MBTA Advisory Board
Revised FY21 Massachusetts Bay Transportation Authority
Operating Budget Oversight Report

REPORT
Presented to the Board by the Finance Committee
May 19, 2020

177 Tremont Street, 4th Floor, Boston, Massachusetts 02111
Phone: 617-426-6054
www.mbtaadvisoryboard.org

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The MBTA Advisory Board is an independent statutory organization organized under Massachusetts General Law to oversee the finances, operations, and activities of the Massachusetts Bay Transportation Authority. The Advisory Board represents the interests of the 176 cities and towns in the MBTA service district. In FY21 these municipalities will contribute over $177 million in subsidies to the MBTA via municipal assessments.

Congratulations

Paul Regan

MBTA Advisory Board Executive Director
November 1, 1998 – March 31, 2020 (retired)

This report is offered in congratulations to the MBTA Advisory Board's recently retired Executive Director Paul Regan. During his tenure, Paul worked with 12 MBTA General Managers, and reviewed and analyzed thousands of MBTA documents. He also served on the Boston Metropolitan Planning Organization, as well as on special bodies considering MBTA finances such as the 2000 Blue Ribbon Panel on Forward Funding, the 2007 Transportation Finance Commission, and numerous other panels, bodies, committees, commissions, boards and councils related to MBTA operations and finances. Prior to joining the Advisory Board, Paul worked for the Massachusetts State Senate, and for the Executive Office of Communities and Development, specializing on municipal issues. The members and staff of the MBTA Advisory Board wish Paul a happy, healthy, and long retirement.

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Revised FY 21 Budget Statement of Revenue & Expense

REVENUES	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
Operating Revenues			
Fares, all modes	$ 671.70	$ 531.70	$ 187.80
Own Source Revenue			
Advertising	*28.3*	*25.6*	*17.1*
Parking	*37.7*	*26.0*	*11.6*
Real Estate	*15.8*	*13.8*	*7.9*
Other Operating	*8.5*	*8.4*	*4.8*
Total Own-Source Revenue	90.2	73.8	41.4
Total Operating Revenue	**761.9**	**605.5**	**229.2**
Non-Operating Revenues			
Dedicated Sales Tax	1,053.2	1,088.0	1,083.3
Assessments	170.1	174.4	177.9
Other Income	57.2	43.6	35.7
State Assistance	127.0	127.0	127.0
Total Non-Operating	**1,407.5**	**1,433.0**	**1,423.9**
TOTAL REVENUES	**$ 2,169.40**	**$ 2,038.50**	**$ 1,653.10**
EXPENSES			
Operating Expenses			
Wages			
Regular Wages	$ 438.10	$ 461.30	$ 489.60
Overtime	49.4	47.1	34.3
Total Wages	**487.5**	**508.4**	**523.9**
Benefits & Taxes			
Pensions	101.6	119.4	134.5
Healthcare	99.7	97.2	102.0
Health/Welfare Fund	11.7	16.0	12.0
Other Fringe	12.1	11.7	12.4
Payroll Taxes	39.8	43.1	46.4
Total Benefits &Taxes	**264.9**	**287.4**	**307.3**
Materials & Services			
Materials	47.2	60.4	54.8
Services	114.4	118.4	161.3
Fuel	17.7	12.7	15.1
Utilities	43.5	43.3	43.5
Contract Cleaning	24.8	25.3	42.4
Total Materials & Services	**247.6**	**260.1**	**317.1**
Insurance	**16.2**	**33.1**	**17.7**
Purchased CR Services			
Fixed Price	327.3	335.1	341.9
Extra Work	43.2	50.1	66.8
Fuel	29.7	25.2	29.1
PRIIA (NECC)	9.0	10.1	11.1
Total Commuter Rail	**409.2**	**420.5**	**448.9**
Local Service Subsidies			
THE RIDE	121.6	122.0	128.7
Ferry Services	15.5	16.5	17.5
Other LSS	3.2	2.9	3.2
Total LSS	**140.3**	**141.4**	**149.4**
Financial Service Charges	**7.8**	**6.6**	**7.0**
Total Operating Expenses	**$ 1,573.50**	**$ 1,657.50**	**$ 1,771.30**
Debt Service			
Interest	266.6	211.4	303.4
Principal Payments	220.3	276.9	220.1
Lease Payments	-		-
Total Debt Service	**$ 486.90**	**$ 488.30**	**$ 523.50**
TOTAL EXPENSES	**$ 2,060.40**	**$ 2,145.80**	**$ 2,294.80**
Net Revenue/Expenses	**$ 109.00**	**(107.30)**	**(641.70)**
Capital Salaries	-	(66.4)	(66.4)
Balance Remaining		**($ 173.80)**	**($ 708.00)**
One-Time Revenues			
CARES Act Drawdown		$ 250.00	$ 577.00
FY20 Rollover			$ 76.10
FEMA Reimbursement			$ 30.00
Safety & Infrastructure Funds			$ 17.00
Capital Maintenance Fund			$ 10.00
Total One Time Revenues	**$0.00**	**$250.00**	**$710.10**
Net Rev/Exp Including One Time Revenue		**$ 76.20**	**$ 2.10**
Fare Recovery Ratio	**42.7%**	**32.1%**	**10.6%**

