



MBTA Advisory Board  
FY22 Massachusetts Bay Transportation Authority  
Operating Budget Oversight Report

REPORT  
of the Finance Committee  
June 04, 2021

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Town of Bridgewater	Michael Dutton
City of Brockton	Alan Castaline
Town of Natick	Josh Ostroff
City of Quincy	Frank Tramontozzi

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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 \$179 million in subsidies to the MBTA via municipal assessments.

This report is dedicated in gratitude to  
**Fiscal & Management Control Board Members**

July 1, 2015 – June 30, 2021



Joseph Aiello

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The member communities of the MBTA Advisory Board thank you!

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## FY 22 Budget Statement of Revenue & Expense (condensed)

REVENUE	FY20 Actuals	FY21 Budget	FY22Request
Fares	545,650,429	143,525,353	200,198,456
Other Operating Revenue	73,799,404	27,014,594	45,473,518
Dedicated Local Assessments	174,398,093	177,860,534	179,283,418
Dedicated Sales Tax	1,077,308,223	1,083,333,443	1,174,291,140
Federal Funds	221,779,620	661,936,154	239,508,560
Additional Assistance	127,000,006	127,000,000	127,000,000
Other Income	52,206,850	56,422,754	24,491,442
<b>TOTAL REVENUES</b>	<b>2,272,142,625</b>	<b>2,277,092,832</b>	<b>1,990,246,534</b>
EXPENSES			
Wages	500,350,674	523,740,355	562,970,348
Fringe Benefits	225,011,562	248,894,872	272,341,188
Health & Welfare Fund	17,223,183	12,008,828	13,964,655
Payroll Taxes	41,645,756	46,365,157	49,606,448
Materials, Supplies and Services	264,760,357	317,217,378	337,505,581
Casualty and Liability	28,177,875	17,655,217	25,741,460
Commuter Rail Service	410,582,987	448,883,066	481,305,587
Local Service Subsidy	135,579,500	149,392,477	136,125,630
Financial Service Charges	6,973,445	7,009,410	7,097,657
Debt Service	486,410,449	523,451,132	467,759,361
<b>TOTAL EXPENSES</b>	<b>2,116,715,788</b>	<b>2,294,617,891</b>	<b>2,354,417,914</b>
Net Revenue	155,426,837	(17,525,059)	(364,171,380)
Transfer in from Deficiency Fund		86,100,000	365,000,000
<b>Surplus</b>	<b>0</b>	<b>2,174,941</b>	<b>828,620</b>

## EXECUTIVE SUMMARY

The MBTA's budget for this coming fiscal year and the following 2 years are balanced due to the massive influx of federal operating dollars for pandemic relief and recovery. Once these funds expire on June 30, 2024, the Authority faces the potential massive operating budget deficit in the range of \$300 million to \$450 million for fiscal 2025, unless ridership returns to pre-COVID volumes. While FY25 may seem far away, the time to begin planning for this fiscal challenge is now.

The cities and towns of the MBTA Advisory Board advocate for fiscal discipline. As communities need to balance budgets annually, and prepare for future budget scenarios, Advisory Board communities believe that a rigorous policy of fiscal responsibility is wise and warranted. The FY22 Operating Budget proposes a 2.6% growth in spending. The Pro Forma FY23-FY26 proposes a 2.4% compound annual growth rate (CAGR). The Advisory Board urges the Fiscal and Management Control Board and its successor to codify this goal as a requirement, and mandate that expenses not grow more than 2.4% annually until pre-COVID ridership returns.

To meet this growth rate target, the Authority and its successor governing body have challenging decisions to make. Given these difficulties the Advisory Board offers the following suggestions to consider for savings, additional requests for information, and policy recommendations:

- Appoint a 7-member MBTA-only **governing board** with a representative from the Advisory Board as suggested by the Governor and Senate Transportation Committee chair.

- Go slow on any **free fares** program until a counterparty is identified to make up the lost revenue difference to the MBTA.
- Identify a counterparty first before moving too aggressively with **means-tested fares**. This counterparty should provide income verification and mitigate revenue loss for the MBTA.
- Streamline the **Ambassador Program** by targeting at busier stations and those with high tourist traffic.
- Pilot **Green Line Single-Person Train Operation (GLSPTO)** on part of the Green Line.
- Publish a **hiring plan** for the next few years consistent with the Strategic Plan and desired transformation efforts.
- Require that operating expenses do not increase by more than **2.4%** annually for the next few years.
- Consider aggressive **Transit Oriented Development** initiatives at Commuter Rail lots if robust ridership is slow to return.

