



MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Summary Schedule of Warehouse Costs

Estimated Operating and Capital Costs



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Telephone +1 617 988 1000
Fax +1 617 507 8321
kpmg.com

January 5, 2017

Mr. Brian Shortsleeve, Chief Administrative Officer
Massachusetts Bay Transportation Authority
10 Park Plaza
Boston, Massachusetts 02116

Dear Mr. Shortsleeve:

Based on our discussions with MBTA management and at your request, we have reviewed the attached Summary Schedule of Warehouse Costs (Schedule) and related notes to the Schedule, that were compiled by management, and understand that the Schedule represents a summary of operating and capital costs related to the Warehouse operations based on the information included in the notes to the Schedule.

The Schedule and related notes to the Schedule including any assumptions used in the preparation of the Schedule are the responsibility of management.

The Schedule has not been subjected to any auditing procedures, and accordingly, we do not express an opinion or provide any assurance on the Schedule or related notes.

If you have any questions, please contact me.

Very truly yours,

KPMG LLP

A handwritten signature in black ink, appearing to read 'Shawn Warren', with a stylized flourish at the end.

Shawn Warren
Partner

MASSACHUSETT BAY TRANSPORTATION AUTHORITY

Summary Schedule of Warehouse Costs

Estimated Operating and Capital Costs

(Amounts in Thousands)

OPERATING COSTS

Warehouse Personnel

Warehouse Salaries	\$	3,250
Warehouse Overtime		368
Fringe		1,413
Retiree Healthcare + Pension		1,872

Total Personnel Cost

6,903

Other Operating Costs

Damages		700
Utilities		200
Supplies and Other		110

Total Other Costs

1,010

TOTAL ESTIMATED OPERATING COSTS

7,913

TOTAL ESTIMATED CAPITAL COSTS

1,318

Total Estimated Operating and Capital Costs

\$ 9,231

See accompanying notes to Summary Schedule of Warehouse Costs.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Notes to Summary Schedule of Warehouse Costs

Estimated Operating and Capital Costs

(1) Reporting Entity

The Massachusetts Bay Transportation Authority (the Authority) was originally created in 1964 as a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts (the Commonwealth) to finance and operate mass transportation facilities within, and, to a limited extent, outside of its territorial area of 175 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. The 175 cities and towns are grouped into three categories, based upon the weighting of each member's allocable percentage of population and assessments: (i) the inner 14 cities and towns; (ii) the outer 51 cities and towns; and (iii) the other 110 served communities.

The Authority is governed and its corporate powers exercised by the Board of Directors (the "Board of Directors" or "Board") of the Massachusetts Department of Transportation ("MassDOT"). However, during its existence, the Control Board is afforded all the powers, responsibilities, and obligations relative to the Authority that are vested in the Board.

The accompanying Summary Schedule of Warehouse Costs (Schedule) only includes information for those activities that pertain to the Authority's warehouse operations in Everett and Medford, Massachusetts.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying Schedule is prepared substantially on the accrual basis of accounting.

(b) Direct and Indirect Costs

The Schedule only includes direct costs associated with warehouse operations including an allocation of fringe benefit costs related to those direct costs. It is not intended to and does not include all indirect costs that may be allocable to those operations.

Direct operating costs represent estimated annual costs for direct Warehouse activities while direct Capital costs represent amounts spent on capital assets directly supporting Warehouse operations.

(c) Use of Estimates

The preparation of the Schedule requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

(3) Personnel and Operating Costs

(a) Personnel Costs

The cost of Warehouse personnel principally represents the budgeted salary amounts for fiscal 2017 for the Authority employees currently assigned to the activities of the Warehouse operations.

(b) Benefits

The employee benefit costs included in the Schedule are based on an estimate of the corresponding salaries. The estimated benefits are intended to include the current employee costs related to: pension, health, life, vacation, workers' compensation, FICA and other similar benefits offered to Authority employees. The benefits were estimated by the Authority to be 42.6% of regular time salaries. This percentage includes 18% of salaries related to the funding of the Authority's contribution to the retirement system. This level of contribution reflects an investment return rate on the retirement fund

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

Notes to Summary Schedule of Warehouse Costs

Estimated Operating and Capital Costs

assets of 7.75%. The estimated benefits also include an amount representing the additional retirement funding required assuming the return rate on the retirement fund assets was reduced to 5.0%. The pension contribution amounts are based on information provided the Authority's actuaries.

Employees of the Authority, including those in Warehouse operations, are able to earn Postretirement Health Benefits and those benefits are not pre-funded. Based on the most recent actuarial study, the actuarially required contribution for these benefits is estimated to be 47.1% of salaries.

(c) Other Operating Costs

The other operating costs represent management's estimate of costs directly associated with the Warehouse operations as described below:

Operating costs for Damages, Utilities and Supplies and Other costs were estimated by management, in most cases, based on external studies and other internal data.

(4) Capital Costs

Capital costs represent actual amounts spent by the Authority in previous fiscal years to support Warehouse operation and do not represent annual costs incurred. The capital costs consist of the historical cost for two buildings as follows:

Everett	\$ 640
Medford	678
	<u>\$ 1,318</u>