



**Massachusetts Bay
Transportation Authority**

**Summary for vote to approve the FY17
Itemized Budget**

April 11, 2016



Statutory itemized budget voting requirement for release to MBTA Advisory Board

REQUIRED VOTE

That the Fiscal and Management Control Board approves the Authority's itemized budget of current operating expenses and debt service costs for a one year period—July 1, 2016 through June 30, 2017—in the amount of \$2,021,884,129 in the form submitted at this meeting; and

That the General Manager and Chief Administrator are hereby authorized and directed to submit the itemized budget, in the name and on behalf of the Authority, to the MBTA Advisory Board no later than April 15, 2016 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.



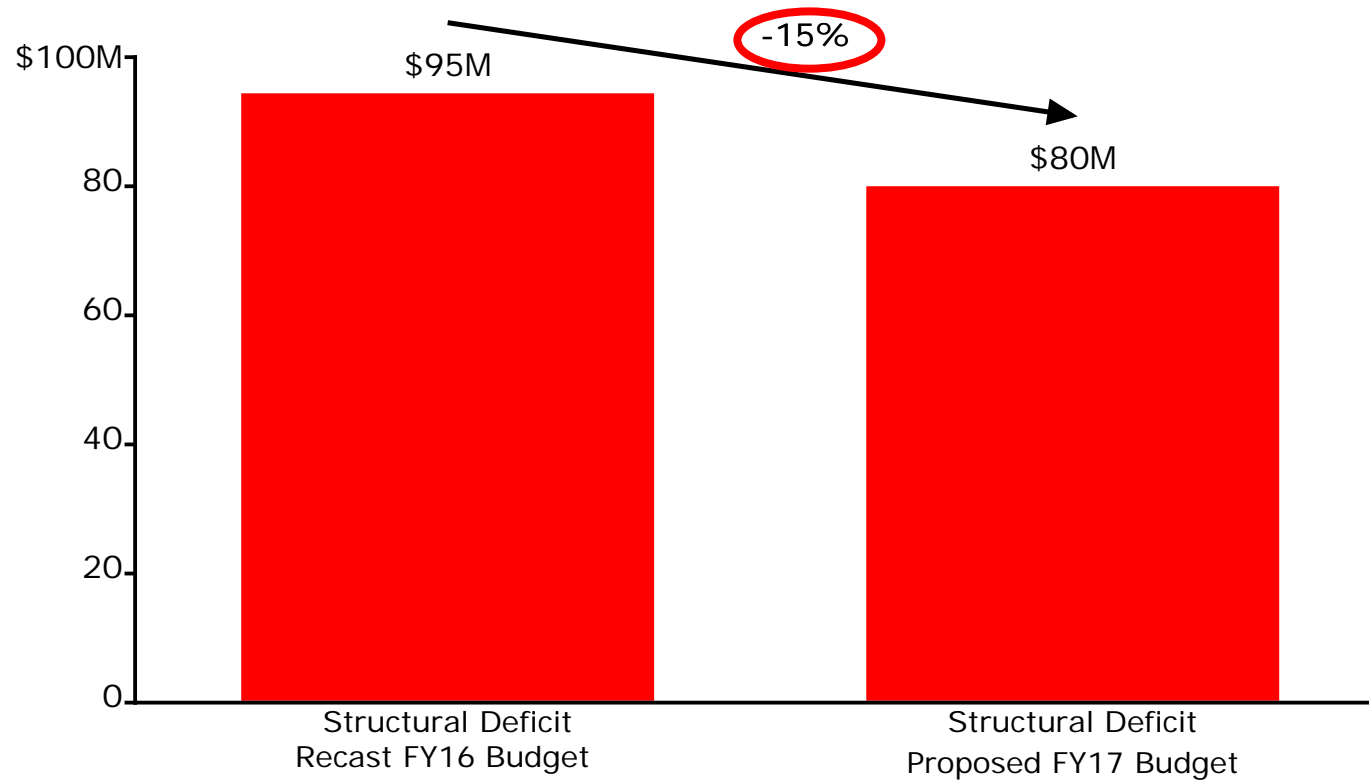
FY17 Budget: Updates

- The Advisory Board has reviewed and approved the Preliminary Itemized Budget
- **No changes have been made to the budget** since it was presented to the FMCB on 3/16/2015