## INTRODUCTION

COVID-19 severely disrupted public transportation in the United States. For the MBTA, some modes saw a 90% loss in ridership, and with it fare revenue drops. That the MBTA survived this upheaval, is due in no small part to the consistency of its subsidy sources, specifically municipal assessments and sales tax revenue, and due to the timely receipt of federal funds for use in the operating budget. These funds prevented major layoffs, massive service cuts, and disruptions to travel patterns.

The start of fiscal year 2022 in July 2021 represents a restart for the MBTA and for the Commonwealth and its residents. Those service cuts made in FY21 will be

reversed early in FY22, and the MBTA's schedule across all modes will return to pre-COVID levels. In many cities and towns, traffic and congestion have already returned to pre-COVID levels, and the cities and towns of the Advisory Board look forward to the MBTA service returning as well.

### PROCESS OVERVIEW

On April 26, 2021, the Fiscal and Management Control Board (FMCB) authorized the Massachusetts Bay Transportation Authority (MBTA) General Manager to submit the preliminary FY2022 itemized operating budget to the MBTA Advisory Board for review. The full Advisory Board met on April 28, 2021, to receive a presentation on this preliminary budget and query MBTA officials. At this meeting, the Advisory Board referred the FY22 preliminary budget to its finance committee for in-depth review and charged it to draft a report to the full board for its consideration. This report represents the completion of this charge.

The Finance Committee met four times in May to direct staff on its preferred approach to drafting this report. At its final meeting, the committee approved transmission of this report to the full body with a recommendation to adopt it. Member communities were also offered the opportunity to provide brief municipal statements which are included in the appendices to this document. The full Advisory Board met on Friday, June 4, 2021, with Mayor Thomas Koch of Quincy in the chair. The Advisory Board adopted this report by a unanimous vote.

### BUDGET REVIEW

The MBTA's FY22 budget is structurally unstable, and only balanced due to the infusion of \$605 million in one-time funds from federal sources and underspending

in FY21. Federal operating support will keep the MBTA solvent through FY24, with hundreds of millions of federal rescue and stimulus dollars budgeted to plug major deficits through FY24. Once these supports end however, the outlook is bleak without corrective actions. Deficits are projected between \$300 - \$450 million starting July 1, 2024.

### Revenue Overview

The impact of COVID-19 will continue to affect the MBTA’s operating budget in FY22 and beyond. The pandemic has at least temporarily altered commuting patterns for millions of Massachusetts residents. This directly effects the Authority’s operating revenue as fewer customers pay fares, pay to park at T facilities, or engage with MBTA advertising. Total FY22 revenue is budgeted at \$1.99 billion, a decrease of \$286 million over the FY21 budgeted amount, and \$281 million below the FY20 actual amount. The FY21 budgeted revenue number relies upon \$662 million in federal operating support, whereas the FY22 budget depends on just \$239.5 million in federal funds, and \$365 million in transfers from underspending in the FY21 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. Ridership on commuter rail, ferry and light rail was down nearly 90% in January 2021 compared to January 2020. As fewer trips are taken, fare revenue has dramatically decreased. The FY22 budget, for instance, projects fare revenue at \$200.2 million. Actual fare revenue for FY20, the last full fiscal year pre-COVID, was \$619.4 million, a \$419.2 million difference.

Operating Revenue	FY20 Actuals	FY21 Budget	FY22 Budget
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Revenue from Transportation	545,650,429	143,525,353	200,198,456
Other Operating Revenue	73,799,404	27,014,594	45,473,518
<b>Total Operating Revenue</b>	<b>619,449,833</b>	<b>170,539,947</b>	<b>245,671,974</b>

In addition to fares, operating revenue consists of advertising, parking, real estate (leases on T property), and other such revenues. As fewer riders utilize MBTA stations, projected revenue from these areas is also projected to decline compared to pre-pandemic levels. The FY22 budgeted figure for this category is \$45.5 million, compared to \$73.8 million in FY20. However, compared to FY21, this amount is projected to increase from \$27 million to \$45.5 million.

### Non-Operating Revenue

The non-operating revenue category includes subsidies to the MBTA to provide public transportation, as well as federal operating funds related to COVID relief and stimulus. Revenue in this category is expected to decrease by \$362 million compared to FY21. However, most of this decrease is due to utilizing fewer federal funds compared to the current fiscal year.

