



**Massachusetts Bay  
Transportation Authority**

# FY21/FY22 Budget: July Update

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Fiscal and Management Control Board

September 14, 2020

Finance Team

# July Operating Budget Summary

- Under the adopted budget, July net revenues (total revenues less total expenses and before transfers) is carried at -\$21.0M with \$174.5M in total revenues and \$195.5M in total expenses
- Actual July net revenues (total revenues less total expenses and before transfers) are -\$1.1M with \$179.6M in total revenues and \$180.7M in total expenses
- Variance of budget to actuals was \$19.9M (Budget: -\$21.0M; Actual: -\$1.1M)
  - Total revenues are \$5.1M favorable to budget mostly due to fare revenue collections coming in at 18% of FY20 budgeted levels compared to the 10% estimated
  - Total expenses are \$14.8M favorable to budget with spending below budget in most major categories
  - If we manage to the adopted budget for the next 11 months, the **\$19.9M variance to budget will mitigate the spending reductions needed to achieve the \$400M FY21/FY22 savings target**
- July COVID-19 actual expenses are \$3.1M, bringing total COVID-19 spending to \$24.1M
- 287 operating budget vacancies carrying through from FY20 drove anticipated regular wage savings as hires and separations in the month aligned with FY21 budget assumptions



# Monthly Balance Summary

- **-\$1.1M balance** leaves no funds available to be deposited in the reserve fund to support FY21/FY22 savings target
- If we manage to budget over the next 11 months, the **\$19.9M variance to budget will mitigate the spending reductions needed to achieve the \$400M FY21/FY22 savings target**  
(see programmatic savings on Slide 14 & 15)
- Significant month over month variances are possible and **any potential negative variances to budget over the remaining 11 months in FY21 may offset July's favorable variance to budget**
- Budget and requested adjustments to budget will be **presented to the FMCB quarterly**

	(\$M) Category	FY YTD Budget	FY YTD Actual	\$ Variance	FAV/ UNFAV	July 2019 Actual	FY21 Full Year
REVENUE	Fare Revenues	6.0	10.6	4.5	FAV	62.0	187.8
	Own Source Revenue	0.5	1.9	1.5	FAV	6.5	41.4
	Non-Operating Revenues	157.4	156.5	-0.9	UNFAV	109.7	1920.9
	State Assistance	10.6	10.6	0.0	FAV	10.6	127.0
	<b>Total Revenues</b>	<b>174.5</b>	<b>179.6</b>	<b>5.1</b>	<b>FAV</b>	<b>188.8</b>	<b>2277.1</b>
	<i>Fare Recovery Ratio</i>	4%	8%	4%	FAV	47%	
EXPENSES	Wages, Benefits and Payroll Taxes	72.4	66.1	6.3	FAV	65.5	831.0
	Non-Wage	79.5	71.2	8.3	FAV	67.2	940.2
	Operating Expenses	151.9	137.3	14.6	FAV	132.7	1771.2
	Debt Service	43.6	43.4	0.3	FAV	40.9	523.5
	<b>Total Expenses</b>	<b>195.5</b>	<b>180.7</b>	<b>14.8</b>	<b>FAV</b>	<b>173.7</b>	<b>2294.6</b>
		<b>Remaining Balance Before Transfers</b>	<b>-21.0</b>	<b>-1.1</b>	<b>19.9</b>	<b>FAV</b>	<b>15.1</b>