EXECUTIVE SUMMARY

Providing MBTA service is labor and capital intensive and requires sufficient operating and subsidy revenue to operate. The current Covid-19 crisis shows that the MBTA's subsidies can fund $1.65 billion worth of public transportation services during a significant economic downturn. These subsidies will cover about 62% of operating expenses and debt service in the revised FY21 budget. Usually the difference between the total cost of service and the subsidy provided would be filled by operating revenues (fares and own source revenue), however in these times such revenues cannot be relied upon, as demand for public transportation remains unknown. To fill this gap, the MBTA plans to use over $700 million in federal and other one-time sources to balance its budget. It also plans to slow hiring but does not plan on any furloughs or lay-offs of MBTA employees. Perhaps most importantly, this budget provides sufficient funds restore the full schedule of service in FY21 once customer demand calls for it. Transportation demand and modal choices appear to be changing for the foreseeable future. Unemployment is high, and many with jobs are working at home. Indeed, working from home, shopping online, and availing of in-home entertainment via the internet are now second nature to many. This makes forecasting transportation demand difficult. Forecasting MBTA demand is even more difficult in many ways, as it remains unclear if and when the riding public will choose to return to crowded buses, trains, ferries, and paratransit vehicles. Public transportation providers across the country are experiencing low ridership, and no one seems sure how to forecast demand in these circumstances.

With so many questions prevalent, preparing a budget in such uncertain times is difficult. We applaud the MBTA staff and the FMCB for this approach specifically for budgeting for full-service restoration once demand requires it. We do, however, offer the following recommendations with respect to the revised FY21 operating budget:

- The FMCB to question the growth in the materials, supplies, and services category within the revised FY21 budget. Expenses in this category are projected to increase $57.0 million over the FY20 budget and $18.6 million over the amount requested in the initial FY21 budget in March 2020
- The FMCB and its successor governing body to carefully review the MBTA's hiring strategy, headcount growth, examine ongoing strategic initiatives and their costs, while considering scaling back non-essential programs/projects. The headcount this current fiscal year (FY20) is the largest in many years, with total headcount projected to grow even more in FY21 and beyond, despite revenue declining or remaining flat. The MBTA must continue its path towards a safer, more reliable, more frequent service, and additional positions are required to ensure this. However, now is the time to focus spending in a limited number of strategic initiatives and realize that the Authority cannot afford everything it would like to have. The Advisory Board repeats its call for a hiring freeze on all non-safety sensitive positions, and all positions not deemed essential for delivering the capital improvement and modernization program.
- The FMCB, MassDOT Board and the FMCB's successor to reexamine the MBTA's debt policy. In the FY21 revised budget 22% of spending is dedicated to debt service, with principal and interest costing over half a billion dollars. The governing bodies should consider how long the MBTA can sustain its current level of indebtedness, the sustainability of the operating budget to support the current levels of debt, and affordability of the current MBTA debt policy.

