



FY21 Massachusetts Bay Transportation Authority
Capital Investment Plan
Oversight Report

DRAFT

Prepared by the CIP Committee

June 12, 2020

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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.

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EXECUTIVE SUMMARY

The Massachusetts Bay Transportation Authority's (MBTA or Authority) Capital Improvement Plan (CIP) is its proposed infrastructure spending program for Fiscal Year 2021. Traditionally, a CIP has a 5-year, rolling horizon of spending and programs. The Authority this year is issuing a 1-year spending program due to COVID-19, economic uncertainty, ambiguity around the Commonwealth's transportation bond bill, and the pending expiration of the federal surface transportation bill. The FY21 CIP sets a spending target of \$1.75 billion on MBTA infrastructure, out of total project costs of \$2.36 billion. Out of total project costs (the \$2.36b) \$1.83 billion is allocated for reliability and modernization, with an additional \$530 million allocated towards expansion. The Authority is unlikely to achieve this high rate of spending, and thus is targeting a total spend of \$1.75 instead. To support this level of investment, the MBTA will leverage \$515 million in federal, \$595 in Commonwealth, \$592 in its own borrowed funds, and \$48 million in local funds. This \$1.75 billion borrow and invest program is ambitious and raises concerns about the Authority's ability to afford and deliver the capital program. It was only in FY19 that the MBTA spent over \$1 billion in capital funds¹. Additionally, the ongoing pandemic may pose supply chain, human capital, and other delays limiting the Authority's ability to deliver this CIP. There are also concerns about the affordability of this program. There is no doubt that this level of spending is needed to provide the safety, reliability, and performance that MBTA customers and employees deserve. However, there is a concern about the MBTA's ability to afford its share of this spending plan, estimated at just under \$600 million in this program. Despite these concerns, the Advisory Board appreciates the depth and breadth of

¹ KPMG: "Massachusetts Bay Transportation Authority Financial Statements, Required Supplementary Information and Supplementary Information June 30, 2019" published November 26, 2019 p. 18

this spending program, which is geographical and modally varied. The Advisory Board thanks MBTA staff for its work on this program, and in particular the Fiscal and Management Control Board for its respect for independent, public oversight of MBTA policy and expenditure.

PROCESS OVERVIEW

Massachusetts General Laws Chapter 161a, Section 5 requires the MBTA to draft a CIP annually to implement the required Program for Mass Transportation (PMT). The current PMT is called “Focus 40” and was adopted in 2019. This report, in turn, is based on the MBTA’s Strategic Plan, which was adopted in 2017 by the Fiscal Management and Control Board (FMCB), the MBTA’s governing body. MGL chapter 161a, section 5 states:

“Said program for mass transportation and any plans specified therein shall be implemented by the capital investment program, including a rolling five-year plan. The capital investment program and plans of the authority shall be based on an evaluation of the impact of each proposed capital investment on the effectiveness of the commonwealth's transportation system, service quality standards, the environment, health and safety, operating costs, the prevention or avoidance of deferred maintenance, and debt service costs. Capital investments that result in the greatest benefits with the least cost, transit commitments made in connection with the central artery project, so-called, capital improvements required under the Americans with disabilities act, and capital expenditures for an ongoing schedule of maintaining the equipment and mass transportation facilities of the authority, shall receive the highest priority under said capital investment program and plans.

Said ongoing schedule of maintenance shall be designed to prevent the deferral of routine and scheduled maintenance, and shall be undertaken prior to investing in new facilities or service expansion, unless the latter required by law or can be demonstrated to be cost-effective, environmentally beneficial or produce quantifiable savings.

The capital investment program shall be prepared on an annual basis, under the direction, control and supervision of the authority. The program adopted by the board, including plans for each project funded therein, shall be available for public inspection and submitted to the department, the joint committee on transportation and the senate and house committees on ways and means not later than 60 days prior to the start of the fiscal year.”

On May 11, 2020, during a joint meeting of the FMCB and MassDOT Board of Directors, the 2021 draft CIP was approved for publication for public comment through the end of May. This draft is a combined MassDOT/MBTA program, combining spending by the Department of Transportation and the Authority. The CIP had undergone substantial public processes prior to this authorization, including multiple presentations before the joint boards, as well as presentations before the Boston Metropolitan Planning Organization (MPO).

