



**Massachusetts Bay
Transportation Authority**

Budget Update: FY23 Q2 Results

MBTA Audit & Finance Committee

February 9, 2023

Finance Team

Budget Favorability, Potential Risks & Opportunities

- Reported budget risks and opportunities in June 2022 and Fall 2022 continue to be factors impacting variances through Q2 of FY23

Potential Budget Risks/Exposures

- **Fare revenue** as actual ridership and revenue lag behind FY23 budget Scenario 2 assumptions in Q2
- **Fuel pricing** following record high prices from early Summer, prices have decreased in Q2
- **Inflation** as the Boston-area CPI (consumer price index) has risen more than 7% 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 revenue collections from FY22 into FY23, \$10.3M received in FY23 Q2
- **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 YTD Operating Budget Summary

- FY23 YTD net revenues \$29.3M
 - \$1,126.2M in total revenues and \$1,096.9M in total expenses
 - Less federal funding (FEMA) of \$10.3M, YTD net revenue would be \$19.0M
- Net Revenue and favorability to budget means maintaining Deficiency Fund reserves for Q3 and Q4 of FY23 and future year budget gaps

(\$M) Category	FY23 YTD Budget	FY23 YTD Actuals	\$ Change	% Change
Fare Revenues	234.7	183.6	(51.0)	-22%
Own Source Revenue	37.9	33.1	(4.7)	-13%
Non-Operating Revenues	845.1	909.4	64.3	8%
Total Revenues Subtotal	1,117.6	1,126.2	8.6	1%
<i>Fare Recovery Ratio</i>	23%	22%	-	-2%
Wages, Benefits and Payroll Taxes	477.8	391.4	(86.3)	-18%
Non-Wage	521.0	460.0	(61.0)	-12%
<i>Operating Expenses Subtotal</i>	998.8	851.5	(147.3)	-15%
Debt Service	282.7	245.4	(37.2)	-13%
Total Expenses Subtotal	1,281.4	1,096.9	(184.5)	-14%
Net Revenues Before Transfers	(163.8)	29.3	193.1	118%
Federal Relief Revenue	-	10.3	10.3	1029%
Net Revenues Without Relief Revenue	(163.8)	19.0	182.8	112%



FY23 Q2 Operating Budget Summary

- Total revenues \$8.8M favorable to budget as sales tax revenue largely offsets fare revenue unfavorability
- Total expenses \$113.3M favorable to budget largely driven by wages, services, and debt service savings
- Fare revenue recovery ratio of 23% in Q2, below the 42% pre-pandemic

(\$M) Category	FY23 Q2 Budget	FY23 Q2 Actuals	FY23 Q2 \$ Change	FY23 Q2 % Change	FY20 Q2 Actuals	FY20 Q2 \$ Change	FY20 Q2 % Change	FY23 YTD % Change
Fare Revenues	117.3	94.3	(23.0)	-20%	179.4	(85.1)	-47%	-22%
Own Source Revenue	20.4	17.3	(3.1)	-15%	24.9	(7.6)	-31%	-13%
Non-Operating Revenues	427.5	462.4	34.9	8%	357.9	104.5	29%	8%
Total Revenues Subtotal	565.2	574.0	8.8	2%	562.2	11.8	2%	1%
<i>Fare Recovery Ratio</i>	23%	23%	-	0%	42%	-	-19%	-2%
Wages, Benefits and Payroll Taxes	246.7	187.9	(58.8)	-24%	201.0	(13.0)	-6%	-18%
Non-Wage	262.1	228.3	(33.7)	-13%	231.0	(2.6)	-1%	-12%
<i>Operating Expenses Subtotal</i>	<i>508.8</i>	<i>416.3</i>	<i>(92.5)</i>	<i>-18%</i>	<i>432.0</i>	<i>(15.7)</i>	<i>-4%</i>	<i>-15%</i>
Debt Service	141.6	120.8	(20.8)	-15%	121.5	(0.7)	-1%	-13%
Total Expenses Subtotal	650.4	537.1	(113.3)	-17%	553.4	(16.4)	-3%	-14%
Net Revenues Before Transfers	(85.2)	36.9	122.1	143%	8.7	28.2	323%	118%
Federal Relief Revenue	-	10.3	10.3	1029%	-	10.3	1029%	1029%
Net Revenues Without Relief Revenue	(85.2)	26.6	111.8	131%	8.7	17.9	205%	112%

FY23 Q2 Revenue Summary

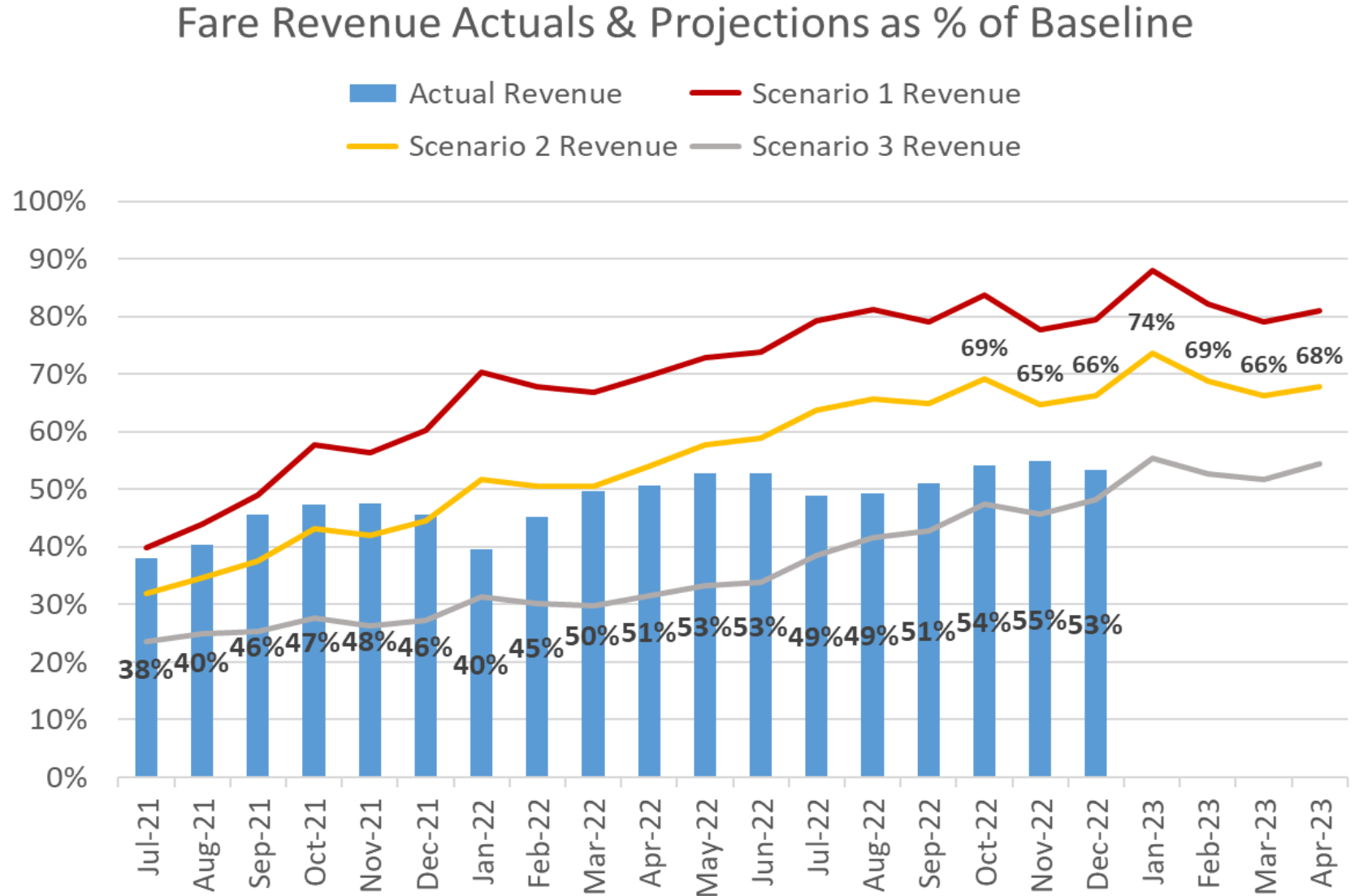
- \$574.0M in total revenues were \$8.8M favorable to budget in Q2
- Fare revenues unfavorable \$23.0M as ridership continues below scenario 2
 - FY23 budget based on Scenario 2 (middle) assumptions, an increase from the FY22 budget (prior year) based on Scenario 3 assumptions (lowest)
- Sales tax revenue favorable \$18.8M for the quarter as revenues outperform state budget benchmarks
- Own source revenues unfavorable \$3.1M for the quarter as parking revenues are correlated with lower ridership
- Other Income \$5.8M favorable due to timing of collections with actuals still below pre-pandemic returns

