



**Massachusetts Bay
Transportation Authority**

MBTA Cash Flows

Mary Ann O'Hara, CFO

MBTA Finance Team

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Executive Summary

- The MBTA is facing a fiscal cliff for the FY26 budget.
- Uncertainty in revenue has serious implications for the MBTA's ability to meet its financial obligations.
- The MBTA updates projections monthly to predict how long existing cash on hand will last assuming no additional cash is received.
- The MBTA is projecting to run out of cash in Q1 of FY26 assuming no further assistance is received.



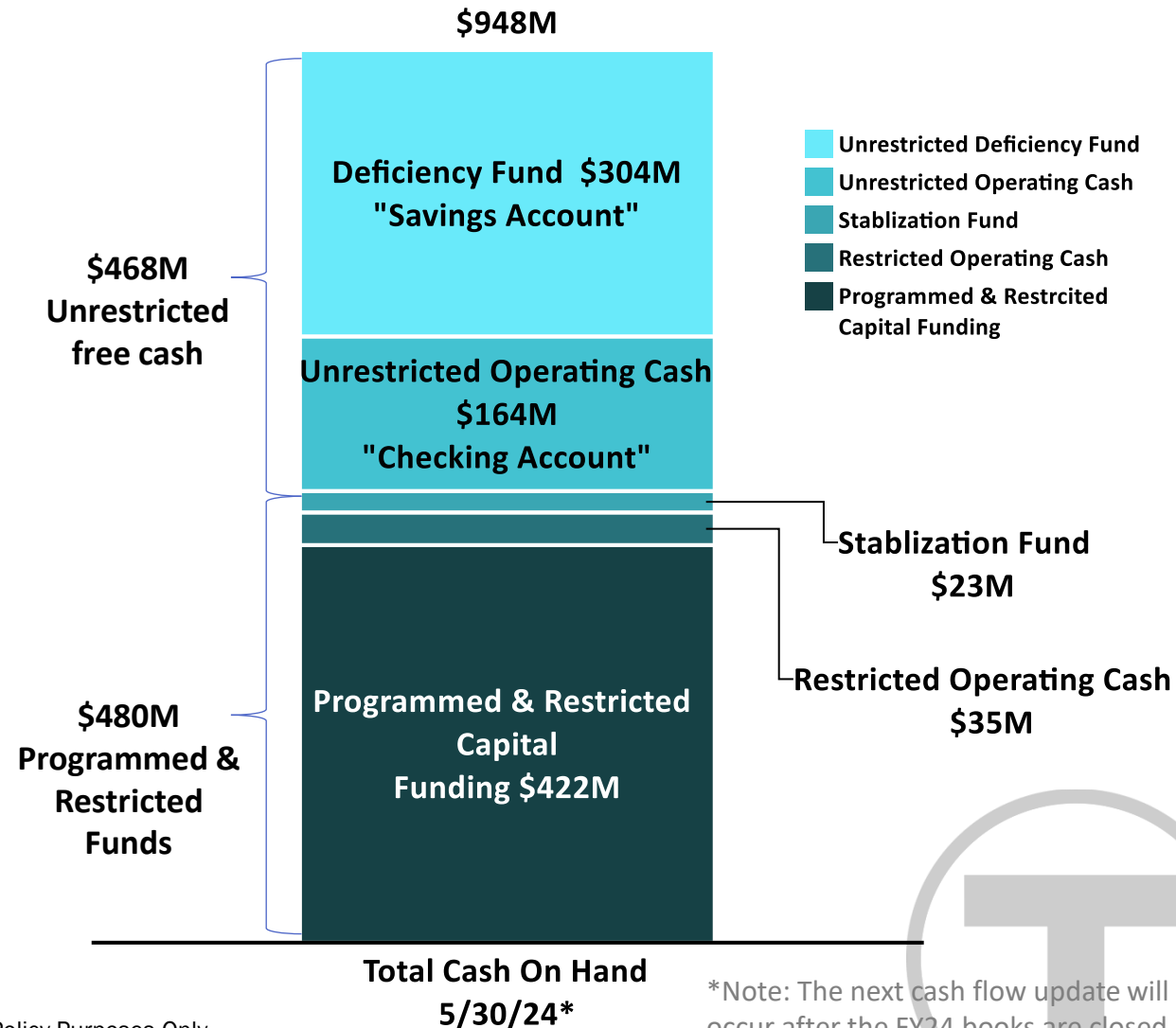
Cash Flow Methodology

- Cash flows projections provide a **monthly snapshot of the MBTA's cash on hand** and reflects how its account fluctuated as cash was received and expenses paid. The projection provides an **estimate for how long the cash available will last** no additional cash is received.
- Managing cash flows are like managing personal checking and savings accounts. Every month there is a **budgeted loss or gain estimate**:
 - **If the month finishes better than expected** (more cash in / less cash out), **the MBTA's cash is projected to last longer** and the reliance on the deficiency fund (“savings account”) is reduced.
 - **If the month finishes worse than expected** (less cash in / more cash out), **the MBTA's cash is projected to run out sooner** and the reliance on the deficiency fund (“savings account”) is increased.



Restricted vs. Unrestricted Funds

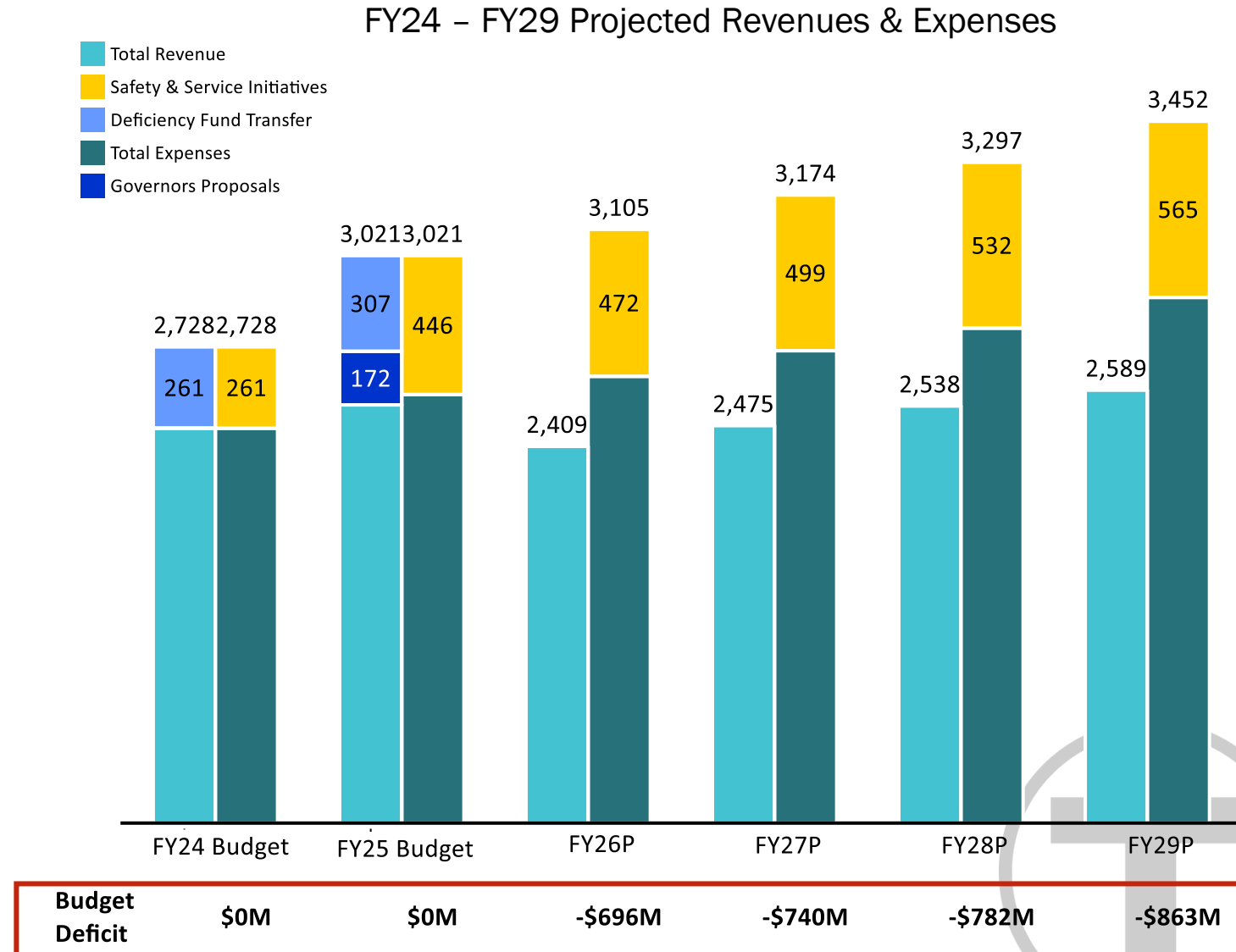
- The monthly cash flow update focuses on the date which the MBTA will run out of unrestricted free cash. Restricted funds are not included because they are earmarked for specific purposes.
- As of May 30, 2024, the MBTA had \$948M in cash on hand
 - **\$480M Programmed & Restricted Funds:** Earmarked funding
 - **\$468M Unrestricted Funds:** Free cash that can be applied anywhere to resolve financial issues
- \$468M Unrestricted funds are split into two categories
 - **\$304M Deficiency Funds:** The MBTA's "Savings Account" is used to balance annual operating budget deficits to avoid service reductions
 - **\$164M Unrestricted Operating Funds:** The MBTA's "Checking Account" is used to fund wages and other obligations, as well as receive cash deposits