On May 19, 2020 Ms. Samantha Silverberg, MBTA Deputy Chief Administrative Officer appeared before a full meeting of the MBTA Advisory Board and presented the draft MBTA CIP. Following this presentation, and a question and answer session with MBTA staff, the Advisory Board voted to refer the CIP to its Capital Committee to draft a report for consideration by the full Advisory Board. This report fulfils this mandate and will be presented to the full Advisory Board of June 12, 2020.

The 2021 CIP is unlike any previous CIP in that it is limited to 1-year in scope, as opposed to the standard 5-year rolling horizon of past CIPs. The Authority suggests that due to uncertainties linked to COVID-19, an expiring federal surface transportation authorization on September 30, 2020, and uncertainty around the Commonwealth’s transportation bond bill currently before the Massachusetts legislature, a one-year CIP is warranted. The 2021 CIP is focused on funding projects already underway in past rolling CIPs and does not propose spending on major initiative. Instead, it remains consistent with FY21 projects anticipated in year 2 of

the approved FY20-24 CIP, with spending changes based on specific project concerns, and not policy choices. In short, the 2021 MBTA CIP is more about continuity of ongoing projects and programs, rather than major policy choices or changes.

BUDGET OVERVIEW

The 2021 CIP targets \$1.75 billion in capital spending on MBTA programs and projects. Of this 41% is allocated to spending on reliability, 34% to system modernization and 26% towards expansion. The reliability category includes investments to MBTA bridges, tunnels, facilities, revenue vehicles, stations, back-office, and track, signals, and power systems. Modernization investments include specific major projects including accessibility upgrades, fare transformation, Commuter Rail positive train control, Green Line Transformation, Red/Orange/Blue Line improvements, technology investments, the bus transformation program, the commuter rail transformation, and workplace safety and security initiatives. The expansion category includes funding for planning efforts, the Green Line Extension program, South Coast Rail, and other transit or commuter rail expansion projects.

2021 CIP²	MBTA (millions)
Reliability	\$709.6
Modernization	\$590.4
Expansion	\$448.3
Total	\$1,748.3

REVENUE

Almost all the revenue to support the CIP are borrowed funds. Federal funds are borrowed due to the federal budget deficit contributing to the national debt, and most non-federal sources are funds borrowed by the Commonwealth or by the

² Total project costs for all FY21 CIP initiatives is \$2.36 billion. The Authority has set a spending target of \$1.75 billion in capital spending in FY21. This analysis is based on the \$1.75 billion spending target.

MBTA. All borrowed money must be repaid by the borrower with interest by the borrower eventually. Ultimately these funds must be repaid by us- taxpayers at the national, state, and local levels.

2021 CIP	MBTA (millions)	%
<u>Federal Sources</u>		
FHWA reimbursements	\$41.3	2.4%
FTA reimbursements	\$398.1	22.7%
GLX full funding agreement	\$48.0	2.7%
FRA grants	\$16.1	0.9%
Other federal funds	\$11.4	0.7%
Subtotal Federal Sources	\$514.9	29.4%
<u>Non-Federal Sources</u>		
State Bond Cap	\$164.2	9.4%
Rail enhancement bonds	\$431.1	24.6%
MBTA revenue bonds	\$331.4	18.9%
PTC financing	\$190.5	10.9%
GLX local funds	\$34.0	1.9%
Reimbursable/3rd Parties	\$14.0	0.8%
Pay-Go Lockbox	\$66.0	3.8%
Capital Maintenance Fund	\$4.0	0.2%
Subtotal non-federal sources	\$1,235.2	70.6%
Total Spending	\$1,750.1	100.0%

FHWA reimbursements refers to funds provided by the Federal Highway Administration (FHWA). These funds were transferred from the Boston region's highway program to support the green line extension program by the Boston regional metropolitan planning organization. FTA reimbursements refer to federal transit administration (FTA) formula funds available to the MBTA via its section 5307, 5337, and 5339 programs. These funds are authorized under the existing federal surface transportation law, the FAST Act, which expires on September 30, 2020. GLX full funding agreement refers to an executed full funding grant agreement between the MBTA and the FTA to provide federal support for the green line extension project. FRA grants refer to grants provided to commuter rail

