



# Forging Ahead Review

Presented by the Executive Committee  
December 04, 2020

MBTA Advisory Board  
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## Preface

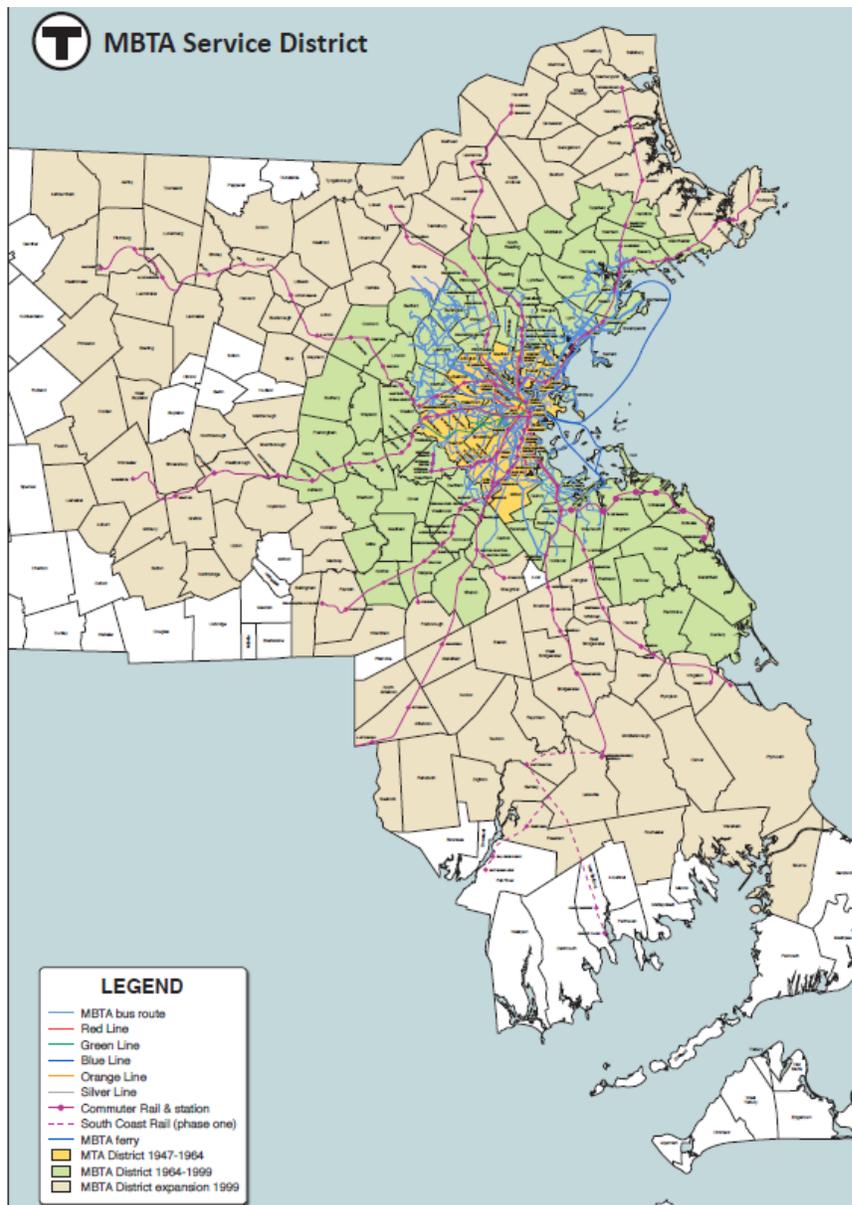
No proposal for a systemwide change in fares or decrease in systemwide service of 10 per cent or more shall be effective until said proposal shall first have been the subject of one or more public hearings and shall have been reviewed by the advisory board and, for a systemwide increase in fares of 10\% or more, the MBTA board has made findings on the environmental impact of such increase in fares and, for a systemwide decrease in service of 10\% or more, the decrease shall be the subject of an environmental notification form initiating review pursuant to sections 61 and 62H, inclusive, of chapter 30. Any systemwide increase in fares of 10 per cent or more shall conform to the fare policy established pursuant to paragraph (r). The authority shall increase fares only to provide needed revenue and shall not increase fares soley (*sic*) for the purpose of funding the stabilization fund established pursuant to section 19.

### **-Massachusetts General Law chapter 161A, section 5 (d)**

The MBTA Advisory Board finds that the *Forging Ahead* proposals represents a decrease in systemwide service of 10% or more. This document constitutes the Advisory Board's review.

## About the MBTA Advisory Board

The MBTA Advisory Board is an independent body 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 that constitute the MBTA Service District. In FY21 these municipalities are contributing over \$176 million in subsidies to the Authority via municipal assessments.



## Executive Summary

The Advisory Board’s independent analysis of the MBTA’s *Forging Ahead* initiative finds no budgetary justification to cut so much public transportation service at this time. Our review finds that the projected fiscal year 2022 (FY22) deficit is smaller by \$124 million than stated by the MBTA. This negates the need to slash transit service to net \$112 million. In consideration of this, and the uncertainties of future commuting patterns, the Advisory Board recommends that the Fiscal and Management Control Board (FMCB) not authorize major service changes now.

