



**Massachusetts Bay
Transportation Authority**

FY19 Operating Budget Update

Report to Fiscal and Management Control Board



Disclaimer: Forward Looking Statements

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YTD performance reflects steady progress towards financial goals and ongoing control of operating expenses

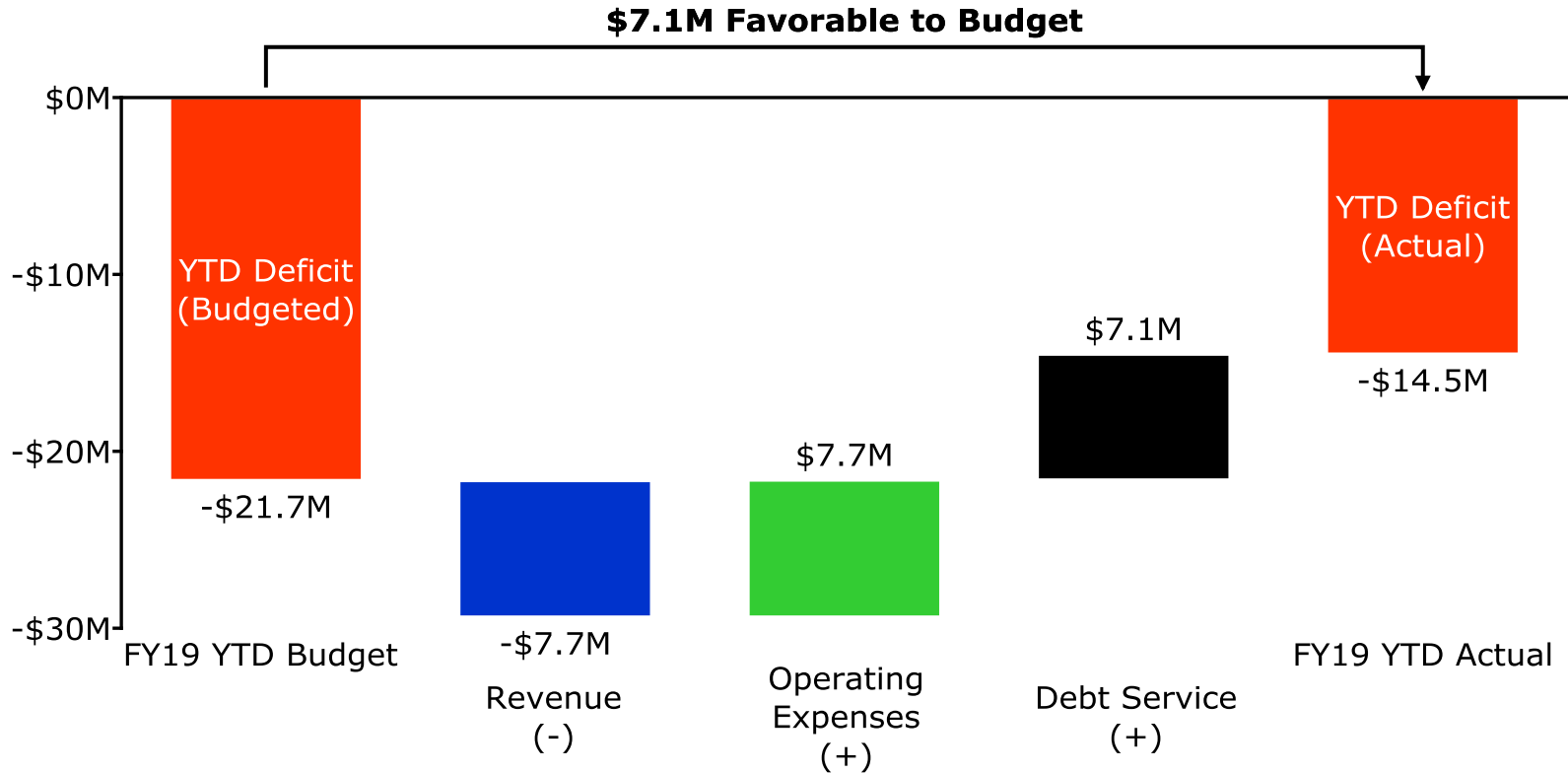
- Structural deficit of \$14.5M through Q2 (\$29M annualized)
- Operating and non-operating revenue \$7.7M below budget year-to-date
 - › Own source revenue in line with FY18 but trailing forecast by \$12.8M
 - › Other income exceeding budget by \$9.3M
- Operating expenses \$7.7M favorable to budget and remain an Authority-wide focus
 - › Materials and services \$10.6M favorable to budget
 - › Wages and benefits \$2.9M favorable to budget
 - › Pension (\$6M) and RIDE (\$4M) continue to weigh on operating performance
- Debt service \$7.1M below budget year-to-date
 - › No new debt issued and other funding efficiencies realized
- Year-end forecast in line with FY19 target of \$36.5M operating deficit
 - › Authority to make a substantial contribution to Capital Maintenance Lockbox in FY19



