



Massachusetts Bay Transportation Authority

Budget Update: FY23 Q1 Results

MBTA Audit & Finance Committee

December 2022

Finance Team

Budget Favorability, Potential Risks & Opportunities

- Reported budget risks and opportunities in June 2022 and September 2022 continue to be factors impacting variances to budget in the current fiscal year
- Factors currently expected to combine in a net positive to budget, but quarterly budget reports to the Board will continue to monitor these items and any new items

Potential Budget Risks/Exposures

- **Fare revenue** as actual ridership and revenue lag behind FY23 budget Scenario 2 assumptions to start the fiscal year
- **Fuel pricing** following record high prices from early Summer, prices continue to be 10% above last year
- **Inflation** as the Boston-area CPI (consumer price index) rises more than 8% over last year

Potential Budget Opportunities/Favorability

- **Sales tax revenue** as actual collections outperform state budget benchmarks
- **FEMA reimbursement** as delayed timeline for receiving funds has pushed expected revenue collections from FY22 into FY23
- **Wages & benefits** even with targeted investments for HR to hire and increase headcount as quickly as possible, the nationally challenging labor market will cause vacancies
- **Debt service** as the debt portfolio continues to be constructed on an ongoing basis to enhance stability and minimize year to year variances

FY23 Operating Budget Summary

- **FY23 Q1 net revenues -\$7.6M**
 - \$552.2M in total revenues and \$559.8M in total expenses
- Deficiency Fund transfer in of \$7.6M offsets Q1 operating deficit
- Favorability to budget means drawing down less Deficiency Fund reserves than budgeted, dedicated for future year budget gaps

(\$M) Category	FY23 YTD Budget	FY23 YTD Actuals	\$ Change	% Change
Fare Revenues	117.4	89.3	(28.0)	-24%
Own Source Revenue	17.5	15.9	(1.7)	-9%
Non-Operating Revenues	417.6	447.0	29.5	7%
Total Revenues	552.4	552.2	(0.2)	0%
<i>Fare Recovery Ratio</i>	24%	21%	-	-3%
Wages, Benefits and Payroll Taxes	231.0	203.5	(27.5)	-12%
Non-Wage	259.0	231.7	(27.3)	-11%
<i>Operating Expenses Subtotal</i>	490.0	435.2	(54.8)	-11%
Debt Service	141.1	124.6	(16.4)	-12%
Total Expenses	631.1	559.8	(71.3)	-11%
Net Revenues Before Transfers	(78.6)	(7.6)	71.0	90%



FY23 Q1 Operating Budget Summary

- Total revenues within 1% of budget as sales tax revenue largely offset fare revenue unfavorability
- Total expenses 11% favorable to budget largely driven by wages, benefits and debt service
- Fare revenue recovery ratio of 21% in Q1, below the 43% pre-pandemic and below the 24% budgeted

(\$M) Category	FY23 Q1 Budget	FY23 Q1 Actuals	\$ Change	% Change	FY19 Q1 Actuals	\$ Change	% Change
Fare Revenues	117.4	89.3	(28.0)	-24%	170.5	(81.2)	-48%
Own Source Revenue	17.5	15.9	(1.7)	-9%	20.7	(4.8)	-23%
Non-Operating Revenues	417.6	447.0	29.5	7%	347.1	99.9	29%
Total Revenues	552.4	552.2	(0.2)	0%	538.3	13.9	3%
<i>Fare Recovery Ratio</i>	<i>24%</i>	<i>21%</i>	<i>-</i>	<i>-3%</i>	<i>43%</i>	<i>-</i>	<i>-23%</i>
Wages, Benefits and Payroll Taxes	231.0	203.5	(27.5)	-12%	190.5	13.0	7%
Non-Wage	259.0	231.7	(27.3)	-11%	202.2	29.5	15%
<i>Operating Expenses Subtotal</i>	<i>490.0</i>	<i>435.2</i>	<i>(54.8)</i>	<i>-11%</i>	<i>392.7</i>	<i>42.4</i>	<i>11%</i>
Debt Service	141.1	124.6	(16.4)	-12%	121.9	2.8	2%
Total Expenses	631.1	559.8	(71.3)	-11%	514.6	45.2	9%
Net Revenues Before Transfers	(78.6)	(7.6)	71.0	90%	23.7	(31.3)	-132%

Revenue Summary

- \$552.2M in total revenues were \$0.2M unfavorable to budget in Q1
- Fare revenues unfavorable \$28.0M as ridership recovers from Orange Line work in August-September
 - FY23 budget based on Scenario 2 (middle) assumptions, an increase from the FY22 budget (prior year) based on Scenario 3 assumptions (lowest)
- Sales tax revenue favorable \$29.3M for the quarter as revenues outperform state budget benchmarks
- Own source revenues unfavorable \$1.7M for the quarter as ridership continues between Scenario 2 and Scenario 3

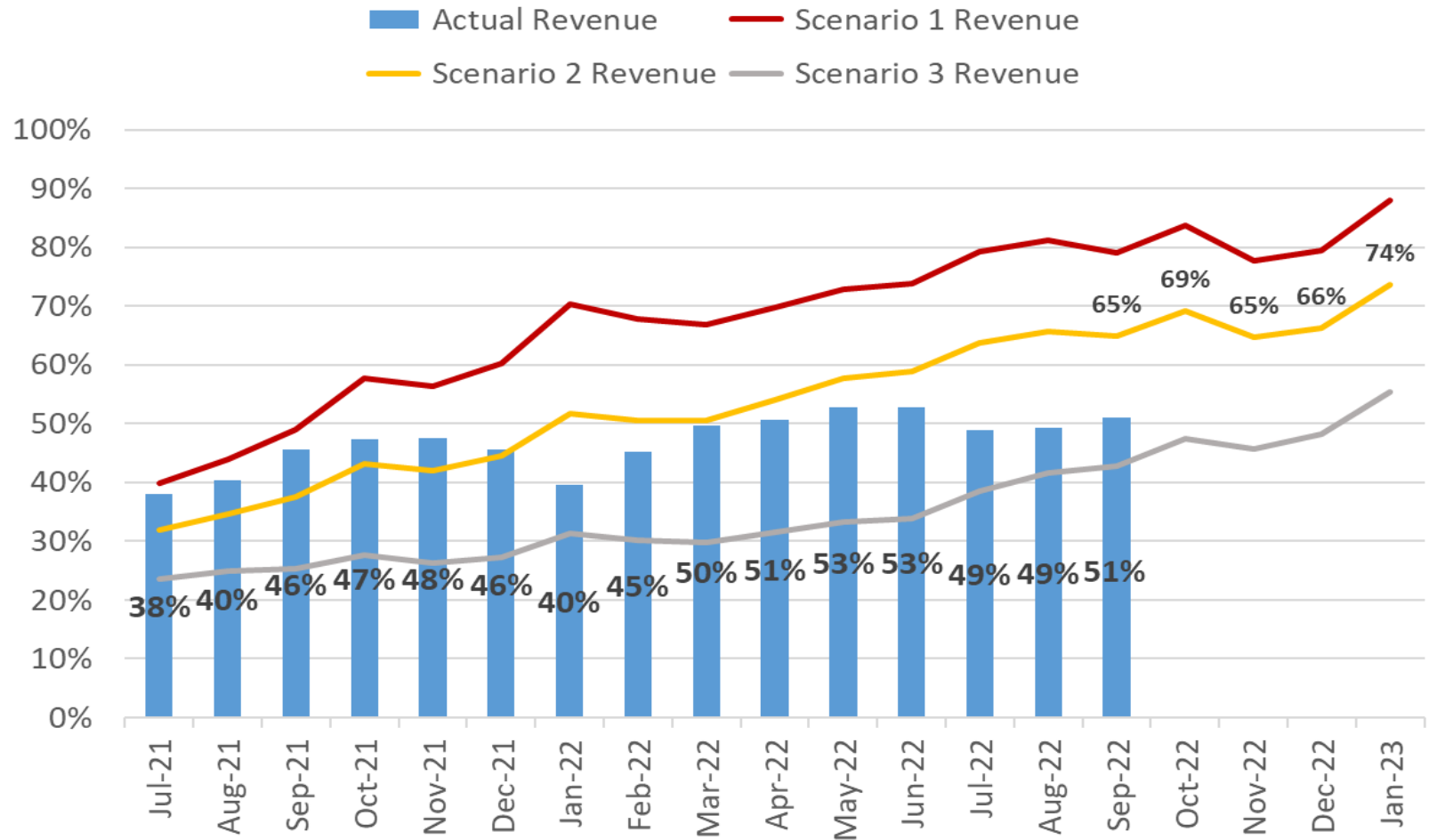
Revenues (\$M)	FY23 Q1 Budget	FY23 Q1 Actuals	\$ Change	% Change	FY19 Q1 Actuals	\$ Change	% Change
Fare Revenues	117.4	89.3	(28.0)	-24%	170.5	(81.2)	-48%
Advertising	4.9	4.9	0.0	1%	6.7	(1.7)	-26%
Parking	7.0	5.6	(1.5)	-21%	8.8	(3.2)	-37%
Other	2.3	1.8	(0.4)	-19%	2.2	(0.4)	-17%
Real Estate	3.3	3.5	0.2	6%	3.0	0.5	18%
<i>Own Source Revenue Subtotal</i>	<i>17.5</i>	<i>15.9</i>	<i>(1.7)</i>	<i>-9%</i>	<i>20.7</i>	<i>(4.8)</i>	<i>-23%</i>
<i>Operating Revenue Subtotal</i>	<i>134.9</i>	<i>105.2</i>	<i>(29.7)</i>	<i>-22%</i>	<i>191.2</i>	<i>-86.0</i>	<i>-45%</i>
State Sales Tax Revenue	317.9	347.2	29.3	9%	258.0	89.2	35%
Federal Funds	0	0	-	0%	0	0.0	0%
Local Assessments Revenue	45.9	45.9	0.0	0%	42.5	3.4	8%
Other Income	6.9	7.1	0.2	2%	14.8	-7.7	-52%
State Assistance	46.7	46.8	0.0	0%	31.8	15.0	47%
<i>Non-Operating Revenue Subtotal</i>	<i>417.6</i>	<i>447.0</i>	<i>29.5</i>	<i>7%</i>	<i>347.1</i>	<i>99.9</i>	<i>29%</i>
<i>Total Revenue</i>	<i>552.4</i>	<i>552.2</i>	<i>(0.2)</i>	<i>0%</i>	<i>538.3</i>	<i>13.9</i>	<i>3%</i>