Revenues (\$M)	FY23 Q2 Budget	FY23 Q2 Actuals	\$ Change	% Change	FY20 Q2 Actuals	\$ Change	% Change
Fare Revenues	117.3	94.3	(23.0)	-20%	179.4	(85.1)	-47%
Advertising	6.0	5.1	(0.9)	-15%	8.4	(3.3)	-39%
Parking	7.5	5.8	(1.7)	-23%	9.6	(3.8)	-40%
Other	2.3	1.7	(0.6)	-26%	2.1	(0.4)	-19%
Real Estate	4.5	4.7	0.2	4%	4.8	(0.1)	-2%
<i>Own Source Revenue Subtotal</i>	<i>20.4</i>	<i>17.3</i>	<i>(3.1)</i>	<i>-15%</i>	<i>24.9</i>	<i>(7.6)</i>	<i>-31%</i>
Operating Revenue Subtotal	137.7	111.6	(26.1)	-19%	204.2	-92.7	-45%
State Sales Tax Revenue	333.9	352.7	18.8	6%	271.7	81.0	30%
Federal Funds	-	10.3	10.3	1029%	-	10.3	1029%
Local Assessments Revenue	45.9	45.9	0.0	0%	43.6	2.3	5%
Other Income	0.9	6.8	5.8	619%	10.9	-4.1	-38%
State Assistance	46.7	46.7	(0.0)	0%	31.8	15.0	47%
Non-Operating Revenue Subtotal	427.5	462.4	34.9	8%	357.9	104.5	29%
Total Revenue	565.2	574.0	8.8	2%	562.2	11.8	2%



Fare Revenue Collection

- 53% of baseline revenue in December tracks between Scenario 2 and Scenario 3
- Since July 2021, actuals have aligned with all three scenarios
- FY23 budget based on Scenario 2 revenue projections



FY23 Q2 Spending Summary

- **\$537.1M in total expenses** were \$113.3M favorable to budget for Q2
- **Regular wages \$41.2M favorable for Q2** as hiring efforts ramp up to fill vacancies and new budgeted positions in a difficult job market
- **Overtime unfavorable \$3.0M for Q2** mostly due to vacancies, employees on leave, and FTA related safety work
- **Fringe benefits \$20.6M favorable for Q2** as pension contribution rates remain level with last year, avoiding expected/budgeted increases
- **Materials and services \$24.9M favorable for Q2** as COVID-19 related expenses normalize from peak pandemic levels and expansionary professional services spending (consulting, engineering, legal IT, etc.) continue to ramp up with snow/ice removal season set to begin
- **Purchased transit services \$6.5M favorable for Q2** with RIDE trips below the expected Scenario 2 levels
- **Debt service \$20.8 favorable for Q2** due to multi-year active management of debt portfolio

Expenses (\$M)	FY23 Q2 Budget	FY23 Q2 Actuals	\$ Change	% Change	FY20 Q2 Actuals	\$ Change	% Change
Regular Wages	151.2	109.9	(41.2)	-27%	115.1	-5.2	-4%
Overtime	10.9	13.9	3.0	27%	15.5	-1.5	-10%
<i>Wages Subtotal</i>	<i>162.1</i>	<i>123.9</i>	<i>(38.2)</i>	<i>-24%</i>	<i>130.6</i>	<i>-6.7</i>	<i>-5%</i>
Fringe Benefits	84.6	64.0	(20.6)	-24%	70.4	-6.3	-9%
Materials & Services	91.4	66.5	(24.9)	-27%	70.0	-3.5	-5%
Insurance	7.2	4.8	(2.4)	-33%	11.8	-6.9	-59%
Commuter Rail	125.3	123.0	(2.3)	-2%	112.0	11.0	10%
The RIDE	31.3	26.7	(4.6)	-15%	23.3	3.4	15%
Local Service & Ferry	5.4	5.9	0.5	9%	11.9	-6.0	-51%
<i>Purchased Transit Subtotal</i>	<i>162.0</i>	<i>155.5</i>	<i>(6.5)</i>	<i>-4%</i>	<i>147.1</i>	<i>8.3</i>	<i>6%</i>
Financial Service Charge	1.5	1.5	0.1	4%	2.0	-0.5	-25%
<i>Operating Expenses Subtotal</i>	<i>508.8</i>	<i>416.3</i>	<i>(92.5)</i>	<i>-18%</i>	<i>432.0</i>	<i>(15.7)</i>	<i>-4%</i>
Debt Service	141.6	120.8	(20.8)	-15%	121.5	-0.7	-1%
<i>Total Expenses</i>	<i>650.4</i>	<i>537.1</i>	<i>(113.3)</i>	<i>-17%</i>	<i>553.4</i>	<i>(16.4)</i>	<i>-3%</i>



FTA Special Directive Spending Update

- \$378M in one-time state funds appropriated in FY23 to address ongoing safety related to FTA Special Directives
 - \$266M under Chapter 126 of the Acts of 2022
 - \$112M under Chapter 268 of the Acts of 2022
- As of Q2, \$81.7M in FTA directive spending
 - Includes new, unbudgeted spending associated with the FTA directives and does not include previously budgeted work, new positions posted but not yet hired, or encumbered contracts to be spent