# Revenue Summary

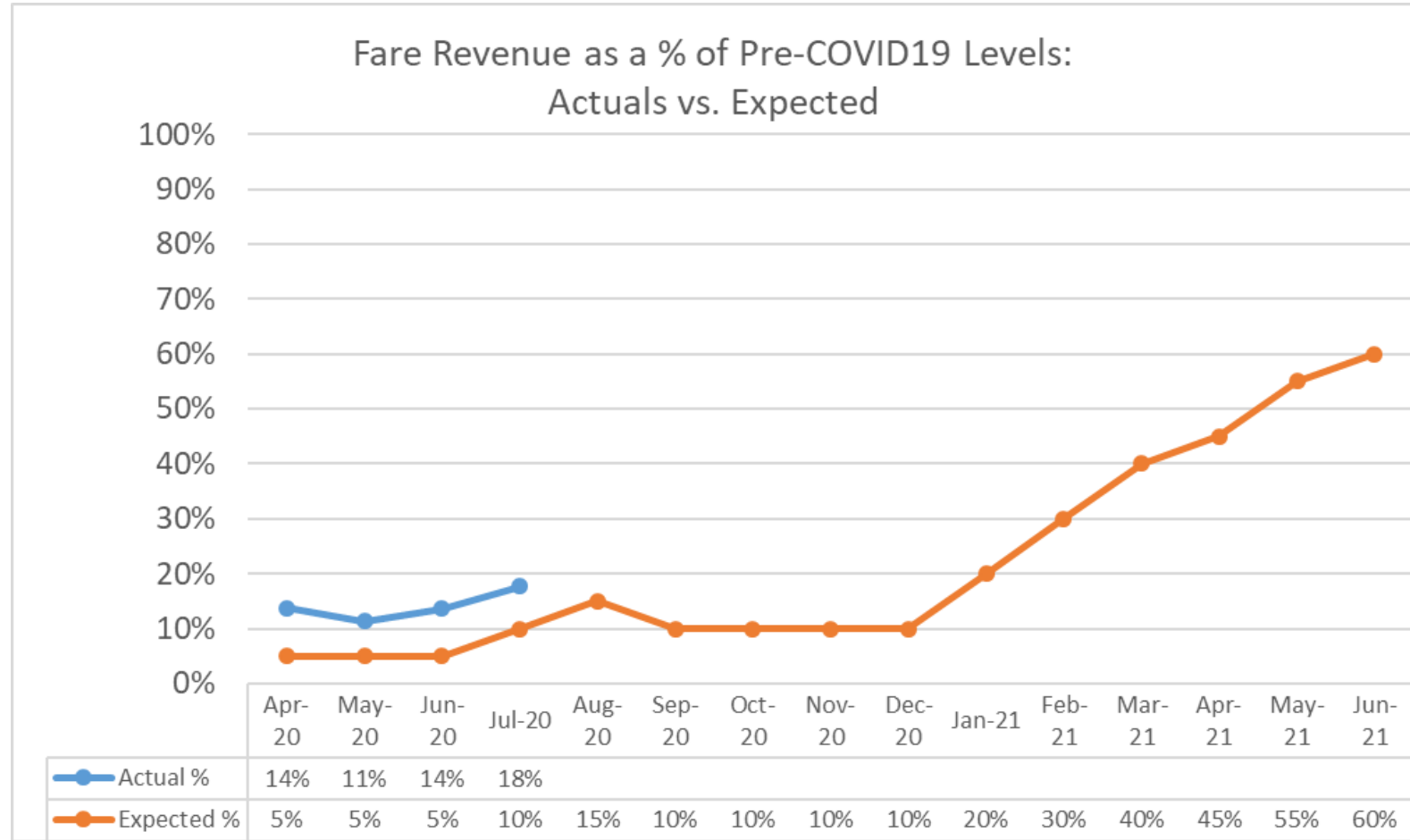
- \$179.6M in total revenues for the month were \$5.1M favorable to budget
- Fare revenues favorable \$4.5M as COVID-19 recovery continues
- Own source revenues favorable \$1.5M mostly due to parking and real estate collections
- Other income favorable \$0.9M due to favorable investment income
- Sales tax revenue \$1.6M below budget for the month but any negative variance to the budgeted base revenue amount of \$1,083M would be reconciled by the close of FY21