operators by the federal railroad administration (FRA). Other federal funds consist of discretionary grant funding programs available through the federal government. The transit security grant program is an example of this type of funding. Among non-federal sources, state bond cap refers to general obligation bonds issued by the Commonwealth of Massachusetts to provide \$60 million in annual assistance to the MBTA, as well as some funding for the South Coast Rail project. Rail enhancement bonds are funds from the Commonwealth's rail enhancement program, a \$2.1 billion program which includes the state's share of the green line extension program, the red/orange line car procurement and some South Coast Rail costs. MBTA revenue bonds refers to debt that the Authority has issued backed by its sales tax and municipal assessment subsidies, usually in the form of 30-year bonds. PTC financing refers to MBTA revenue bonds issues specifically to pay to implement the federally mandated positive train control program on commuter rail. GLX local funds refers to payments from the cities of Somerville and Cambridge with respect to the green line extension project. Reimbursable/3rd party refers to payments received for capital work associated with other parties such as Amtrak or the Rhode Island Department of Transportation. Pay-Go Lockbox refers to transfers from the MBTA operating budget to the capital program. Finally, capital maintenance fund refers to money available from surplus funds not spent on other capital projects, that is available for re-allocation to other capital programs.

EXPENSE

CIP expenses are the proportion of individual project costs that will be spend over the life of this one-year plan. Spending is broken out into reliability, modernization, and expansion categories, as explained above. Spending in this plan appears to be geographically diverse, as well as varied between the MBTA's various modes. Spending is proposed in Attleboro, Beverly, Billerica, Boston, Bridgewater,

Cambridge, Chelsea, Dedham, Everett, Gloucester, Haverhill, Hingham, Hull, Lynn, Malden, Mansfield, Medford, Natick, Newton, Quincy, Rochester, Salem, Somerville, Westminster, Westwood, Winchester, and Worcester. There is also planned spending on system-wide power, track, and signal programs, as well as continued spending outside of the service district, such as the continued funding to build new Red and Orange Line heavy rail cars in Springfield. Spending is also allocated to south and north side Commuter Rail infrastructure state of good repair, Green Line B, C, and D initiatives, red, orange, and blue line programs, bus facility and vehicle programs, along with accessibility programs, and investments in the ferry system. 373 individual projects are funded under this CIP, costing \$2.36 billion.

ANALYSIS

The relative merits of one project over another is perhaps beyond the scope of this report. Broadly speaking this program deserves much praise while also raising some concerns. It was not that long ago that the Authority's total capital spending was less than \$500 million per year; significantly less than the \$1.75 billion spending target of this CIP. Within this target, \$1.3 billion is allocated for reliability and modernization, which was once called state of good repair (SGR). The MBTA Advisory Board has long championed SGR investments into the existing system. In addition to this, \$450 million is programmed for ten expansion projects, including : Blue Hill Ave. Station, GLX infrastructure, GLX vehicles, planning for GLX to Mystic Valley parkway, rail transformation planning, Red-Blue connector planning, SCR infrastructure, SCR coaches, Silver Line gateway work, and Silver Line expansion planing. In some cases, this expansion spending is related to planning studies, and in other cases to procurement of infrastructure and vehicles.

There are concerns about the affordability of this program, as well as the Authority’s ability to deliver it. With respect to affordability, there are basically four sources of revenue for this program, almost all of it borrowed money. Federal, state, and MBTA funds are all each about 30% of total CIP revenue.

CIP Revenue Source		
Source	(\$ mil)	%
Federal	514.9	29.4%
State	595.3	34.0%
MBTA	591.9	33.8%
Local	\$48	2.7%

All those who care about the MBTA and its modernization and improvement understand that investment is needed to make the system safer, reliable, and better. It is hoped, however, that the MBTA can afford to fund its level of borrowing to support this spending. The federal government and the Commonwealth of Massachusetts have much greater resources to draw from for repaying their debts compared to the MBTA. The Advisory Board, in its operating budget oversight report sounded a similar alarm. Its subsidy sources- sales tax and assessments, must not only support its debt service but also its operating budget. While it is certain that sufficient funds are available to make these payments in FY21 due to federal support, it is not clear that this support will be available in the future. Current economic conditions also call into question the Commonwealth’s ability to support its share of the capital program in the future. While it is likely that the funds in this program are secure, there is a risk of the availability of funds in the future.