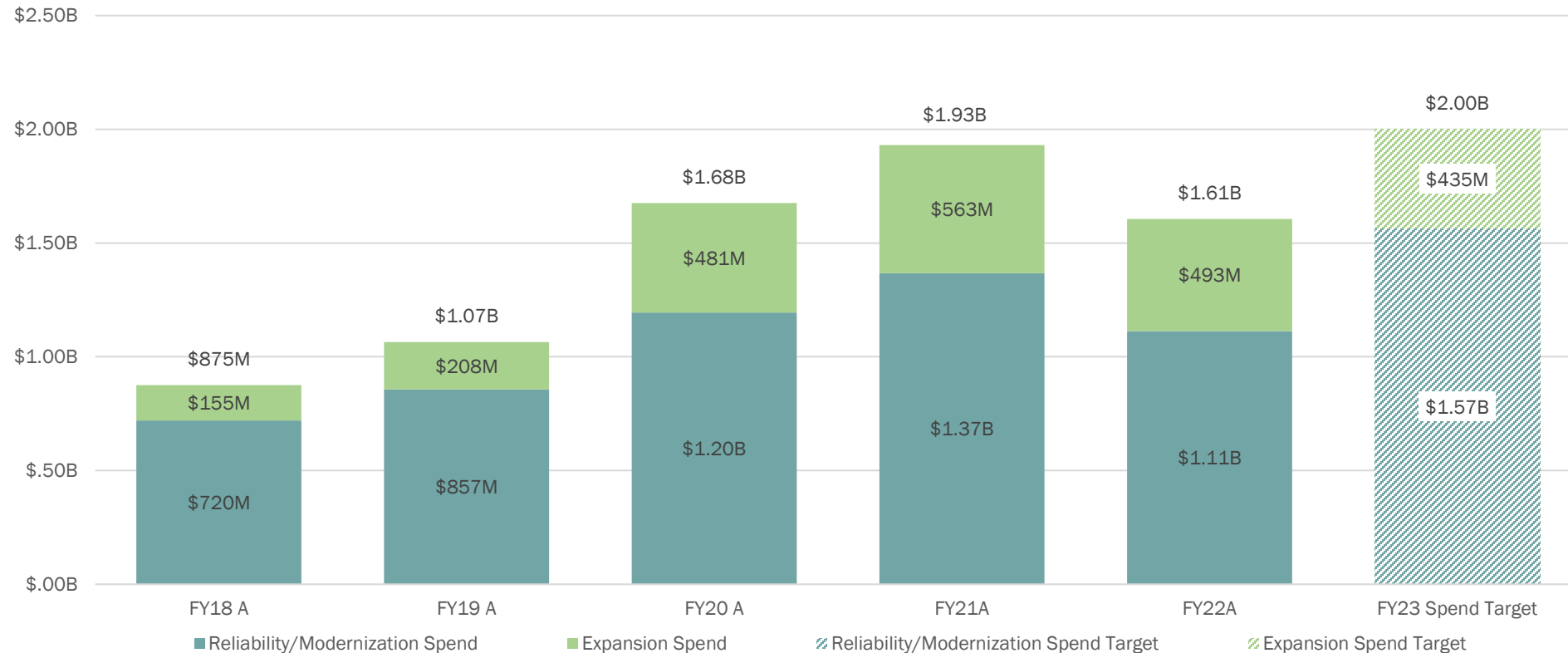
Directive	Description	Amount Spent
22-4	Address deficiencies in personal protective equipment and right of way safety; to correct defective track conditions; and to address management practices that negatively impact track repair	\$68.96M
22-5	Address the pattern of safety incidents and interim safety findings concerning unintended and uncontrolled train movements by disabled trains in maintenance facilities and rail yards	\$7.30M
22-6	Address the pattern of safety incidents and interim safety findings related to actions within the Operations Control Center at MBTA	\$0.89M
22-7	Address the pattern of safety incidents and interim safety findings concerning lapsed training certifications of safety-sensitive rail personnel	\$0.64M
22-9	Assist the MBTA in focusing its attention on balancing demands from operations and capital projects with workforce capacity and capability to inform resource prioritization	\$0.06M
22-10	Enhance and expedite implementation of the agency's SMS, including the development of procedures, safety management training, safety risk assessment, and safety assurance activities to build the organization's capability to identify safety concerns and to prioritize action to mitigate safety risk	\$0.05M
22-11	Improve MBTA's management of its safety committee process, employee safety reporting program, and safety promotion activities	\$0.06M
22-12	Improve MBTA's management of its operating and maintenance policies, monitoring of rail transit operations, Quality Assurance/Quality Control capabilities, and training and procedures	\$0.53M
Directive support	Support services and resources necessary to facilitate the progress and completion of multiple directives, including human resources for hiring and retention along with quality compliance & oversight of FTA directives	\$3.26M

Capital Program Review



MBTA Capital Investment by Fiscal Year

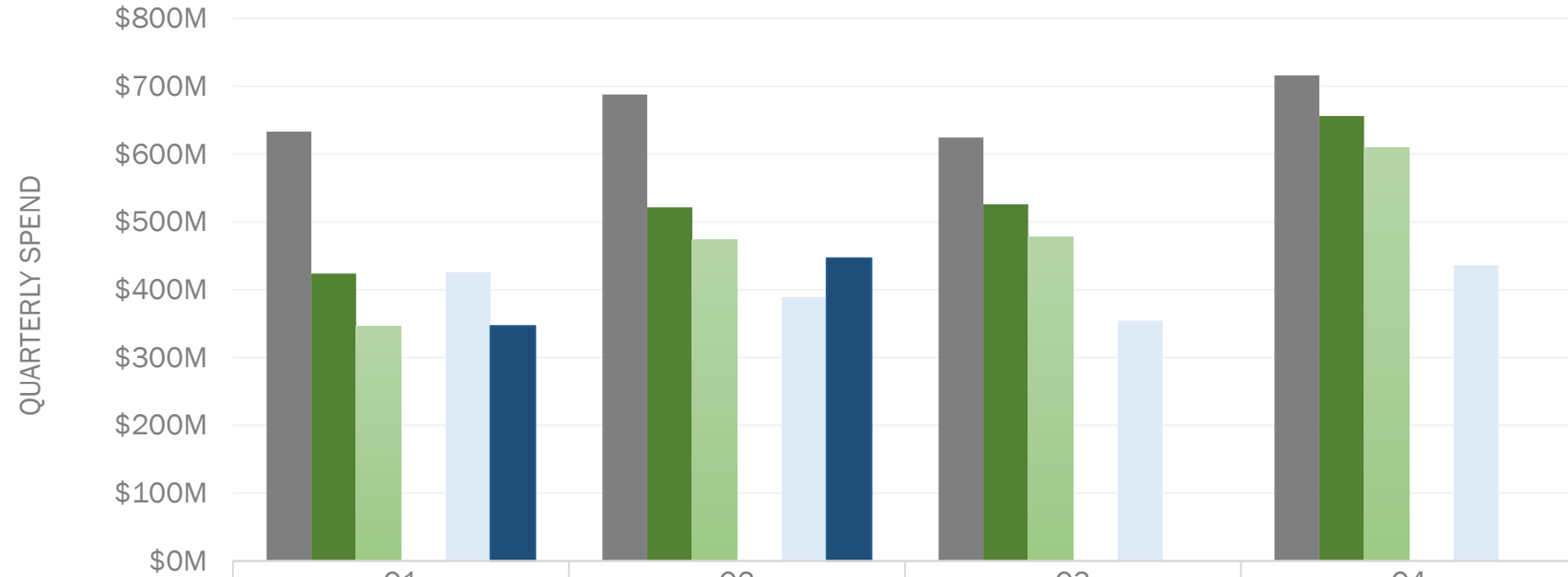
- The MBTA programmed \$2.66B for FY23 and set a Spend Target of \$2.0B
- FY23 YTD spend through December 2022 is \$793.1M slightly trailing FYTD Q2 PM cash flow projections of \$820.4M by \$27.0M or 3.3%, FY22 spend of \$815.5M by \$22.4M or 2.7%, and FY21 spend of \$936.8 by \$143.7 or 15.3%
- Several macro factors, such as, supply chain issues, labor shortages and pricing increases have hampered project delivery YTD



FY22 Quarterly Spend Overview

- Q2 spend was **\$446.7M**, coming in below PM's Q2 projections of **\$474.0M** by **\$27.3M** or **5.8%** and trailing CIP Programmed amount of **\$688.0M** by **\$241.3M** or **35.1%**.
- YoY Q2 Spend was higher by **\$57.4M** or **14.7%**.
- On average (FY19-FY22), Q2 spend typically represents 26% of total spend, FY22 Q2 spend was 24% of total spend.