- The MBTA to develop and publish a set of transparent output measures showing how increased investment is leading towards an improved MBTA. The Advisory Board will work with the Authority to develop these output measures.
- The legislature to take action to allow the MBTA to charge capital salaries to the capital budget as long as it is allowable under general accounting practices. Even if only as a temporary measure during this recession, this is a no-cost, high-return action the General Court can take to help the MBTA's operating budget.

PROCESS OVERVIEW

On March 9, 2020, the Fiscal and Management Control Board (FMCB) authorized the Massachusetts Bay Transportation Authority (MBTA) General Manager to submit the preliminary FY2021 itemized operating budget to the MBTA Advisory Board for review. Working with its Finance Committee, the MBTA Advisory Board drafted an oversight report of this budget which was approved by the full board on April 9, 2020 and presented it to the FMCB on April 10, 2020. However, by this time it was clear that the revenue presumptions included in the March 9 budget were not going to happen. Between March 9 and April 9 everything changed, as the Covid-19 virus caused widespread quarantining in Massachusetts, and with it a major decrease in MBTA ridership and operating revenue. On March 24th Governor Baker issued a stay-at-home order to all non-essential businesses and declared a state of emergency in the Commonwealth. The law requiring a completed MBTA budget by April 15 was also changed to require a budget by June 15 for FY21. With all this taking place, MBTA staff revised the FY21 budget which is examined in this report.

The FMCB voted to release the revised budget to the MBTA Advisory Board on Monday, May 11. On May 12, the Advisory Board met as a body and received a presentation from MBTA Chief Administrative Officer David Panagore, and Chief Financial Officer Mary Ann O'Hara. Following this presentation and discussion, the Advisory Board voted to refer the budget to its Finance Committee for review and to report back on May 19. Finance Committee members received additional budget materials on May 13, and shortly thereafter a draft version of this report from Advisory Board staff. Members of the committee reviewed the draft, corresponded, and approved it for submission to the full Advisory Board. The Advisory Board will next meet on May 19, with a discussion and action on this report on its agenda. The Advisory Board's acting executive director is listed on the agenda for the FMCB's May 21 meeting to deliver this report.

BUDGET OVERVIEW

The revised FY21 budget is radically different than the initial budget proposed in March in revenue but not in expense projections. Revenue is projected at $1.65 billion in the revised budget, compared to $2.39 billion in the initial budget. However, expenditure remains about the same; $2.29 billion in both budgets with $710 million in one-time revenues, principally from the federal government's Covid-19 response legislation, making up for lost revenue. Unlike the initial budget, the revised budget does not expect additional revenue from tax increases, other legislation, or increased sales tax activity. Instead, it relies on the stability of its subsidies to deliver their minimum results, as well as dramatically reduced fare revenue.

By funding expenditure at roughly the same levels, the Authority is preparing to eventually operate its full scheduled service whenever demand warrants it in FY21.

This level of expenditure guarantees no lay-offs or furloughs, and continued health benefits for all MBTA employees. The Advisory Board notes that several cities and towns within the MBTA district have implemented lay-offs and furloughs due to declining local and state revenues. Many private employers have also implemented furloughs and lay-offs for their staffs, as well as introduce temporary pay cuts for their top earners. The Advisory Board suggests it prudent for the MBTA to begin at least initial planning to implement similar measures if ridership and revenues fail to rebound in a timely manner.

Revenue

In its revised FY21 budget, the Authority projects $1.65 billion in operating and non-operating revenue, plus $710 million in one-time revenues, for a total projected revenue of $2.29 billion. This is $100 million less in projected total revenue than was projected in the initial March budget.