<b>Non-Operating Revenue</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Local Assessments	174,398,093	177,860,534	179,283,418
Sales Tax	1,077,308,223	1,083,333,443	1,174,291,140
Federal Funds	221,779,620	661,936,154	239,508,560
Additional Assistance	127,000,006	127,000,000	127,000,000
Other Income	52,206,850	56,422,754	24,491,442
<b>Total Non-Operating</b>	<b>1,652,692,792</b>	<b>2,106,552,885</b>	<b>1,744,574,560</b>

Dedicated local assessments are the funds that MBTA Advisory Board member communities pay to the Authority annually. These funds support 8% of annual expenses. Sales tax revenue is projected to increase by \$92 million above the statutory floor amount. This includes a one-time sales tax acceleration of \$40 million. The MBTA sales tax revenue estimate is consistent with consensus state budget revenue estimates. Sales tax revenue supports 50% of expenses. Federal

funds, as explained above, are operating assistance from the federal government to the MBTA. Of federal funds, \$140 million is via the American Rescue Plan (ARP), \$65 million is via the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), and \$34 million is via reimbursements from the Federal Emergency Management Agency (FEMA) for reimbursement of spending on COVID-19 eligible expenses. It should be noted that the Authority expects to receive \$845 million in ARP funds in total. The Authority is reserving the remaining \$705 million to address operating budget deficits in FY23 and FY24. Additional Assistance is the amount appropriated in the Massachusetts final state budget each year to the MBTA for its operating budget. This amount is included in the three versions of the state budget currently making its way through the process and we believe is highly likely to be included in the final, consensus version. Other Income consists of other small revenue sources the Authority owns that are not related to providing transportation services. Interest income is one example.

### Expense Overview

Operating public transportation services in the northeast is not cheap. The Authority projects to spend \$2.35 billion in FY22 to provide these services, and other related expenses. The MBTA's expenses are broken out into two broad categories- operating expense and debt service. In FY22, operating expenses are projected to increase 6.5% compared to FY21 budget, and 15.7% compared to FY20 actuals. Debt Service expenses, on the other hand, are budgeted to decrease 10.6% compared to the FY21 budget, and 3.8% compared to FY20 actuals. FY21 represented one of the largest amounts of debt issued by the Authority in recent years, and in FY22 the MBTA plans to take advantage of historically low interest rates. It has also ended its parking securitization bond program. The total compound annual growth rate

(CAGR) for FY22 compared to FY21 is 2.6%. Compared to FY20 actuals, the total FY22 budget represents an 11.2% increase in spending.

Wages & Overtime

Regular wage expenses are projected to increase by 6.4% over the FY21 budgeted amount, and 15.4% over the actual FY20 amount.

<b>Wages &amp; Overtime</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Regular Wages	434,888,096	471,505,625	501,805,891
Collateral Wages	17,414,028	17,980,501	18,010,120
<b>Total Regular</b>	<b>452,302,124</b>	<b>489,486,126</b>	<b>519,816,011</b>
Overtime	48,048,550	34,254,229	43,154,337
<b>Total Wages</b>	<b>500,350,674</b>	<b>523,740,355</b>	<b>562,970,348</b>

The FY22 budget proposes to support 6,351 positions. Of these, 438 are new positions, and 474 are budgeted positions currently unfilled due to attrition. Included in these figures, are 166 positions related to the operation and maintenance of the Green Line Extension, which is scheduled to begin revenue late calendar 2021. The FY22 overtime budget is \$43.2 million. As the Authority increases its staffing, it is hoped that the need for overtime on a regular basis will decrease. Overtime will always be required for snow and ice events, sporting events, and other non-schedulable occurrences.

The Advisory Board notes that the contract between the Authority and its largest labor union, the Carmen’s Union Local 589 expires at the end of June 2021. This will necessitate a new contract between the MBTA and most of its vehicle operators and many of its maintenance personnel. This will undoubtedly increase expenses in future years, placing additional pressure on the MBTA’s wage and fringe benefit costs.

### Fringe Benefits Expenses

Fringe Benefit expenses include pension costs, employee and retiree healthcare, employee group life insurance, health insurance costs for employees, worker's compensation costs, and other fringe benefit charges.

<b>Fringe Benefits</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Pensions	114,783,562	134,436,558	148,122,651
Healthcare	98,985,325	102,011,245	111,418,496
Group Life	329,061	421,303	439,962
Workers' Comp	10,827,697	11,808,630	12,141,136
Other Fringe Benefits	85,917	217,136	218,943
<b>Total Fringe Benefits</b>	<b>225,011,562</b>	<b>248,894,872</b>	<b>272,341,188</b>

Fringe Benefit expenses are budgeted to increase by 9.4% over the FY21 budgeted amount, and 21.0% over the FY20 actual amount expended. The MBTA makes contributions for its employees retirements to the MBTA Main Retirement Fund, the Transit Police Retirement Fund, 401k plans, and other retirement instruments, which are matched by employee contributions. The MBTA's operating budget does not pay retirees directly. The amount paid by the Authority as the employer contribution, and the amount employees pay is mostly set by union contracts and by the fund's requirements based on the number of retirees, and market returns. Pension costs are budgeted to increase by 10.2% compared to FY21 budget amounts, and 29% over FY20 actual costs. In addition, the Authority pays health insurance premiums for its employees and retirees via the Commonwealth's Group Insurance Commission. The FY22 budgeted amount is over \$111 million, a 9.2% increase over the FY21 budgeted amount, and 12.6% greater than the actual amount spent in FY20. This represents an increase of \$12.4 million since FY20. Additional fringe benefit costs include group life insurance premiums for employees, worker's compensation expenses and additional other fringe benefit

costs. Fringe Benefit cost increases derive, in large part, from the increasing number of MBTA employees.