Fare Revenue Collection

- 51% of baseline revenue in September tracks between Scenario 2 and Scenario 3
 - Level with collections from prior month despite Orange Line work in August and September 2022
- Since July 2021, actuals have aligned with all three scenarios
- FY23 budget based on Scenario 2 revenue projections with 68% baseline and \$474M of fare revenue

Fare Revenue Actuals & Projections as % of Baseline



Spending Summary

- **\$559.8M** in total expenses were \$71.3M favorable to budget for Q1
- **Regular wages \$19.8M favorable for Q1** as hiring efforts ramp up to fill vacancies and new budgeted positions in a difficult job market
- **Overtime unfavorable \$2.6M for Q1** mostly due to vacancies, employees on leave, and FTA related safety work
- **Fringe benefits \$10.3M favorable for Q1** as pension contribution rates remain level with last year, avoiding expected/budgeted increases
- **Materials and services \$21.6M favorable for Q1** as new budgeted spending ramps up
- **Purchased transit services \$2.5M favorable for Q1** as the RIDE and Commuter rail continue to see pandemic ridership impacts
- **Debt service \$16.4M favorable for Q1** due to active management

Expenses (\$M)	FY23 Q1 Budget	FY23 Q1 Actuals	\$ Change	% Change	FY19 Q1 Actuals	\$ Change	% Change
Regular Wages	134.3	114.5	(19.8)	-15%	111.1	3.4	3%
Overtime	11.0	13.5	2.6	23%	12.3	1.2	10%
<i>Wages Subtotal</i>	<i>145.3</i>	<i>128.0</i>	<i>(17.3)</i>	<i>-12%</i>	<i>123.5</i>	<i>4.6</i>	<i>4%</i>
Fringe Benefits	85.8	75.5	(10.3)	-12%	67.1	8.4	13%
Materials & Services	87.7	66.1	(21.6)	-25%	57.9	8.2	14%
Insurance	7.2	4.8	(2.4)	-34%	4.2	0.6	13%
Commuter Rail	126.1	124.2	(1.9)	-2%	103.2	21.0	20%
The RIDE	27.5	26.5	(1.0)	-4%	22.3	4.3	19%
Local Service & Ferry	5.6	6.0	0.4	7%	12.3	-6.3	-51%
<i>Purchased Transit Subtotal</i>	<i>159.2</i>	<i>156.7</i>	<i>(2.5)</i>	<i>-2%</i>	<i>137.9</i>	<i>18.9</i>	<i>14%</i>
Financial Service Charge	4.8	4.0	(0.8)	-17%	2.2	1.8	80%
<i>Operating Expenses Subtotal</i>	<i>490.0</i>	<i>435.2</i>	<i>(54.8)</i>	<i>-11%</i>	<i>392.7</i>	<i>42.4</i>	<i>11%</i>
Debt Service	141.1	124.6	(16.4)	-12%	121.9	2.8	2%
<i>Total Expenses</i>	<i>631.1</i>	<i>559.8</i>	<i>(71.3)</i>	<i>-11%</i>	<i>514.6</i>	<i>45.2</i>	<i>9%</i>

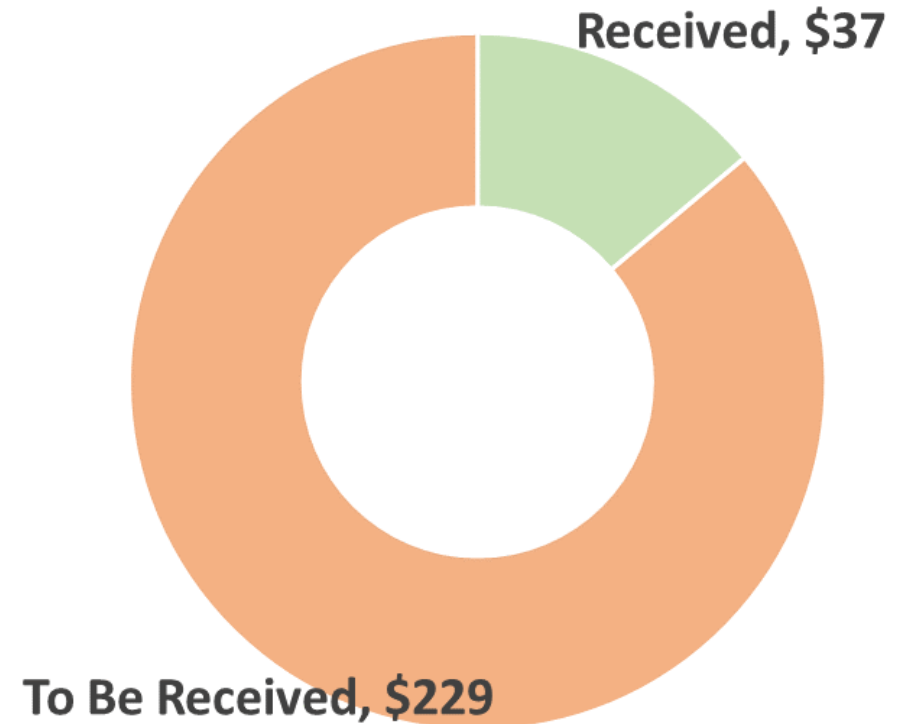


Supplemental State Assistance for FTA Special Directives

- FY23 state budget (GAA) enacted \$266M to address ongoing safety related to FTA Special Directives
- As of Q1, \$37M or 14% received, related to bus diversions from Orange Line work
- Additional \$112M enacted on November 3, 2022 for FTA safety work to be included