Revenues (\$M)	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/ UNFAV	July FY20 Actual	FY21 Full Year Budget
Fare Revenues	6.0	10.6	4.5	FAV	62.0	187.8
Own Source Revenue	0.5	1.9	1.5	FAV	6.5	41.4
<i>Advertising</i>	0.5	0.5	-0.1	UNFAV	2.0	17.1
<i>Parking</i>	-0.7	0.1	0.8	FAV	3.4	11.5
<i>Other</i>	0.3	0.5	0.2	FAV	0.2	4.8
<i>Real Estate</i>	0.4	0.9	0.6	FAV	1.0	7.9
<b>Total Operating Revenues:</b>	<b>6.5</b>	<b>12.5</b>	<b>6.0</b>	<b>FAV</b>	<b>68.5</b>	<b>229.2</b>
State Sales Tax Revenue	88.6	87.0	-1.6	UNFAV	88.6	1083.3
Local Assessments Revenue	14.8	14.5	-0.3	UNFAV	14.5	177.9
Other Income	54.0	55.0	0.9	FAV	6.6	659.7
<b>Total Non-Operating Revenues:</b>	<b>157.4</b>	<b>156.5</b>	<b>-0.9</b>	<b>UNFAV</b>	<b>109.7</b>	<b>1920.9</b>
State Assistance	10.6	10.6	0.0	UNFAV	10.6	127.0
<b>Total Revenues:</b>	<b>174.5</b>	<b>179.6</b>	<b>5.1</b>	<b>FAV</b>	<b>188.8</b>	<b>2277.1</b>



# Monthly Fare Revenue Collections

- **Fare revenue collections were 18% of FY20 budgeted levels** compared to the 10% budgeted
- Although favorable for the first month of FY21, **considerable uncertainty and risk remain with current budget assumptions**
  - A 55% revenue collection level in June 2021 compared to the budgeted 60% level would entirely offset the favorability realized this month
- In the context of overall budgeted revenues for the year, **July revenues account for 7.7% of annual revenues** and **fare revenue accounts for 8.2% of total annual revenues**
- In FY20, July revenues accounted for 8.3% of annual revenues and fare revenue accounted for 24% of total annual revenues



*Budget projections and revisions to be reviewed as needed at November FMCB meeting as outlined in the August Pro Forma timeline*

# Fare Type Revenue Detail

- Revenue across all fare types is up month-over-month (MoM) from June to July with the exception of monthly passes
- 15% decline in monthly pass revenue largely due to a one-time payment in June from Boston Public Schools for the last few months of the school year

Revenue by Fare Type (\$M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Monthly Pass	5.1	48%	5.9	-15%	29.5	-83%
Stored Value	3.4	33%	2.0	68%	15.1	-77%
7-day Pass	1.2	12%	0.7	66%	4.7	-74%
Other	0.8	8%	0.3	181%	11.2	-93%
<b>Total</b>	<b>10.5</b>	<b>100%</b>	<b>9.0</b>	<b>17%</b>	<b>60.5</b>	<b>-83%</b>

*Other includes a collection of commuter rail, ferry, and bus cash and farebox types in addition to refunds and adjustments*



# Sales Channel Fare Revenue Detail

- Revenue across all sales channels is up month-over-month (MoM) from June to July with the exception of the student pass program due to the one-time payments in June from the past school year
- 57% increase in fare vending machine sales from June to July made it nearly half (47%) of the July revenue total as COVID-19 recovery continues

Revenue by Sales Channel (\$M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Fare Vending Machine	4.9	47%	3.1	57%	23.9	-79%
Corporate Pass	3.5	33%	3.4	2%	17.5	-80%
Student Pass Program	0.6	5%	1.7	-67%	-	
mTicket	0.5	4%	0.2	118%	9.5	-95%
Bus/GL Farebox	0.3	3%	0.0	N/A	1.6	-78%
All Other	0.7	7%	0.6	32%	8.0	-91%
<b>Total</b>	<b>10.5</b>	<b>100%</b>	<b>9.0</b>	<b>17%</b>	<b>60.5</b>	<b>-83%</b>

