

Operations Budget Stability Committee Report to FMCB

FY17 Operating Budget Preview

~~2/29/2016~~
2/29/2016



- **Balance operating budget by FY2017**

“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”

(Section 5 of Chapter 46 of the Acts of 2015)

- **“Increase in the fare-box recovery ratio at least 10 percent for each rolling five-year period”**

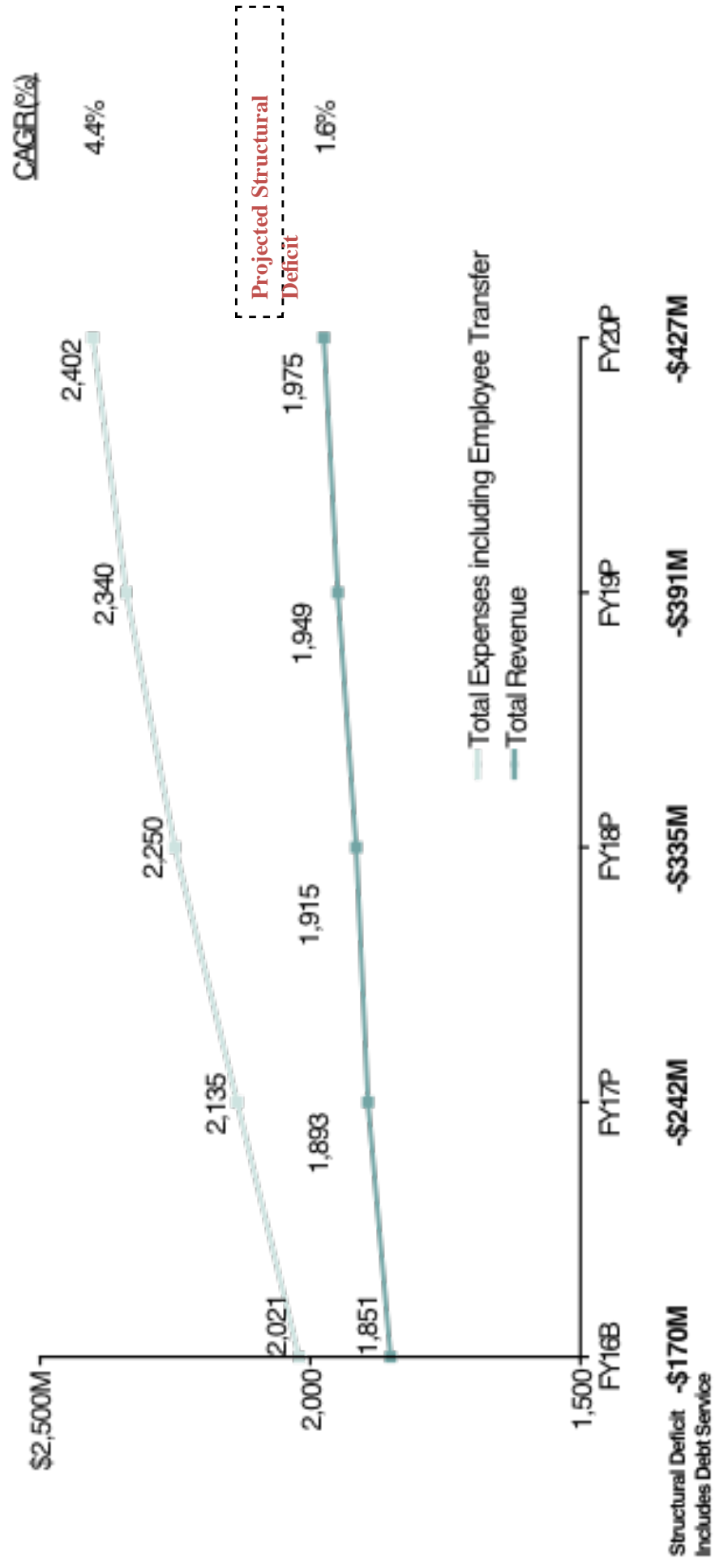
(Chapter 46 of the 2013 Transportation Finance Act)