State Assistance for FTA Special Directives

Figures in \$M

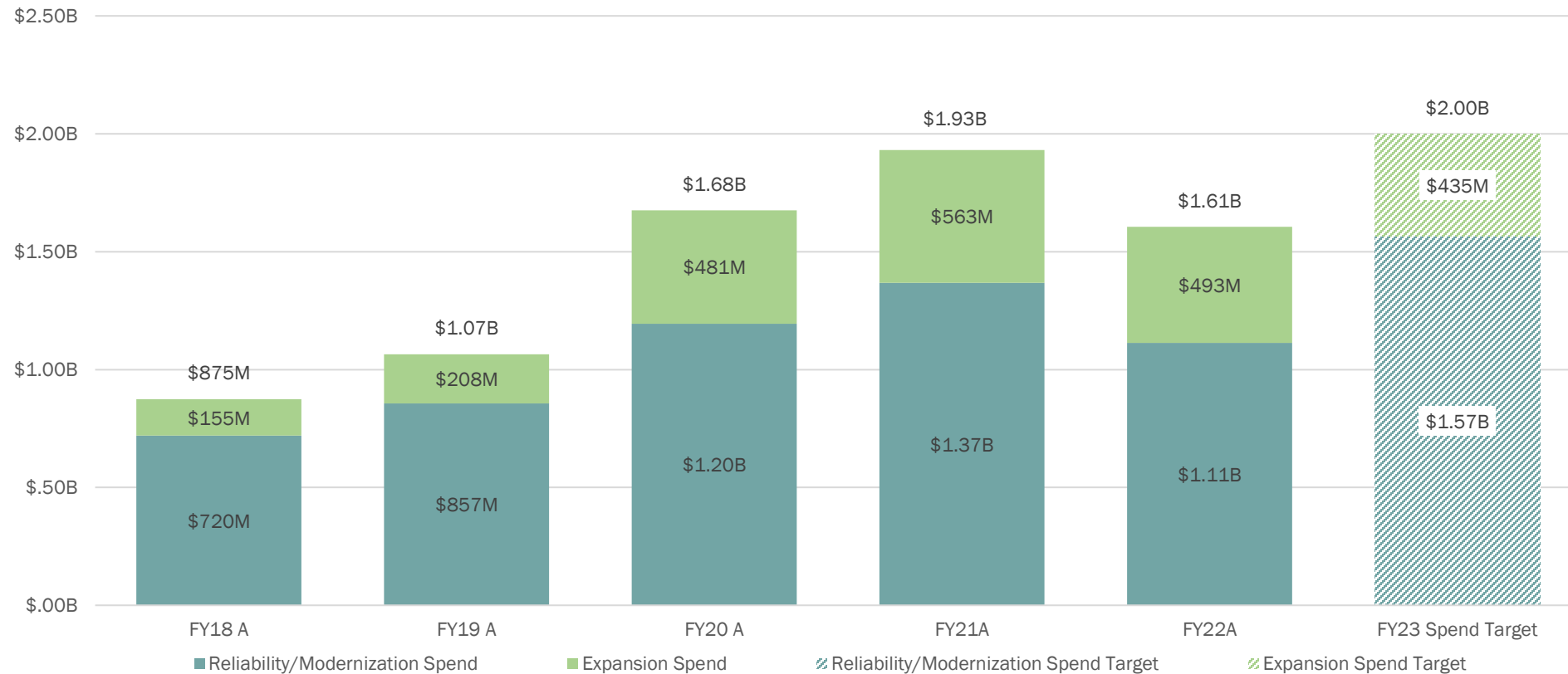


Capital Program Review



MBTA Capital Investment by Fiscal Year

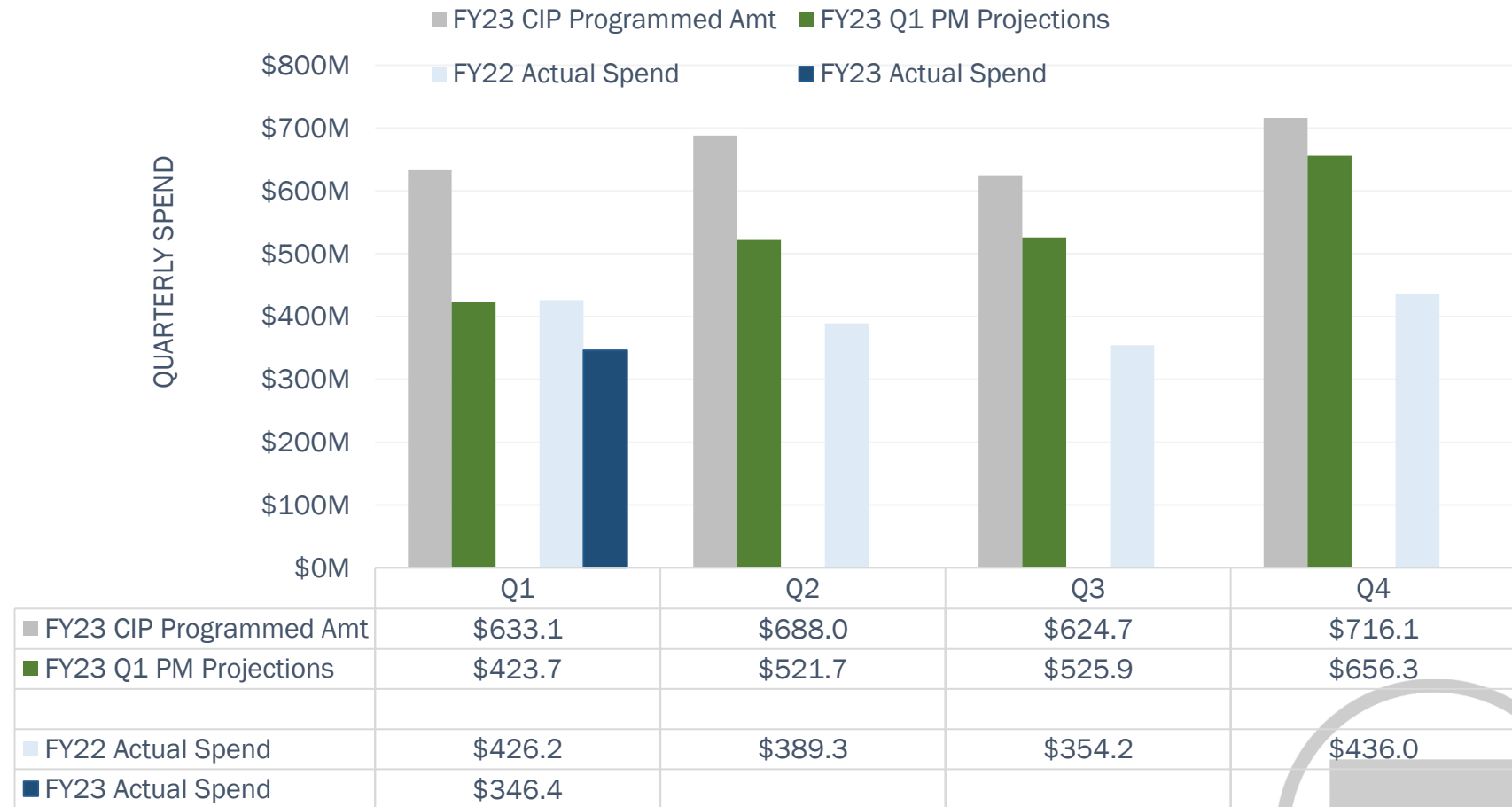
- The MBTA programmed \$2.66B for FY23 and set a Spend Target of \$2.0B
- The MBTA delivered \$1.61B of capital investments in FY22, which was 81% of the Spend Target of \$2.0B
- Several macro factors, such as, supply chain issues and increasing prices hampered project delivery throughout FY22



FY23 Quarterly Spend Overview

- Q1 spend was **\$346.4M**, coming in below PM's Q1 projections of **\$423.7M** by **\$77.3M** or **18%** and trailing CIP Programmed amount of **\$633.1M** by **\$286.7M** or **45.3%**.
- YoY Q1 Spend was lower by **\$79.8M** or **18.7%**.
- On average (FY19-FY22), Q1 spend typically represents 20% of total spend, FY22 Q1 spend was 27%.
- October spend was \$168.9M the highest month YTD and \$1.9M or 1.1% higher than PM projections of \$166.6M