Advisory Board FY21 MBTA Proposal	
Description	Millions
Projected FY21 Deficit	\$-54
FY21 Budget Risks	
COVID-19	\$-13
Increased Overtime	\$-12
Subtotal Risks	\$-25
<b>Deficit + Risks (Budget Gap)</b>	<b>\$-79</b>
FY21 Fixes	
Federal Funds Flex	\$171
Service Cuts (gross)	\$0
Capital Salaries	\$66
Internal Savings	\$64
Subtotal FY22 Fixes	\$301
Deficit less fixes	\$222
Sales Tax Acceleration (1-time)	\$40
<b>FY21 Surplus</b>	<b>\$262</b>

Advisory Board FY22 MBTA Proposal	
Description	Millions
Projected FY22 Deficit	\$-584
FY22 Budget Risks	
COVID-19 (6 months)	\$-29
Increased Overtime	\$-10
Subtotal Risks	\$-39
<b>Deficit + Risks (Budget Gap)</b>	<b>\$-623</b>
FY22 Fixes	
FY21 carryover	\$262
Federal Funds Flex	\$209
Service Cuts (gross)	\$0
FEMA Reimbursement (75%)	\$22
Internal Savings	\$74
Capital Salaries	\$68
Subtotal FY22 Fixes	\$635
<b>FY22 Surplus</b>	<b>\$12</b>

However, it is also clear that paying to operate empty or nearly empty buses, trains, boats, and/or paratransit vehicles is not the best use of money from riders, communities, or taxpayers. As such, the Advisory Board suggests that FMCB direct MBTA management to exercise its existing powers to make small, temporary, service changes, but not to the dramatic service cuts proposed by the MBTA.

The FY22 budget gap is still extraordinarily large, and action is required. To close this gap, the Advisory Board suggests that the FMCB move forward with the other parts of *Forging Ahead*: flexing federal formula funds, charging capital salaries to the capital budget where allowable, and finding internal savings. Given the information we have at this time, these budget actions should be enough to get the MBTA through FY22.

In addition, the Advisory Board also calls for the creation of a **Return to Service Commission** comprised of representatives of riders, employers, community leaders, municipalities, and others to monitor service changes, establish metrics for ending temporary service cuts, and recommend returning service to FMCB and successor MBTA Board of Directors.

The long-term impact of service cuts is dramatic for riders and communities alike. The short-term budget benefit of making them must be weighed carefully, and the assumptions underpinning them deserve thorough investigation. The Advisory Board's view is that risk of permanent loss of ridership, increased congestion, and other negative effects of service cuts to people and communities is too high a price to pay right now, just as a vaccine is on the horizon.

Finally, it cannot be overstated that this budget crisis precipitated by the global pandemic is a symptom of the MBTA's structural deficit. The MBTA has not truly had a balanced budget since 2001. The financial structure of the MBTA is broken. Over the last 20 years fixes such as studies, panels, commissions, committees, governance tweaks, merging agencies, financial engineering, and many other short-term remedies have been tried to solve the symptoms of this structural

deficit. Just as with COVID-19, treating symptoms alone does not save the patient. To stop the revolving door of regular MBTA budget crisis that we all find ourselves in, the MBTA's broken financial structure must be treated and cured- without doing this, nothing has been accomplished. The pandemic has laid bare, again, the MBTA's financial structural weakness- perhaps now is the time, finally, to fix the MBTA's structural and cyclical deficit once and for all?

## Introduction

The impact of eliminating public transportation service, even temporarily, is devastating for riders and for cities and towns attempting to plan for their futures. That COVID-19 had reduced MBTA ridership is beyond doubt. That it also has forced the Authority to incur extra costs related to cleaning and equipment is also clear. The result of this reduced ridership and extra COVID costs, according to the Authority, is an estimated \$79 million budget gap for fiscal year 2021 (FY21), and a \$653 million gap for fiscal year 2022 (FY22). To close the FY22 gap, the MBTA announced its *Forging Ahead* initiative, a series of budget moves designed to produce surpluses in FY21 to carryover, paired with service cuts, transfers between the operating and capital budgets, and internal savings all designed to leave the MBTA with a \$73 million surplus in June 2022. The Advisory Board queries using service cuts to generate a major surplus- a the very least the service cuts package should be reduced by the surplus amount.

This report serves as the MBTA Advisory Board's independent review of the MBTA's proposals. It seeks to provide a record of proposed service cuts, and other budget proposals offered by the Authority. It also examines the assumptions underpinning the estimated budget gaps and offer recommendations to the Fiscal and Management Control Board (FMCB) for consideration. The Advisory Board estimates that the MBTA's budget gap for FY22 is \$528 million, and not \$653 million, and suggests that large-scale service cuts are not warranted at this time. This report explains the Advisory Board's approach and offers a path the FMCB can close this smaller budget gap while maintaining service.

While running nearly empty trains, buses, boats, and paratransit vehicles is far from ideal, for many MBTA customers their trip on that nearly empty vehicle is an essential one. However, it is also clear that paying the cost to operate nearly empty transit vehicles is not ideal. However, the MBTA has the ability already to make certain service changes to save money. Indeed, it already has consolidated several bus lines to reduce redundancy. The FMCB should direct the Authority's management to continue such actions- while still maintaining minimal levels of service on all modes and in all areas it currently serves.

### Process Review

The MBTA began hinting at possible service reductions at its September 14, 2020 FMCB meeting. At this meeting, and at meetings on September 21 and October 5, the Authority suggested bleak financial prospects for FY22 due to lost ridership as a result of the global COVID-19 pandemic. On November 9, the full package of service reductions was announced. MBTA General Manager Steven Poftak appeared at the Advisory Board's November 16, 2020 meeting, and presented the Authority's proposals. The General Manager spent two hours answering questions from members and hearing member comments. In addition to this full board meeting, the Advisory Board's Service Committee met on November 13 for an in-depth consideration of proposals relating to light rail, heavy rail, the bus network, and THE RIDE. The Advisory Board's Ferry Committee met on November 20 in conjunction with members of the Water Transportation Advisory Council to consider the proposed elimination of all ferry service, and the Board's Commuter Rail Committee met on November 24 to consider proposes to this mode.