Without action, projected structural deficit will reach \$427M by FY20

DRAFT

STATUS QUO FY17 PRO
FORMA

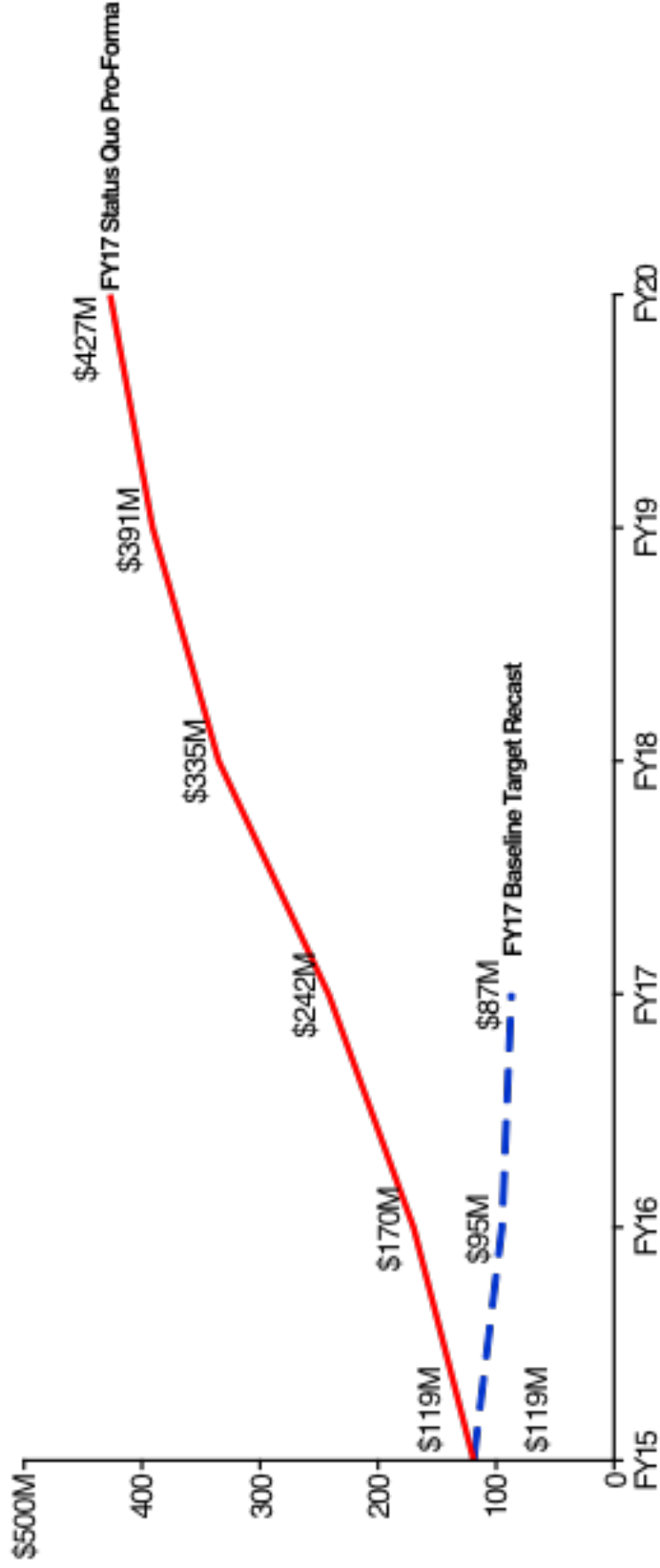
NOT INCLUDING ADDITIONAL STATE ASSISTANCE OF \$187M in FY2016B



Note: Structural deficit includes debt service and transferred capital employees annual expense (scaling from \$52M in FY17 to \$88M in FY20)

Tough choices have begun to put the MBTA operating budget on path towards balancing

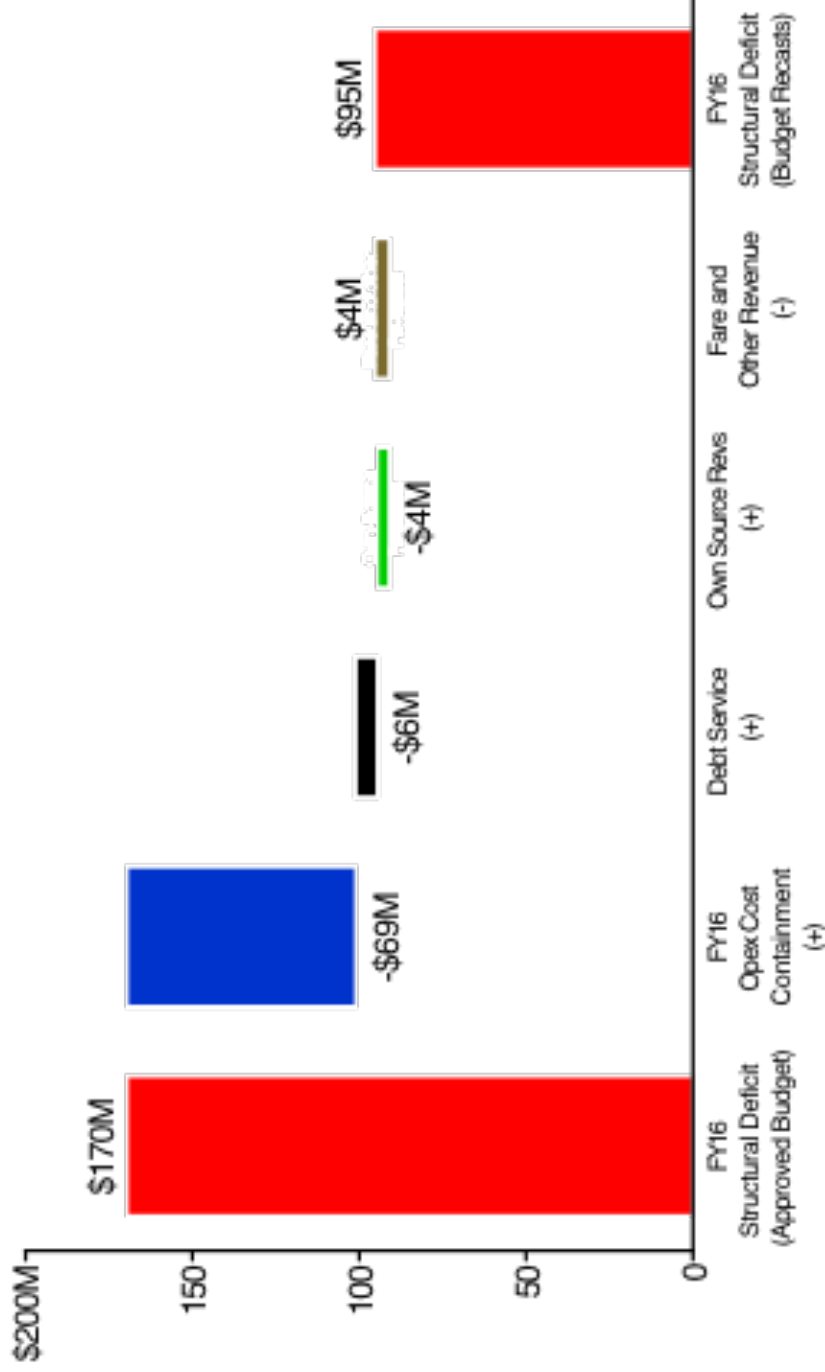
Structural deficit (including debt service expense)