Unrestricted Deficiency Funds Balance the Operating Budget

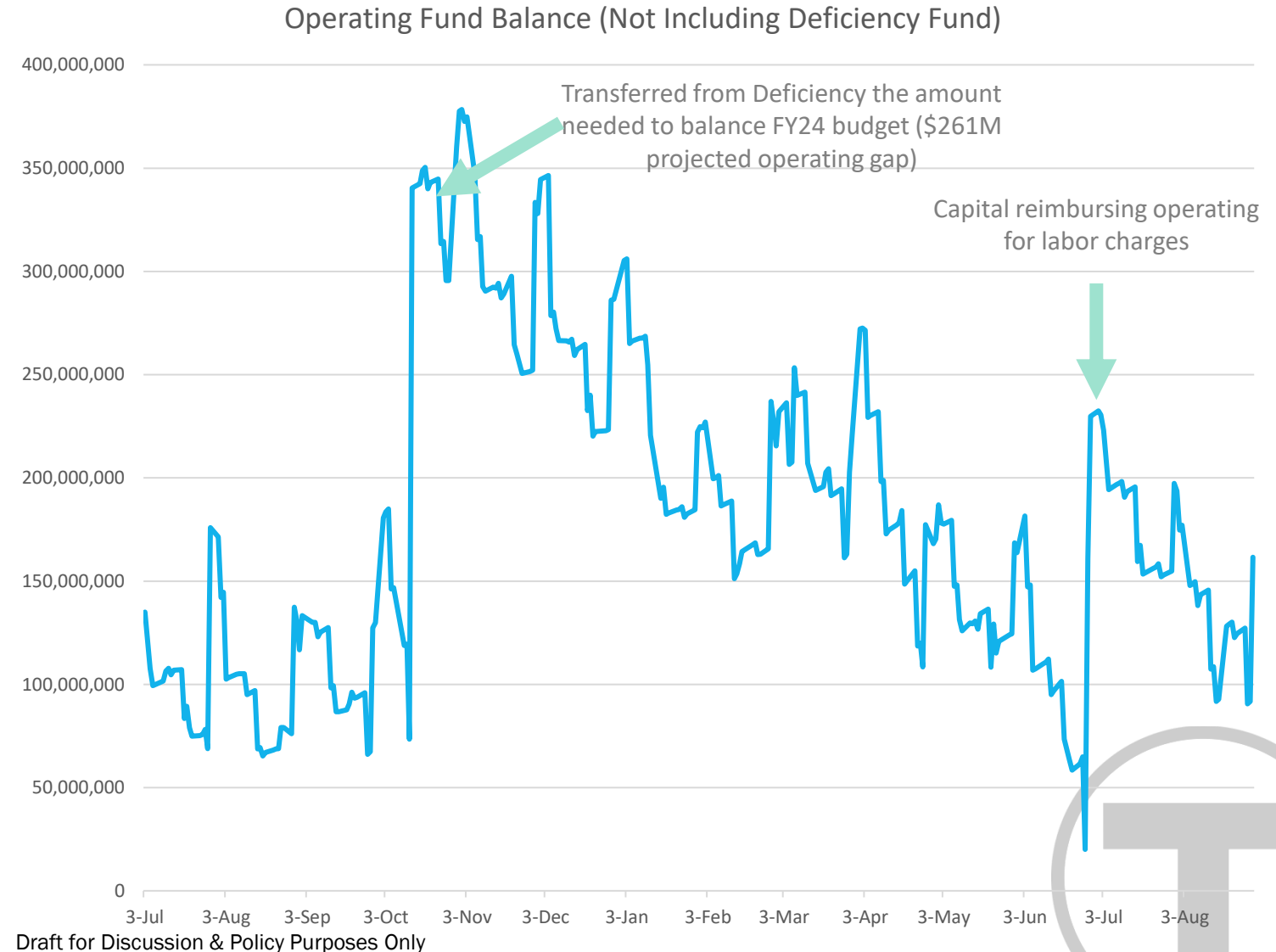
(Presented in Final Operating Budget Presentation in June 2024)