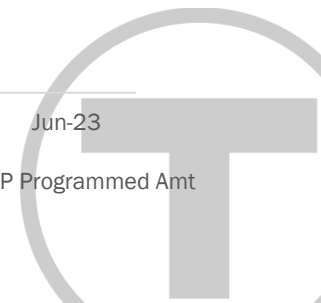
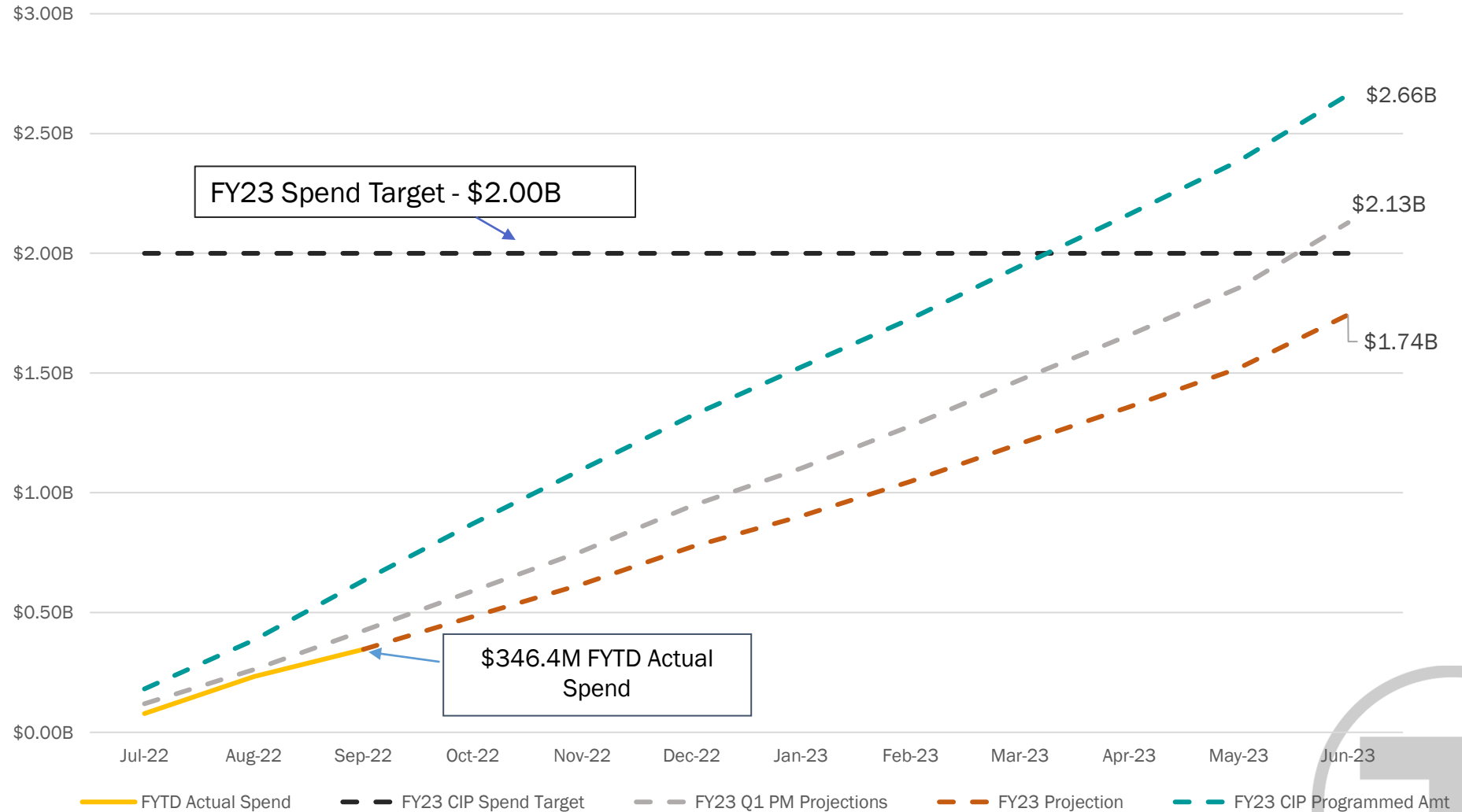
Quarterly FY23 Actuals vs. FY22 Actuals & FY23 Benchmarks



Note: CIP Programmed Amount converted from annual to monthly based on spread of July PM Projections.

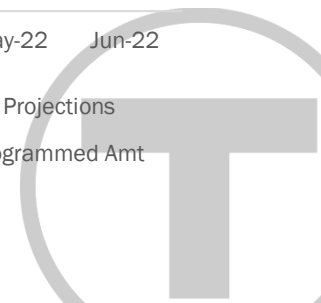
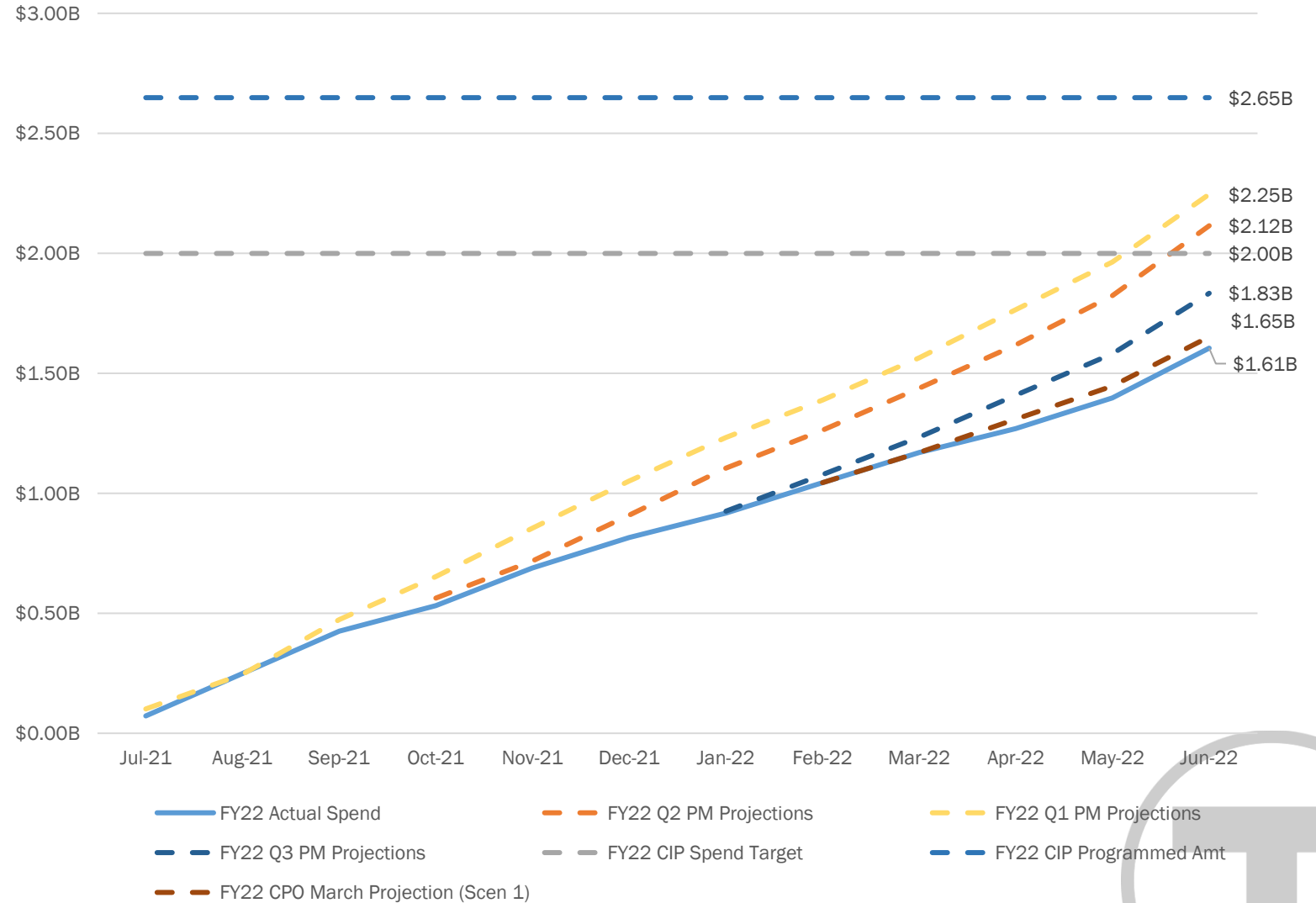
Cumulative Spend Overview – FY23

- PM's Q1 FY23 Projection was **\$2.13B** which is **\$534.3M** or **20%** less than FY23 CIP programmed amount of **\$2.66B** (submitted in Q3 FY22)
- FY23 Historical Spend of **\$1.74B** is formulated using FYTD September actual spend and average historical spending performance against projections (Q1) of 82% from PMs for future months.