Quarterly FY23 Actuals vs. FY22 Actuals & FY23 Benchmarks

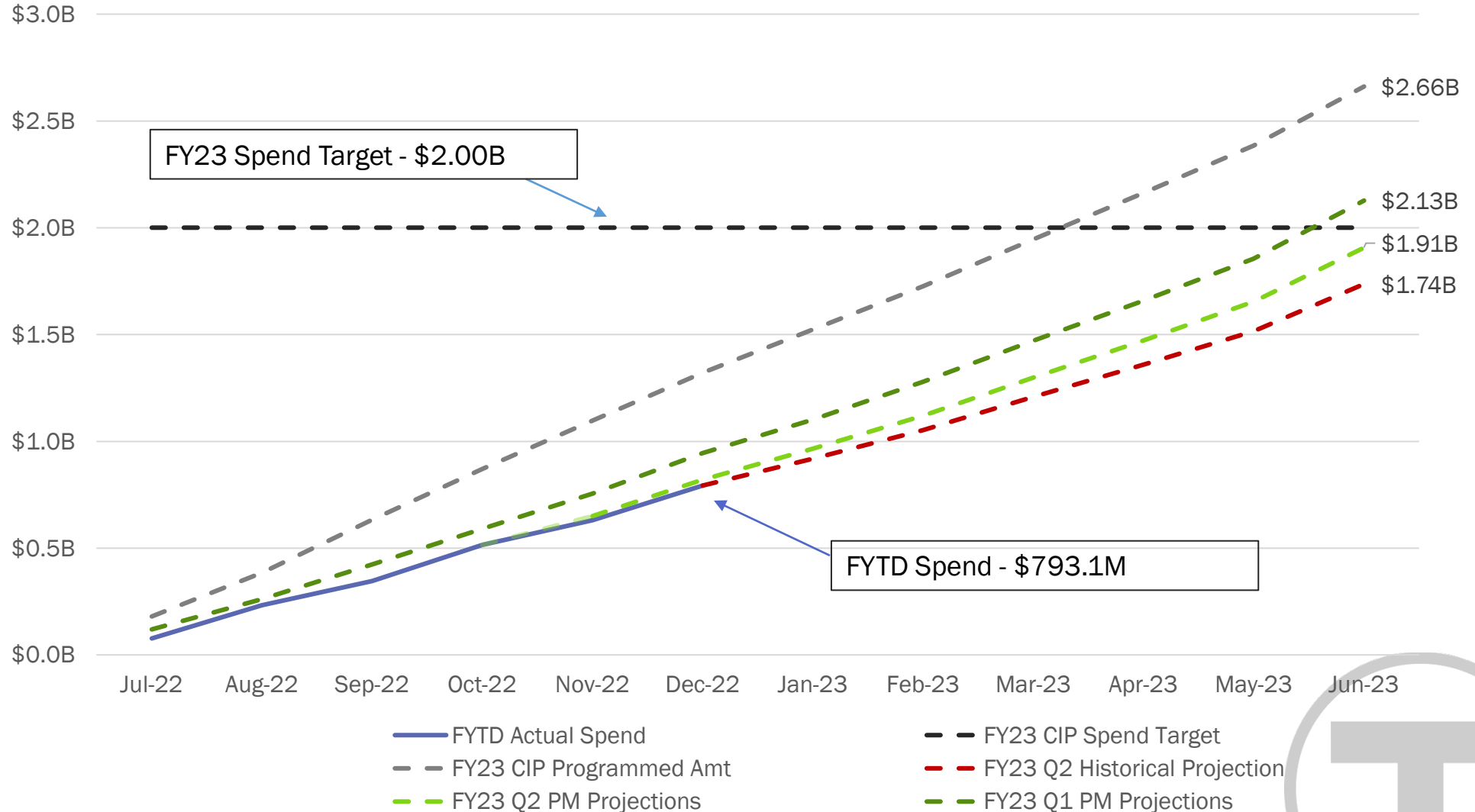


	Q1	Q2	Q3	Q4
■ FY23 CIP Programmed Amt	\$633.1	\$688.0	\$624.7	\$716.1
■ FY23 Q1 PM Projections	\$423.7	\$521.7	\$525.9	\$656.3
■ FY23 Q2 PM Projections	\$346.4	\$474.0	\$477.7	\$609.0
■ FY22 Actual Spend	\$426.2	\$389.3	\$354.2	\$436.0
■ FY23 Actual Spend	\$346.4	\$446.7		

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

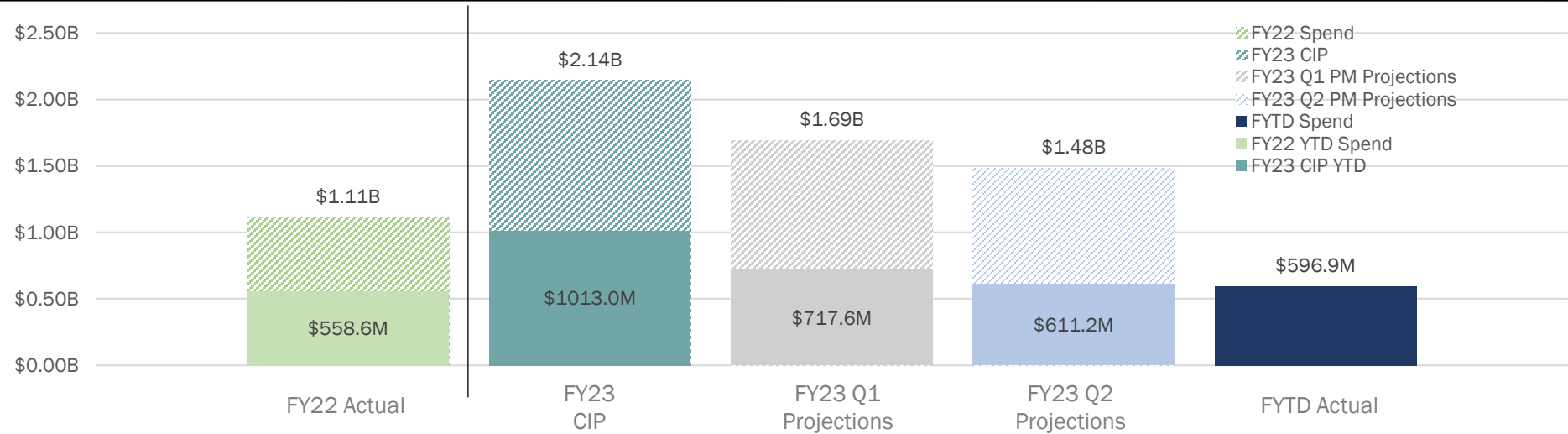
Cumulative Spend Overview – FY23

- PM’s Q2 FY23 Projection was **\$1.91B** which is **\$754.8M** or **28.4%** less than FY23 CIP programmed amount of **\$2.66B** (submitted in Q3 FY22)
- Historical spending performance against Q2 PM projections for remaining months has been 86.8%. FY23 Historical Spend of **\$1.74B** is formulated using FYTD December actual spend and 86.8% of most recent projections.
- Projections **exclude \$255M purchase of Widett Layover Facility** approved by board in December