The MBTA also hosted ten public meetings and one public hearing to garner feedback about its service proposals. These meetings took place between November 12 and December 2. The Advisory Board's Acting Executive Director attended each of these meetings (hosted via Zoom) to monitor public feedback and hear public testimony. In addition, the Acting Executive Director engaged in multiple conversations with MBTA staff to transmit member questions, assemble financial and ridership information, and query assumptions embedded in the service reduction proposals.

The Advisory Board's Executive Committee met on December 01, 2020 to consider this report, and again on December 3, 2020 to vote on it. The full Advisory Board met on December 04, 2020. After discussion, the Executive Committee recommends approval of this report by the full board at its December 04, 2020 meeting. The FMCB originally scheduled its vote on the proposal on December 07, 2020, however this vote could take place on December 14, 2020 instead.

The Advisory Board thanks the many MassDOT and MBTA employees for their efforts and contributions in the preparation of this report: MBTA General Manager Steven Poftak; Chief of Staff David Abdoo; Chief Administrative Officer David Panagore; Deputy Chief Administrative Officer Samantha Silverberg; Chief Financial Officer Mary Ann O'Hara; Chief of Operations Strategy, Policy & Oversight Kat Benesh and Director of Special Projects Angel Donahue-Rodriguez are specifically thanked for their efforts. Special thanks, as well, to those members of the Fiscal and Management Control Board for attending many of the public meetings.

## Projected FY22 Operating Budget Gap

The MBTA projects its FY22 budget gap at \$653 million, consisting of a \$584 million operating budget deficit due to low fare revenue from less ridership, and \$69 million in identified budget risks, principally from increased COVID-19 spending. The MBTA bases this estimate on the assumption that 55% of the pre-COVID fare revenue will return to the system by last month of FY22 (June 2022). To fill its budget gap, the Authority proposes a multi-pronged approach involving plans to re-utilize capital funds, find internal savings, cut transportation service, and carryover millions in savings from the current fiscal year into FY22. These efforts are expected to result in a \$73 million surplus at the end of FY22. Table 1 provides a high-level description of the Authority’s projected deficit, and its proposals to fix this budget gap.

<b>MBTA FY22 Operating Budget Plan</b>	
Description	millions
Projected FY22 Deficit	-\$584
FY22 Budget Risks	
COVID Vehicle cleaning (12 mo.)	-\$36
COVID Facility cleaning (12 mo.)	-\$12
COVID PPE (12 mo.)	-\$10
Increased Overtime	-\$10
Subtotal Risks	-\$69
<b>Total Budget Gap</b>	<b>-\$653</b>
FY22 Fixes	
FY21 carryover	\$276
Federal Funds Flex	\$209
Service Cuts (gross)	\$98
Internal Savings	\$74
Capital Salaries	\$68
<b>Subtotal FY22 Fixes</b>	<b>\$725</b>
<b>Deficit less fixes</b>	<b>\$73</b>

Table 1: Proposed FY22 MBTA operating budget plan

### Baseline FY22 Deficit

The MBTA projects a FY22 operating budget deficit of \$584 million, due principally to the continued low ridership resulting from the COVID 19 pandemic, and anticipated commuter travel pattern disruptions as former-commuters continue to work from home, to remain unemployed, or to change travel modes. This deficit assumes that 55% of pre-pandemic commuters return to using the MBTA by June 2022 (aka scenario 3 of fare revenue). Should more former customers return, fare revenue will show a further increase, and the budget gap would shrink. For instance, under the MBTA's scenario 2 of fare revenue, if 68% of riders return by June 2022, the MBTA projects its deficit would shrink by \$101 million, to \$483 million.

### Identified Risks

In addition to the baseline budget deficit, the Authority assumes \$69 million in extra spending in FY22, \$59 million of this is for COVID-19 related spending, and \$10 million in extra overtime.

#### FY22 Extra COVID Spending

The Authority projects the need to spend an additional \$59 million on COVID-19 related items in the period July 1, 2021 – June 30, 2022. This includes \$36 million for revenue vehicle cleaning, \$12 million extra for facility cleaning, and \$10 million more for personal protective equipment. These estimates are based on the spending trend through October 2020. Of the \$49 million extra for cleaning, 75% of these costs are potentially eligible for reimbursement from the Federal Emergency Management Agency (FEMA). However, due to the uncertainty of FEMA reimbursements, the Authority is not assuming any reimbursement of these costs in FY22.

### FY22 Extra Overtime

Since 2011, overtime spending has exceeded its budgeted amount by an average of \$13 million per year. Year-to-date in FY21, overtime spending is \$3 million above budget. To account for this historical trend, the Authority is projecting overtime cost to be \$10 million more in FY22 than originally projected.

### **Proposed FY22 Operating Budget Fixes**

To solve for its baseline budget gap, the MBTA proposes a multi-faceted approach involving carrying over operating budget savings from FY21 (\$276 million), flexing federal formula funds from its capital budget to its operating budget (\$209 million), service cuts (\$98 million), realizing internal savings from its departments and programs (\$74 million), and transferring certain salaries from the operating budget to the capital budget (\$68 million). These efforts are projected to generate \$725 million in cost reductions for FY22, resulting in an expected \$73 million. As stated above, there are risks associated with each of these proposals, including a risk of not achieving the targets. Table 1, above, details the proposed fixes in table form. Chart 1, below, shows this as a pie chart.