Source: MBTA management in process of recasting FY18-FY20

FY16 Recast: Estimated deficit of \$95M (\$75M better than expected)

FY16 Recast Structural Deficit



NOTE: SIGNIFICANT 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
- \$13M of higher debt service payments
- Higher pension and other non wage operating expenses

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

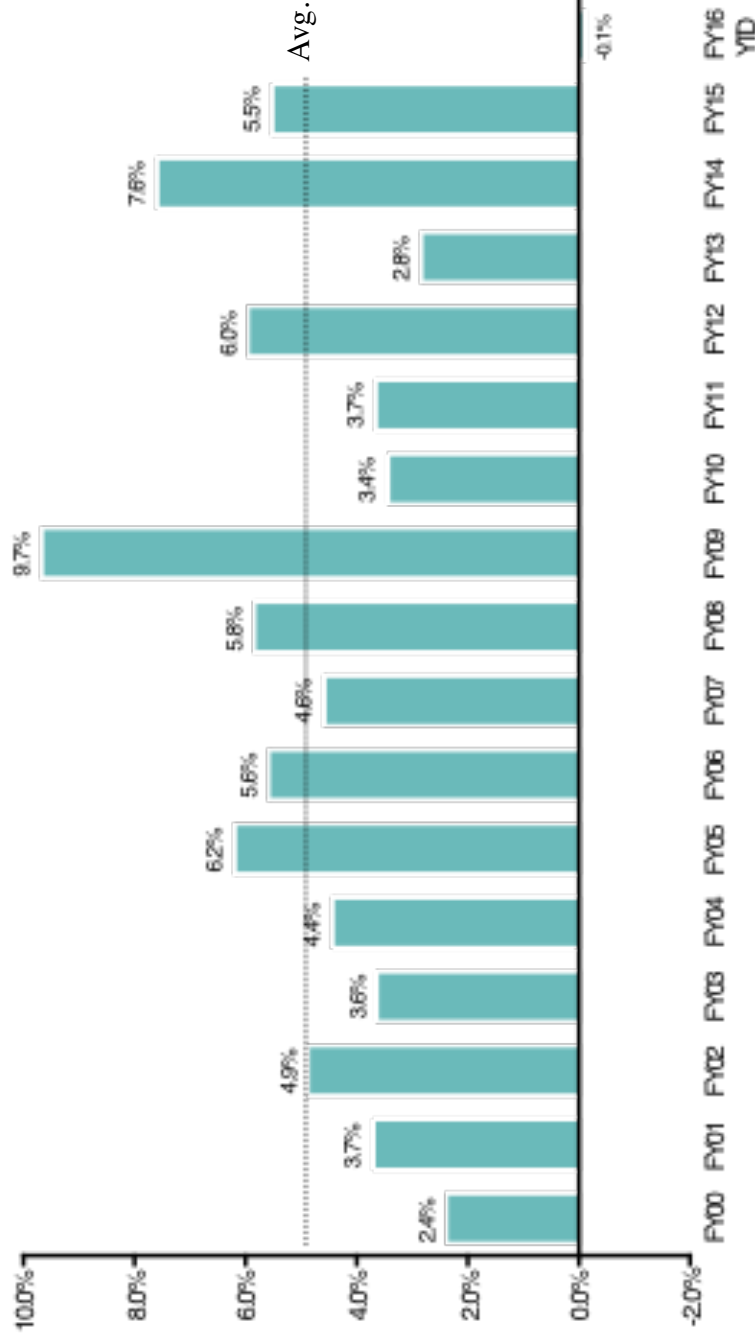