*Other includes a variety of ticket window, online, and agent sales channels*



# Spending Summary

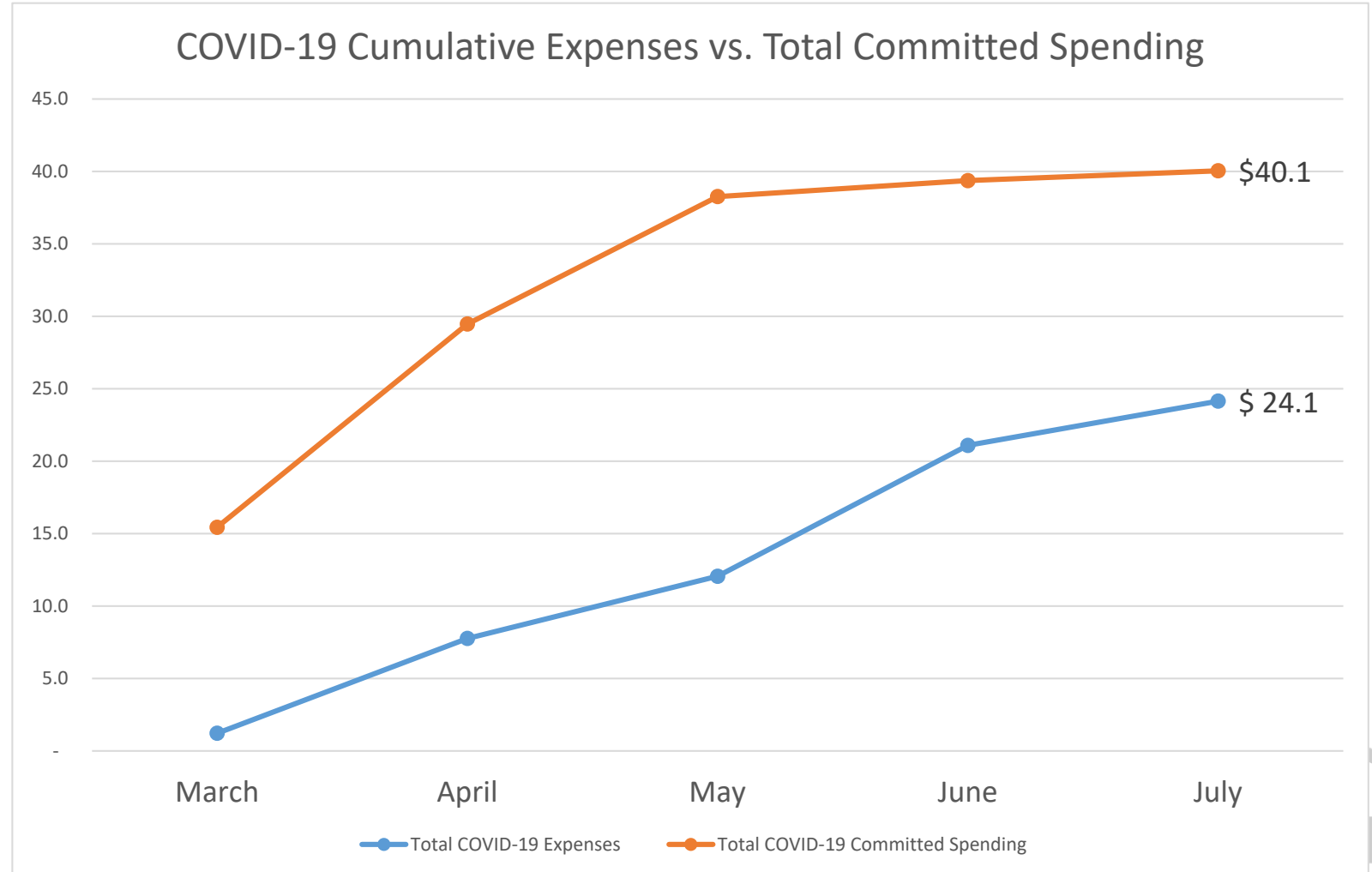
- \$180.7M in total expenses for the month were \$14.8M favorable to budget
- Purchased transit services \$5.1M favorable due to COVID-19 impacts to ridership on the RIDE and commuter rail
- Regular wages (\$4.5M) and fringe costs (\$3.0M) favorable due to vacancies
- Materials and services spending \$2.5M favorable due to a variety of factors including fuel, utility costs, cash collection services
- Overtime \$1.3M above budget spread among 12 departments, mostly related to operations and aligned with prior year actual spending