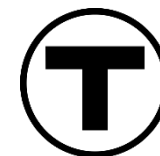
FY19 YTD Budget vs. FY19 YTD Actual Results

Results driven by operating expense controls & debt service savings; partially offset by lower than expected revenue

YTD Budget vs Actuals (\$M)



Source: MBTA Internal Data. December figures subject to change. Authority closes books ten (10) business days after month end.



Operating revenue expected to trend back to budget; ongoing management of expenses

FY19 YTD Budget vs. FY19 YTD Actual Results

(\$M)

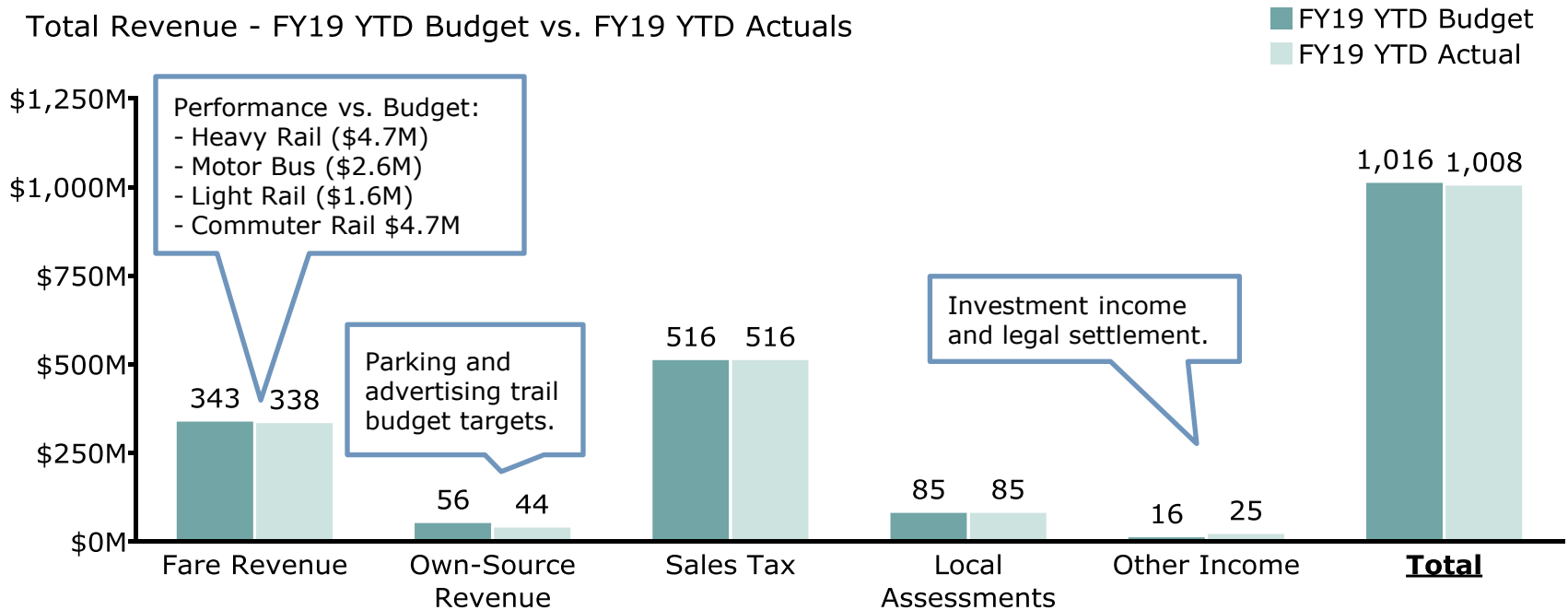
	FY19 YTD ACTUAL	FY19 YTD BUDGET	\$ VARIANCE	NOTES	
REVENUES	Operating Revenues	\$381.8	\$398.8	(\$17.1)	Fare revenue, parking and advertising revenue expected to trend back to budget.
	Non-Operating Revenues	\$626.6	\$617.2	\$9.3	Investment income above budget. Legal settlement received.
	Total Revenues	\$1,008.4	\$1,016.1	(\$7.7)	
EXPENSES	Wages, Benefits and Payroll Taxes	\$384.7	\$387.6	\$2.9	Active management of headcount.
	Non-Wage	\$398.8	\$403.7	\$4.9	RIDE and Commuter Rail slightly unfavorable to date.
	Operating Expenses	\$783.5	\$791.3	\$7.7	Adoption of LEAN productivity programs driving savings.
	Debt Service	\$239.3	\$246.4	\$7.1	No new debt issuance YTD. Reimbursements accelerated.
	Total Expenses	\$1,022.9	\$1,037.7	\$14.9	
Net Revenue	(\$14.5)	(\$21.7)	\$7.1		
Fare Recovery Ratio	43.2%	43.3%			
Revenue Recovery Ratio	52.0%	52.4%			