Key FY16 metrics: Internal Cost Control



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FY16 YTD - LOWEST RATE OF MBTA OPERATING EXPENSE GROWTH IN 15 YEARS

Annual operating expense growth rate
not including debt



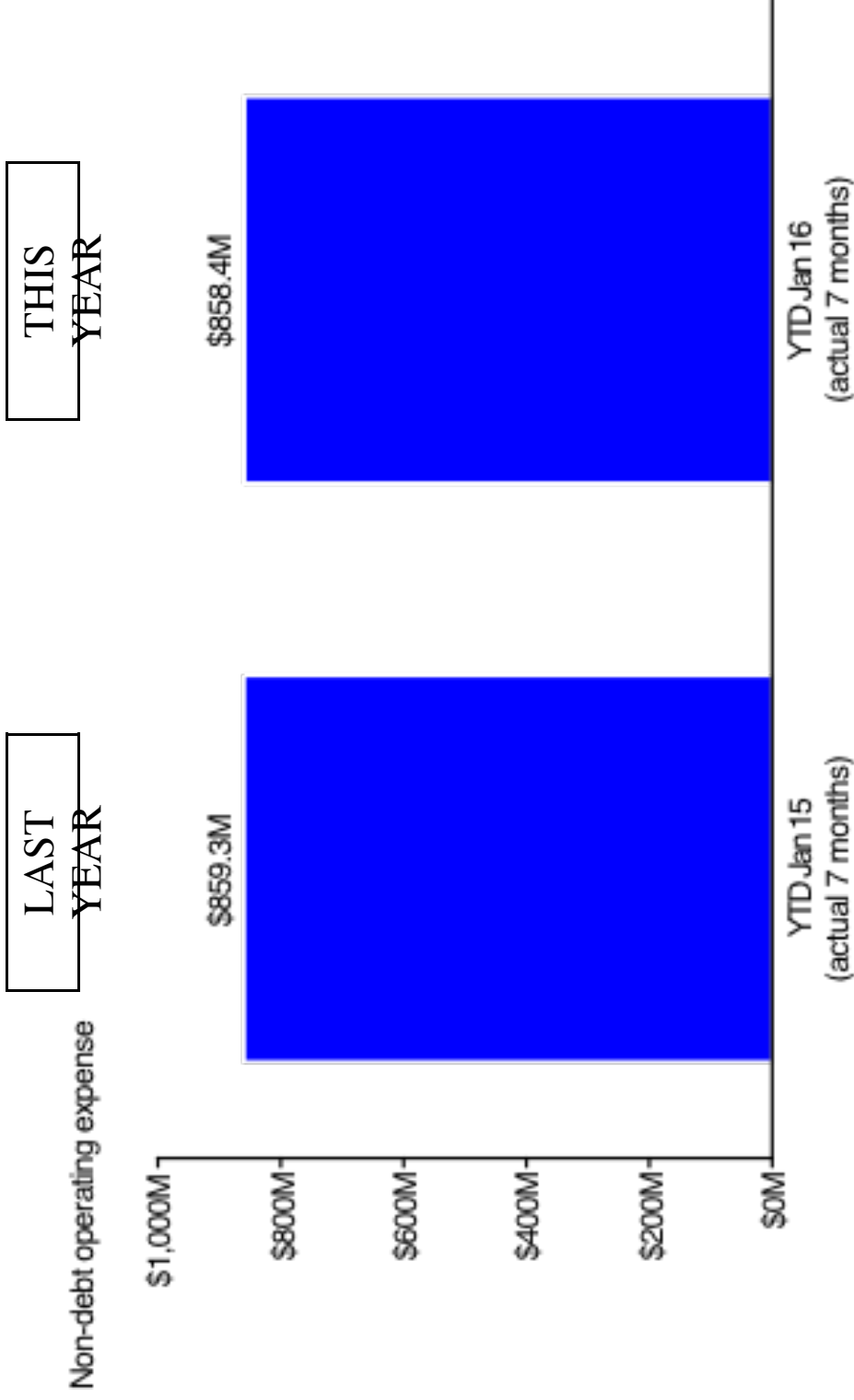
7.15.2015 FMCB created; new mgmt team in place with mandate to focus on cost control and financial transparency

Source: MBTA Internal Data. 7 month FY16 YTD financials (Jan16)