Operating Revenue

Operating revenue consists of fares and other revenue generated from operating the MBTA (parking, advertising, etc.) collectively known as own source revenue. Fare revenue is projected at $187.8 million. This is a 64.7% decrease over the projected amount for FY20, and 72% less than the actual amount of fare revenue collected in FY19. There is no fare increase planned in FY21. The Authority stated in its presentation that they have models of FY21 ridership and fare revenue, and ridership which form the basis for this projection. Own source revenue consists of advertising, parking, real estate, and other such revenues. In FY21, the Authority estimated $41.4 million in such revenue, a $32.4 million decrease over the FY20 budgeted amount, $48.1 million below the actual amount collected in FY19, and $59.1 million less than the amount projected in the initial FY21 budget. Own source revenue depends on people riding the T, and unless customers return to their prequarantine commuting patterns, the Authority will likely have a difficult time reaching even its revised projection

Non-Operating Revenue

The non-operating revenue category includes subsidies to the MBTA to provide public transportation. Revenue in this category is expected to grow by nearly 1.2% over the FY19 actual amount and decrease by 0.6% over the FY20 projected amount. This amount is $151 million less than projected in the initial budget.

Non-Operating Revenue	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
Dedicated Sales Tax	1,053.2	1,088.0	1,083.3
Assessments	170.1	174.4	177.9
Other Income	57.2	43.6	35.7
State Assistance	127.0	127.0	127.0
Total Non-Operating	**1,407.5**	**1,433.0**	**1,423.9**

The amount of dedicated sales tax budgeted in FY21 is the minimum amount the Authority can receive under its bond covenants and is known as the base revenue amount. Assessments remain at $178 million, as does state contract assistance at $127 million. There are no tax increases included in these estimates as there were in the initial budget.

One-Time Revenues

To balance the budget, the MBTA will rely on a series of one-time revenues, principally drawn from federal sources related to mitigating the economic devastation of Covid-19. Total one-time revenues are $710.1 million in FY21 and an additional $250 million in the current fiscal year. $577 of the $710.1 million will come from the Coronavirus Aid, Relief and Economic Security (CARES) Act. These funds, plus the $250 in CARES Act funds being used in FY20, totals $960 million, which is greater than the $875 million the Advisory Board recommended the MBTA to utilize in its initial budget report. In addition to the CARES Act money, the other one-time revenues consists of $76.1 million in projected unspent FY20 funds that will roll over into FY21, and reimbursements from the Federal Emergency Management Agency of up to $30 million related to the Authority's spending in FY 20 on emergency personal protective equipment (PPE) to combat the spread of the virus. The source of safety & infrastructure funds is money received from the Commonwealth in FY20 that will also roll over to FY21. Capital maintenance fund dollars are derived from prior year operating surpluses.

One-Time Revenues	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
CARES Act Drawdown		250.00	577.00
FY20 Rollover			76.10
FEMA Reimbursement			30.00
Safety & Infrastructure Funds			17.00
Capital Maintenance Fund			10.00
Total One-Time Funds	**$0.00**	**$250.00**	**$710.10**

Expense

Operating expenses, which are all expenses but debt service, are budgeted at $1.8 billion in the revised FY21 budget. This is an increase of $113.8 million over the projected amount in FY20, and nearly $200 million more than was actually spent in FY19. Spending is projected to increase in almost all line items over FY20 and FY19.

Employee Costs

Employee costs are the single greatest expense to the MBTA. The Advisory Board called for a partial hiring-freeze in its initial oversight report. A full hiring freeze is unwise at this time, as the MBTA requires multiple strategic headcount increases around safety and capital delivery to ensure that the safety and security of customers, employees, and all stakeholders is ensured, and that the expedited delivery of long-delayed maintenance and infrastructure programs continues apace. Employee costs include wages overtime, and employee fringe benefits and payroll taxes.