FY19 YTD Budget vs. FY19 YTD Actual Results

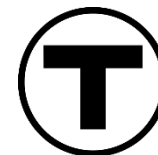
Fare revenue and own-source revenue trailing budget targets; mitigated by other income

Total Revenue - FY19 YTD Budget vs. FY19 YTD Actuals



\$ Change	-\$4.3M	-\$12.8M	\$0.0M	\$0.0M	\$9.3M	-\$7.7M
% Change	-1.3%	-22.7%	0.0%	0.0%	57.8%	-0.8%

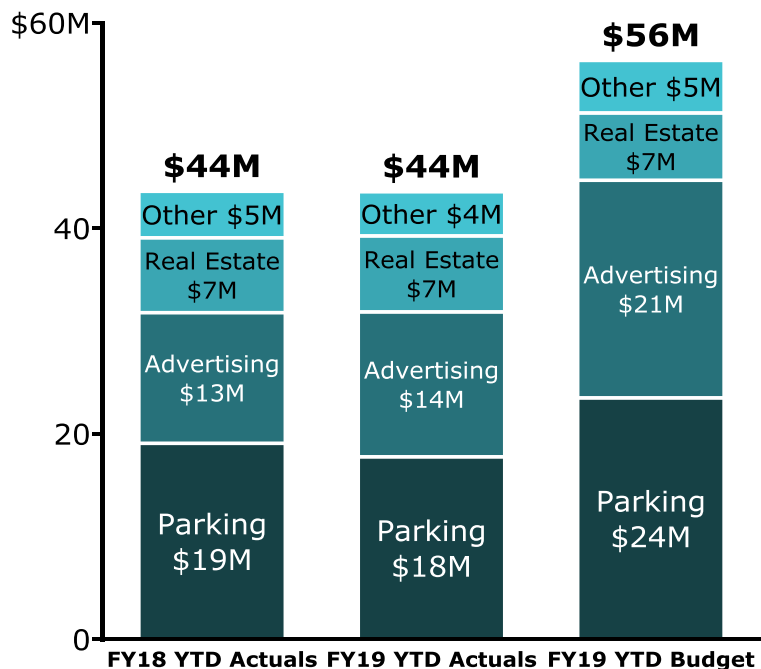
Source: MBTA Internal Data



Own-source revenues flat in 1H FY19, with significant 2H FY19 upside

FY19 YTD Own-Source Results

Own Source Revenue (FY18A - FY19A, \$M)



Headwinds in 1H FY19

- Major parking facilities under construction to improve operations (e.g. Wollaston, Sullivan)

Tailwinds in 2H FY19

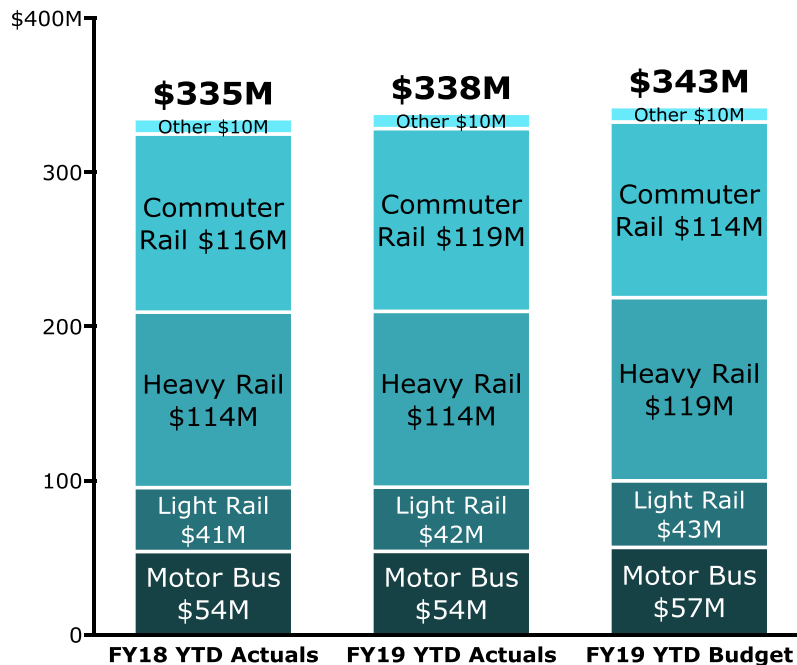
- Implementation of Parking Pricing Policy on September 1 (presented to FMCB on January 7) delivering results
- Approaching completion of in-station digital panel program (700 to be installed at no cost to MBTA)