Expenses (\$M)	FY21 YTD Budget	FY21 YTD Actual	\$ Variance	FAV/ UNFAV	July FY20	FY21 Full Year Budget
<i>Regular Wages</i>	43.3	38.8	4.5	FAV	38.6	489.3
<i>Overtime</i>	2.7	3.9	-1.2	UNFAV	4.0	34.5
Wages	46.0	42.8	3.3	FAV	42.6	523.7
Fringe	26.4	23.4	3.0	FAV	22.9	307.3
Materials & Services	27.2	24.6	2.5	FAV	16.7	317.2
Insurance	1.5	1.2	0.2	FAV	1.6	17.7
<i>Commuter Rail</i>	37.0	35.1	1.9	FAV	36.0	448.9
<i>RIDE</i>	11.3	8.6	2.7	FAV	10.5	128.7
<i>LSS &amp; Ferry</i>	1.9	1.5	0.4	FAV	1.8	20.7
Purchased Transit Services	50.3	45.1	5.1	FAV	48.2	598.3
Financial Service Charge	0.6	0.1	0.4	FAV	0.7	7.0
<b>Total Operating Expenses</b>	<b>151.9</b>	<b>137.3</b>	<b>14.6</b>	<b>FAV</b>	<b>132.7</b>	<b>1771.2</b>
<b>Debt Service</b>	<b>43.6</b>	<b>43.4</b>	<b>0.3</b>	<b>FAV</b>	<b>40.9</b>	<b>523.5</b>
<b>Total Expenses</b>	<b>195.5</b>	<b>180.7</b>	<b>14.8</b>	<b>FAV</b>	<b>173.7</b>	<b>2294.6</b>