Employee Costs	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
Regular Wages	438.10	461.30	489.60
Overtime	49.4	47.1	34.3
Total Wages	**487.5**	**508.4**	**523.9**
Benefits & Taxes			
Pensions	101.6	119.4	134.5
Healthcare	99.7	97.2	102.0
Health/Welfare Fund	11.7	16.0	12.0
Other Fringe	12.1	11.7	12.4
Payroll Taxes	39.8	43.1	46.4
Total Benefits &Taxes	**264.9**	**287.4**	**307.3**
TOTAL EMPLOYEE COSTS	**752.4**	**795.8**	**831.2**

The revised FY21 budget proposes to increase headcount by 151 positions, which is dramatically lower than the 475 positions included in some scenarios in the initial FY21 budget.

Headcount increases in revised FY21 Budget (+/-)	
Safety Department Subject Matter Experts	20
Signal, Track, and System Maintainers	80
QA, Transportation, Vehicle Maintenance, Admin.	51
Total	151

The initial FY21 budget called for up to 475 hires in the areas of safety, operational initiatives, coverage for expected employee unavailability due to the introduction of the Paid Family Medical Leave Act coverage in January 2021, as well as additional personnel in the Office of Bus Transformation, to support service enhancements , to support the bus network redesign program, and for weekend pilots. It also supports a position to work on means-tested fares. Of these, 151 positions are funded in the revised budget, with plans to hire at least an additional 182 positions in FY22.

Capital Salaries

Although not part of the operating budget, the growth in capital employee headcount does impact the operating budget. Due to state laws recently enacted, employees working on state- and MBTA-bond funded projects are ineligible to have their salaries paid by the capital budget. This forces these costs onto the operating budget, via the use of lockbox funds. The estimated cost in FY21 is $60 million for capital salaries from the lock box. These expenses could be born on the capital budget, assuming the salaries are related to capital projects. Legislation has been filed to allow the MBTA to book capital salaries for non-federally funded projects as capital costs, however the current law remains in place.

Non-Employee Costs

Non-employee costs include all operating expenses not associated with compensation, including materials, supplies and services; casualty and liability insurance; commuter rail contract; local service subsidized service; and financial service charges. Expenses in these categories are budgeted at $940.1 million in the revised FY21 budget. This is a $78.4 million increase over the projected FY20 amount, and $119 million more than was actually spent in FY19.

Materials, Supplies, and Services

Expenses in this category include non-durable goods used on the MBTA fleet, professional services such as engineering and management consultant activities, fuel for MBTA vehicles, utility costs to operate vehicles and facilities, cleaning services for stations, vehicles, and facilities and the cost of uniforms for certain employees. The revised FY21 budget requests an increase in these line items of $57.0 million over the FY20 budget, principally due to an $42.9 million increase in the services sub-line item. This is a marked increase from the $18.6 million increase in this sub-line item proposed in the initial FY21 budget in March. Fuel expenses are projected to grow in the revised budget, despite recent global price reductions due to decreased demand. The Authority states that it is budgeting these figures high to ensure it has sufficient funds should market conditions change. With decreased service levels in bus and its other gasoline-powered fleets, surely the MBTA is using less fuel than originally projected, and it looks like this will continue at least through the start of FY21. The Advisory Board expects to see these savings carried over into FY21. We also note that the Ferry service has not operated for at least 2 months and hope to see savings in this area as well.

Non-Employee Costs	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
Materials & Services			
Materials	47.2	60.4	54.8
Services	114.4	118.4	161.3
Fuel	17.7	12.7	15.1
Utilities	43.5	43.3	43.5
Contract Cleaning	24.8	25.3	42.4
Total Materials & Services	**247.6**	**260.1**	**317.1**
Insurance	**16.2**	**33.1**	**17.7**
Purchased CR Services			
Fixed Price	327.3	335.1	341.9
Extra Work	43.2	50.1	66.8
Fuel	29.7	25.2	29.1
PRIIA (NECC)	9.0	10.1	11.1
Total Commuter Rail	**409.2**	**420.5**	**448.9**
Local Service Subsidies (LSS)			
THE RIDE	121.6	122.0	128.7
Ferry Services	15.5	16.5	17.5
Other LSS	3.2	2.9	3.2
Total LSS	**140.3**	**141.4**	**149.4**
Financial Service Charges	**7.8**	**6.6**	**7.0**
TOTAL NON-EMPLOYEE COSTS	**821.1**	**861.7**	**940.1**