Health & Welfare Fund

The Authority is required to make contributions to an employee health and welfare fund as part of the 2016 Carmen’s Union Local 589 contract. Additional contributors include employees and retirees. This fund is governed by a six-member board of trustees, evenly split between management and labor. The fund provides dental, vision, and life insurance as well as Medicare Part B benefits to eligible employees, retirees, and their dependents. The FY22 budgeted amount is just under \$14 million, compared to \$12 million in the FY21 budget and \$17.2 million in FY20 actual. The FY22 amount represents a 19% decrease compared to FY20 actuals.

Payroll Taxes

Like almost all employers, the Authority pays employee taxes to the state and federal governments as required.

<b>Fringe Benefits</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
FICA (7.65% of wages)	39,214,297	40,066,137	43,067,232
Unemployment/PMFL	2,431,459	6,299,020	6,539,216
<b>Total Payroll Taxes</b>	<b>41,645,756</b>	<b>46,365,157</b>	<b>49,606,448</b>

Contributions under the Federal Insurance Contributions act (FICA) is a U.S. payroll tax deducted from employee paychecks. 6.2% of gross wages goes towards the federal Social Security tax, and 1.45% of gross wages towards Medicare tax. FICA taxes are set at 7.65% of wages. \$43 million is budgeted in this category for FY22, a 7.5% from the FY21 budget. In addition, unemployment, and Paid Family Medical Leave (PFMLA) expenses are budgeted at \$6.5 million in FY22.

### 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.

<b>Materials, Supplies &amp; Services</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Materials	57,125,945	57,729,877	67,088,837
Services	121,782,209	164,703,791	179,077,904
Utilities	43,135,772	43,249,647	39,803,047
Fuel	14,630,352	15,105,360	14,846,053
Contract Cleaning	25,703,920	33,111,192	33,709,256
Uniform	2,382,158	3,317,510	2,980,485
<b>Total MSS</b>	<b>264,760,357</b>	<b>317,217,378</b>	<b>337,505,581</b>

The FY22 budget of \$337.5 million is 6.4% greater than the FY21 budgeted amount, and 27.5% more than the FY20 actual amount of \$264.8 million. Much of this increase is for consumable materials such as lumber, plumbing, and electrical supplies among other materials which has increased dramatically in costs over the past year.

### Casualty & Liability

Casualty and Liability expenses are for the Authority's insurance and self-insurance programs, as well as for payouts for litigation involving the MBTA. The budgeted amount is \$25.7 million in FY22, a 45.8 % increase over the FY21 budgeted amount, but an 8.6% reduction from the FY20 actual amount.

<b>Casualty &amp; Liability</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Insurance (T-C)	11,363,120	9,655,217	16,034,191
Injuries & Damages	16,814,755	8,000,000	9,707,268
<b>Total Casualty &amp; Liability</b>	<b>28,177,875</b>	<b>17,655,217</b>	<b>25,741,460</b>

### Commuter Rail Service

The cost to operate the commuter rail contract is budgeted at \$481.3 million in the FY22 budget, a \$32.4 million increase over the FY21 budget, and 17.2% greater than the FY20 actual cost. While the fixed price to operate the core system under the core contract is only projected to increase by 1.5%, extra work and services are projected to increase more sharply, increasing by 48% from \$66.8 million in the FY21 budget, to \$98.8 million in FY22. 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.

<b>Commuter Rail Service</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Fixed Price	335,129,031	341,899,369	347,043,754
Extra Work & Services	40,694,348	66,800,132	98,839,480
Fuel	25,757,232	29,075,015	23,844,338
PRIIA	9,002,377	11,108,550	11,578,015
<b>Total Commuter Rail</b>	<b>410,582,987</b>	<b>448,883,066</b>	<b>481,305,587</b>

### Local Service Subsidy

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, contracted bus operations. Costs in this category are projected to decrease by 8.9% over the FY21 budgeted amount, and 0.4% over the FY20 actual amount of \$135.6 million.

<b>Local Service Subsidy</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
THE RIDE	118,774,562	128,705,924	114,856,595
Ferry Services	14,021,925	17,494,237	18,044,639
Other LSS	2,783,012	3,192,316	3,224,396
<b>Total LSS</b>	<b>135,579,500</b>	<b>149,392,477</b>	<b>136,125,630</b>

Paratransit costs are projected to decrease 10.8% from \$128.7 in the FY21 budget to \$114.9 million in the FY22 budget. Traditionally, paratransit costs grow year-over-year. The Advisory Board will monitor this budgeted expense closely.