FY16 year-to-date operating expense growth through January is near zero



FY16 JANUARY YTD
UPDATE

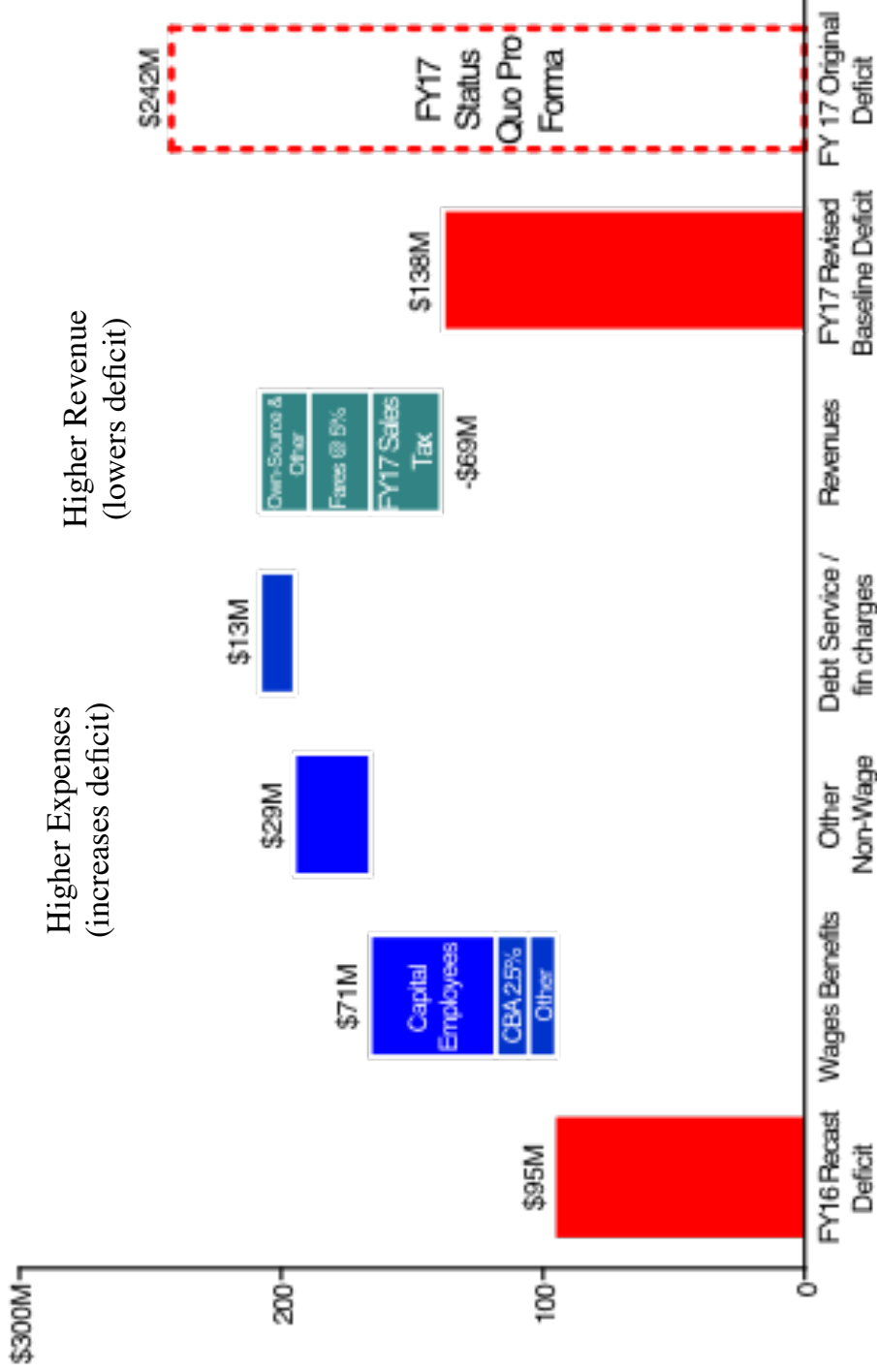


Note:
year-on-year growth rate normalized (net of energy benefit): 0.02%

Source: MBTA Internal Data

Note: Energy costs were \$2.8M lower in YTD FY16 than in YTD FY15 (decrease of \$2.8M for CR fuel and \$1.6M for bus fuel off set by \$1.6M increase for power)

