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# Capital Program Committee Personnel Cost Discussion

**April 4, 2017**

## Required transfer of salaries from capital back to operating budget

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- M.G.L. chapter 6C, Section 15 of 2009 stipulates that employees' salaries and benefits are "to be classified and funded as operating expenditures"
- Chapter 46 from the Acts of 2013 on Transportation Finance Reform required MassDOT to comply with Section 15 of M.G.L. chapter 6c on or before June 30, 2016
- Employees were shifted off of capital between FY13 and FY15. Payroll and fringe increased on the operating budget during this time period
- Non-payroll operating expenditures were moved off of capital to the operating budget in FY16 at a cost of \$38.4M



## MassDOT Personnel Related Costs – Operating and Capital by Division (\$000's)

Division	FY 2013		FY 2014		FY 2015	
	Operating	Capital	Operating	Capital	Operating	Capital
Aeronautics	\$468.3	\$461.8	\$660.7	\$411.9	\$1,162.4	\$0
Highway	\$124,301.3	\$148,671.5	\$141,906.6	\$148,038	\$308,787.1	\$0
Planning & Enterprise Services	\$16,626.0	\$24,638.8	\$35,352.8	\$8,853.3	\$48,272.1	\$0
Rail & Transit	\$319.6	\$246.6	\$618.2	\$228.4	\$1,143.1	\$0
RMV	\$44,561.2	\$796.8	\$45,927.3	\$1,069.3	\$48,940.3	\$0
<b>Total*</b>	<b>\$186,276.4</b>	<b>\$174,815.7</b>	<b>\$224,465.6</b>	<b>\$158,601.1</b>	<b>\$408,305.0</b>	<b>\$0</b>

## House 1 – Outside Section

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- The Governor's budget for FY 18 includes a provision that would allow MassDOT to use capital funds for a portion of the salaries of certain employees who work on federally-eligible capital projects and whose salaries are 80% funded by the federal government.
- If the Commonwealth's operating budget is approved with this provision this would allow MassDOT's Highway Division to increase staffing and thereby more effectively deliver the FY 18 - FY 22 Capital Plan for MassDOT
  - \$10 million per year in bond cap has been set aside in the capital plan to cover this cost



## Legislation affecting MBTA

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### Chapter 46 of the Acts 2015, Section 169

- The Authority shall develop a plan to establish separate operating and capital budgets
- The plan ensures that the Authority does not to comingle operating and capital budgets
- The plan shall include a process to facilitate the transfer of employees from capital budget to operating budget
- The plan shall facilitate the transfer of employee salaries to the operating budget not later than July 1, 2018
- The plan shall further analyze the extra bonding capacity create by the removal of capital budget personnel costs and detail capital projects that may be funded as a result



**FY 17 Capital Employee budget prior to implementation of new policy  
(presented 6/13/16 to FMCB)**

Historically, employees in the following departments were charged the capital budget:

<b>Capital Employees</b>				
	<b>Design &amp; Construction</b>	<b>Engineering &amp; Maintenance</b>	<b>Rail E&amp;M and Everett Vehicle Engineering</b>	<b>Total</b>
Budgeted Headcount	220	199	113	<b>532</b>
Labor Budget (millions)	\$25.89	\$32.86	\$9.14	<b>\$67.89</b>
Note: ~23% vacancy rate				

**Note: Design and construction department is now capital delivery and capital program oversight department.**



## Current Policy, effective for FY17

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Funding and all budgeted headcounts, for all departments except Capital Delivery/ Capital Program Oversight, have been moved from the capital budget to the operating budget in FY17

Effective for FY17 (for all employees **except Capital Delivery/ Capital Program Oversight**)

- All headcount will be reported as operating
- No employee salary costs (i.e., straight time) shall be charged to MBTA capital projects. This includes MBTA force account, field inspection and project administration. The applicable work orders in existing grants have been closed, and the grant/project budgets are being adjusted accordingly
- Consistent with the legislation, all project-specific overtime costs may still be charged to capital projects, assuming that the overtime expense is pre-approved and has been fully budgeted within the project cost
- Employee costs (salaries and overtime) may continue to be charged to third-party reimbursable projects (i.e., "C" grants), including work performed for and reimbursed by developers and utilities, according to approved budgets
- Exceptions to this policy may only be made with the approval of the CFO



## Summary

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- In FY17, all employee salaries except those in capital delivery/capital program oversight departments were moved from the capital budget to the operating budget. Please note that all project-specific overtime costs may still be charged to capital projects.
- The impact of this policy is estimated at approximately \$25M for FY17 (based on FY16 actuals).
- The MBTA is evaluating the impact of moving the rest of the employees on the capital budget to the operating budget by July 1, 2018.

## FY 2017 Highway Division Capital Program

FY 2017 CIP reporting is a work in progress, but significant improvements have been made since last November to represent all costs associated with each program and project.

- Common definitions and coding have been established within Project Controls, Fiscal, OTP and FAPRO to identify costs associated with programs and individual line items in the budget:
  - Construction Expenses – year to date (through February) expenses for construction contracts
  - Construction Remaining – estimated amount that will be spent during the remainder of FY 2017 on construction contracts (February to June / fiscal close)
  - Other Capital Costs – grant programs, land takings, utilities design and other professional services; amount reported is expenditures as of February - not a full year projection
  - Allocated Payroll – year to date (through February) employee wages and benefits associated with delivering projects, but paid from the operating budget

Row Labels	CONSTRUCTION EXPENSES	CONSTRUCTION REMAINING	OTHER CAPITAL COSTS	ALLOCATED PAYROLL
ADA RETROFITS	\$1,588,306.1	\$509,480.5	\$344,902.3	\$277,185.0
AETS	\$60,528,914.6	\$67,982,891.8	\$2,526,289.0	\$1,742,482.6
BICYCLE & PEDESTRIAN	\$15,415,824.7	\$11,912,352.8	\$4,825,432.5	\$1,313,886.7
BRIDGE	\$298,451,036.9	\$214,576,116.7	\$31,641,508.6	\$16,634,176.8
CAPACITY	\$74,494,596.2	\$45,386,508.2	\$11,733,497.2	\$2,386,268.2
FACILITIES	\$16,302,779.1	\$8,128,373.9	\$936,482.6	\$902,297.8
GRANTS, PROFESSIONAL SERVICES & OTHER COSTS	\$549,978.3	\$0.0	\$185,854,232.2	\$12,976,700.7
INTERSECTION IMPROVEMENTS	\$15,541,690.0	\$14,446,658.8	\$2,969,504.0	\$2,380,685.1
INTERSTATE PAVEMENT	\$38,700,258.4	\$28,845,397.0	\$451,257.9	\$3,028,820.3
ITS	\$8,900,642.2	\$5,809,864.8	\$2,287,064.4	\$746,726.7
NON INTERSTATE DOT PAVEMENT	\$44,816,353.2	\$26,438,380.8	\$895,509.2	\$3,990,585.5
ROADWAY PRESERVATION	\$19,879,739.0	\$16,165,586.0	\$238,757.2	\$2,617,325.1
ROADWAY RECONSTRUCTION	\$87,423,913.4	\$46,891,101.0	\$12,401,675.5	\$10,035,015.0
SAFETY IMPROVEMENTS	\$10,988,196.8	\$10,613,925.1	\$793,146.1	\$1,308,083.9
TUNNELS	\$5,072,840.4	\$8,902,929.6	\$3,496,174.4	\$421,202.8
<b>Grand Total</b>	<b>\$698,655,069.4</b>	<b>\$506,609,567.0</b>	<b>\$261,395,433.1</b>	<b>\$60,761,442.1</b>