### Financial Service Charges

Financial service charges relate to the charges credit card companies charge the Authority every time a customer uses a credit-card to purchase goods or services from the MBTA. This line item also includes the fees the MBTA pays its financial advisors for advice on its many complex debt and other financial transactions. FY22 financial service charges are budgeted to increase by 1.3% compared to the FY21 budgeted amount, and 1.8% over the FY20 amount.

### Debt Service Costs

In FY22 debt service expenses are budgeted at \$467.8 million, which is the lowest budgeted amount in recent years. This amount is 10.6% less than the budgeted amount in FY21 and 3.8% less than in FY20. The FY22 amount consists of \$267.3 in principal and \$200.4 million in interest payments.

<b>Debt Service Costs</b>	<b>FY20 Actuals</b>	<b>FY21 Budget</b>	<b>FY22 Budget</b>
Principal Payments	277,106,675	304,015,010	267,316,046
Interest	209,303,774	219,436,122	200,443,315
Lease Payments	0	0	0
<b>Total Debt Service Costs</b>	<b>486,410,449</b>	<b>523,451,132</b>	<b>467,759,361</b>

These payments support the MBTA's piece of the capital improvement plan. The Authority has been aggressive about refinancing its considerable debt to take advantage of lower interest rates.

### ANALYSIS

For the past twenty years, the Authority has struggled to get its deficit to zero via financial engineering, property sales, fare increases, service cuts, federal aid, and other such measures. In FY22, as in FY21, the global pandemic has changed commuting patterns for many MBTA customers. This operating budget is only

balanced due to the availability of federal operating assistance, which is not usually available. These federal funds will expire in FY24, just three short years from now. Without a return to commuting by MBTA customers, particularly commuter rail customers, the Authority faces a budget deficit of between \$300 to \$450 million, possibly necessitating service cuts greater and deeper than those enacted through *Forging Ahead*.

MBTA management deserves credit for its awareness of this looming fiscal challenge and is committed to slowing expense growth over the next few years to mitigate painful expense and service reductions later. In FY22, for instance, its expenses are budgeted to grow by just 2.6%. However, its operating expenses are budgeted to increase by 6.5% over FY21 amounts, which is a 15.7% increase over the FY20 actual expense amount. Except for lower interest rates, an item beyond the Authority's control, the growth in spending included in this budget would be much greater than 2.6%. The growth in spending is almost entirely from headcount increases. As an example, in FY18 the Authority's total number of positions funded was 5,971, while the FY22 operating budget plans to support 6,351 positions. The FY22 headcount must grow to support the Green Line Extension project coming into revenue service at the end of calendar 2021. But, if subsidies stagnate and fare revenue remains well below FY20 amounts, there is a real concern about the affordability of this growth strategy. Nevertheless, it is essential that the Authority retain a 2.4% growth rate, or less, in years to come.

Members of the Advisory Board, however, are not advocating an austerity-only approach. The MBTA is a large and vibrant organization and has the resources to help itself. However, to be successful, it also needs external assistance. Internally,

the Authority is taking steps to bring back its customers and these actions should be encouraged and increased. A campaign to bring customers back to commuter rail and ferry could be a wise investment in its revenue base if commuting patterns begin to return to pre-COVID patterns. In addition, the Advisory Board will continue to advocate for additional resources for the MBTA to allow the MBTA to thrive in the near-term.

## RECOMMENDATIONS

It is urgent that the Governor and Legislature settle on a governance structure for the MBTA soon, as the FMCB's mandate expires on June 30, 2021. The FMCB has already been extended for a year, and the Advisory Board extends its wholehearted gratitude to its current and former members for their service and volunteerism. The MBTA needs a dedicated governing board for its unique and complex operations and needs. The Advisory Board looks forward to working with this successor and urges lawmakers to include an appointee of the Advisory Board to the successor governing body.

The Advisory Board also endorses MBTA management's proposal to limit expense growth to no more than 2.4% for FY23 through FY26, or until ridership returns in a sustainable manner. To achieve this requirement the Advisory Board offers the following suggestions:

### Cost Saving Suggestions:

- Streamline the **Ambassador Program** to reduce the total number of ambassadors deployed, by targeting them strategically in stations, especially once Fare Transformation is implemented.

- Pilot **Green Line Single-Person Train Operation (GLSPTO)** during peaks on one branch after Fare Transformation is implemented. While this may require additional capital expenditure to support, if this pilot is successful the potential cost savings across the Green Line are large. SPTO was successfully implemented on the Red Line in 2012.