- The FY25 Operating Budget utilizes the deficiency fund (\$307M) and relies on additional state appropriations to balance
- The Deficiency fund balance and cash reserves available fluctuates on a month-to-month basis as actual revenues and expenses are realized
- **The MBTA is projected to deplete the deficiency fund (“Savings Account”), leaving only unrestricted operating cash (“Checking Account”) to meet obligations in FY26**
- **Without additional assistance the MBTA’s ability to meet obligations will be risk**



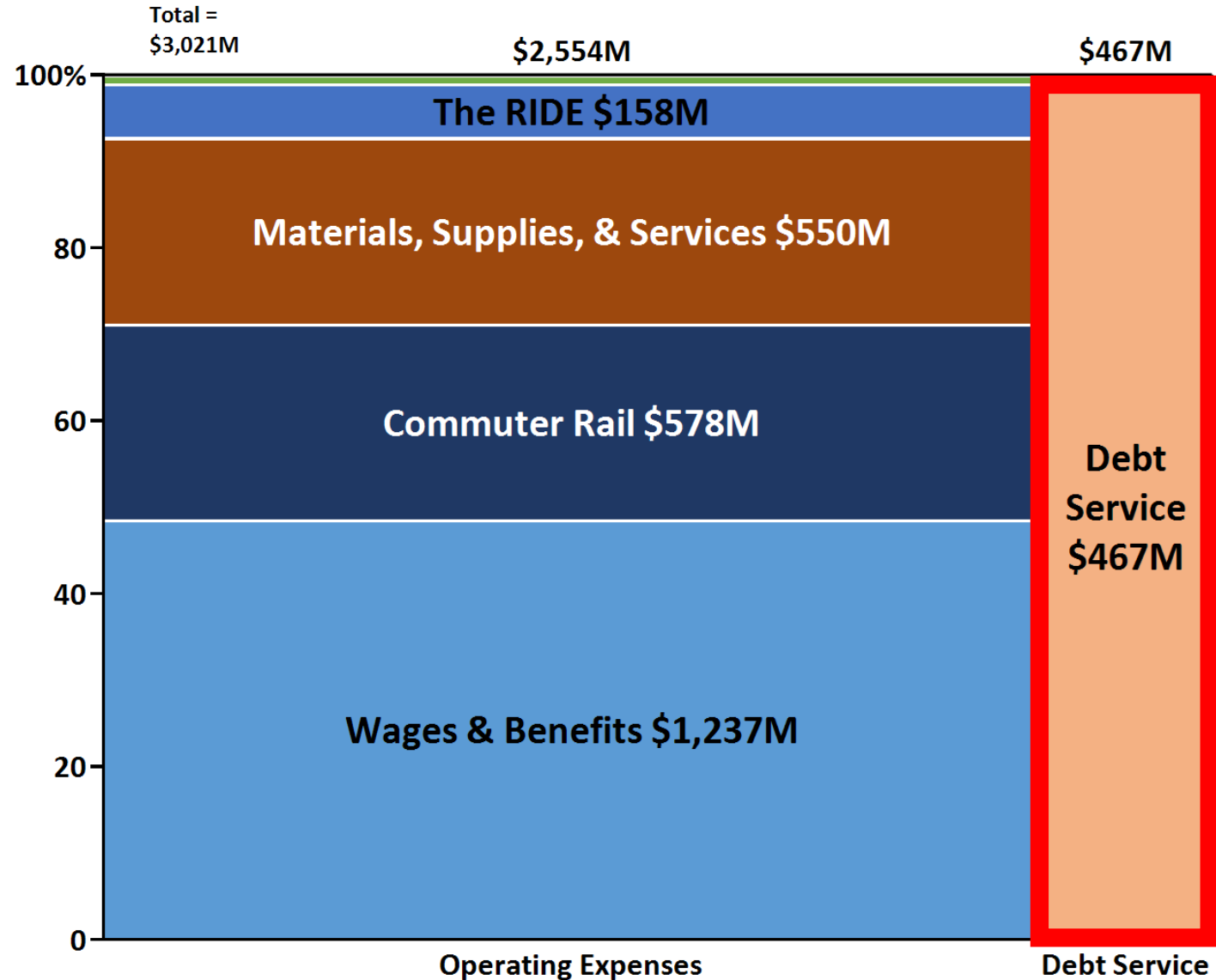
Unrestricted Operating Funds (“Checking Account”) Cash Flows

