserved Funds for FY22	365

***Capital funding reallocation no longer recommended in FY21 or FY22