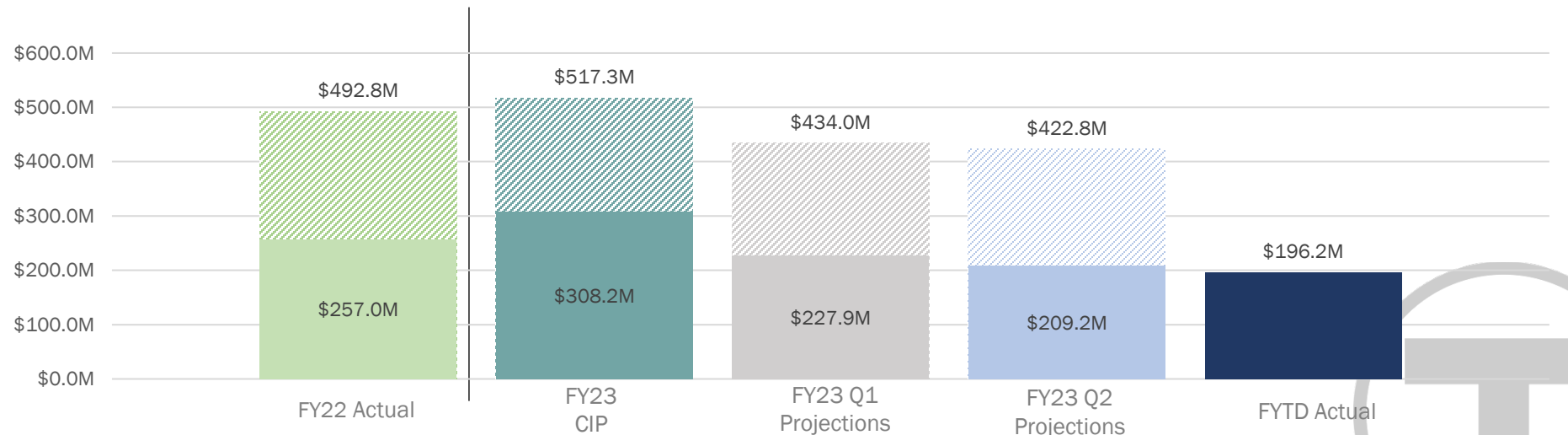


Capital Spend by CIP Priority

- Q2 FYTD Reliability & Modernization spending of **\$596.9M** is above FY22 spend but lags FYTD CIP of \$1.01B by **\$416.1M** or **41.1%** and FYTD Projections of \$611.2M by **\$14.3M** or **2.3%**.
- Q2 FYTD spend for Expansion projects (GLX, SCR) of **\$196.2M** is lower than FYTD CIP of \$308.2M by **\$112.0M** or **36.4%** and slightly below FYTD projections. YOY Spend was lower than FY22 of \$257.0M by **\$60.8M** or **23.7%** as is expected due to the wind down of spend on GLX.



Reliability & Modernization



Expansion

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

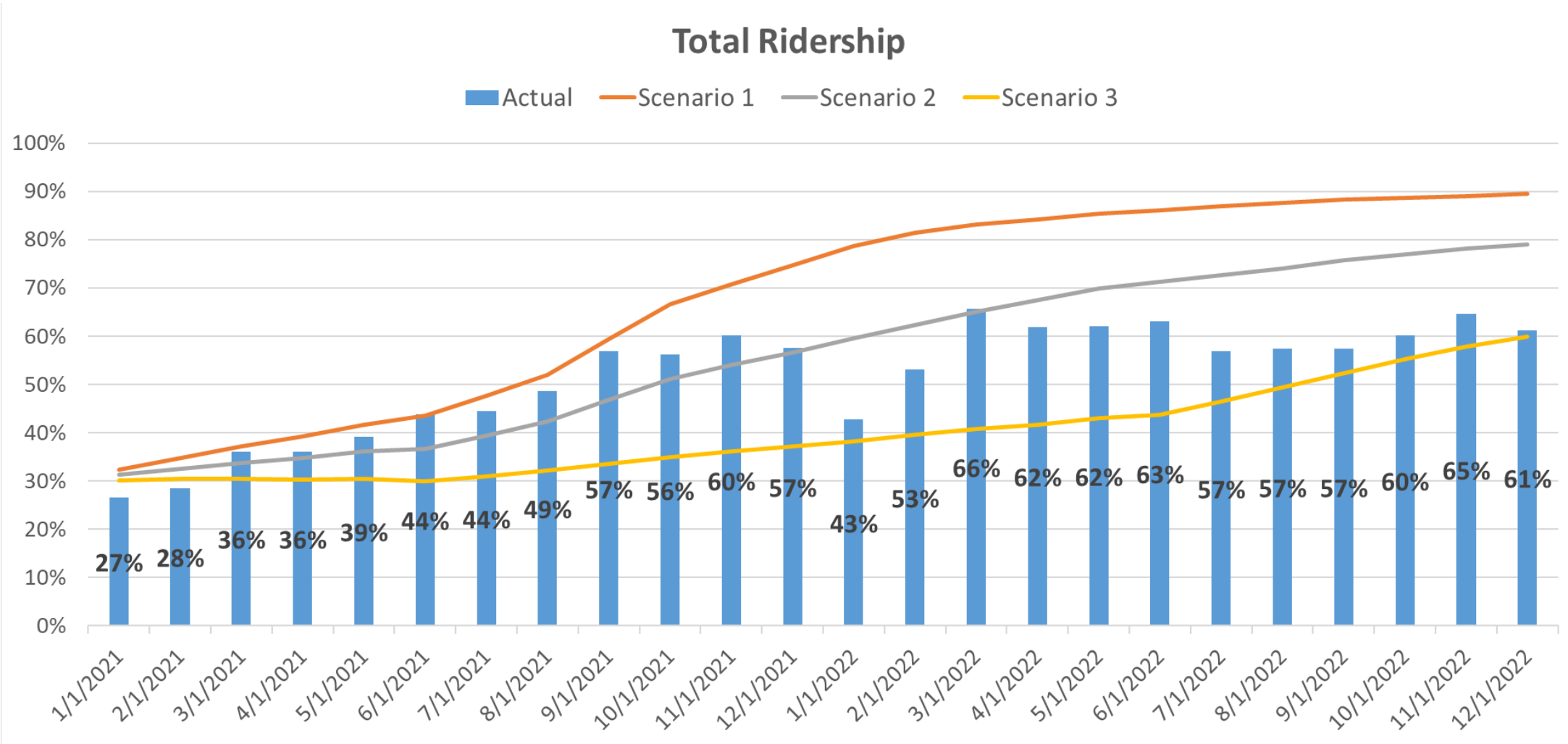
The economic impacts of COVID-19 have depressed travel and mobility, especially on the MBTA, and telecommuting is standard practice