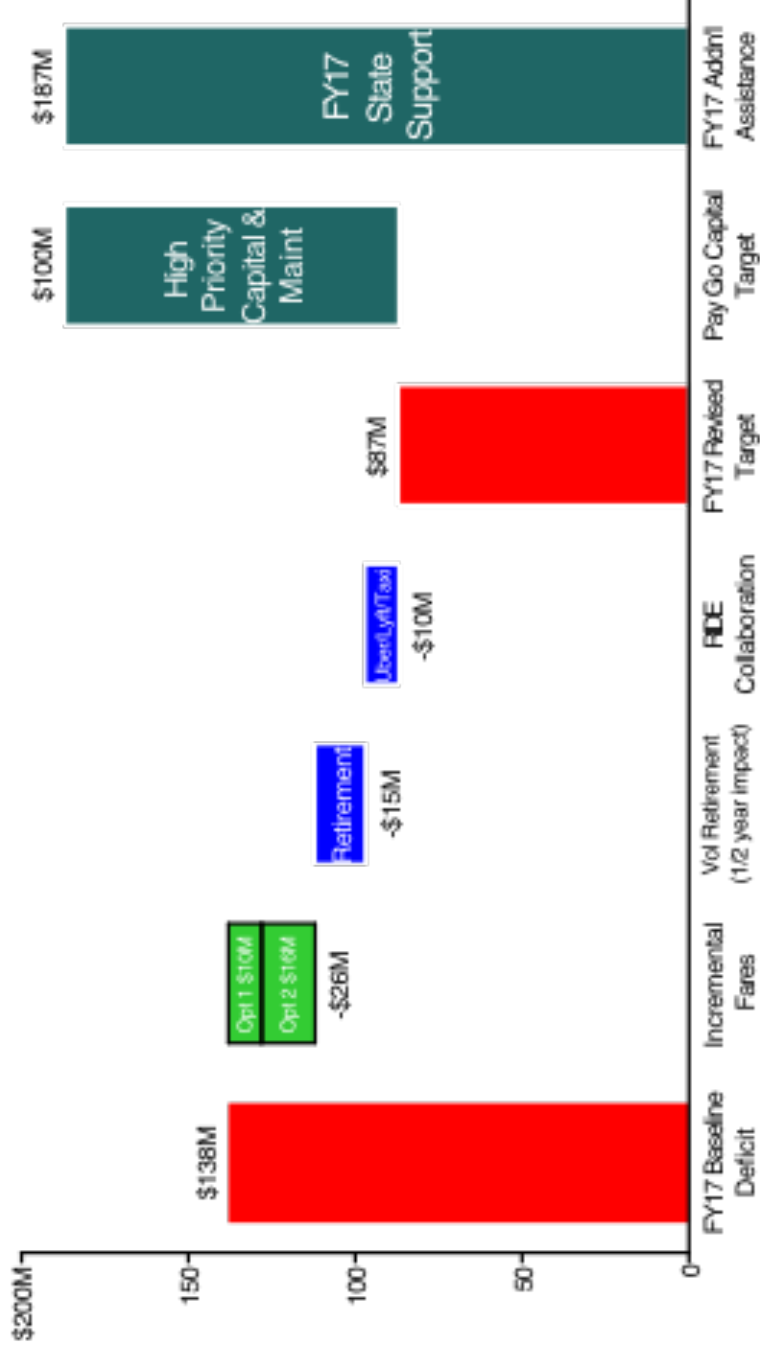
FY17 baseline deficit: \$138M 43% lower than forecast



FY17 baseline budget deficit is \$104M lower than original FY17 status quo pro forma

Fare recovery ratio:
39.8%

Tough choices can reduce deficit and enable \$100M investment in system



Fare recovery ratio:
 Option 1 - 41.3%
 Option 2: 42.3%

Operating expense (non debt) target growth:
1.1%

Reducing deficit to \$87M will require FMCB to make tough decisions and will enable \$100M FY17 investment in Pay Go Capital

- Focus areas for closing remaining \$87M FY17 operating deficit:
- Flexible Contracting
 - Retirement Incentive
 - Weekend Commuter Rail
 - Parking Strategy
 - Low-Ridership Bus Routes

Farebox recovery ratio is defined as transportation revenue (excluding own-source revenue) divided by total operating expenses as defined by the NTD. Operating expenses do not include debt service.

Farebox Recovery Ratio Low Compared to Peer Systems



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Agency	FY2012	FY2013	FY2014
BART - San Francisco	75.0%	77.5%	77.9%
MTA New York City Transit	54.2%	50.0%	49.4%
WMATA - Washington DC	47.2%	47.8%	45.5%
New Jersey Transit Corporation	47.2%	44.4%	44.6%
Chicago Transit Authority	43.0%	45.2%	44.2%
SEPTA - Philadelphia	38.8%	38.6%	39.7%
MUNI - San Francisco	31.3%	32.9%	29.8%
MARTA - Atlanta	31.8%	30.4%	29.4%
Los Angeles Metro	28.8%	26.9%	26.1%
Average Farebox Recovery	43.1%	43.6%	42.7%
MBTA	36.4%	42.5%	40.3%

Source: National Transit Database (NTD) and MBTA internal financial data. Farebox recovery ratio is defined as transportation revenue (excluding own-source revenue) divided by total operating expenses as defined by the NTD. Operating expenses do not include debt service.

Subway frequency and crowding



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According to the MBTA FY 2014 scorecard and the 2015 *State of the System Reports*, the subway (rapid transit system) lacks sufficient capacity to meet the established service standards for crowding and on-time performance.