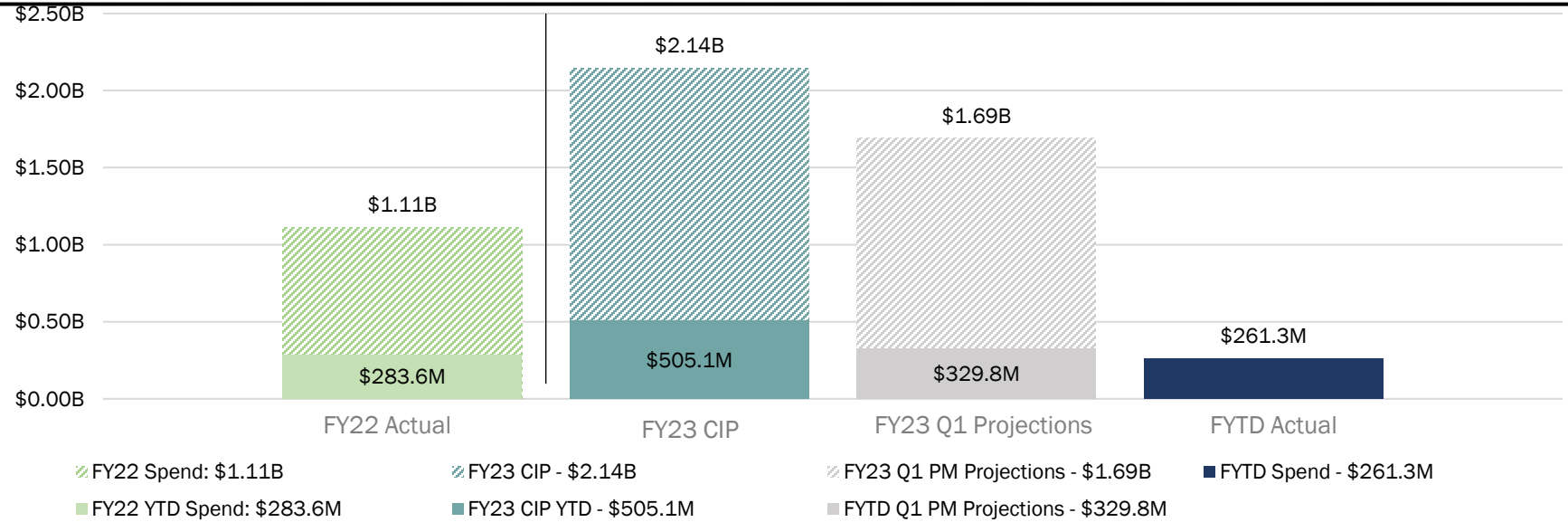
Cumulative Spend Overview FY22

- FY22 spend of **\$1.61B** came in, as expected, slightly below Q4 FY22 projections of **\$1.62B**
- PM's Q4 FY22 Projection was **\$1.62B**, \$1.03B below or **39%** less than FY22 CIP programmed amount of **\$2.65B** (submitted in Q3 FY21)
- FY22 spend is **\$1.61B**, which trails:
 - Q1 PM Projections of **\$2.25B** by **\$640.9M** or **29%**;
 - Q2 PM Projections of **\$2.12B** by **\$509.9M** or **24%**;
 - Q3 PM Projections of **\$1.83B** by **\$228.6M** or **12%**,
 - and FY21 spend of **\$1.93B** by **\$324.8M** or **17%**
- April, May, and June actual spend was less than Q4 PM Projections by 3.2%.

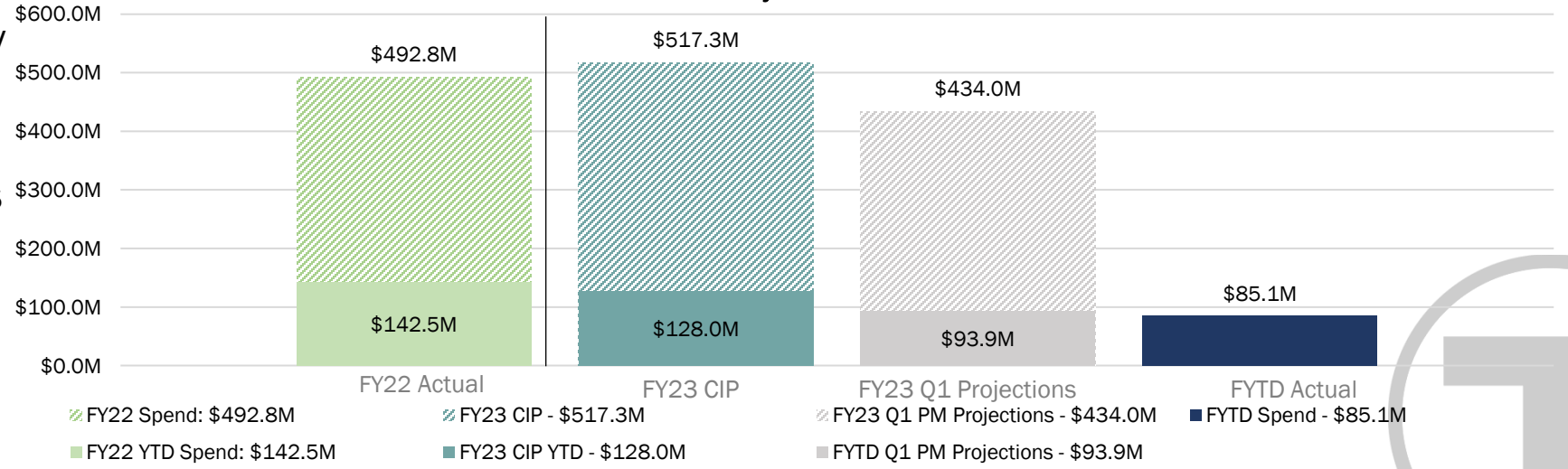


Capital Spend by CIP Priority

- Q1 FYTD Reliability & Modernization spending of **\$261.3M** is below FY22 spend and lags FYTD CIP of \$505M by **\$243.8M** or **48%** and FYTD Projections of \$330M by **\$68.5M** or **20.8%**.
- Q1 FYTD spend for Expansion projects (GLX, SCR) of **\$85M** is lower than FYTD CIP of \$128M by **\$42.9M** or **33.5%** but slightly below FYTD projections. YOY Spend was lower than FY22 of \$143M by **\$58M** or **40.6%** as is expected due to the wind down of spend on GLX.



