

Operations Budget Stability Committee Report to FMCB

FY16 Operating Budget Recast

2/22/2016

- Under Section 5 of Chapter 46 of the Acts of 2015, the FMCB is directed to:

“Establish 1- and 5-year operating budgets under section 20 of chapter 161A, beginning in fiscal year 2017, which are balanced primarily through a combination of internal cost controls and increase in own-source revenues”

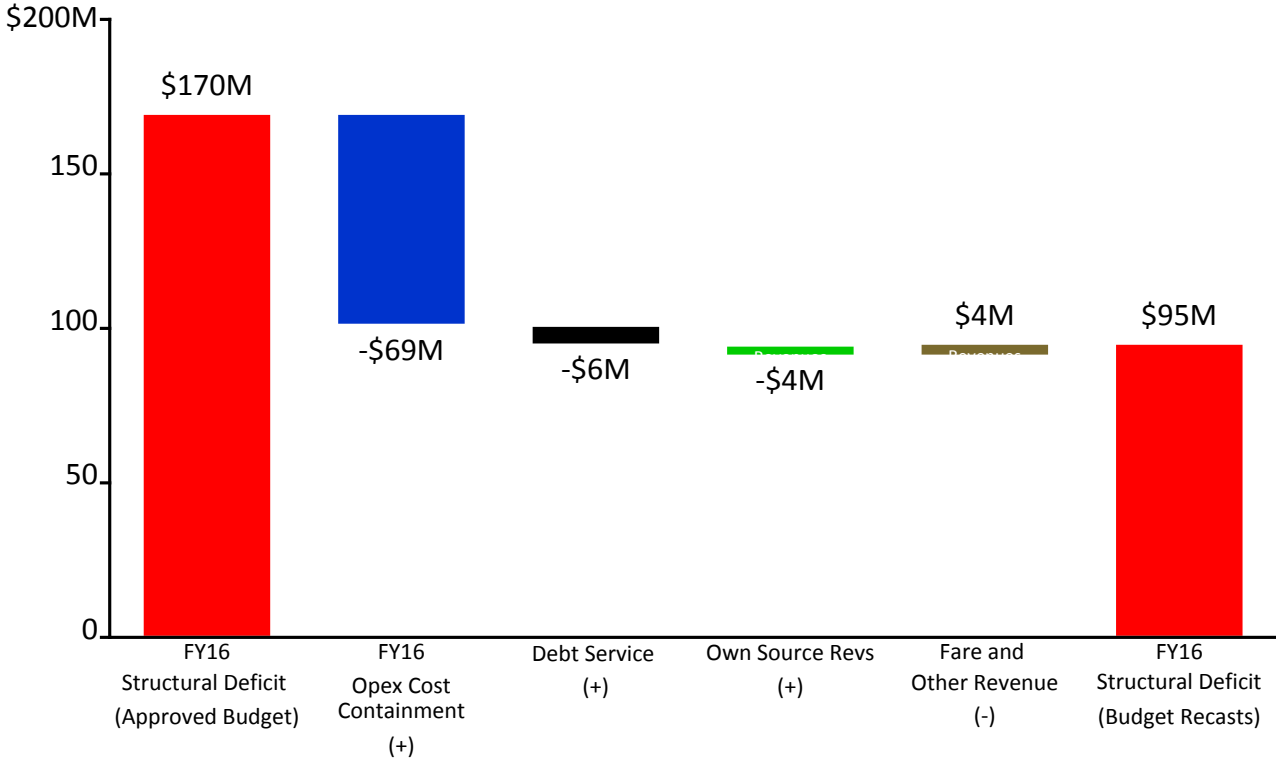
- **Every MBTA department involved**

- **Process included:**
 - Reviewing 1H FY16 and FY15 actual results
 - Cross departmental collaboration to develop FY16 recast

- **Hiring:**
 - Recast reflects hiring of over 90 bus operators in the past 90 days
 - Budget team, HR, GM and CA working closely with E&M to expedite filing of key managerial positions and develop plan to recruit and retain top-tier talent for these critical positions

Recast: Estimated deficit of \$95M (\$75M better than expected)

FY16 Recast Structural Deficit



NOTE: \$75M IN NEW EXPENSES ENTER THE OPERATING BUDGET IN FY17:

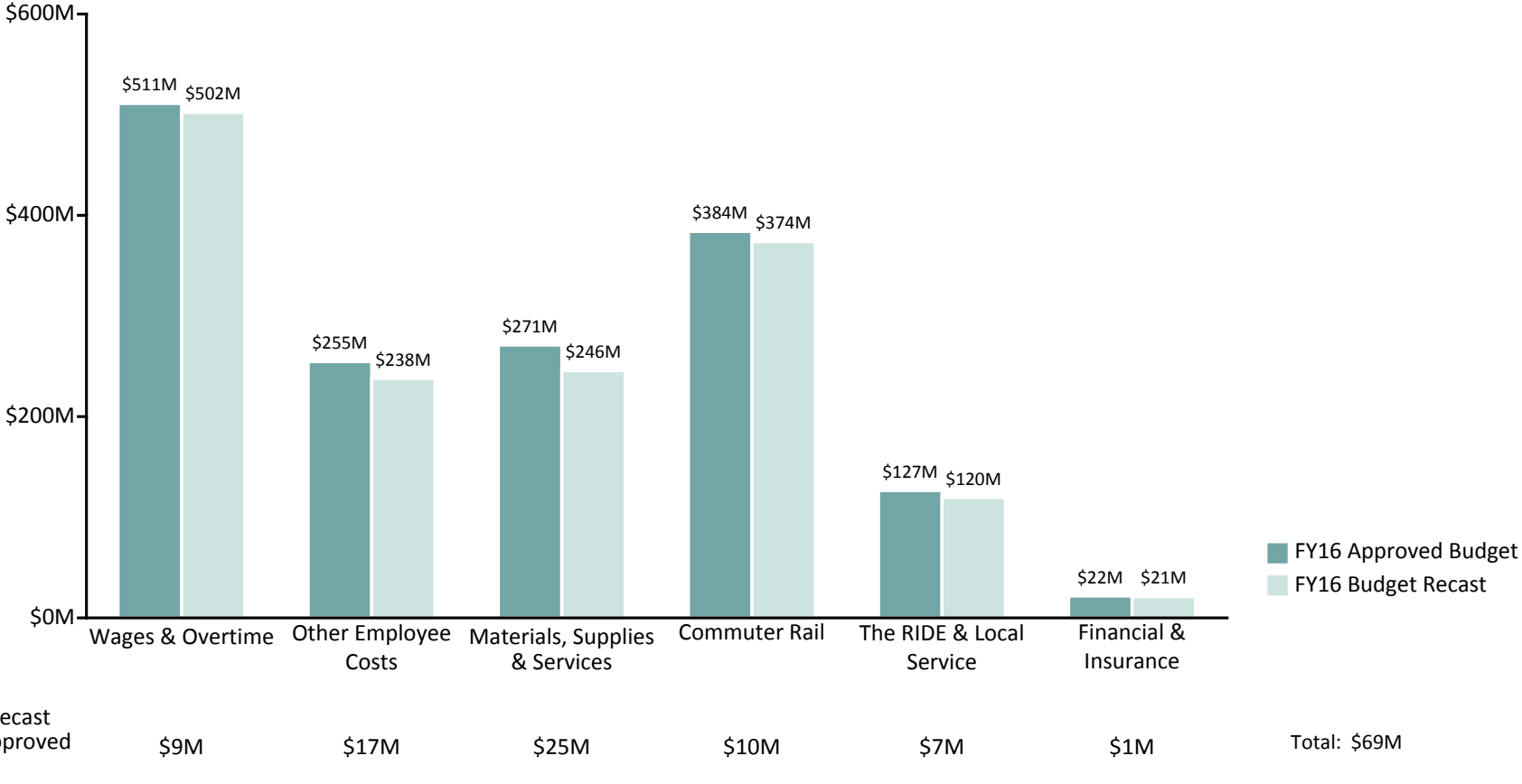
- \$52M of capital employees transferred to the operating budget
- \$12.5m of union wage increases under CBA
- \$10M of higher debt service payments

Impacts:
 (+) favorable to budget
 (-) unfavorable to budget

- Note: Recast forecasts favorable \$4M own-Source revenue; \$2M unfavorable on fare revenue and \$2M unfavorable on other income for a net impact of zero.
 - For the 1H of FY16 (6 month period) lower energy costs contributed \$12.5M positive variance against budget (\$4.0M CR fuel; \$2.4M bus fuel; \$6.1M power)
 - Source: MBTA Internal Data. Analysis above excludes revenue from additional state assistance payments