Insurance

These costs are for the Authority's insurance and self-insurance programs, as well as for payouts for court cases involving the MBTA. The budgeted amount is $17.1

million, down from $18.7 million requested in the initial FY21 budget, and significantly lower than the $33.1 million projected FY20 cost.

<u>Commuter Rail Service</u>

The fixed price contact cost for the commuter rail contract is projected to be $448.9 million in the revised FY 21 budget, a $26.4 million increase over the FY20 projected total. Overall, commuter rail service costs are projected to increase by 6.0% over the FY20 budgeted amount. Other costs in this category, other than the fixed price costs, include extra work and services costs awarded to Keolis by the MBTA, fuel costs associated with commuter rail, and costs associated with the Passenger Rail Investment and Improvement Act of 2008, or PRIIA. These costs include payments by the Authority to Amtrak for Northeast Corridor operating, maintenance, and capital costs. The future of the commuter rail contract and how it will work is a large policy topic that requires much discussion and research. The MBTA Advisory Board plans to become involved in this process.

<u>Local Service Subsidy</u>

Costs in this category include THE RIDE, the MBTA's parallel paratransit service, the Authority's ferry service, and subsidies to certain cities and towns for small, contract bus operations. Costs in this category are projected to increase by 5.4% over the FY20 projected amount. Paratransit costs have grown dramatically over the years and show no signs of decreasing. It seems clear that a statewide solution is required, as transit providers alone cannot be expected to absorb such expense growth year after year without assistance.

Debt Service Costs

In FY21, Debt Service costs will consume over half a billion dollars in MBTA revenue. In FY21, debt expenses will devour 22% of the operating budget. Debt service payments consist of interest payments of $303.4 million, and principal payments of $220.1 million.

Debt Service	FY19 Actuals ($M)	FY20 Projection	FY21 Itemized Budget
Interest	266.6	211.4	303.4
Principal Payments	220.3	276.9	220.1
Lease Payments	-		-
Total Debt Service	**486.90**	**488.30**	**523.50**

These payments support the MBTA's piece of the capital improvement plan. Interest payments are projected to be $92 million greater in FY21 than the projected total for FY20. Serious questions must be asked if the MBTA can afford this level of indebtedness, regardless of what the policy may be.

Analysis

The revised FY21 budget is balanced only because of over $600 million in federal bailout funds and another $110 million in other one-time money. These funds allow the Authority to plan to provide its full schedule of service on all modes once there is sufficient customer demand. Forecasting this demand is nearly impossible in these unpredictable times of pandemic. Luckily for the MBTA, legislation guarantees it the sales tax base revenue amount, which is the least amount of sales tax subsidy it can receive, with the Commonwealth as guarantor. While this amount is certain, as are the federal bailout funds expected, and the amount of assessments from cities and towns, little else in the revenue section of this budget is reliable. As was stated in the initial oversight report, the MBTA's operating budget is significantly affected by regional unemployment rates. During past recessions, statewide sales tax revenue plummeted, T ridership dropped, and T parking receipts shrunk as fewer people commuted to work via public transport. It is certainly hoped that ridership rebounds to pre-Covid levels on all modes, but much of this will depend on the economic recovery of the world, nation, region, and state, as well as the type of commuting pattern changes that are likely to occur as a result of months of quarantine.