Fare revenue in line with FY18, with commuter rail outperformance

FY19 YTD Fare Revenue

Fare Revenue
(FY18A - FY19A, \$M)



Fare Revenue Summary

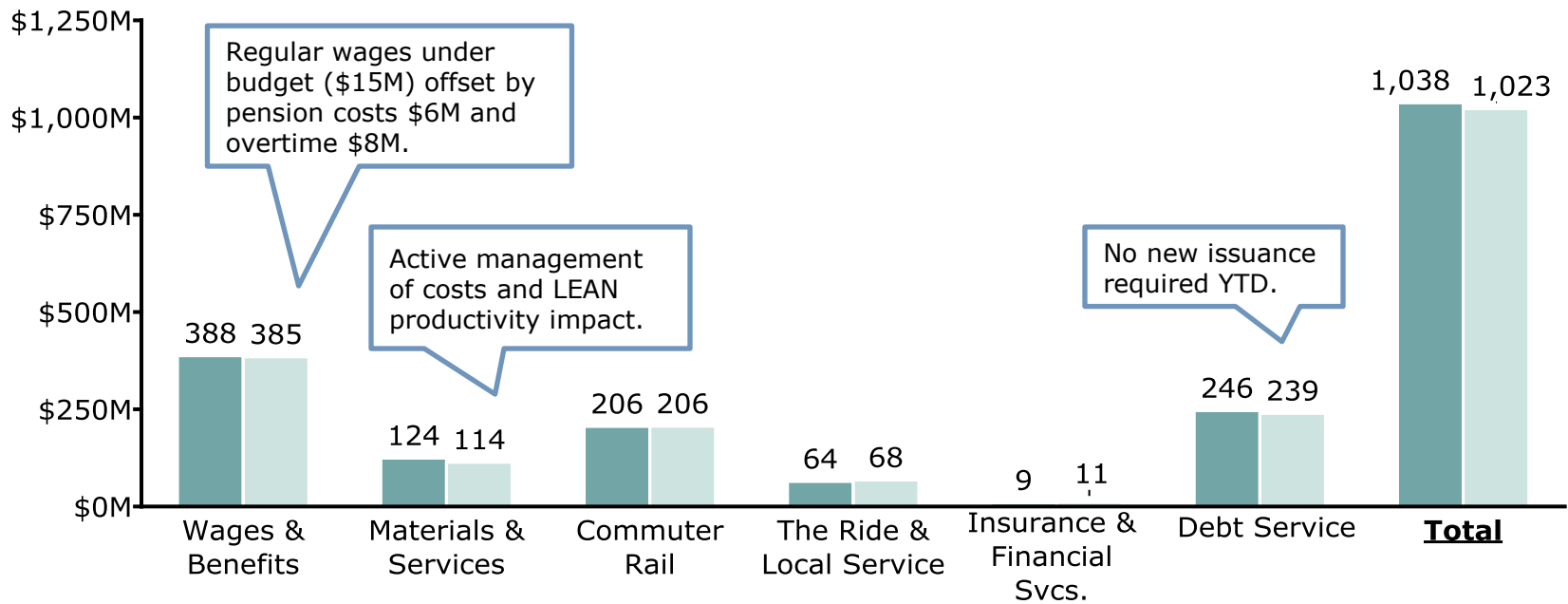
- Strong commuter rail revenue year-to-date, with a portion subject to Keolis revenue share agreement
- Heavy rail, light rail and bus revenue in line with FY18 YTD Actuals but trailing FY19 YTD Budget
- Other fare revenue includes ferry, RIDE and trolley