System capacity is limited by:

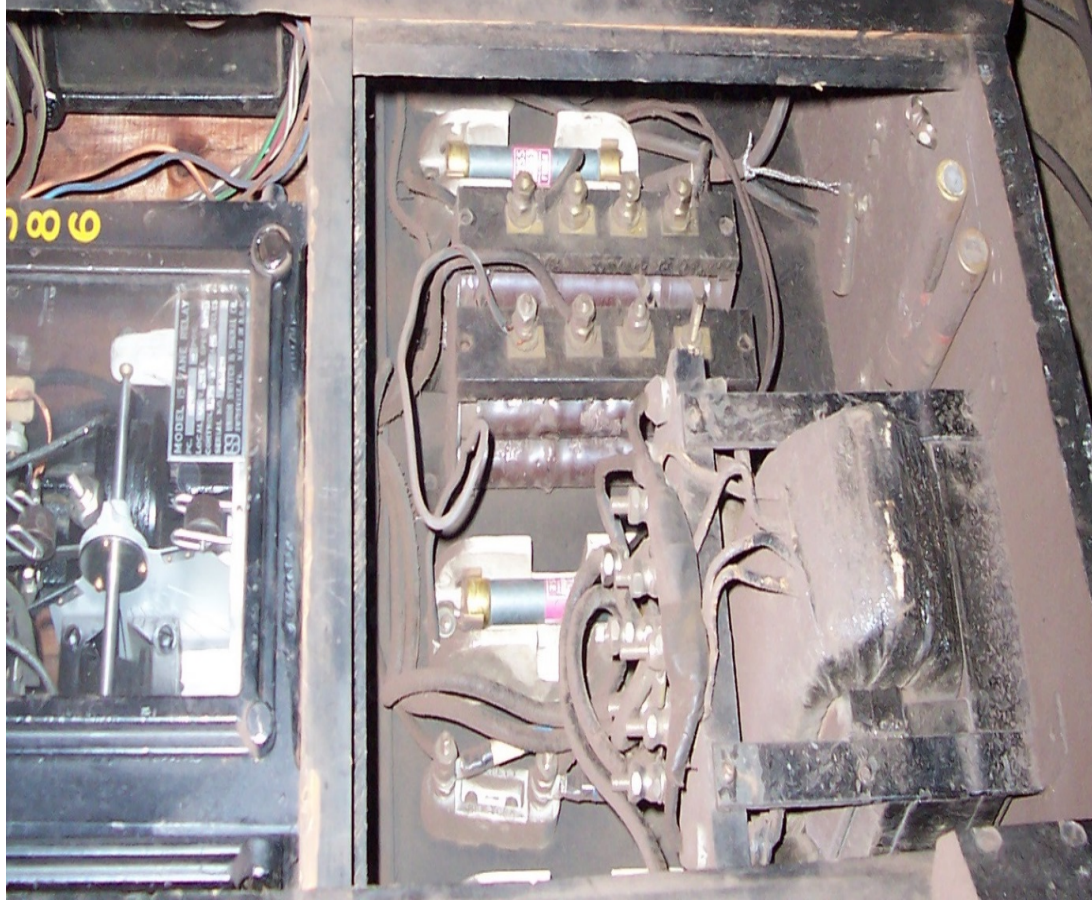
- Platform lengths and configurations
- Track capacity (lack of sidings, etc.)
- Traction power limitations
- Aging and outdated signal equipment
- Fleet size and condition



The significant capital cost associated with addressing many of these factors has resulted in the status quo of greater demand than availability of service.

Pay-Go Need:

Upgrade signals technology



**Ancient signal
technology =
unreliable service**

Signals technology investment will improve service for riders



EXAMPLES OF SUBWAY SIGNAL SYSTEMS INVESTMENTS

- Green line Reservoir Interlocking
- Green line Reservoir to Riverside signal replacement
- Green line Govt. Center, Copley and Park Street interlocking
- Green line Beacon Junction (Kenmore Square C&D Split upgrades) \$138 M

- Orange line digital track circuit upgrades
- Orange line 60Hz track circuit upgrade to 100Hz
- Orange line Southwest Corridor (Back Bay to Forest Hills) upgrades \$156 M
- Orange line headway improvement signals project

- Red line 60 Hz track circuit updated to 100Hz
- Red line digital Ashmont signals upgrade
- Red line headway improvement signals project
- Red line Columbia Junction Phase II (JFK/Braintree/Ashmont) \$260 M

\$553M

Total

13

Winter Resiliency Phase 1

Phase 1 was a \$90M investment package designed to address critical track, 3rd rail heater, interagency coordination, customer communications and emergency vehicle needs to mitigate the impacts to customers from significant snow, rain or other weather events.