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



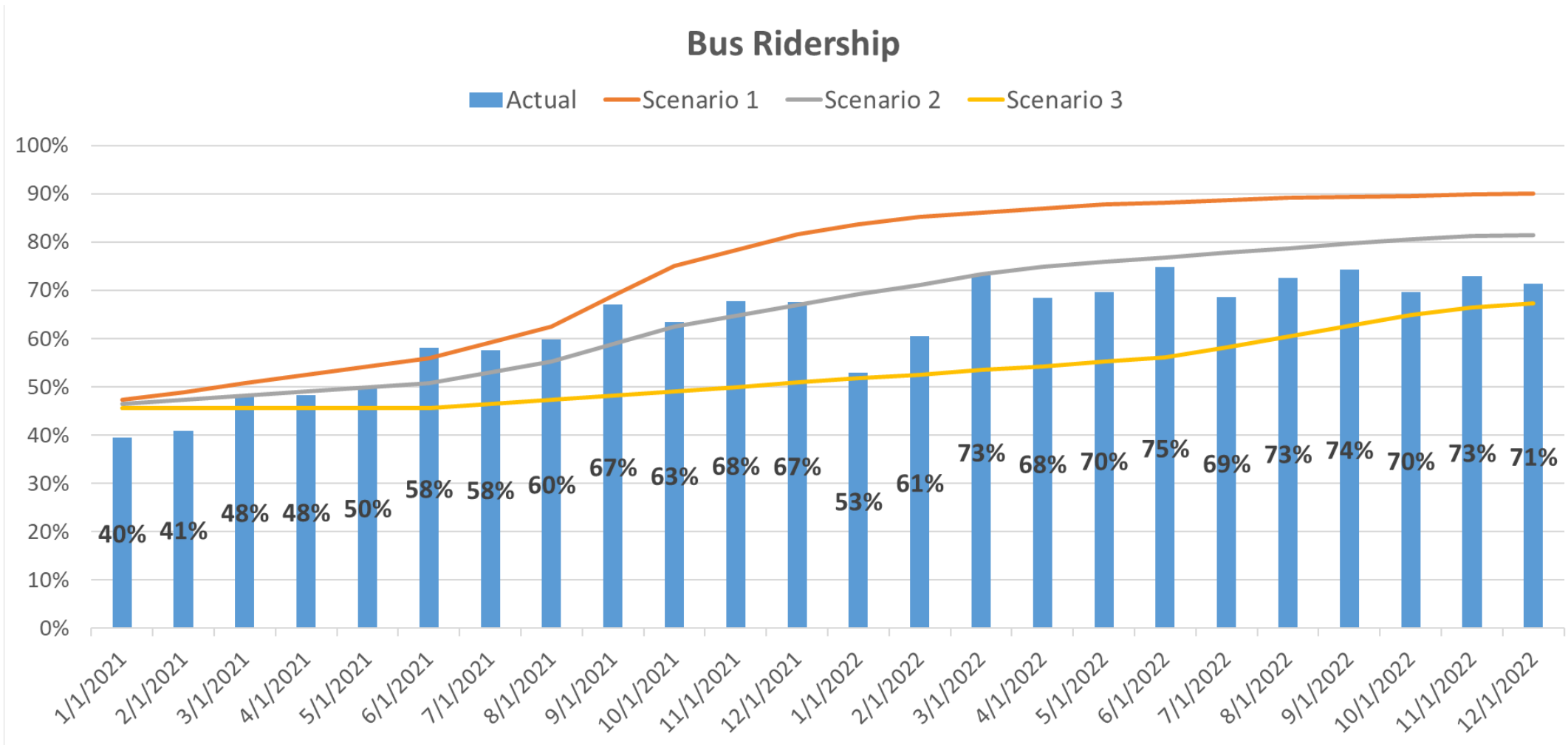
Total Ridership

- Total ridership decreased to 61%, aligned with Scenario 3



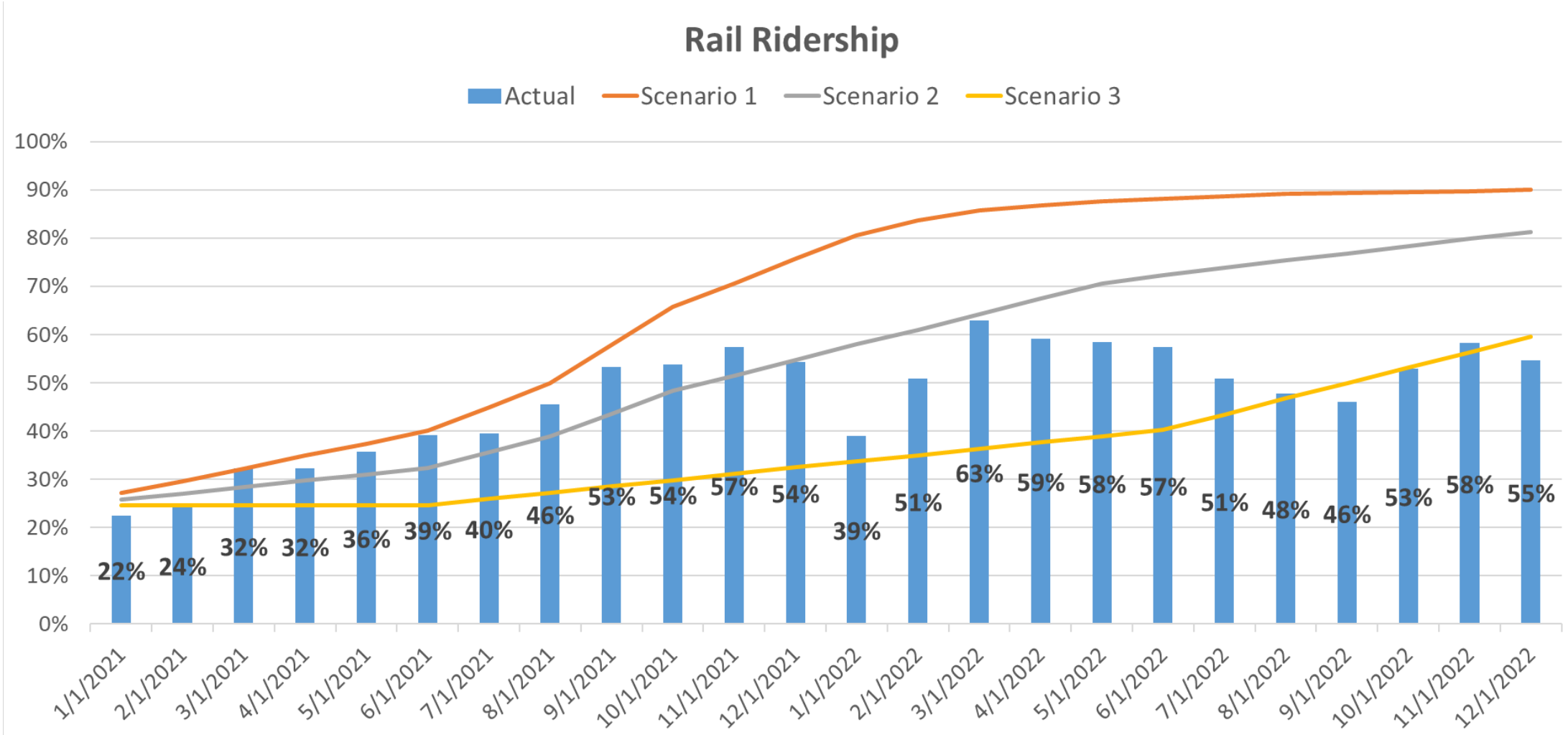
Bus Ridership

- Bus ridership decreased to 71%, between Scenario 2 and Scenario 3