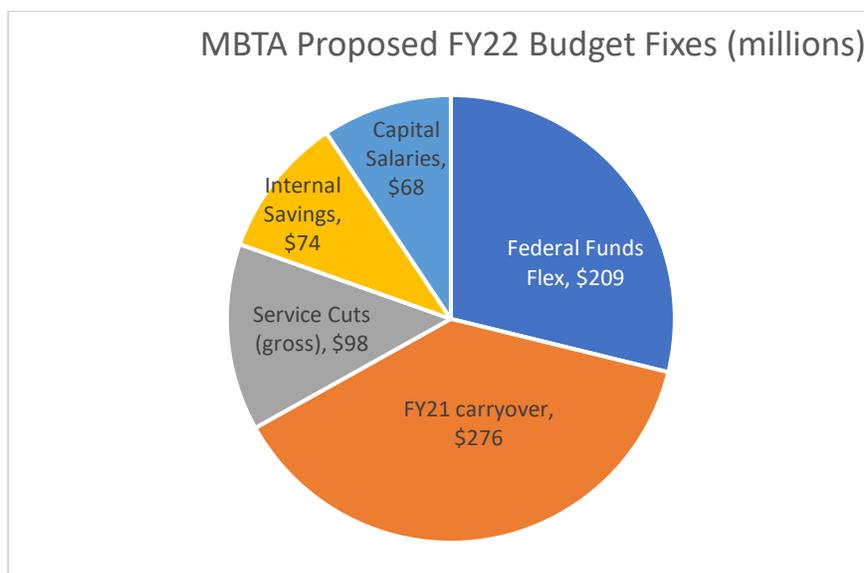


Chart 1: Proposed MBTA FY22 Operating Budget Fixes

## FY21 Carryover

The largest component of the Authority's plan to fix its FY22 deficit is to carryover savings in its FY21 operating budget. FY21 is the current fiscal year, running from July 1, 2020 to June 30, 2021. The FY21 operating budget was adopted by the Fiscal and Management Control Board on May 21, 2020. This budget was provided to the Advisory Board on May 11, 2020 and reviewed by this body and its committees. The FY21 revised operating budget projected revenue of \$1.653 billion and expenses of \$2.29 billion this fiscal year. It was balanced with an influx of \$577 million in federal CARES Act funds, \$76 million in FY20 carryover, \$30 million in FEMA reimbursements, and \$27 million in other funds.

Year-to-date the FY21 budget is on target to be \$54 million in deficit at the end of the fiscal year, plus an additional \$25 million in extra COVID expenses and increased overtime, for a total expected budget gap of \$79 million. To solve this gap, the Authority proposes to use many of the same methods as it does for FY22: flex federal funds (\$171 million), transfer certain salaries from the operating budget to the capital budget (\$66 million), find internal savings (\$64 million), and cut service (\$14 million). These actions are expected to result in an FY21 operating budget surplus of \$236 million.

In addition to the actions described above, the Authority also proposes to take advantage of a one-time action permitted by recently enacted Massachusetts law. This one-time action will allow the MBTA to receive \$40 million in accelerated sales tax revenue from the Commonwealth. The law itself is procedural and has to do with the timing of sales tax payments by third party vendors, but the effect is the availability of these funds to the MBTA in FY21, and only once. The Authority first

planned to use these funds as part of its FY21 operating budget for capital programs. However, in its revised budget as approved, this was not included. It is included now as an action to take effect in FY21, but with the funds going instead to the MBTA’s operating budget deficiency fund.

<b>MBTA FY21 Operating Budget Plan</b>	
Description	Millions
Projected FY21 Deficit	-\$54
FY21 Budget Risks	
COVID-19 Cleaning/PPE	-\$13
Increased Overtime	-\$12
Subtotal Risks	-\$25
Total Budget Gap	-\$79
FY21 Solves	
Federal Funds Flex	\$171
Capital Salaries	\$66
Internal Savings	\$64
Service Cuts	\$14
Subtotal FY22 Fixes	\$315
Deficit less fixes	\$236
Sales Tax Acceleration (1-time)	\$40
Total FY21 Surplus	\$276

Table 2: Proposed FY21 MBTA Operating Budget Adjustments

Table 2 above shows the MBTA’s plan to modify its FY21 operating budget. All surplus funds will flow to its established operating budget deficiency fund for use as carryover in FY22.

#### Federal Funds Flex

The Authority proposes to reallocate \$380M in formula funds from capital projects to preventative maintenance in its operating budget across fiscal years 21 and 22. This is a combination of prior year formula funds that have been allocated to the MBTA but not yet expended and future year funds that it anticipates receiving from the FTA in the coming months. To implement the transfer the MBTA will bring an

amendment before the Boston Metropolitan Planning Organization (MPO) to amend the Transportation Improvement Program (TIP) to move these funds. This amendment requires a 21-day public comment period, before a vote, expected on January 7, 2021. The Advisory Board holds a seat on the Boston MPO.

Flexing these funds allows the MBTA to offset \$171 million in FY21, and \$209 million in FY22 in preventative maintenance initiatives which traditionally would be paid for by the operating budget, and instead pay for these initiatives with capital dollars. This results in freeing up funds in the operating budget for other uses. These federal funds must be accounted for separately and are restricted to preventative maintenance of infrastructure. Shifting these funds away from the capital budget will result in the loss of these funds for capital projects and infrastructure spending.

See Appendix 1 below for a list of all projects. The Commuter Rail procurement will be paused, and station projects in Lynn, Newton, South Attleboro, and Winchester slowed by this process.

#### Service Cuts

As part of its fixes to its budget gap, the Authority proposes to eliminate \$142 million in transportation services. The net of the \$142 million in service eliminations to the MBTA budget is between \$102 - \$122 million. Of this, \$14 million accrues to the FY21 budget, and \$98 million to FY22 budget; an average of \$112 million is used in the budget calculations. The \$30 million difference between the gross and net savings relates to forgone fare revenue from trips no longer offered. Savings are different for each MBTA service, as described below.