Reliability & Modernization



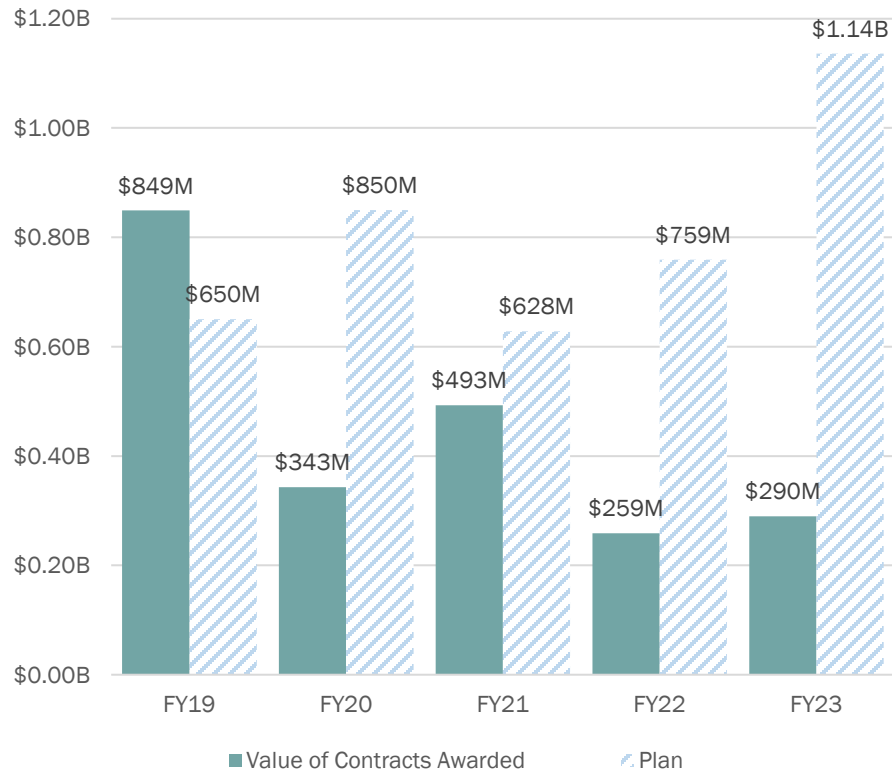
Expansion



Planned FY23 Construction Contract Awards

MBTA set an ambitious contract award plan for FY23 totaling \$1.14B

Construction Contracts



Planned Construction Contracts FY23			
Contract Description	Est. Award Date	Est. Value (M)	Actual Award
Codman Yard Improvements	07/27/22	\$86	\$86
Systemwide Radio	10/12/22	\$55	\$98
Bus Infrastructure - On Call	10/14/22	\$10	\$9
Symphony Station Utility Relocation	10/14/22	\$20	\$14
Fiberoptic Resiliency (CR) (Design Build)	11/2/22	\$75	\$83
MBTA CNG Facility Upgrades	09/22/22	\$14	
South Elm Street Bridge	10/13/22	\$11	
South Station Tower One	10/27/22	\$70	
Green Line Overhead Catenary System SGR	10/27/22	\$8	
Station Standpipe Repair- Tufts Medical & Andrew Stations	10/27/22	\$5	
Bus Maintenance Facility - North Cambridge	11/10/22	\$16	
Long Wharf Emergency Egress & Maverick Communication Room	11/10/22	\$11	
Lynn Parking Garage Demolition	11/17/22	\$18	
SCR Route 18 Pedestrian Bridge	11/24/22	\$20	
Newton Highlands	12/15/22	\$18	
East Street Bridge	12/22/22	\$15	
Ruggles Station, Phase II	01/05/23	\$87	
Blue Line Communication Rooms	01/12/23	\$6	
Worcester Side Platform Demolition & Waterproofing	01/26/23	\$4	
DTX/Park Street Vertical Improvements	03/23/23	\$55	
Back Bay Station Ventilation, Power & Concourse	04/27/23	\$43	
Hynes Station	06/08/23	\$87	
AFC 2.0 Site Installation Commuter Rail On- Call	06/29/23	\$25	
Lynn Station Rehabilitation	08/11/23	\$32	
Quincy Bus Maintenance Facility - CM-at Risk	TBD	\$280	
South Attleboro Station Improvements	TBD	\$61	
D Branch Platform Accessibility	TBD	\$9	
Haverhill Line Replacement	TBD	TBD	
On-Call CR Track -3	TBD	TBD	
Total		\$1,139	\$290

Appendix



FY23 New Safety Positions Budgeted

- At least 424 budgeted safety positions added since the FY20 budget
- 148 new budgeted positions specifically designated for safety in FY23
- 28 positions for transit facilities maintenance for mechanical and station inspections to avoid potential interruptions
- 26 positions for heavy rail to support rail yard safety, along with the additional training and testing of new Red and Orange Line vehicles
- 18 positions for rail maintenance for proactive inspections, implement additional QA/QC functions, improved cleanliness, tool calibration, and defective part replacements
- 15 positions for light rail yard safety and to prepare and support vehicles for revenue service for the Green Line Extension
- 11 positions for power systems maintenance to increase supervisory capacity, including vertical transportation contracts like escalators and elevators
- 10 positions for signals and communication maintenance including engineers to address the movement towards more advanced, specialized, technical nature of equipment
- 7 positions for engineering to manage and improve quality on all modes, including signal and tracks
- 5 positions for bus transportation for additional inspectors and supervisors
- Remaining 22 positions support efforts in and across multiple departments including Chief Operating Officer, Security Department, Safety Department, OCC & Training, and Maintenance of Way

Operations
Safety

148
positions

\$15M in
annual
wages

FY22 Additional Safety Positions Budgeted

- **125 new budgeted positions for safety**
- 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
- These additional positions improve transportation and system safety and reliability with the added benefit of reducing overtime

Operations Safety

125 positions

\$11M in
annual wages

FY21 Additional Safety Positions Budgeted

- **151 new budgeted positions for safety**
- New positions targeting three priorities:
 - Preventative maintenance inspections
 - Includes fire suppression systems, stand pipes, bridges, switch machines, catenary wires, and tracks
 - Overnight supervision
 - Respond to emergencies, manage overnight activities, and prepare for morning service
 - Training programs
 - Increase ride reports, employee training, performance reviews, audits, and course materials
- Full breakdown of positions by department/area:
 - 80 for system maintenance
 - 20 for transportation departments
 - 20 for safety department
 - 18 for vehicle maintenance
 - 13 among all other departments

**Operations
Safety**

151 positions

**\$12M in
annual wages**

FY23 New Safety Services Initiatives

- \$5.5M in new spending for the Quality Management System Program to establish quality control and quality assurance processes across an array of modes and assets to improve the safety and performance of service delivery

Elevator & Escalator Quality Assurance Program

- Site visits for observation, document review of existing assets, data analysis to identify issues, priorities, and opportunities

Systemwide Stair Inspections

- Establish asset management database requirements, review inspection procedure development and planning, assessment inspections, identify best practices, and prioritize repairs/replacement

Commuter Rail Safety Assessment

- Station walk-through and inspections, safety hazard review, and establishing asset management database requirements

Transit Infrastructure Inspections

- Complete visual inspections of revenue and non-revenue system, including up to 25 miles of commuter rail track, and capture issues across the system and prioritize findings

Rail and Bus Inspections

- Preventative maintenance audits on buses, light and heavy rail car data collection to capture, report, and analyze issues and trends

Ridership Scenario Planning and Assumptions

- Three scenarios developed by MassDOT planning & OPMI contemplating ridership growth, the current public health pandemic, and employer operations
 - Scenarios 1 and 2 assume a “boost” in ridership in Fall 2021; while Scenario 3 sees a longer span of growth
- Modeled projections consistent with McKinsey & Company Future of Work report from July 2021 and APTA report by EBP US, Inc. from January 2021 on vehicle miles traveled (VMT)
- Initial modeling completed in October 2020 with an update in February 2021
- Actuals observed since March 2021 have remained within the projected scenario ranges
- **FMCB approved FY22 budget based on Scenario 3 projections due to actual observed data at the time of FY22 budget development**

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 as consumers and employees adopt to a new normal, especially in light of new and emerging remote meeting and e-commerce technologies

Scenario 3

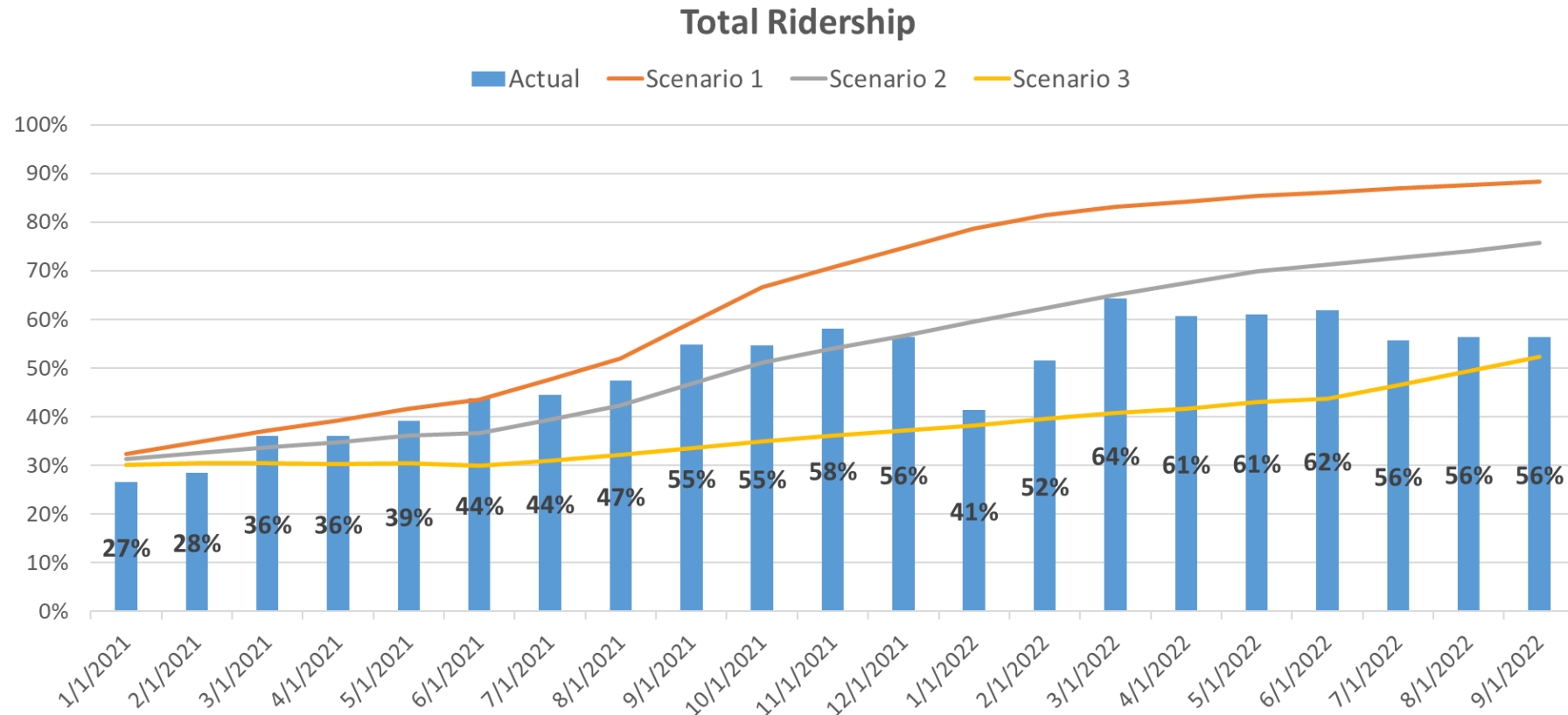
The economic impacts of COVID-19 have depressed travel and mobility, especially on the MBTA, and telecommuting is standard practice