- The balance of the MBTA’s **“checking account”** fluctuates dramatically throughout the year as cash is received and invoices are paid
- In any given month, the **balance of Unrestricted Operating Funds can fluctuate by nearly \$100M**, depending on the timing of when revenues and expenses are received
- Monthly cash outflows include items such as wages (~\$75M) and payments to Keolis (~\$43M)



Debt Service Impact on Cash Flow

- Revenues to support the Capital Improvement Plan (CIP) are raised through large bond issuances,
- The MBTA is obligated to pay the principal and interest (aka debt service) upfront out of its Operating Budget
 - Debt service expenses are deducted from Sales Tax Revenues prior to the cash being received by the MBTA
- In FY25, debt service accounts for 15% (\$467M) of expenses. Debt service expenses are likely to increase as Capital funding sources decline and bond issuances increase.
- This limits the availability of unrestricted operating cash.



Conclusion

- The MBTA is currently projected to **run out of cash in Q1 of FY26, assuming no further assistance is received.**
- Operating budget deficits increase reliance on the deficiency fund.
- With the deficiency fund expected to be depleted by the end of FY25, **the MBTA will need to rely on unrestricted operating cash in FY26 putting its ability to meet obligations at risk.**
- MBTA has implemented a **\$93M savings target** in FY25 to reduce reliance on the deficiency fund and improve cash flows.
- An updated five-year pro forma projection will be presented to the Board of Directors in November 2024.



Questions or Comments?



Appendix



Separation Between Operating & Capital Budget

- Cash flows are also impacted by the interplay between the Capital and Operating Budgets
- Following the 2015 report “**Back on Track: An Action Plan to Transform the MBTA,**” the MBTA separated its capital and operating budgets
- Since then, the Authority budgets capital and operating in separate and discreet processes. However, the capital and operating budgets are interrelated.
- The major inter-relationship between the capital budget and the operating budget is that **debt service** (second largest budget operating item after labor at approximately \$500M a year) **is driven by the capital budget but paid for out of the operating budget.**

Excerpt from 2015 report “**Back on Track: An Action Plan to Transform the MBTA**”

Practice sound fiscal management, and prevent the comingling of funds, the Governor directs the MBTA to implement a ‘firewall’ between the operating and capital budgets.”