BUDGET RECAP: Targeted 15% reduction in the Structural Deficit between FY16 and FY17

Structural Deficit (not including Additional Assistance)

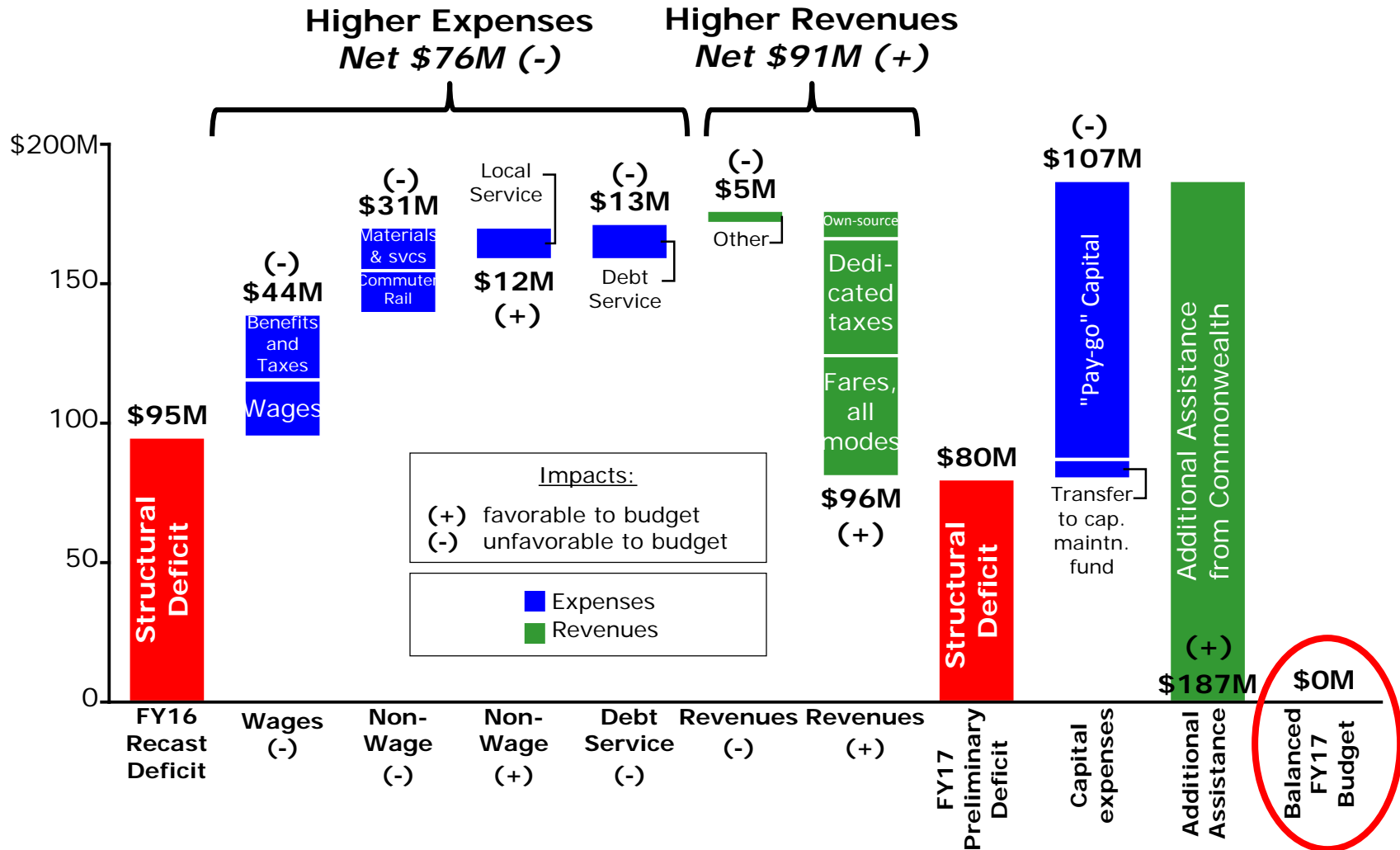


*Structural Deficit = Revenues (not including Additional Assistance) – Operating Expenses and Debt Service