## Bus

The MBTA plans to make several changes to bus routes. It currently operates 169 routes, but this number will reduce to 137 under the *Forging Ahead* plan. The following are the planned changes:

- End all bus service at midnight<sup>1</sup>
- 5%-20% frequency reduction
- Consolidate 14 routes (see Appendix 2: for a list of routes)
- Shorten 5 routes (see Appendix 3 for a list of routes)
- Eliminate 25 bus routes (see Appendix 5:

An estimated 3,445 riders (based on September 2019 ridership) will lose access to the MBTA bus network under this plan, most of which are trips that are currently taken after midnight. As the plan for bus changes would take place next June, there are no savings estimated for FY21. \$38 million are estimated to be saved in FY22.

## Heavy Rail and Light Rail

The MBTA proposes the following changes compared to its current schedule of service light rail and heavy rail (Red, Orange, Green, Blue, Mattapan lines)

- Stop all service at midnight
- Cease running Green Line E branch trains west of Brigham Circle
- 20% frequency reduction

These changes are expected to result in longer wait times for 120,000 riders, and the loss of less than 1000 current customers. It is projected to generate \$3 million in budget savings in FY21, and up to \$32 million in FY22 depending on timeline and sequencing. 350 MBTA employees will either be laid off, or their positions eliminated via attrition under this plan.<sup>2</sup> To achieve frequency reductions,

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<sup>1</sup> The last scheduled bus trip of the night will continue to practice of waiting for the last heavy/light rail trip, perhaps beyond midnight.

<sup>2</sup> Number stated by Deputy General Manager J. Gonville during Region 7 public meeting, 11/24/20 via Zoom.

headways, or the interval between trains, will be lengthened. Table 3 below details the proposed headway changes.

Line	Current Peak	Proposed Peak	Delta	Current Off-Peak	Proposed Off-Peak	Delta
Red Line	4:30	5:30	1:00	7:00	8:30	1:30
Orange Line	6:30	8:00	1:30	10:00	12:30	2:30
Blue Line	4:30	6:00	2:30	9:30	12:30	3:00
Green Line	6:00	9:30	3:30	9:30	13:00	4:30
Mattapan	5:00	6:00	1:00	7:30	7:30	0:00

Table 3: Headway differences under MBTA plan (minutes) compared to FY21

### Commuter Rail

The MBTA also proposes to make the following changes to its commuter rail services:

- No scheduled service after 9PM (10PM for Fairmount)
- No weekend trains
- Decreased frequencies across all lines
- Close 6 stations
- Shorter trainsets
- Close Needham layover facility.

In total the number of trains operated by the Authority will reduce to 430 trains per day, compared to the 505 trains currently operated. Savings from these changes will be realized via the MBTA’s contract with Keolis Commuter Services, a third-party vendor. Savings will come from reduced staffing of conductors, assistant conductors, and engineers, as well as maintenance personnel. There will also be some savings in fuel costs. Estimated savings in FY21 are up to \$8 million, and up to \$45 million in FY22. The MBTA proposes to make some of these changes as soon as Spring 2021.

As part of the cuts to commuter rail service, fewer coaches and locomotives will be utilized in the fleet, leading to an estimated cost of \$750,000 per year to mothball up to 100 coaches and 8 locomotives. The Authority also proposes closing 6 commuter rail stations Plimptonville in Walpole, Prides Crossing in Beverly, Silver Hill and Hastings in Weston, Plymouth Station in Plymouth, and Cedar Park in Melrose. Budgetary savings from these actions will result in some savings from forgone maintenance costs. Closing these stations may also result in improved travel times as dwell times on those lines with closed stations minimally decreases. In addition, the Needham Layover Facility will be closed. It has the capacity to store three trainsets for mid-day storage, however the MBTA believes it can find space for these trains at other existing facilities.

#### Ferry

The MBTA proposes to cease all Ferry operations, eliminating its current service in Boston (Charlestown – Long Wharf), Boston – Hingham, and Boston-Logan-Hull-Hingham. Savings will accrue from the elimination of all jobs related to the operation of this service by the MBTA's third party vendor, Hornblower Cruises and Events. There will also be some small savings in fuel costs. The estimated savings in FY21 is \$3.5 million, and an estimated \$13 million in FY22. The projected cost to mothball ferries owned by the Authority is \$650,000 per year. The MBTA proposes to implement this elimination as soon as Spring 2021.

#### Paratransit

THE RIDE is the MBTA's paratransit service. While direct changes are not proposed for the RIDE, its geographic coverage area will change as a result of changes to certain bus routes proposed in *Forging Ahead*. RIDE fares are based on location- a customer's location must be within 3/4<sup>th</sup> of a mile of a fixed route (bus line in the case of the MBTA). As bus lines change, some customers may find themselves

outside the 3/4<sup>th</sup> mile range of a bus line, resulting in a fare increase for these customers. Such customer's fares will increase from the base fare of \$3.35 per trip, to a premium fare of \$5.60 per trip. In addition, the scheduling window for all customers will increase by 10 minutes, from 30 minutes to 40 minutes. The scheduling window is the period of time when a RIDE customer's trip may begin. The Americans with Disabilities Act (ADA) allows a 2-hour scheduling window, meaning that the trip can move 1 hour in either direction from the requested time. THE RIDE currently uses a 30-minute window in a single direction. For instance, if a customer schedules a 9:00 AM pick up time, the pickup window can 9:00 AM – 9:30 AM or 8:30 AM to 9:00 AM. By increasing the scheduling window to 40 minutes, in this example, the trip may start anytime between 8:20 AM and 9:00 AM, or 9:00 AM and 9:40 AM. Customers will continue to be called the night before to confirm a smaller pick up window, and customers will continue to be able to negotiate a pick up time closer to their preference. Additionally, RIDE service hours will adjust to mirror the service hours of other modes. For instance, if the bus, heavy rail, and light rail proposal to end service at midnight takes place, RIDE service hours will also end at midnight. See Appendix 5: for a map of the changes to the service area.

