

REPORT  
TO THE MBTA ADVISORY BOARD

**MBTA FISCAL YEAR 2009  
BUDGET TRANSFER REQUEST #2**

Submitted by the  
MBTA Advisory Board Finance Committee

Oct 29, 2009

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FINAL REPORT  
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Submitted by the

MBTA Advisory Board Finance Committee

Oct. 29, 2009

FINANCE COMMITTEE MEMBERS

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## **PREFACE**

The MBTA Advisory Board Finance Committee transmits the enclosed report for your consideration.

The committee wishes to thank the MBTA for its efforts in responding to requests for supporting documentation and for attending committee meetings.

The committee also acknowledges the invaluable budget analysis the Advisory Board staff has provided in preparation for this report.

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**Moved:** That the Massachusetts Bay Transportation Authority’s fiscal year 2009 transfer (#2) request of total revenues of \$1,446,464,944 and total expenses of \$1,479,772,479 be hereby adopted by the MBTA Advisory Board and transmitted to the MBTA Board of Directors as the Authority’s fiscal year 2010 budget, and that this budget be based on the statement below.

**Statement of Revenue and Expense**

	MBTA Requested March 18, 2008	Advisory Board Approved Original May 29, 2008	Approved Changes 11/06/08	Advisory Board Supplement #1 Nov. 6, 2008	Approved Changes 03/24/09	Advisory Board Transfer #1 March 24, 2009	Requested Changes 10/29/09	Advisory Board Transfer #2 October 29, 2009
<b>Operating Revenues</b>								
Rapid Transit	205,237,445	205,237,445	-	205,237,445	-	205,237,445		205,237,445
Commuter Rail	138,625,103	138,625,103	3,398,739	142,023,842	-	142,023,842		142,023,842
Surface Transit	85,837,950	85,837,950	8,075,859	93,913,809	-	93,913,809		93,913,809
School, Senior & Paratransit	7,782,656	7,782,656	-	7,782,656	-	7,782,656		7,782,656
Advertising / Concessions	13,500,000	13,500,000	-	13,500,000	-	13,500,000		13,500,000
Real Estate Operations	40,904,119	40,904,119	13,156,639	54,060,758	-	54,060,758		54,060,758
<b>Total Operating Revenue</b>	<b>491,887,273</b>	<b>491,887,273</b>	<b>24,631,237</b>	<b>516,518,510</b>	<b>-</b>	<b>516,518,510</b>	<b>(9,763,872)</b>	<b>506,754,638</b>
<b>Non-Operating Revenue</b>								
Interest Income	4,000,000	4,000,000	-	4,000,000	-	4,000,000		4,000,000
Non-Operating Income	15,262,344	15,262,344	8,400,000	23,662,344	-	23,662,344		23,662,344
Funds from Federal Government	8,000,000	8,000,000	2,000,000	10,000,000	-	10,000,000		10,000,000
Utility Reimbursements	3,051,000	3,051,000	-	3,051,000	-	3,051,000		3,051,000
<b>Total Non-Operating Revenue</b>	<b>30,313,344</b>	<b>30,313,344</b>	<b>10,400,000</b>	<b>40,713,344</b>	<b>-</b>	<b>40,713,344</b>	<b>(14,545,783)</b>	<b>26,167,561</b>
<b>Financing from Dedicated Sources</b>								
Funds from Local Governments	146,486,059	146,486,059	-	146,486,059	-	146,486,059	1	146,486,060
Revenue from Sales Tax Trust	767,019,551	767,019,551	-	767,019,551	-	767,019,551	37,133	767,056,684
<b>Total Dedicated Financing</b>	<b>913,505,610</b>	<b>913,505,610</b>	<b>-</b>	<b>913,505,610</b>	<b>-</b>	<b>913,505,610</b>	<b>37,134</b>	<b>913,542,744</b>
<b>TOTAL FINANCING</b>	<b>1,435,706,227</b>	<b>1,435,706,227</b>	<b>35,031,237</b>	<b>1,470,737,464</b>	<b>-</b>	<b>1,470,737,464</b>	<b>(24,272,521)</b>	<b>1,446,464,943</b>
<b>Operating Expenses</b>								
<b>Wages</b>								