Total expenses (including debt service) below budget year-to-date

Total Expenses - FY19 YTD Budget vs. FY19 YTD Actuals

FY19 YTD Budget
FY19 YTD Actual



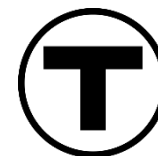
\$ Change	-\$2.9M	-\$10.6M	\$0.5M	\$3.7M	\$1.6M	-\$7.1M	-\$14.9M
% Change	-0.7%	-8.5%	0.2%	5.8%	16.9%	-2.9%	-1.4%

Source: MBTA Internal Data



Risks and Opportunities in 2H FY19

	Item	Description	Deficit Impact	\$ Impact
Risks	Federal Shutdown	Authority unable to access formula funds and grants during shutdown. Additional capital borrowing may be required if shutdown is prolonged.	↑	\$1M-3M
	Ferry Contract	Single bid by incumbent; terms exceed budget	↑	\$2M-3M
	The RIDE	Provider productivity targets unrealized; No savings from Uber/Lyft pilots	↑	\$4M-6M
	Weather	Severe winter weather drives up OT and services spend	↑	\$3M-6M
	Cleaning Contract	Short-term extension to result in 3% cost escalation in 2H	↑	\$1M-2M
Opportunities	Snow Removal Contract	'Not to exceed' clause included in E&M contracts, eliminates downside risk; potential savings	↓	N/A
	Real Estate Dispositions	Potential sales not included in FY19 budget may be realized	↓	\$2M-5M
	State Sales Tax	Actual sales tax receipts may surpass Base Revenue Amount on annual basis	↓	\$1M-\$10M
	Fuel Hedge	Diesel exposure hedged below budget rates, also eliminates potential volatility	↓	\$2M



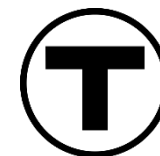
Base case expectation is a deficit in line with FY19 target

	FY19 Recast vs. FY19 Budget			NOTES
	FY19 RECAST	FY19 BUDGET	\$ VARIANCE	
<i>(\$M)</i>				
REVENUES				
Operating Revenues	\$772.7	\$786.7	(\$14.0)	Fare revenue and own-source revenue to trend back to budget.
Non-Operating Revenues	\$1,237.2	\$1,234.1	\$3.1	Investment income to normalize. No additional one-time items.
Total Revenues	\$2,009.9	\$2,020.8	(\$10.9)	
EXPENSES				
Wages, Benefits and Payroll Taxes	\$760.4	\$762.4	\$2.0	Continued headcount management.
Non-Wage	\$798.3	\$802.0	\$3.7	LEAN adherence. Ferry, RIDE and cleaning to create some drag.
Operating Expenses	\$1,558.7	\$1,564.5	\$5.7	
Debt Service	\$487.7	\$492.9	\$5.2	New issuance expected irrespective of federal shutdown.
Total Expenses	\$2,046.4	\$2,057.3	\$10.9	
Net Revenue	(\$36.5)	(\$36.5)	(\$0.0)	
Fare Recovery Ratio	42.9%	42.9%		
Revenue Recovery Ratio	52.0%	52.0%		



Appendix

Appendix



FY19 YTD Actual Results vs FY18 YTD Actual Results

FY19 YTD Actual Results vs. FY18 YTD Actual Results					
	FY19 YTD ACTUAL	FY18 YTD ACTUAL	\$ VARIANCE	NOTES	
<i>(\$M)</i>					
REVENUES	Operating Revenues	\$381.8	\$378.3	\$3.5	One-time real estate transactions in Q1 FY18.
	Non-Operating Revenues	\$626.6	\$613.4	\$13.2	Driven by higher dedicated sales tax revenue.
	Total Revenues	\$1,008.4	\$991.7	\$16.7	
EXPENSES	Wages, Benefits and Payroll Taxes	\$384.7	\$388.5	\$3.8	Lower regular wages and overtime YTD.
	Non-Wage	\$398.8	\$385.5	(\$13.3)	Contractual annual increases in cost of services (Crail Fixed Price & Extra Work, Cleaning Contract).
	Operating Expenses	\$783.5	\$774.0	(\$9.5)	
	Debt Service	\$239.3	\$233.4	(\$6.0)	Additional principal repayment scheduled in FY19.
	Total Expenses	\$1,022.9	\$1,007.4	(\$15.5)	
Net Revenue	(\$14.5)	(\$15.7)	\$1.2		
Fare Recovery Ratio	43.2%	43.2%			
Revenue Recovery Ratio	52.0%	53.0%			