The following cities and towns will be effected by the proposed RIDE changes (tied to bus routes), meaning that some residents of these municipalities may experience a more expensive RIDE fare: Bedford, Beverly, Billerica, Burlington, Canton, Cohasset, Danvers, Dedham, Hingham, Hull, Lexington, Lynnfield, Marblehead, Melrose, Milton, Needham, Newton, Norwood, Peabody, Reading,

Salem, Saugus, Sharon, Stoneham, Stoughton, Waltham, Walpole, Wakefield, Wenham, Weston, Westwood, Weymouth, and Woburn.

Changes to the scheduling window are expected to result in gross savings of \$400,000 to \$1.2 million in FY22. Changes in base fare versus premium fare trips are projected to gross \$300,000 - \$500,000.

#### Suburban Bus Program

The Authority proposes to eliminate the Suburban Bus Program, a program that currently provides subsidies to Bedford, Boston (Mission Hill), Beverly, Burlington, and Lexington to operate local bus networks. The budget for this program in FY21 is \$226,371, which is expected to be saved in FY22 should this program be eliminated. The budgeted amounts for communities are:

- Bedford \$11,357
- Beverly: \$56,784
- Burlington \$45,100
- Lexington \$56,784
- Mission Hill \$56,347

#### Internal Savings

The Authority proposes savings of \$64 million and \$74 million in FY21 and FY22 respectively. Among the initiatives announced by the MBTA to achieve these savings are the following:

- |  | (millions) |
|--|------------|
|--|------------|

- Ordering fewer CharlieCards to align with demand \$1-\$2
- Paused unaffiliated staff merit pay program for FY20 \$1-\$2
- Renegotiated Block by Block contract \$0.5-\$2
- Centralized travel reimbursement spending \$0.1-\$0.5

Some of these initiatives are based on service reductions, fuel savings and fewer credit card transaction fees, for instance. Others, such as refinancing parking bonds and a headcount freeze are independent of service levels. It should be noted that the Advisory Board called upon the Authority to institute a hiring freeze on non-safety sensitive positions last May. It is also worth noting that other large transit agencies in the United States are planning furloughs, lay-offs, and wage cuts for employees, something the MBTA is not proposing.

### Capital Salaries

A state law from 2015 forbid the MBTA for paying the wages or salaries of any employee using borrowed funds. This law was recently amended by the passage of H5102 on November 6, 2020 and signed by the Governor on November 10, 2020. This new law allows the MBTA to use borrowed federal funds, or its own borrowed bond funds to pay salaries, but not state borrowed funds. This change is expected to generate \$66 million in FY21 and \$68 million in FY22. Currently the MBTA charges the salaries of employees working 100% on capital projects to its so-called lockbox. Charging these salaries against the capital project the person is working on is allowable under generally accepted accounting practices.

### Analysis

That ridership is down as a result of the COVID-19 pandemic is clearly true, and it is clearly affecting the MBTA as less fare revenue is collected. The current fiscal year's budget is only in balance because of \$710 million in one-time revenues from the federal CARES act. There is no guarantee that additional federal funds will be

forthcoming, and the MBTA is prudently planning for an FY22 without federal relief, and with declining ridership. However, there is such a thing as too much prudence, and the Advisory Board is concerned that the Authority's budget projection for FY22 may be overly pessimistic. This over-cautious approach risks projecting an overly large budget gap to be filled by potentially overly large service cuts. Furthermore, we note that the budget plan presented by the MBTA predicts a \$73 million surplus at the end of FY22 following service cuts, and the other measures contained in *Forging Ahead*<sup>3</sup>.

### COVID Cleaning

One area that the FMCB would be wise to query is the total amount of identified risks that comprise the FY22 budget gap. The largest component of these risks is COVID-19 spending for additional cleaning and equipment. In FY22 (July 1, 2021 – June 20, 2022) the Authority predicts it will spend \$36 million extra to clean vehicles, \$12 million more to clean facilities, and \$10 million more on personal protective equipment (PPE). The FMCB should carefully consider this projection. What is the risk that the MBTA will continue its COVID-levels of cleaning 12 to 18 months from now? There certainly is a risk that the pandemic may remain with us through 2022, but is this risk worth the service cuts proposed in *Forging Ahead*? Even if the FMCB assumed COVID-levels of cleaning for another year (through December 2021), instead of for another 18 months (through June 2022), this would reduce the budget gap by \$29 million dollars.

### FEMA Reimbursement

As discussed, the MBTA projects that it will spend \$59 million extra for COVID-19 related measures in FY22. Such costs are potentially eligible for partial

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<sup>3</sup> See slide 9 of the FY22 Budget Update presented at the November 23, 2020 FMCB meeting

reimbursement from the Federal Emergency Management Agency (FEMA). However, due to the uncertainty of FEMA reimbursements, especially into 2022, the Authority is assuming no reimbursement in their scenarios. FEMA traditionally reimburses agencies such as the MBTA up to 75% of such expenditures. Should FEMA reimbursements be realized, the funding would be counted as revenue in the FY22 budget, reducing the budget gap. While receiving the 75% reimbursement is a risk, should it be forthcoming the Authority’s budget gap could decrease by as much as \$44 million. If no COVID-style cleaning is assumed for calendar year 2022, then the potential FEMA reimbursement is reduced to \$22 million.