Draft for Discussion & Policy Purposes Only



BUDGET RECAP: Balanced budget with Additional Assistance from Commonwealth



Draft for Discussion & Policy Purposes Only



BUDGET RECAP: Budget is balanced only with infusion of Additional Assistance from Commonwealth; Structural deficit remains

Remaining \$80M structural deficit must be closed by the end of FY17 in order to avoid ballooning deficits in FY18 and beyond. Five strategies have been identified thus far:

- **Wages & Benefits**: 74% of MBTA non-debt operating expenses (excluding Keolis/RIDE). MBTA operator wage rates highest in the U.S. To create a sustainable cost structure, we need to evaluate all aspects of wage structure including rates, progression, work rules, overtime triggers and pension contribution rates.
- **Flexible contracting**: In process. Short-term focus on corporate services including automated fare collection/cash management, warehouse management/logistics, human resources, marketing services. Medium-term focus on developing strategy for maintenance and operations.
- **Vendor review**: MBTA spends \$280M annually on services, supplies and materials. Target reduction through a rapid process of engaging vendors (large and small) to provide discounts that can help close the FY17 deficit.
- **Low ridership services**: High subsidy, low ridership service lines (weekend commuter rail - \$23.52 per trip; low ridership bus - \$5.45 per trip) will be re-evaluated for adjustment, elimination or third party provisioning.
- **Parking Strategy**: While advertising / real estate revenues forecast to grow 25% in FY17, parking revenue growth lags. Develop growth strategy to accelerate revenues, public-private partnership potential.



Management will be held accountable against targets for savings from all of these strategies



BUDGET RECAP: Base revenue will be derived from dedicated sales tax for the first time since forward funding

Calculation of FY17 Dedicated Revenue

	<u>FY17</u>
FY17 Projected Dedicated Sales Tax Revenue <i>(Sales Tax-Derived Revenue)</i>	\$1,027M
Projected Sales and Use Tax Collections, Excluding Meals Tax	\$5,419M
Percentage due to MBTA	x 16%
	\$867M
Additional dedicated revenue	+ \$160M
	\$1,027M

(A)

MBTA receives the larger of A or B, resulting in an additional \$35M this year

FY17 Base Tax Revenue **\$992M**
(Minimum Dedicated Revenue)

(B)



Future Dedicated Revenue based on sales tax is subject to economic conditions



BUDGET RECAP: Targeted operating revenue growth of 8% and core operating expense growth of 1%

	(\$M)	<u>FY16 BUDGET RECAST</u>	<u>FY17 BUDGET PRELIM.</u>	<u>\$ VARIANCE</u>	<u>% VARIANCE</u>
REVENUES	Operating Revenues	\$669.1	\$722.7	\$53.6	8%
	Non-Operating Revenues	\$1,181.6	\$1,218.9	\$37.3	3%
	Total Revenues	\$1,850.7	\$1,941.5	\$90.9	5%
EXPENSES	Wages, Benefits and Payroll Taxes	\$740.1	\$784.2	\$44.0	6%
	Non-Wage	\$760.1	\$779.6	\$19.5	3%
	Operating Expenses	\$1,500.3	\$1,563.7	\$63.5	4%
	<i>Core Operating Expenses (excludes transferred capital employees)</i>	<i>\$1,500.3</i>	<i>\$1,515.7</i>	<i>\$15.4</i>	<i>1%</i>
	Debt Service	\$445.1	\$458.1	\$13.0	3%
	Total Expenses	\$1,945.4	\$2,021.9	\$76.5	4%
	Structural Deficit	\$94.7	\$80.3	(\$14.4)	-15%