Wages	341,779,265	341,779,265	53,819,820	395,599,085	-	395,599,085	8,660,834	386,938,251
Overtime	15,943,333	15,943,333	-	15,943,333	-	15,943,333	-	15,943,333
<b>Total Wages</b>	<b>357,722,598</b>	<b>357,722,598</b>	<b>53,819,820</b>	<b>411,542,418</b>	<b>-</b>	<b>411,542,418</b>	<b>8,660,834</b>	<b>402,881,584</b>
<b>Fringe Benefits</b>								
Pensions	44,853,979	44,853,979	2,811,028	47,665,007	-	47,665,007		47,665,007
Healthcare	112,776,771	112,776,771	(5,692,493)	107,084,278	2,253,758	109,338,036		109,338,036
Group Life	1,714,381	1,714,381	-	1,714,381	(156,320)	1,558,061		1,558,061
Disability Insurance	63,819	63,819	-	63,819	(2,975)	60,844		60,844
Worker's Comp	10,829,027	10,829,027	-	10,829,027	(781,071)	10,047,956		10,047,956
Other Fringe Benefits	290,414	290,414	-	290,414	(50,763)	239,651		239,651
<b>Total Fringe Benefits</b>	<b>170,528,391</b>	<b>170,528,391</b>	<b>(2,881,465)</b>	<b>167,646,926</b>	<b>1,262,629</b>	<b>168,909,557</b>	<b>16,149</b>	<b>168,893,408</b>
Payroll Taxes	28,270,594	28,270,594	2,404,801	30,675,395	223,368	30,898,763	(1,917,478)	32,816,241
Materials, Supplies and Services	182,943,232	182,943,232	-	182,943,232	(9,979,928)	172,963,304	51,997	172,911,307
Casualty & Liability	15,735,693	15,735,693	(200,000)	15,535,693	(496,157)	15,039,536	116,101	14,923,435
Purchased Commuter Rail Service	266,176,063	266,176,063	4,662,345	270,838,408	2,629,817	273,468,225	6,573	273,461,652
Purchased Local Service Subsidy	61,531,256	61,531,256	-	61,531,256	6,254,061	67,785,317	47,648	67,737,669
Financial Service Charges	4,328,960	4,328,960	-	4,328,960	106,210	4,435,170	66,545	4,501,715
<b>Total Operating Expenses</b>	<b>1,087,236,787</b>	<b>1,087,236,787</b>	<b>57,805,502</b>	<b>1,145,042,288</b>	<b>-</b>	<b>1,145,042,290</b>	<b>7,048,369</b>	<b>1,137,993,921</b>
<b>Debt Service Expenses</b>								
Interest (All)	245,716,876	245,716,876	-	245,716,876	-	245,716,876	7,665,798	238,051,078
Principal Payments	102,567,312	102,567,312	-	102,567,312	-	102,567,312	17,933,000	84,634,312
Lease Payments	19,500,000	19,500,000	-	19,500,000	-	19,500,000	408,832	19,093,168
<b>Total Debt Service Expenses</b>	<b>367,784,188</b>	<b>367,784,188</b>	<b>-</b>	<b>367,784,188</b>	<b>-</b>	<b>367,784,188</b>	<b>26,005,630</b>	<b>341,778,558</b>
<b>TOTAL EXPENSES</b>	<b>1,455,020,975</b>	<b>1,455,020,975</b>	<b>57,805,502</b>	<b>1,512,826,476</b>	<b>-</b>	<b>1,512,826,478</b>	<b>33,053,999</b>	<b>1,479,772,479</b>
Surplus/(Deficit)	(19,314,748)	(19,314,748)	(22,774,265)	(42,089,012)	-	(42,089,014)	8,781,478	(33,307,536)
<b>FUNDS FROM CASH RESERVES</b>								
Deficiency Fund	15,000,000	15,000,000	1,000,000	16,000,000	-	16,000,000		16,000,000
Capital Maintenance Fund	4,314,748	4,314,748	21,774,265	26,089,013	-	26,089,013	(8,781,478)	17,307,535
<b>Total from Cash Reserves</b>	<b>19,314,748</b>	<b>19,314,748</b>	<b>22,774,265</b>	<b>42,089,013</b>	<b>-</b>	<b>42,089,013</b>	<b>(8,781,478)</b>	<b>33,307,535</b>
<b>Net Revenue in Excess of Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>

**Review of Requested Action**

The MBTA Board of Directors requests approval of an end of year transfer of \$1,917,478 from the Wage Line Item, which ended the year \$8,660,834 positive to budget, into the Payroll Tax Line Item which ended the year \$1,917,478 over budget. Although several line items were favorable to budget, most especially the debt service line items, these are the only two line items directly affected by the transfer request.