#### Advisory Board Estimated FY22 Budget Gap

The Advisory Board suggests that the FY22 budget gap is \$528 million and not \$652 as suggested by the MBTA. To get to \$528 million, the Advisory Board suggests that the FMCB forego the \$73 million surplus, assume only 6 months of intensive COVID cleaning through December 2021 instead of June 2022, and include the 75% FEMA reimbursement as part of these calculations. This is summarized in Table 4 below.

Option	Description	Budget Gap Reduction (millions)	New Gap Size (millions)
<b>A</b>	No Surplus	\$73	\$-579
<b>B</b>	Intensive cleaning for 6 months, not 12 months	\$29	\$-550
<b>C</b>	FEMA Reimburse Half Year (CY22)	\$22	\$-528
<b>A + C + C</b>	No Surplus + Half Year Clean + FEMA Reimburse. (CY22)	\$124	\$-528

Table 4: Advisory Board projected FY22 budget gap

#### Recommendation

The Advisory Board recommends that the FMCB base its budget gap projection on Option A+B+C as described above in Table 4, henceforth known as the Advisory Board Proposal. If this proposal is the baseline, then no service cuts are necessary.

The Advisory Board Proposal uses a two-year budget gap of \$528 million,

eliminating the need to find \$124 million in fixes for the FY22 budget. This scenario requires that the MBTA’s budget writers assume only 6 months of intensive COVID-level cleaning through to December 2021, and to assume that these costs will be reimbursed at the 75% rate by FEMA. While the Advisory Board’s proposal carries more risk than the MBTA’s, we believe that when these risks are weighed against the plans to eliminate service, they are risks worth taking. Tables 5 and 6 below detail the impact of the Advisory Board Proposal and no service cuts on the budgets.

<b>Advisory Board Proposed MBTA FY21 Budget</b>	
Description	Millions
Projected FY21 Deficit	\$-54
FY21 Budget Risks	
COVID-19	\$-13
Increased Overtime	\$-12
Subtotal Risks	\$-25
<b>Deficit + Risks (Budget Gap)</b>	<b>\$-79</b>
FY21 Fixes	
Federal Funds Flex	\$171
Service Cuts (gross)	\$0
Capital Salaries	\$66
Internal Savings	\$64
Subtotal FY22 Fixes	\$301
Deficit less fixes	\$222
Sales Tax Acceleration (1-time)	\$40
<b>FY21 Surplus</b>	<b>\$262</b>

<b>Advisory Board Proposed MBTA FY22 Budget</b>	
Description	Millions
Projected FY22 Deficit	\$-584
FY22 Budget Risks	
COVID-19 (6 months)	\$-29
Increased Overtime	\$-10
Subtotal Risks	\$-39
<b>Deficit + Risks (Budget Gap)</b>	<b>\$-623</b>
FY22 Fixes	
FY21 carryover	\$262
Federal Funds Flex	\$209
Service Cuts (gross)	\$0
FEMA Reimbursement (75%)	\$22
Internal Savings	\$74
Capital Salaries	\$68
Subtotal FY22 Fixes	\$635
<b>FY22 Surplus</b>	<b>\$12</b>

Tables 5 & 6: FFYs 21 and 22 under MBTA Advisory Board Proposal

## Conclusion

The MBTA Advisory Board believes that now is not the time to inject more uncertainty into an already uncertain time by eliminating so much transit service, even temporarily. Instead, the Advisory Board suggests that the FMCB take a slightly less pessimistic approach to the FY22 budget, adopt the Advisory Board Proposal, and take only those steps necessary to close the FY22 budget gap without

major service reductions. This review offers a path forward to get the Authority to June 30, 2022 without major service cuts. MBTA management already has the tools to make scheduling changes to reduce frequency, operate shorter trainsets, and other related activities. To reduce the cost of operating scantily ridden transit vehicles, the Advisory Board suggests that the FMCB direct the Authority to exercise its abilities to do this where and when warranted. However, it is also clear that dramatic service reductions proposed in *Forging Ahead* is a step too far.

The FMCB is also requested to establish a Return to Service Commission to monitor MBTA management's service changes, establish metrics to bring service levels back to pre-pandemic levels in an open and transparent way, and recommend to the FMCB and its successor timing to return to service.

The Advisory Board member communities are aware of the need for the reform of many routes, lines, modes, etc. We urge the Authority and the FMCB to continue its Bus Network Redesign, Future of Commuter Rail, and other related initiatives and processes to reimagine public transit in Massachusetts. We look forward to working with the MBTA and MassDOT on these initiatives. We cannot stress that this is the only legitimate means to make these changes, openly and transparently, and not as part of a pandemic-response.

If, during the next 18 months, the MBTA finds that travel patterns are not returning to pre-pandemic levels, and that there are still numerous empty trains, buses, ferries, and paratransit vehicles operating, it has ample opportunity to make such changes. However, now is not the time to eliminate so much service, especially to the extent proposed in *Forging Ahead*.