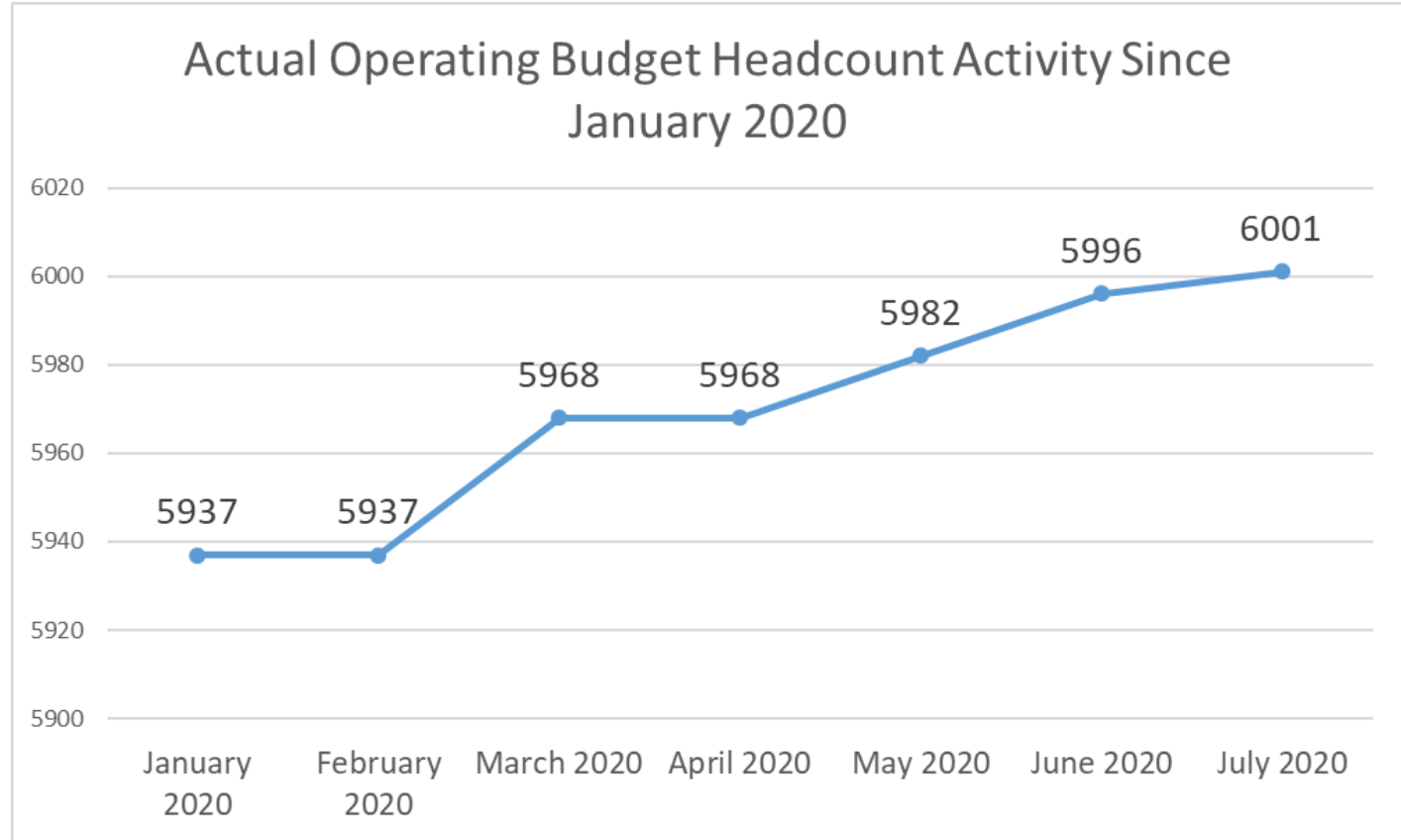
# COVID-19 Spending Detail by Month

- **\$24.1M in total COVID-19 actual expenses** since onset of pandemic in March and **\$40.1M in committed spending**
- Total **committed spending** relates to approved and pending spend, while actual expenses show what has already been paid
- **\$40.1M in total committed spending**
  - **\$21.2M in cleaning services**, 53% of total spend
  - **\$14.0M in PPE**, 35% of total spend
  - **\$4.9M in testing and other related expenses**, 12% of total spend



# Operating Budget Headcount

- **6,001 operating budget headcount in July**, an increase from June but below the 6,279 budgeted positions
- Overall, hires are tracking close to budgeted assumptions and separations are tracking below budget due to current job market conditions
- Maintaining and monitoring this level of vacancies is necessary to stay within approved FY21 wage spending levels
  - **174 vacancies (63%) among operations departments** and 104 vacancies (37%) among all other departments
- **FY21 budgeted headcount of 6,279 positions with regular wages spending totaling \$489.3M**, after including expected turnover or attrition savings
  - **FY21 approved budget assumption of 30 hires per month** reflects 13 safety hires per month (151 total for the year) and 17 backfill positions per month (204 total for the year)
  - **FY21 approved budget assumption: 40-42 employees leaving service monthly** (498 total) and projects an equally distributed amount of separations for each month
- Actual hires and separations will vary from month to month to correct and adjust for the effective date of personnel activity