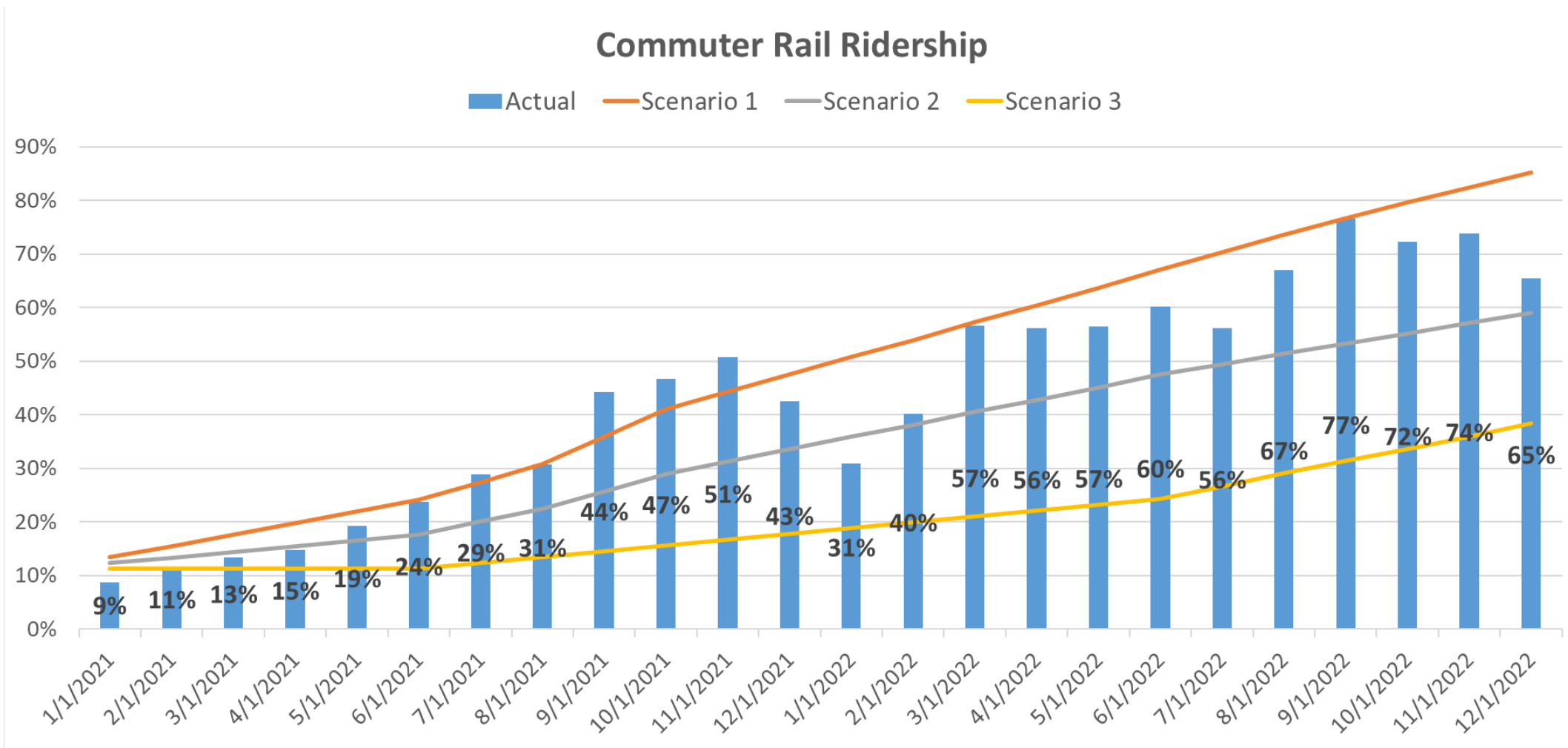
Rail Ridership

- Rail ridership decreased to 55%, below Scenario 3



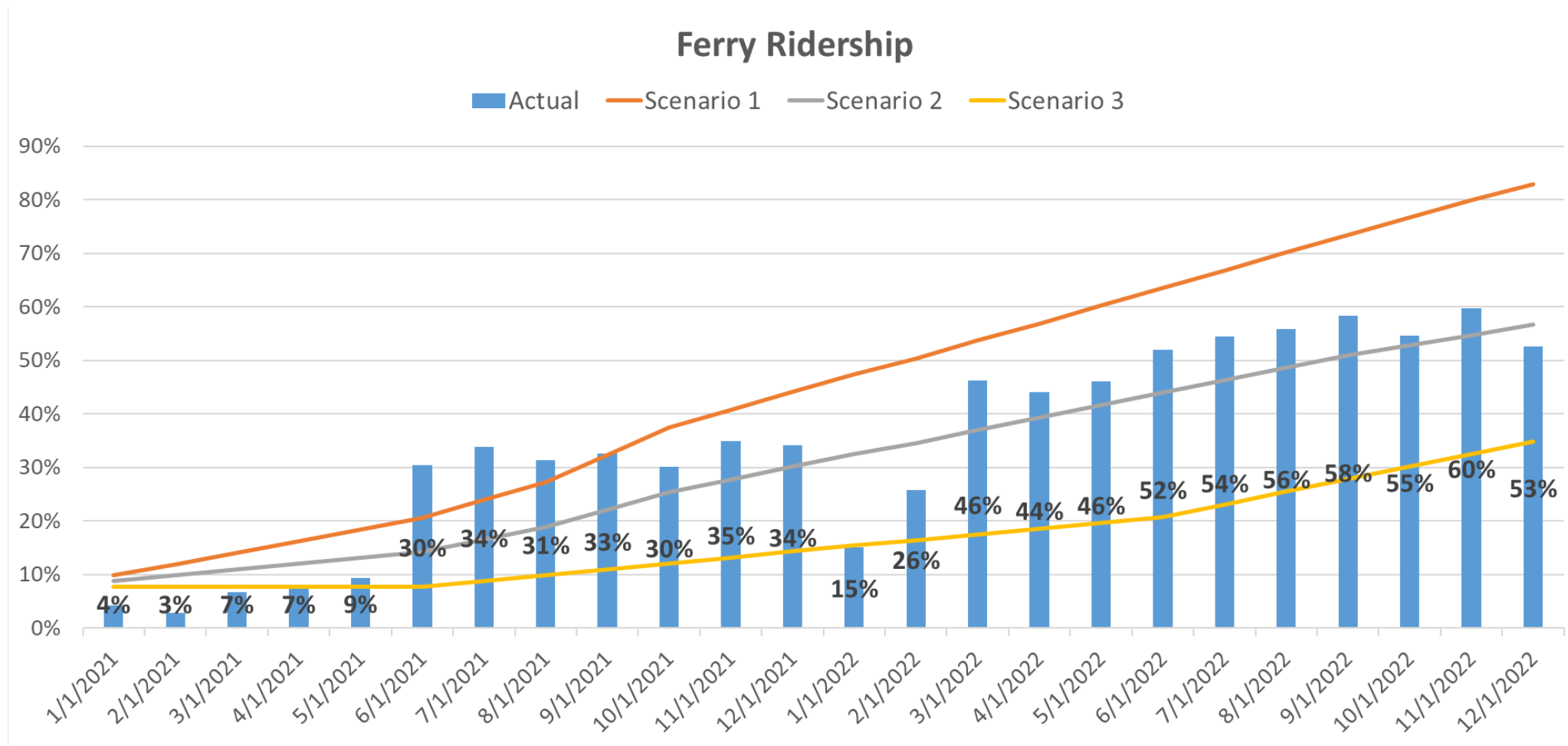
Commuter Rail Ridership

- Commuter rail ridership decreased to 65%, between Scenario 1 and Scenario 2 projections