**Uses of Funds**

The MBTA reports that the PAYROLL Taxes Line Item was unfavorable to budget due to higher than expected F.I.C.A. (Social Security - \$504,279) costs and due to the unemployment expenses that resulted from the layoffs of 72 regular and special project capital employees last spring (Unemployment - \$1,413,199). The Authority acknowledges that while the bulk of these unemployment costs will be paid in FY2010, the MBTA wishes to recognize these costs in the year they were incurred. This request to increase the payroll Taxes Line Item is in addition to the increase requested and approved by the Advisory Board in March of 2009. That action included a small increase (\$223,368) to cover the unemployment costs of certain Capital project workers releases after the end of various completed projects. In total, the Payroll Taxes line item will have risen \$1, 636,567 over the \$30,675,395 approved by the Advisory Board at the November 2008 meeting. Including the F.I.C.A. changes the final cost of the payroll Line Item will be \$32,816,240.

**Sources of Funds**

The Wages line item will end the year \$8,660,834 below the final budgeted number of \$411,542,418. Members will please note that the MBTA's original submission for Wages was \$357,722,598. This amount was a placeholder pending the outcome of binding arbitration between the Carmen's Union and the Authority. The decision of the Arbiter was released in July of 2008 and resulted in a Wage line item increase of \$53,819,820 to fund two years of a retroactive 3% per year wage increase and 3% wage increase in FY2009. The amount assumed successful "pattern bargaining with the remaining unions at the Authority.

At the time of the Supplemental Budget Request, the Authority sought to fund this increase several ways. The Authority assumed that the increase in ridership and therefore in fare box revenue would exceed previous forecasts by \$11,474,598; the Authority hopes that the increase

in parking fees and other real estate operations would generate an additional \$13,156,639; the sale of the Wood Island parcel to MassPort would generate \$6,000,000; \$2,000,000 in Federal capital maintenance funds would be moved to operating revenues and finally that \$9,000,000 in other revenues would be found. The balance of the needed funding would come from the MBTA's reserve funds. The Deficiency Fund would contribute \$15m or its available \$16m and the Capital Maintenance Fund would provide \$32,774,265 leaving about \$12.1m remaining in that fund.

Aside from the FY2009 Wage surplus, the other line items that ended the year well in the black were the debt service line items. These were not savings, rather the result of a restructuring of the MBTA debt one again to balance the budget. The Debt Service Interest line item was \$7,665,798 positive and the Debt Service Principal line item ended \$17,933,000. Please note that restructuring debt creates savings to budget in this fiscal year only and actually increases the costs of debt service in the long run.

The MBTA ended FY2009 down \$24,272,512 in the revenue line items. Operating Revenues were down \$9,763,872 and Non-Operating Revenues were down \$14,508,649. The Authority's restricting of its debt generated \$26 million to offset the \$24.3 million less in Revenue. The MBTA's property sales estimates were off by \$8.7 million, parking lot receipts off by \$8.2 million and "new non-operating revenue" failed to generate \$7.9 million

### **Final Notes**

This Budget Transfer Request was one of the final acts of the MBTA Board of Directors. For well over forty years, this Board of Directors and the Board members who preceded them worked to preserve and protect the transit system that was entrusted to them. In the end they were never given the resources or the flexibility needed to operate the system, address its critical needs and pay off the tremendous debt the MBTA was made to carry.

In many ways, this Transfer Request reflects the ongoing state of MBTA finances. The Authority starts FY2009 barely in balance by drawing down reserves. Before the fiscal year is a month old, the Authority's precariously balanced budget is obliterated by the results of Binding Arbitration. The Authority raises parking fees, sells land, pursues any and every management

savings and drains its reserve accounts. These actions are not enough, so 72 employees are laid off and the MBTA restructures its debt again; trading a balanced budget this year for even larger debt service in the future. We close the year transferring funds to cover the costs of those layoffs.

The MBTA's revenue streams are anemic and its debt service continues to grow, as does the backlog of critical State of Good Repair projects. The Authority is almost out of reserve funds. The only good news is that the reorganization of transportation agencies has the potential to generate savings and the additional \$160,000,000 provided to the MBTA in the FY2010 State Budget makes the gap between revenues and expenses in FY2010 less unmanageable. However the fiscal house of the MBTA is not in order. The MBTA Advisory Board and the people, businesses, schools, hospitals and communities who depend on our transit system are still awaiting a solution to the MBTA's critical problems.