# Working Group Goals and Summary Table

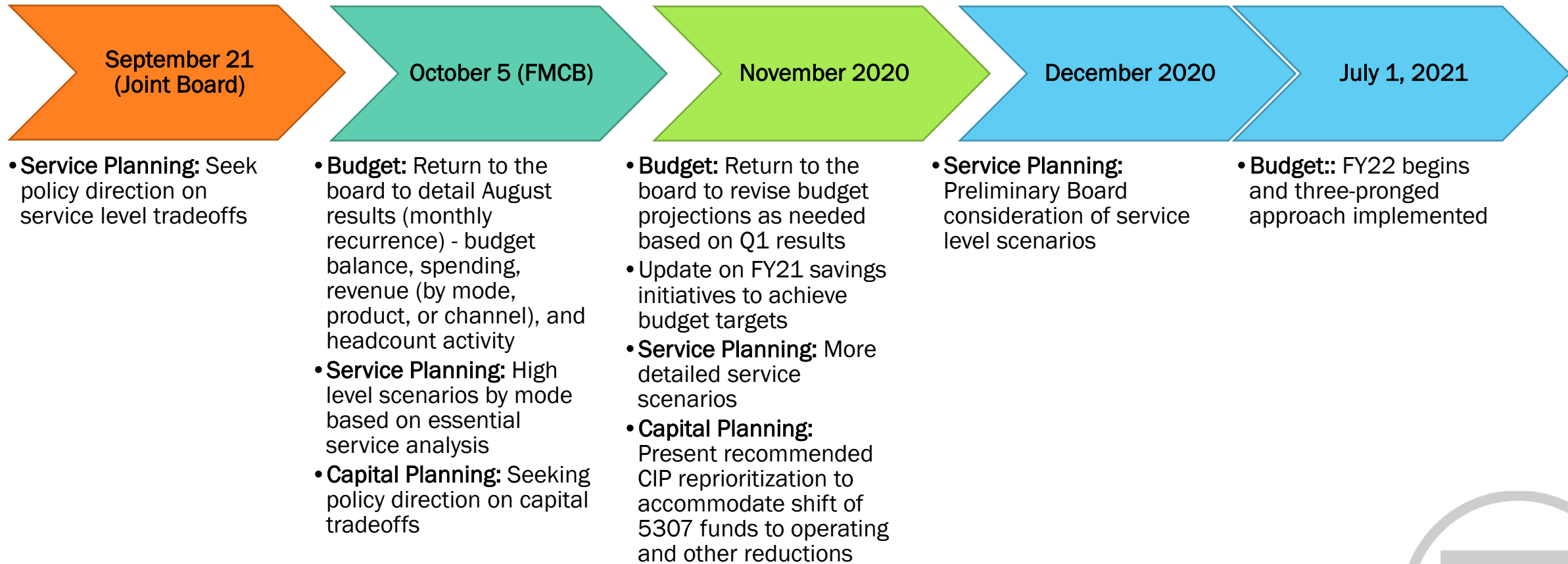
	Capital Inflows and Funding Reallocation	Own Source Revenue	Debt Service and Interest Income	Wages, Benefits, and Hiring	Overtime
Goals	<ul style="list-style-type: none"> <li>• Reallocation of Federal 5307 funding</li> <li>• Potential reallocation of Federal 5337 funding</li> <li>• Implementation of capital salaries funding transfer</li> <li>• Analyze impacts to capital spending and CIP</li> <li>• Maximize discretionary grant opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of new, more flexible fare products</li> <li>• Licensing of parking facilities to new types of customers</li> <li>• Expansion of existing outdoor advertising revenue sources</li> <li>• Eliminating cash handling, optimizing staff coverage, and transitioning garages to License Plate Reader (LPR) enforcement</li> <li>• Expanding online platforms</li> </ul>	<ul style="list-style-type: none"> <li>• Refunding parking bonds to target reduced debt service spending in FY22</li> <li>• Structure debt to shape our obligations to provide a more continuous debt service profile and create a stable foundation for future issuance</li> <li>• Analyze any additional capacity for MBTA revenue bonds to support capital programs</li> <li>• Review opportunities to enhance interest income</li> </ul>	<ul style="list-style-type: none"> <li>• Review hires and promotions through the position control process to achieve approved turnover and attrition savings</li> <li>• Align staffing decisions in a manner consistent with ridership and service levels</li> <li>• Review travel, training, and education reimbursement policies and processes</li> <li>• Analyze savings based on executive pay adjustment scenarios</li> </ul>	<ul style="list-style-type: none"> <li>• Develop recommendations to enhance controls to manage expenses with improved coordination between operations and finance</li> <li>• Explore policy changes for operating employees working on capital projects</li> <li>• Set a reasonable overtime budget level that considers prior year actuals with achievable savings targets</li> </ul>
Leads	<ul style="list-style-type: none"> <li>• Samantha Silverberg, Deputy Chief Administrative Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Lizzy Winters Ronaldson, Chief Commercial Strategy Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Pat Landers, Treasurer</li> </ul>	<ul style="list-style-type: none"> <li>• Matt St. Hilaire, Chief HR Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Bill DeCoste, Bill DeCoste, Senior Director of Finance</li> </ul>