Enquiries/Request for More Information:

- **Hiring:** Publish, in words not PowerPoint slides, a hiring plan consistent with the FMCB's strategic plan: This budget will support 6,351 positions, up from 5,910 positions supported as of 4/30/21, a 7.5% increase. The Advisory Board suggests that these hires take place carefully and consistent with the strategic plan in a managed and controlled way.
- **Real Estate:** If commuting patterns have indeed permanently changed, the need for large parking lots at commuter rail lots may be no longer necessary or can at least be scaled down. Is the Real Estate department adequately staffed to consider transit-oriented-development considerations at T parking lots?

Policy Recommendations:

- **Governance:** Include a municipal representative appointed by the Advisory Board on the successor MBTA governing body. Municipal representation matters and regionalism is an important consideration.
- **Free Fares:** Go slow on considering and implementing any free fare program until a counterparty is identified to make up the lost revenue difference to the MBTA. The MBTA cannot afford the revenue loss associated with this type of a program without *Forging Ahead* style service cuts in the future. Until a partner that can reimburse the Authority for lost revenue from free fares is

identified and committed, the MBTA should proceed slowly and manage expectations in this policy area.

- **Means Tested Fares:** The Advisory Board is broadly supportive of the concept of means tested fares wherein those in most need to reduced fares can access them for transportation. However, as with free fares, the MBTA needs a counterparty to make this work. The MBTA cannot and should not be expected to verify income for program participants. Similarly, the MBTA cannot and should not be expected to assume the revenue loss from such a program. As constituted, the MBTA is not a public good, but rather a state agency expected to contribute to its sustainability. The loss of revenue involved in such a policy must be made up somehow.

## CONCLUSION

In closing the members of the MBTA Advisory Board offer the deepest gratitude to Joseph Aiello, Lisa Calise, Crystal Kornegay, Brian Lang, Steve Poftak, Brian Shortsleeve, Tim Sullivan and Monica Tibbits-Nutt for their service on the MBTA Fiscal and Management Control Board from 2015 to 2021.

## APPENDIX 1: FY22 Statement of Revenue and Expense (expanded)

REVENUE	FY20 Actuals	FY21 Budget	FY22Request
<b>Operating Revenue</b>			
Revenue from Transportation	545,650,429	143,525,353	200,198,456
Other Operating Revenue	73,799,404	27,014,594	45,473,518
<b>Total Operating Revenue</b>	<b>619,449,833</b>	<b>170,539,947</b>	<b>245,671,974</b>
<b>Non-Operating Revenue</b>			
Dedicated Local Assessments	174,398,093	177,860,534	179,283,418
Dedicated Sales Tax	1,077,308,223	1,083,333,443	1,174,291,140
Federal Funds	221,779,620	661,936,154	239,508,560
Additional Assistance	127,000,006	127,000,000	127,000,000
Other Income	52,206,850	56,422,754	24,491,442
<b>Total Non-Operating</b>	<b>1,652,692,792</b>	<b>2,106,552,885</b>	<b>1,744,574,560</b>
<b>TOTAL REVENUES</b>	<b>2,272,142,625</b>	<b>2,277,092,832</b>	<b>1,990,246,534</b>
EXPENSES	FY20 Actuals	FY21 Budget	FY22Request
<b>Operating Expenses</b>			
<b>Wages</b>			
Regular Wages	434,888,096	471,505,625	501,805,891
Collateral Wages	17,414,028	17,980,501	18,010,120
<b>Total Regular</b>	<b>452,302,124</b>	<b>489,486,126</b>	<b>519,816,011</b>
Overtime	48,048,550	34,254,229	43,154,337
<b>Total Wages</b>	<b>500,350,674</b>	<b>523,740,355</b>	<b>562,970,348</b>
<b>Fringe Benefits</b>			
Pensions	114,783,562	134,436,558	148,122,651
Healthcare	98,985,325	102,011,245	111,418,496
Group Life	329,061	421,303	439,962
Workers' Comp	10,827,697	11,808,630	12,141,136
Other Fringe Benefits	85,917	217,136	218,943
<b>Total Fringe Benefits</b>	<b>225,011,562</b>	<b>248,894,872</b>	<b>272,341,188</b>
<b>Health &amp; Welfare Fund</b>	<b>17,223,183</b>	<b>12,008,828</b>	<b>13,964,655</b>
Payroll Taxes			
FICA (used 7.65% of wages)	39,214,297	40,066,137	43,067,232
Unemployment/PMFL	2,431,459	6,299,020	6,539,216
<b>Total Payroll Taxes</b>	<b>41,645,756</b>	<b>46,365,157</b>	<b>49,606,448</b>
<b>Materials, Supplies and Services</b>			
Materials	57,125,945	57,729,877	67,088,837
Services	121,782,209	164,703,791	179,077,904
Utilities	43,135,772	43,249,647	39,803,047
Fuel	14,630,352	15,105,360	14,846,053
Contract Cleaning	25,703,920	33,111,192	33,709,256
Uniform	2,382,158	3,317,510	2,980,485
<b>Total Materials, Supplies and Services</b>	<b>264,760,357</b>	<b>317,217,378</b>	<b>337,505,581</b>
<b>Casualty and Liability</b>			
Insurance (T-C)	11,363,120	9,655,217	16,034,191
Injuries & Damages	16,814,755	8,000,000	9,707,268
<b>Total Casualty and Liability</b>	<b>28,177,875</b>	<b>17,655,217</b>	<b>25,741,460</b>