Winter Resiliency Phase 2

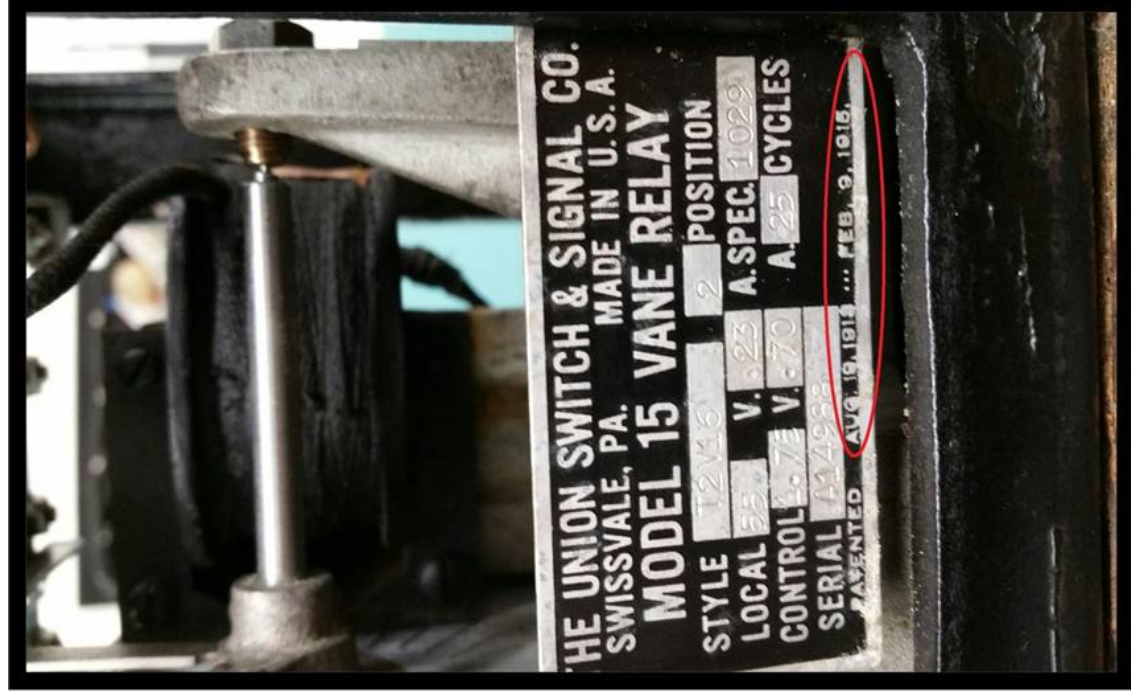
- Significant needs still remain to improve MBTA's ability to cope with significant snow, rain and other weather events in the future.
- Phase 2 is a \$26M intensive program designed to complete additional improvements across the system

	Cost Estimate
Third Rail Procurement	
QA to Braintree	\$1,464,840
Andrew Portal to Fields Corner Portal	\$1,392,300
Cabot Yard Leads	\$600,000
Subtotal	\$3,457,140
Third Rail Installation	
Quincy Center Sta. Pits (Conc. ties)	\$71,250
Quincy Adams to Braintree	\$1,126,700
Quincy Adams Sta. Pits (Conc ties)	\$69,750
Braintree Yard	\$137,500
Braintree Sta. pits (conc ties)	\$75,000
Cabot Yard Leads	\$750,000
Ashmont Line-Andrew Portal to Fields Corner Portal	\$1,160,250
MBTA Materials	\$1,500,000
Subtotal	\$4,890,450
Track Replacement	
Quincy Center Pits	\$712,500
Quincy Adams Pits	\$697,500
Rail Replacement Clayton Curve	\$750,000
Restraining Rail Replacement Clayton Curve	\$625,000
Tie Replacement QA - Braintree	\$700,000
Tie Replacement Cabot Leads	\$700,000
Braintree Pits	\$750,000
Subtotal	\$4,935,000
Third Rail Heat	
Red Line Heater Element - Purchase	\$700,000
Red Line Heater Element - Install	\$780,000
RL Heater Infrastructure JFK to Fields Corner Portal	\$1,044,225
RL Heater Infrastructure Wollaston-Quincy Adams	\$1,260,000
RL Heater Infrastructure QA-Braintree	\$1,098,630
Subtotal	\$4,882,855
Signal Trough - Braintree Line Only	
Signal Trough Procurement - Barletta/Q40CN01	\$0
Signal Trough Procurement-Bid	\$1,285,900
Signal Trough Install (N Quincy-Braintree) - Barletta	\$0
Signal Trough Install (N Quincy-Braintree) - Bid	\$2,724,100
Subtotal	\$4,010,000
Van Hilleem Yard & Building	
Site Prep for 600' Track and Buildings	\$100,000
600' Track and 1 Each #6 TO	\$725,000
150' x 50' Prefab Building W Doors	\$1,000,000
Utility Connections - Power & Gas only - no water & sewer	\$200,000
Subtotal	\$2,025,000
Construction Contingency (10%)	\$2,420,045

Pay-Go Capital: Rapid focus on investing in signals technology



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**NOW is the
time to
upgrade
1915 – era
green line
relay**