# Working Group Goals and Summary Table

	Labor and Pension	Professional Services Committee	IT Governance	Real Estate	Purchased Transit Services	Service Level Planning
Goals or Targets	<ul style="list-style-type: none"> <li>Explore opportunities and packages that would result in net payroll savings, including initiatives instituted in prior years</li> <li>Focus on opportunities to contain, curtail, or defer year over year pension growth increases</li> </ul>	<ul style="list-style-type: none"> <li>Establish individual and consolidated reporting to review and understand the breadth of services being procured or used</li> <li>Review contractors, consultants, and professional services spending to ensure consistent practices and control costs</li> </ul>	<ul style="list-style-type: none"> <li>Report usage metrics to review existing licenses and applications</li> <li>Analyze the impact of new applications or updates on existing platforms and services that may now make them obsolete</li> <li>Quantify the operating budget impacts of upcoming capital projects</li> </ul>	<ul style="list-style-type: none"> <li>Analyze short and long term impacts of COVID-19 to real estate market for opportunities to enhance revenue or reduce costs</li> </ul>	<ul style="list-style-type: none"> <li>Review current cost estimates and compare them to FY21 approved budget assumptions to update projections and estimates as needed, including quantifying any variable cost savings from observed ridership levels</li> <li>Fixed and variable costs of ferry services</li> </ul>	<ul style="list-style-type: none"> <li>Based on observed ridership levels and budget constraints, develop scenarios for service delivery and properly engage all departments, stakeholders, and constituencies in advance of any potential changes</li> </ul>
Leads	<ul style="list-style-type: none"> <li>Ahmad Barnes, Director of Labor Relations</li> </ul>	<ul style="list-style-type: none"> <li>Jeff Cook, Chief Procurement and Contract Administration Officer</li> </ul>	<ul style="list-style-type: none"> <li>John Glennon, Chief Information Officer</li> </ul>	<ul style="list-style-type: none"> <li>Richard Henderson, Chief Real Estate Officer</li> </ul>	<ul style="list-style-type: none"> <li>Bill DeCoste, Senior Director of Finance</li> </ul>	<ul style="list-style-type: none"> <li>Laurel Paget-Seekins, Assistant General Manager for Policy</li> <li>Kat Benesh, Chief of Ops Strategy, Policy &amp; Oversight</li> </ul>

# Timeline for Service, Budget, and Capital Updates



# Appendix



# Sequestering Funds to Mitigate the FY22 Budget Gap

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- Preserve the realized savings (positive net revenues) from the three-pronged approach and any budget favorability through a transfer to an Operating Budget Deficiency Fund to mitigate fare revenue uncertainty in FY21 and balance FY22
- Positive monthly net revenues are defined as total revenues less total expenses above budget
- Transfer any FY20 savings over and above the budgeted amount to the Operating Budget Deficiency Fund to mitigate uncertainties in FY21 and the projected budget gap in FY22
- During FY21, make monthly transfers into the Operating Budget Deficiency Fund in FY21 for any month where net revenue is favorable or above budget
- Progressing through FY21, all decisions that would increase spending or reduce revenue in FY21 need to be weighed against a potential service level reduction in FY22
- Evaluate the deficiency fund balance in December 2020 and update the expected one-time revenue amount for any potential FY22 shortfall or the projected FY22 budget gap



# Revenue Allocation by Mode Detail

- Revenue increases from June primarily attributable to continued recovery on light and heavy rail and bus service, which accounted for over 75% of July revenue collections
- Revenue by mode is done through an allocation methodology, which would differ from month-over-month (MoM) or year-over-year (YoY) trends in ridership data

Revenue by Mode(\$M)	July 2020	% Total	June 2020	%MoM	July 2019	%YoY
Heavy & Light Rail and Bus	8.3	78%	6.7	24%	37.1	-78%
Commuter Rail	2.2	21%	2.2	0%	22.8	-90%
Ferry	0.1	1%	0.1	60%	1.4	-91%
RIDE (including adjustments and credits)	-	0%	(0.9)	-100%	0.7	-100%
Total	10.6	100%	8.1	32%	62.0	-83%

*The methodology to allocate revenue by mode is based on unit sales by source and product consistent with the publicly-available data provided to NTD but it does not yet reflect recent ridership trends and the impact of the COVID-19 pandemic*