CIP Funding Sources | Overview



Federal funding

FTA Formula funds

- Urbanized Area Program (Section 5307)
- Buses and Bus Facilities (Section 5339)
- State of Good Repair (Section 5337)
- Level of funding established in BIL and distributed to eligible UZAs

Discretionary funds

- Competitive processes run by federal agencies. Funds included in the CIP after award



State funding

Bonds

- General obligation bonds (bond cap) and special obligation/revenue bonds (Rail Enhancement Program) to support the local match requirements for Federal funding under the Bipartisan Infrastructure Law (BIL), and for specific projects such as:
 - South Coast Rail Phase 1
 - Green Line Extension
 - Red Line/Orange Line vehicles and infrastructure improvements
 - Procurement of 67 Bi-Level Commuter Rail Coaches
- Funding for capital projects included in the Healy-Driscoll Administration's FY24 budget proposal



MBTA sources

Bonds

- Taxable, tax-exempt, and sustainability bonds

Loans

- Build America Bureau (BAB) loans through TIFIA and RRIF

Operating Budget Transfer

- Funds transferred from MBTA's operating budget to the capital program

Capital Maintenance Fund (CMF)

- Authority's fund to be used at the discretion of the CFO

Note - The sum of MBTA bonds and loans is limited by the overall coverage ratio in order to maintain the MBTA's credit rating.



Others

Reimbursable

- Outside funds through partnerships and formal agreements

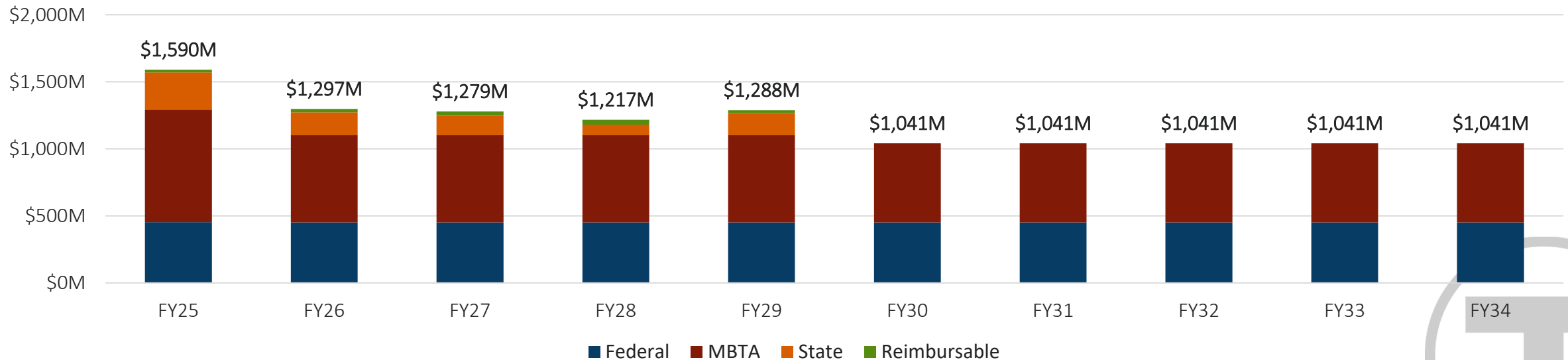


Funding sources for capital projects are declining

The MBTA has increased capital spend significantly, growing from \$631M in FY14 to a record-high \$1.9B in FY22. However, in future CIPs, our funding sources are expected to decline:

- Uncertainty regarding Federal funding levels beyond FY26 (when BIL expires), and the continued draw-down of State sources tied to specific projects and initiatives, indicate future capital plans may be half the size of the \$9.6B FY25-29 CIP.
- The chart below does not account for potential Fair Share tax revenue, or other state sources, that could be made available in future years
- These projections account for a relatively flat annual MBTA revenue bond issuance

MBTA Sources When Available - FY25-34*



*This chart presents the year in which sources become available, not necessarily the year in which funds will be spent