**Fare revenue scenario projections to be updated as needed if actual observed ridership consistently deviates outside the projected range*



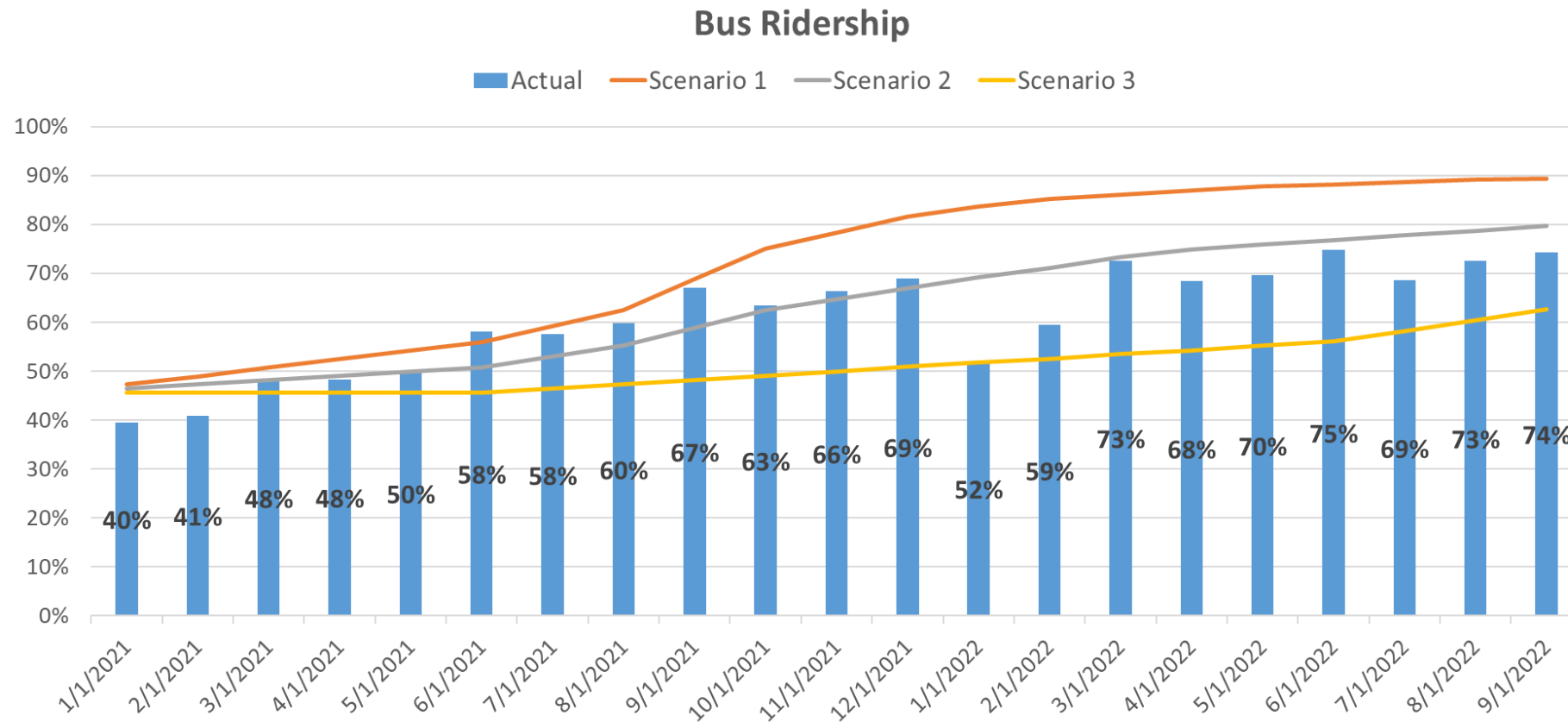
Total Ridership

- Total ridership remained at 56%, between Scenario 2 and Scenario 3



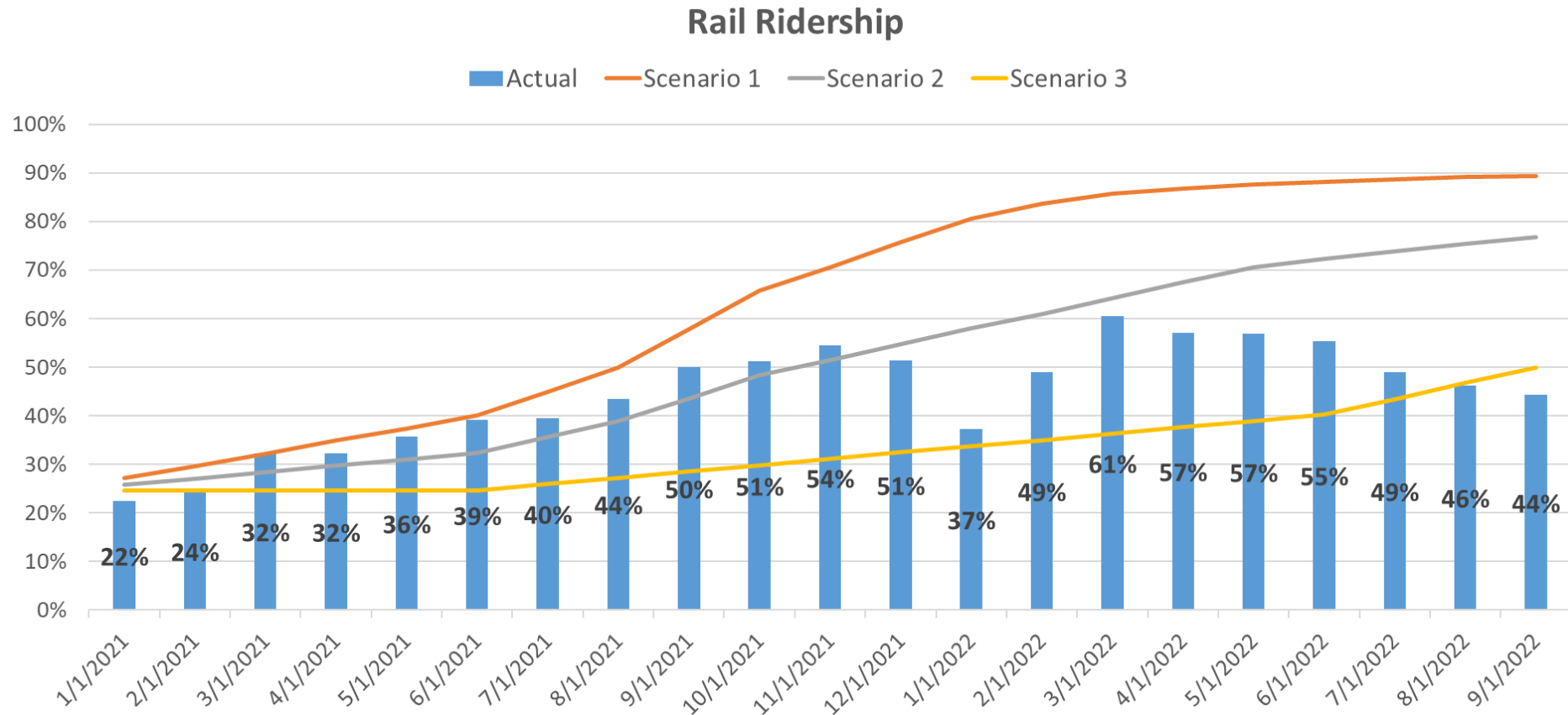
Bus Ridership

- Bus ridership increased to 74%, between Scenario 2 and Scenario 3



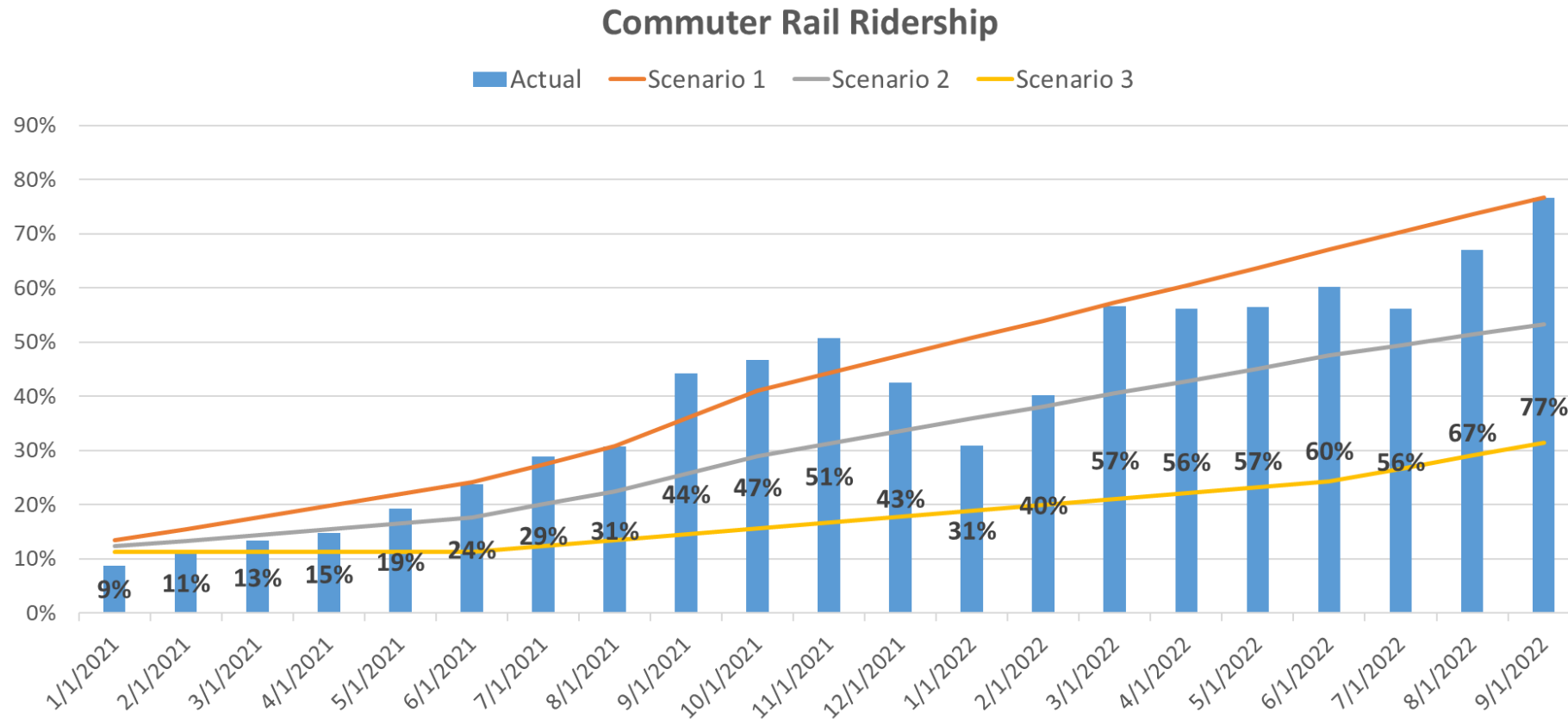