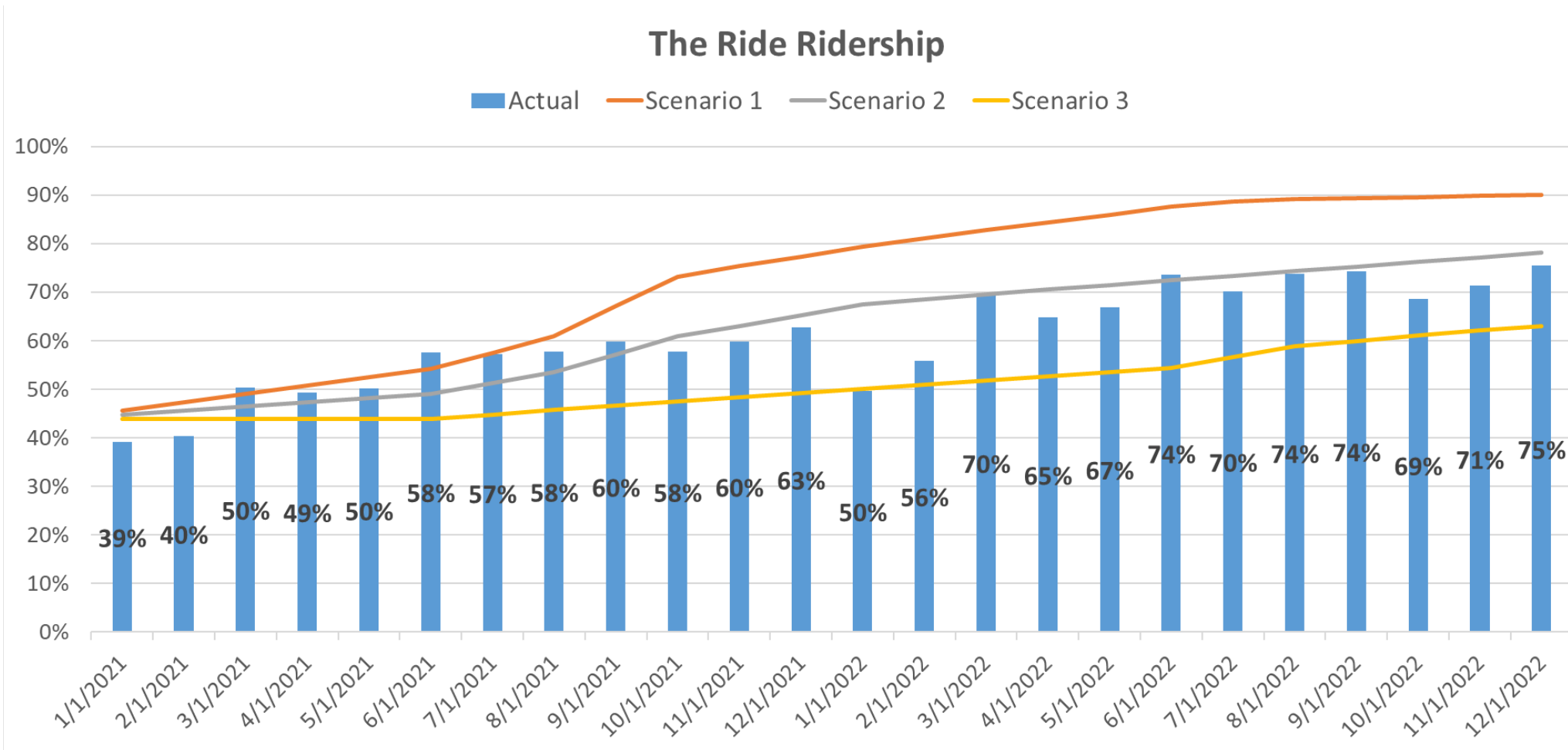
Ferry Ridership

- Ferry ridership decreased to 53%, between Scenario 2 and scenario 3 Projections



The RIDE Ridership

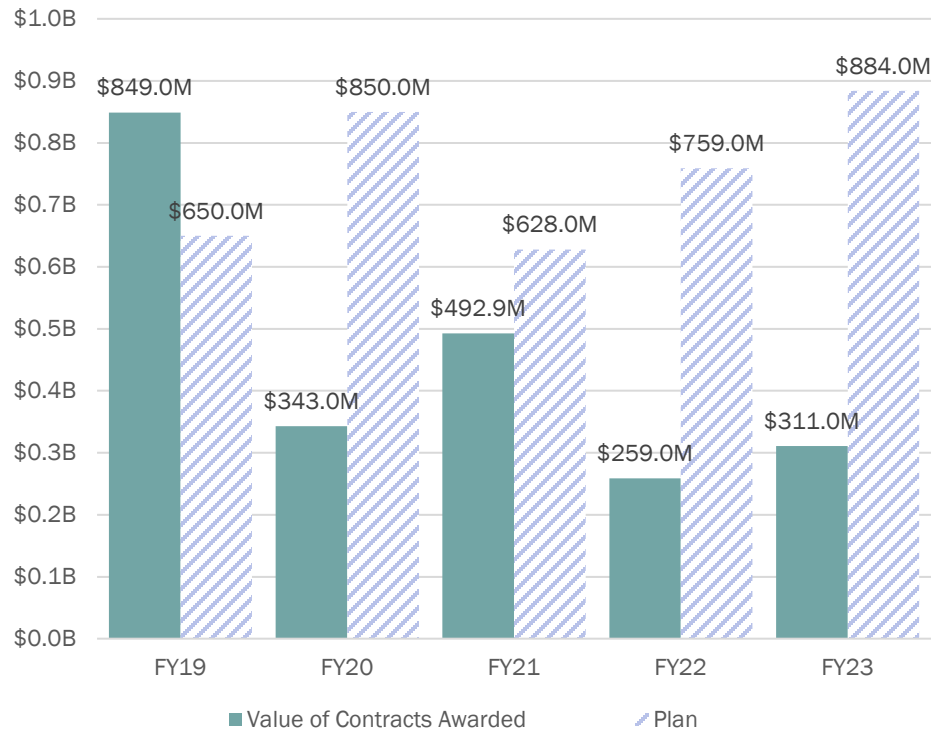
- The RIDE ridership has increased to 75%, between Scenario 2 and Scenario 3 projections



Planned FY23 Construction Contract Awards

MBTA set an ambitious contract award plan for FY23 totaling \$884M. FYTD contract awards of \$311M already surpass the total awarded in FY22.

Construction Contracts (\$M)



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
SCR Route 18 Pedestrian Bridge	11/24/22	\$20	\$21
MBTA CNG Facility Upgrades	09/22/22	\$14	
South Elm Street Bridge	10/13/22	\$11	
South Station Tower One	10/27/22	\$70	
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	
Newton Highlands	12/15/22	\$18	
Quincy Bus Maintenance Facility - CM-at Risk (Pre-Construction)*	12/15/22	\$1	
East Street Bridge	12/22/22	\$15	
Ruggles Station, Phase II	01/05/23	\$87	
D Branch Platform Accessibility	01/11/23	\$9	
Blue Line Communication Rooms	01/12/23	\$6	
Worcester Side Platform Demolition & Waterproofing	01/26/23	\$4	
On-Call CR Track -3	02/03/23	\$24	
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	
Green Line Overhead Catenary System SGR	TBD	\$8	\$0
South Attleboro Station Improvements	TBD	\$61	\$0
Total		\$884	\$311