<b>Commuter Rail Service</b>			
Fixed Price	335,129,031	341,899,369	347,043,754
Extra Work & Services	40,694,348	66,800,132	98,839,480
Fuel	25,757,232	29,075,015	23,844,338
PRIIA	9,002,377	11,108,550	11,578,015
<b>Total Commuter Rail Service</b>	<b>410,582,987</b>	<b>448,883,066</b>	<b>481,305,587</b>
<b>Local Service Subsidy</b>			
THE RIDE	118,774,562	128,705,924	114,856,595
Ferry Services	14,021,925	17,494,237	18,044,639
Other LSS	2,783,012	3,192,316	3,224,396
<b>Total Local Service Subsidy</b>	<b>135,579,500</b>	<b>149,392,477</b>	<b>136,125,630</b>
<b>Financial Service Charges</b>	<b>6,973,445</b>	<b>7,009,410</b>	<b>7,097,657</b>
<b>Total Operating Expenses</b>	<b>1,630,305,340</b>	<b>1,771,166,760</b>	<b>1,886,658,554</b>
<b>Non-Operating Expenses</b>			
<b>Debt Service Expenses</b>			
Principal Payments	277,106,675	304,015,010	267,316,046
Interest	209,303,774	219,436,122	200,443,315
Lease Payments	0	0	0
<b>Total Debt Service Expenses</b>	<b>486,410,449</b>	<b>523,451,132</b>	<b>467,759,361</b>
<b>Total Non-Operating Expenses</b>	<b>486,410,449</b>	<b>523,451,132</b>	<b>467,759,361</b>
<b>TOTAL EXPENSES</b>	<b>2,116,715,788</b>	<b>2,294,617,891</b>	<b>2,354,417,914</b>
Net Revenue	155,426,837	(17,525,059)	(364,171,380)
Transfer in from Deficiency Fund (FY22)		86,100,000	365,000,000
Transfer Out	(155,426,837)		0
Transfer Out Capital lockbox		(66,400,000)	0
<b>NET Revenue in Excess of Expenses</b>	<b>0</b>	<b>2,174,941</b>	<b>828,620</b>

# APPENDIX 1: MUNICIPAL STATEMENTS (A-Z by city/town name)

## Town of Natick

### Natick Select Board

Karen Adelman-Foster, Chair  
Richard P. Jennett, Jr., Vice-Chair  
Michael J. Hickey, Jr., Clerk  
Susan G. Salamoff  
Paul R. Joseph

PHONE 508-647-6410

EMAIL [selectmen@natickma.org](mailto:selectmen@natickma.org)



LOCATED AT  
Town Hall  
13 East Central Street  
Natick, Massachusetts  
01760

## Town of Natick • Select Board Office

Brian Kane, Director  
MBTA Advisory Board  
177 Tremont Street, 4<sup>th</sup> Floor  
Boston, Massachusetts 02111

Dear Director Kane:

Thank you for including this letter as the Town of Natick's statement to the MBTA as an addendum to the Advisory Board's Operating Budget Oversight Report for Fiscal Year 2022.

Natick, along with our region as whole, depends on public transportation to support our economy. The MBTA is a critical partner with the Town in providing travel options for regular and occasional riders. This partnership is exemplified by the ongoing investment in a new, accessible Natick Center MBTA Station and in ongoing and future improvements to the Worcester/Framingham line that serves our community and Metro West. We greatly appreciate this partnership and these investments, and look forward to continuing this work into the future.

As the Commonwealth recovers from the COVID-19 pandemic, it is essential that the MBTA provide safe, reliable, frequent, affordable and accessible transit service for many reasons, including:

- Robust public transportation is essential to addressing equity throughout the Commonwealth by providing car-free commuting options for workers in all job sectors.
- Public transportation is an important component to reducing carbon emissions consistent with the Commonwealth's climate goals and Natick's net-zero plan.
- The MBTA provides critical rail service for the region, helping to reduce roadway congestion, which is a regional and local concern, and which may soon return to pre-pandemic levels.
- The MBTA is critical to the well-being of the regional economy and to economic and social mobility, by ensuring equitable access to employment and education.