FY16 recast operating expenses are \$69M lower than original budget

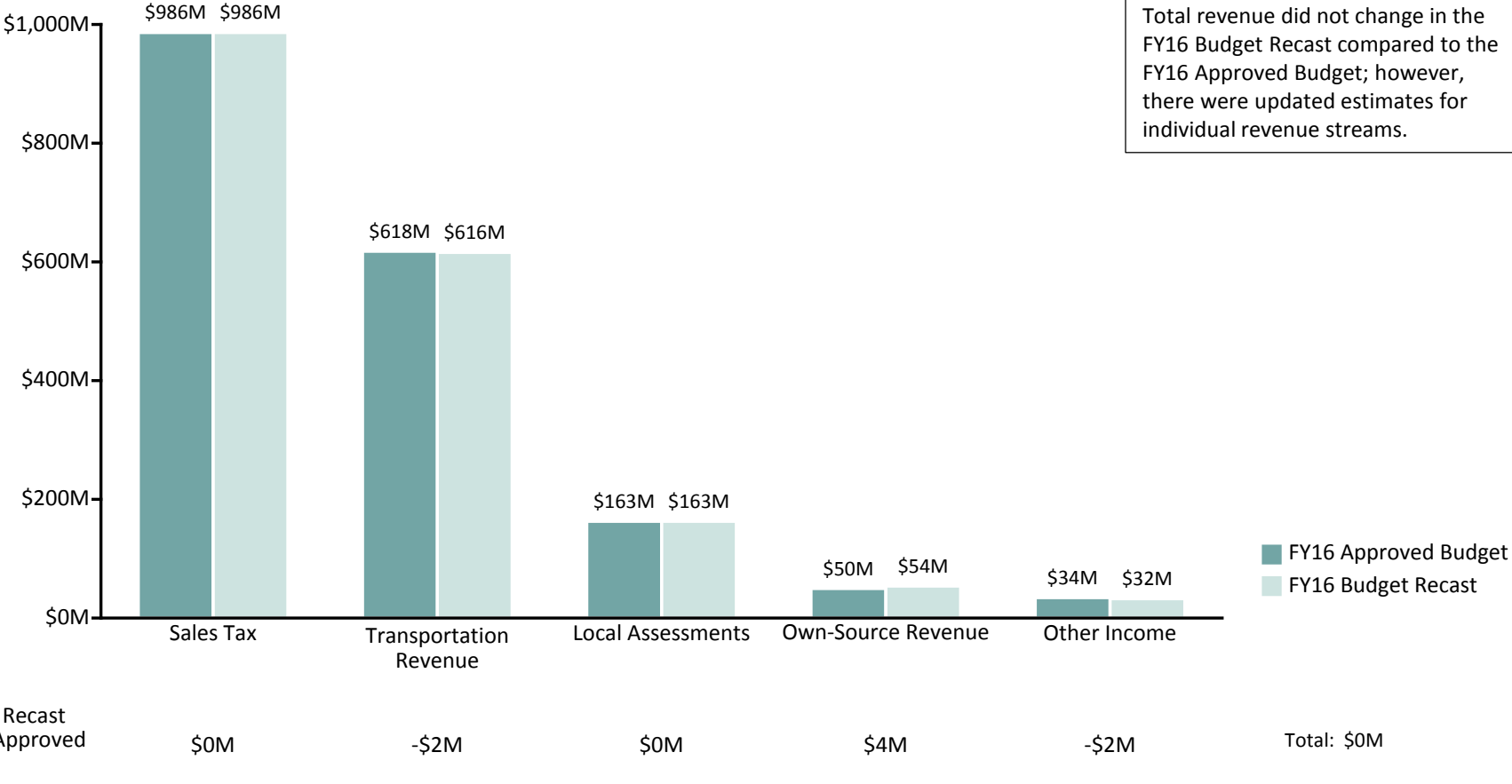
FY16 Opex (excluding debt): Approved Budget Compared to Revised Budget



Note: For FY16 (12 month period) lower energy costs are forecast to contribute \$25M positive variance against budget (\$13M diesel and \$12M electricity/power)

FY16 recast revenue is consistent with original budget

Revenue: Budget to Actual Comparison



FY16 Budget Recast
Variance to Approved
Budget

- **Hiring:**
 - Continue hiring operators (90 operators hired in past 3 mos)
 - Develop cross departmental strategy to fill key management vacancies

- **Ongoing review of key drivers:**
 - Own-source revenue growth
 - Overtime management
 - Fuel and power costs
 - Contracted services