Rail Ridership

- Rail ridership decreased to 44%, below Scenario 3



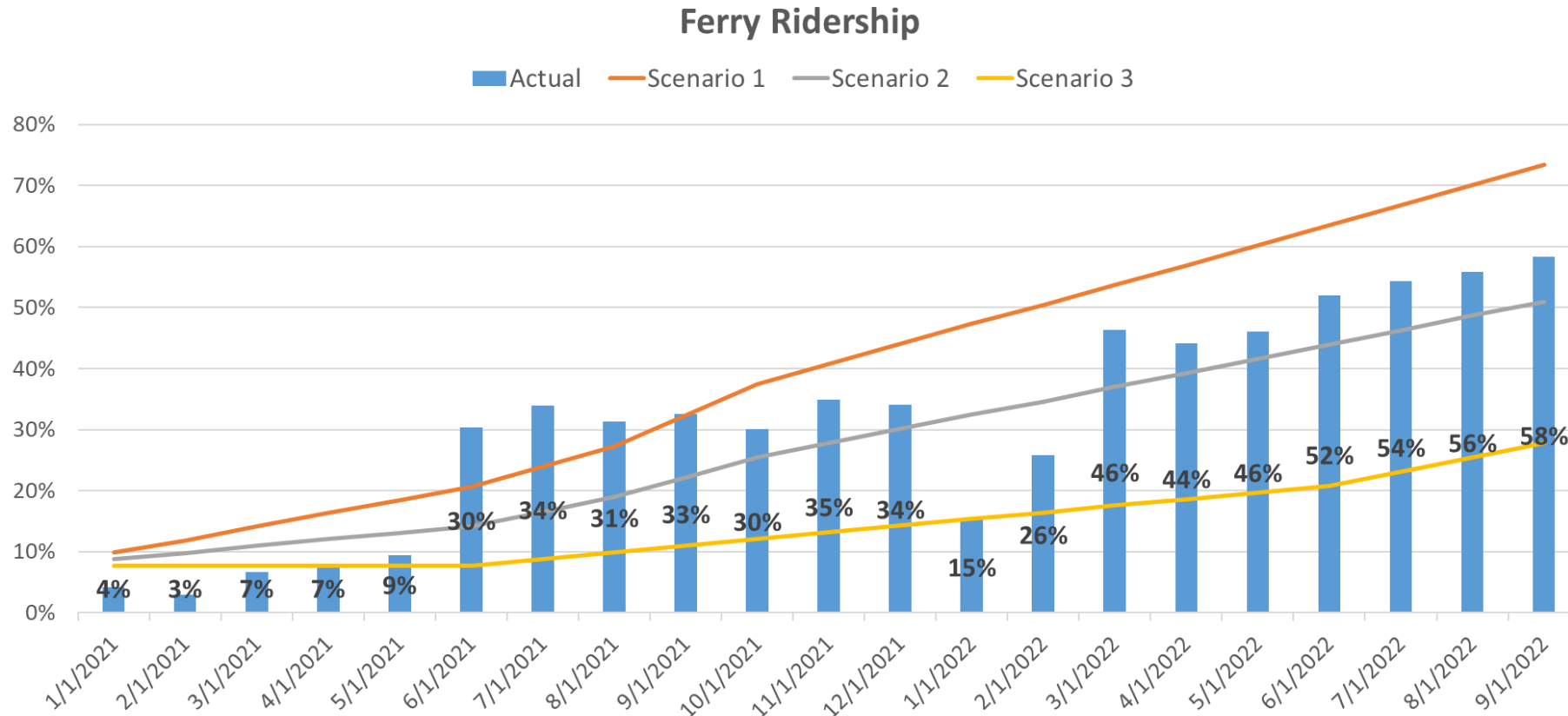
Commuter Rail Ridership

- Commuter rail ridership increased to 77%, closest to Scenario 1 projections



Ferry Ridership

- Ferry ridership increased to 58%, between Scenario 1 and Scenario 2



The RIDE Ridership

- The RIDE ridership has increased to 74%, closest to Scenario 2 projections