# Appendices

## Appendix 1:

### Capital Projects effected by Federal Funds Flex

Funds	TIP Program	Project Name	FFY20 and FFY21-25 TIP Change	TIP Amendment –Explanation
5307	Revenue Vehicles	Procurement of Bi-Level Commuter Rail Coaches	(\$92,340,000)	FFY21-25 funding reduced to reflect pause
5337	Signals and Systems	GL B-Branch Infrastructure Improvement	(\$5,257,022)	Project will be funded from non-federal sources
5337	Signals and Systems	GL C-Branch Surface Improve	(\$22,203,181)	Project will be funded from non-federal sources
5337	Signals and Systems	GL E-Branch Surface Improve	(\$24,178,583)	Project will be funded from non-federal sources
5337	Signals and Systems	Green Line (Non-GLX) Grade Crossing	(\$8,873,620)	Project will be funded from non-federal sources
5337	Signals and Systems	Green Line D Branch Track and Signal Replacement	(\$44,068,830)	Project will be funded from non-federal sources
5337	Stations and Facilities	Lynn Station & Parking Garage Improvements Phase II	(\$13,261,131)	FFY21-25 funding reduced to reflect pause
5337	Stations and Facilities	Newton Commuter Rail Stations Design	(\$12,031,947)	FFY21-25 funding reduced to reflect pause
5337	Stations and Facilities	South Attleboro Station Accessibility Improvements	(\$38,929,374)	FFY21-25 funding reduced to reflect pause
5337	Stations and Facilities	Winchester Center Station	(\$39,936,339)	Funding reduced to reflect pause
5337	Stations and Facilities	Worcester Union Station Accessibility Improvements	(\$46,885,361)	FRA discretionary grant award
		Technical Adjustments	(\$32,034,612)	
<b>TOTAL:</b>			<b>(\$380,000,000)</b>	

**Note:**

- Procurement of new commuter rail fleet is paused as future ridership is examined.
- All Green Line projects will continue but funded by non-federal funds.
- Station work on Lynn, Newton, South Attleboro, and Winchester will be paused but not cancelled.
- Work on Worcester Union Station will continue but will be funded from elsewhere.

**Appendix 2:**  
**Bus routes proposed for consolidation**

<b>Routes</b>	<b>Municipalities</b>	<b>Description</b>	<b>Change</b>
62 + 76	Cambridge, Arlington, Belmont, Lexington, Bedford, Lincoln	Bedford VA – Alewife via Hanscom Airport	76 suspended. Selected trips omit Hanscom
84 + 78	Cambridge, Arlington, Belmont	Arlmont Village - Harvard	84 suspended, Alewife omitted
88 + 90	Cambridge, Somerville, Boston, Medford	Davis Station – Assembly Row	88 suspended, 90 ends at Assembly
214 + 216	Quincy	Houghs Neck- Quincy Center	Routes combined; headways reduced
352 + 354	Boston, Woburn, Burlington	Woburn – Downtown (Express)	352 suspended. 354 runs North Burlington - Downtown
501 + 503	Boston, Newton	Brighton Center - Downtown	503 suspended. 501 ends at Copley Square
502 + 504	Boston, Newton, Watertown	Watertown Yard - Downtown	502 suspended. 504 ends at Franklin & Federal Streets.

### Appendix 3:

#### Bus routes proposed for truncation

Route	Municipalities	Description	Change
230	Quincy, Braintree, Holbrook, Brockton	Montello Station to Quincy Center	End at Braintree Sta. Eliminate local service thru East Braintree and Quincy
553	Boston, Newton, Waltham	Roberts – Federal & Franklin Streets	Ends at Newton Corner, no downtown BOS service
554	Boston, Newton, Waltham, Belmont	Waverly Square – Federal & Franklin Streets	Ends at Newton Corner, no downtown Boston service
556	Boston, Newton, Waltham	Waltham Highlands – Federal & Franklin Streets.	Ends at Newton Corner, no downtown Boston service
558	Boston, Newton, Waltham	Riverside Station – Federal & Franklin Streets	Ends at Newton Corner, no downtown Boston service

## Appendix 4:

### Bus routes proposed for elimination

<b>RTE</b>	<b>Municipalities</b>	<b>Description</b>	<b>Rationale</b>
18	Boston	Ashmont Station – Andrew Station	Redundant
43	Boston	Ruggles Station – Park St. Station	¼ mile of transit
52	Dedham, Boston, Newton, Watertown	Dedham Mall – Watertown Yard	Low transit critical ridership
55	Boston	Jersey/Queensbury Streets – Copley Station	¼ mile of transit
68	Cambridge	Harvard Station – Kendall/MIT	¼ mile of transit
72	Cambridge	Aberdeen Ave – Harvard Station	Low transit critical ridership
79	Arlington, Cambridge	Arlington Heights – Alewife Station	Low transit critical ridership
80	Arlington, Medford, Cambridge, Somerville	Arlington Center. – Lechmere	Low transit critical ridership
131	Malden, Melrose	Melrose Highlands – Oak Grove or Malden Center	Low transit critical ridership
136	Malden, Melrose, Wakefield, Reading	Reading Depot–Malden Center	Low transit critical ridership
170	Boston, Waltham	Waltham Center. - Nubian Station	Redundant
212	Quincy	Quincy Center – N. Quincy Station	Low transit critical ridership
221	Quincy	Fort Point – Quincy Center	Redundant
325	Medford, Boston	Elm St, Medford - Haymarket	¼ mile of transit
351	Bedford, Burlington, Lexington	Bedford Woods Dr. – Alewife	Low transit critical ridership
428	Wakefield, Saugus, Malden, Revere, Chelsea, Boston	Oaklandvale – Haymarket Station	Redundant
434	Peabody, Lynn, Revere, Boston	Main St Peabody - Haymarket	Redundant
451	Beverly, Salem	North Beverly Sta – Salem Depot	Redundant
505	Waltham, Newton, Boston	Waltham Ctr. – Federal & Franklin Streets	Low transit critical ridership
710	Malden, Medford	North Medford – Wellington Station	Low transit critical ridership
714	Hingham, Hull	Pemberton Point Hull – Hingham Station	Low transit critical ridership
716	Canton, Milton, Boston	Cobbs Corner – Mattapan Station	Redundant

## Appendix 5:

### RIDE service area proposed changes