With respect to deliverability, there is a concern about the Authority’s ability to meet the \$1.75 billion spending target. According to its Audited Financial Statement, for the year ended June 30, 2019 (i.e. FY19), \$1.12 was invested in

capital projects.³ This was just one year ago. This CIP represents a 56% spending increase over this amount. If the pandemic continues in its current form, there may be supply chain delays, issues securing needed labor for large construction projects, or other delays that may make it difficult for the Authority to meet its target. The Advisory Board supports the Authority's plans to hire additional workforce to deliver the capital plan via its operating budget but is concerned that forces external to the MBTA or Commonwealth may cause delays.

RECOMENDATIONS

- Return to a rolling 5-year fiscally constrained CIP for 2022-2026 and provide the Advisory Board with a timeline to produce this by the statutory deadline.
- Provide a timeline to produce the next Program for Mass Transportation, as required by law in 2025. The 2015 PMT was published in 2019. Based this PMT on the next governing board's strategic plan, which should be produced in 2021.
- Within the CIP, rationalize categorization and naming protocols. For example, Blue Line Signal Improvements (CIP21144) is identified as reliability; however, the Red/Orange Line Signal Program (P0285) is identified as Modernization. Both programs similar in scope (Signal).
- Provide a breakdown of spending by national transit database mode category (heavy rail, light rail, commuter rail, ferry, paratransit, bus, BRT, etc.)

³ KPMG: "Massachusetts Bay Transportation Authority Financial Statements, Required Supplementary Information and Supplementary Information June 30, 2019" published November 26, 2019 p. 18

THANKS

MBTA Advisory Board staff 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 oversight of MBTA spending. MBTA staff are also thanked, specifically Ms. Samantha Silverberg for her expertise and assistance. Thank you.

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INDIVIDUAL MUNICIPAL STATEMENTS

Town of Acton

The Town of Acton would like to thank the Massachusetts Bay Transportation Authority for their continued investment in key critical projects. While we are pleased with the continued commitment in reliability and modernization, the Town of Acton is concerned about the following issues as found in the FY 2021 CIP:

1. Noncompliance of Current CIP

- The current CIP violates 49 USC 5307(d)1(a) as governed under FTA Circular 5010.1E - "Recipients must have multi-year financial plans (3-5 years) for operating and capital revenues and expenses to implement FTA awards."
- The current CIP as stated by the Secretary is a "one-year Capital Investment Plan (CIP or Plan) for 2021."
- How does the MBTA plan to ensure it remains in compliance with 49 USC 5307, as currently the CIP is not in compliance?

2. Unclear Priority Categories

- There is no rhyme or reason as to how projects are being scored for Reliability Investments vs. Modernization. For example, the Blue Line Signal Improvements (CIP21144) is identified as reliability; however, the Red/Orange Line Signal Program (P0285) is identified as Modernization. Both programs similar in scope (Signal).
- Furthermore, The Green Line Transformation has many projects that are clearly reliability projects yet are being included under "Modernization". Examples are Fenway Flood Portal Project, GL #7 Selective Systems Overhaul, GL #8 Reliability Improvements and so on. How

does the project selection criteria apply when determining which priority, a project belongs under?

- Was the appropriate Term Lite, MBTA SGR Database, or TRANSAM (MassDOT) scoring applied for each program in determining the appropriate classification of said projects?

3. Green Line Transformation Program Funding

- Why is the GLT programmed in the CIP for \$19.37M, when the contract for GLT was executed at \$35M. Will the MBTA have enough funding to honor this contract?

4. MBTA Sources and Uses

- Where are the funding sources identified for each project in the CIP (i.e. Federal, Revenue Bond, State, Lockbox, etc.) and how do they reconcile out to the projects (Sources and Uses / STIP /TIP)?
- Properly reconcile CIP to accurately reflect the funding Appendix B: Investment Programs
- Which programs have been cut from the prior year CIP and why?

Town of Bourne

The Town of Bourne would like to thank the MBTA for continued reliability and modernization investments that are important to residents that to travel to Boston metropolitan area from Cape Cod. We thank the MBTA for the expansion investments that will bring new service to underserved communities in need of additional transit service, particularly the South Coast and Cape Cod with the South Coast Rail investments, and note that the Town is looking forward to the Buzzards Bay Commuter Rail Study announced by MassDOT this Spring.

The Town of Bourne would encourage the MBTA to look at future projects to bring commuter rail service to Cape Cod. Specifically, we would recommend parking lot and station upgrades in Buzzards Bay as well as the continued moderation of the rail line and crossing upgrades between Middleboro and Bourne.

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