As a public good, the MBTA -- like any public transportation agency -- requires significant operating and capital funding to fulfill its potential. The pandemic has altered the economics of

the MBTA by significantly reducing operating revenue from fares, which is likely to persist throughout Fiscal Year 2022. The phased approach to investing federal support is prudent, but ultimately not sustainable as the structural deficit that underlies the MBTA's operating budget is only temporarily addressed by federal funding.

We therefore urge the MBTA and the State Legislature to responsibly plan to cover future MBTA operating expenses with additional state funding in order to provide and sustain safe, affordable, and reliable service.

This funding support is particularly important given three cost drivers.

First is the continuing increase in MBTA staffing costs to support expanded service on the Green Line Extension, South Coast Rail and in other areas, combined with efforts to ensure competitive pay and employee retention.

Second is the increased cost forecast to implement the next generation of fare collection.

Third, unless MBTA capital projects will be reflected in other ways, future budgets must support debt service associated with significant upcoming investments needed to ensure improved service on the commuter rail network, including electrification, a third express track, full accessibility, and increased frequency of service to support the regional economy. The debt service, and its substantial impact on the MBTA's operating budget needed for these and other investments requires new funding. It is not reasonable to expect fares or member community assessments to generate the revenue to support these capital investments.

The Town is also in support of the following recommendations included in the Advisory Board report:

- Ensure that the MBTA Advisory Board is represented on the next MBTA governing board following the June 30, 2021 expiration of the Fiscal and Management Control Board.
- Offset reduced fare programs from non-MBTA revenue sources. The worthy goal of providing reduced fares to make the MBTA more equitable should be supported by non-MBTA revenue. This is particularly important on the commuter rail system.

In addition, we urge the MBTA to proactively explore and pursue a range of capital investments, partnerships, and other methods of enhancing access to, and utilization of, commuter rail stations. Access improvements include additional commuter parking, redevelopment of adjacent land, improved bike and pedestrian facilities, and many other solutions. Natick is a willing partner of the MBTA in providing access to public transit.

The Town of Natick values the opportunity to work through the Advisory Board to ensure high-quality public transportation for our community and the region as a whole. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Adelman-Foster". The signature is fluid and cursive, with the first name "Karen" being the most prominent.

Karen Adelman-Foster, Chair

City of Newton

**Official Statement from the City of Newton**

The City of Newton writes this Official Statement first to express sincere appreciation for the many safety and access improvements across the system. This Official Statement, however, focuses on our Commuter Rail service. Newton is the only community along the Worcester Line that continues to experience long service gaps during the day. The City calls on the MBTA and MassDOT to work to augment service at our Commuter Rail stations in Auburndale, West Newton and Newtonville by reinstating our previous Express Bus services from these station areas while accelerating permanent improvements to all three Newton stations.

The operational difficulty is that the platforms at the three stations in Newton are all only one-sided, meaning that trains must switch onto a single track before and after the three Newton Stations, in order to stop here. To stop in Newton, an outbound train toward Worcester must switch onto the southerly track before arriving at Newtonville Station, and then must switch back to the northerly track after stopping at the Auburndale Station. If there is an inbound train traveling toward Boston at the same time, one or the other train must wait while the other serves the Newton stations.

Newton had historically been served by Express Buses, that complemented our Commuter Rail service, particularly for access into and out of Boston. Our Commuter Rail concerns are significantly exacerbated by the recent modifications to the Express Buses which serve Newton. Until recently, riders relied on Routes 505, 553, 554, 556 and 558 to travel between these station areas of Newton and Boston, especially during the hours when the Commuter Rail trains didn't stop in Newton. As part of the *Forging Ahead* process, however, Route 505 was eliminated and Routes 553, 554, 556 and 558 were all truncated and now begin and end in Newton Corner.

The ultimate solution, of course, is to rebuild the three new fully accessible ADA-compliant Commuter Rail stations in Newton - at Auburndale, West Newton and Newtonville – so that both tracks could be used, such that the MBTA could operate frequent all-day service through Newton, without the need to switch tracks or avoid stopping in Newton.

We understand that this permanent solution could take years, but we do ask that the MBTA accelerate the rebuilding of the three stations. While we wait for the renovation of these stations to be funded, designed, and constructed, we cannot expect our residents to continue to rely on the MBTA for their commuting and other travel needs when they suddenly find that the time and effort required to take public transportation between Newton and Boston has become so much less convenient and efficient. We need the MBTA to take these concerns seriously and take action to reinstate our previous Express Bus service or to provide all-day train service in the short-term, while working vigorously toward the complete and timely reconstruction of the three Newton Commuter Rail stations in Auburndale, West Newton and Newtonville.