Operating revenue is uncertain, and this calls into question some of the expense projections in this budget. The Authority is committed to no lay-offs or furloughs of its employees, at least for FY21. It also plans to increase its headcount in FY21, adding up to 151 new positions while backfilling hundreds of others. It is essential that the MBTA hire sufficient staff to operate and maintain a safe, efficient, and frequent public transportation operation. We note that the revised budget calls for hiring 151 positions in the system maintenance, safety, operator, maintenance, and administrative areas, with a plan to hire an additional 182 position in FY22. It is equally certain that the Authority ensure that it has the people necessary to deliver long-neglected capital maintenance and modernization projects. However, at the same time there is a desire to also increase headcount for new weekend pilot projects, means-tested fares, bus network redesign, enhanced service, and transformation projects. Such initiatives may require re-analysis, however, in light of potential changes to travel demand patterns. Charts in MBTA staff presentations already show that FY20 will see the largest headcount in recent MBTA history, with 6,490 positions filled (including capital), compared to 5,971 in FY18. There is a point where the MBTA cannot afford to do all the things it wants and must focus on the things it needs to do. Safety and system maintenance and modernization are essential and are must continue to happen. Many other projects/programs, however, need to be seriously reconsidered in light of current conditions, or may only move forward if other programs/projects are reduced or eliminated. The MBTA cannot continue to grow expenses by greater than its revenue growth for long.

Conclusions

Operating public transportation is expensive. It is labor and capital intensive and requires sufficient operating and subsidy revenue to run. The current crisis shows that the MBTA's subsidies are solid and sufficient to fund $1.65 billion worth of public transit services, which is 62% of expenses. Usually the difference between the cost and the subsidy amount is made up by operating revenues, however in these times this cannot be relied upon. Specifically, this report makes the following recommendations:

Materials, Supplies, & Services

The FMCB should question the growth in the materials, supplies, and services line item in the revised FY21 budget. As noted, expenses in this category are projected to increase $57.0 million over the FY20 budget and $18.6 million increase over the amount requested in the initial FY21 budget in March 2020. The growth in this area is concentrated in the services line-item. The FMCB should enquire what services these include, what the value of these services is, and if they are essential.

Capital Headcount:

The MBTA Advisory Board reiterates its call to the legislature to take action to allow the MBTA to charge capital salaries to the capital budget as long as it is allowable under general accounting practices. Even if only as a temporary measure during this recession, this is a no-cost, high-return action the General Court can take to help the MBTA's operating budget.

Headcount

As stated above, it is clear that the MBTA must continue its path towards a safer, more reliable, more frequent service. To do this, additional head count is required, and the revised budget calls for hiring an additional 151 positions in FY21 with plans for another 182 positions to be filling in FY22 all under the heading of safety and reliability. We note that the headcount this current fiscal year is the largest it has been in many years, and that the Authority's total headcount is projected to continue to grow, even when revenue is likely to remain stagnant, or decline during the uncertain economic times. The FMCB and its successor governing body must carefully review the MBTA's hiring strategy, examine ongoing strategic initiatives and their costs, and consider scaling back on non-essential programs/projects. The Advisory Board reiterates its call for a hiring freeze on all non-safety sensitive positions, and all positions not deemed essential for delivering the capital program immediately.

Debt

The MBTA's debt policy should be reconsidered. In FY21, debt service costs consume 22% of the operating budget with interest payments of $303.4 million, and principal payments of $220.1 million. It is unclear how long the MBTA can sustain this level of indebtedness, how sustainable it is for this level of operating revenue to be dedicated to debt, and how affordable the current policy is.

Outcomes

The Advisory Board also repeats its call for the MBTA to develop and publish a set of transparent output measures showing how increased investment is leading towards an improved MBTA. The Advisory Board will work with the Authority to develop these output measures.

Thanks

Advisory Board staff again offers thanks to its members, the cities and towns they represent, and the members of the Fiscal & Management Control Board for their support of independent, public budgetary oversight. MBTA staff are also thanked, especially David Panagore, Samantha Silverberg, Mary Ann O'Hara, and Paula Beatty. Thank you.