Operating Budget Oversight Committee Meeting Minutes

April 28, 2023   10:00 AM via Zoom

A. **Call to order**: Roy Epstein (Belmont), Chair called the meeting to order at 10:02AM.

B. **Presentation: FY24 MBTA Operating Budget background and context** – Mary Ann O'Hara and Gianni Maffeo of the MBTA provided the FY24 Operating Budget presentation to the committee. Notes from their presentation:

- M. O'Hara presented on revenue. Policy direction is based on the Board of Director's decision to use lower fare ridership projections, to focus on safety, and to use up one-time funds to close any budget gaps.

- Investments are focused on Federal Transit Administration (FTA) directives, safety & enhancing training capacity, recruitment and retention, Green Line Extension operations, South Coast Rail operations, Bus Network Redesign, and means tested fares research.

- Revenue is projected to be based on a strong sales tax, one time state assistance ($181m in that will be transferred to capital, $68m in already appropriated state assistance) and some federal reimbursements for Covid-related funds that should come in in 2024.

- R. Epstein asked about Fare revenue. M. O'Hara answered that it is projected to be $350-$400m in FY23 actuals. FY24 fare revenue is projected to be $418.5m. R. Epstein asked about pre-Covid fare revenue. M. O'Hara answered that it was about $700 million per year. R. Epstein asked about what mode contributes the most fare revenue. M. O'Hara answered that Commuter Rail revenue brings in the most fare revenue currently.

- Andy Reker (Cambridge) asked about $10m in other revenue. M. O'Hara answered that it is based on interest income from cash reserves. Actuals in other income are out-performing FY23 budget based on interest rates.

- Matt Peterson (Boston) asked about the cost and fare revenue by mode and how they changed overtime on a service line basis. M. O'Hara answered that revenues are not broken out by mode exactly but rather in the aggregate. The NTD has the best estimate, but these are based on lots of assumptions.

- M. O'Hara continued that this budget is 80% reliant on non-operating revenue, or subsidized revenue from subsidy sources. Operating Revenue is about 20% of revenue. This is a large shift from pre-Covid.

- M. O'Hara continued, noting that ridership is projected to grow slightly on all modes with only some minor increases in Commuter rail and ferry.

- M. O'Hara continued, noting that sales tax funds about 54% and assessments about 7% of the FY24 budget. One-time funds are mostly money obligated by the legislature for FTA directives, and one-time capital money. There are also funds in H1 and in a supplemental budget that are under discussion to provide money for training, recruitment, and retention, etc.

- A. Reker asked about the relationship between ridership and diminished schedules based on employee needs, and the relationship between service quality and ridership levels. Is the budget based on 100% schedule? M. O'Hara answered that on the expense side, the T funds at full expense levels for headcount. On service levels, Q1 and Q2 with a small growth factor are the basis. A. Reker suggested that the poor quality of service is contributing to lower fare revenue.

- G. Maffeo (MBTA) presented spending assumptions. Wages and benefits are increasing to 7,643 operating positions an increase of 14%. Materials, Supplies, and Services are increasing by 24% over FY23. Of this, $24m is related to safety initiatives. Commuter Rail costs are increasing by 4%, this is a contractual cost increase; RIDE costs are expected to increase by 1%, this is low because ridership is down in FY23 actuals; Ferry by 16% and other local service costs by 11%. Debt service costs are the cost of borrowing- it is expected to decrease by 9%. It is unclear

- Duncan Allen (Needham) asked about South Coast Rail operating expenses, and other operating expenses. He suggested that the MBTA find a way to breakout expenses by mode and by revenue, following up on M. Peterson's questions. G. Maffeo answered that there are costs for some SCR service in FY23, but not a full year's worth. He further answered that there is an allocation formula that have limitations behind them. Fare revenue, for instance, is not purchased by mode, so there must be some assumptions on

where that revenue is allocated. Separately, there are issues on accounting for shared services such as OCC costs, etc. D. Allen expanded that regular operating expenses for standard operations are not investments, and that investments should be broken out. This is an expenditure not an investment. The T officials appreciated the feedback.

- G. Maffeo noted that this budget represents a 7% spending increase. Of this, 3% are safety and training cost increases.

- R. Epstein asked about what the safety investments are. G. Maffeo answered that it is mostly personnel costs with some small increase for consumables. Most of these are headcount increases.

- G. Maffeo noted that FTA Directives, safety and training beyond FTA scope, Bus Network Redesign, Green Line Extension operating costs and Means Tested Fares are in this category. These areas necessitate hiring more than 2,500 positions based on vacancies and expected attrition. FTA directive response adds $86m in recurring operating costs.

- A. Reker suggested that these increases are needed, especially in the safety area. He asked for a table for headcount to understand the increases.

- G. Maffeo noted that since FY21, 1,688 positions have been added in the operating budget for safety and training.

- G. Maffeo further noted that the FY24 budget gap is about $366 million. $285 million to plug this from one-time state assistance. Of this $181m must be deducted for capital transfers.

- R. Epstein asked about fund balances. The answer was that after the withdraw, there will be about $500m at the end of FY23, suggesting that there will be about $240m available in FY25. This is due to vacancies.

- Brian Kane (MBTA Advisory Board staff) asked about the actual cost of operating the MBTA in FY24 based on actual needs based on the schedule. M. O'Hara answered that the FY24 expense number is about right based on the schedule and headcount increase. Based on what is known from the FTA, Mass Taxpayers, etc., that this is a fully funded budget. The issue will be getting the people on the job. G. Maffeo opined that there will likely be some additional annual expenses for expansion projects that have not been operationalized.

Mean tested fares also present a potential to reduce revenue over the years. He also suggested that the workforce capacity study is ongoing. There could be findings from this that there could be more needed money to properly fund the system.

- R. Epstein asked that base fares of MBTA fares compared to other systems be provided. The MBTA's presentation concluded.

- The Chair then led a discussion about logistics. B. Kane explained that the original timeline was changed by the Authority. Originally the schedule had the MBTA presenting the full budget to the full Advisory Board at its May 16th meeting, the Committee meeting 3 times between 5/16 and 6/8 and then presenting its report to the full committee at a 6/8 MBTA Advisory Board meeting. However, this has been truncated by the MBTA. Unfortunately, this means that the Advisory Board and this committee will have significantly less time to do its work. Today's meeting, for example, was meant to be a briefing on the underpinnings of the revenue and expense assumptions, not the budget presentation itself. This was planned to jumpstart the committee's work, but this cannot happen now that its work must be completed by 5/16. B. Kane will provide additional information and materials to the committee and try to get another meeting scheduled so that he can get their feedback and direction.

C. Old/New business– There was none.

D. Adjourn –D. Allen moved to adjourn. Frank Tramontozzi (Quincy) seconded. The meeting adjourned at 11:05pm

Attendees:

Belmont:	Roy Epstein, (Chair)	MBTA:
Boston:	Matthew Peterson	Mary Ann O'Hara
Bridgewater:	Michael Dutton	Gianni Maffeo
Brockton:	Alan Castaline	Joe Regan
Cambridge:	Andy Reker	
Hanover:	Jim Hayes	Other:
Needham:	Duncan Allen	M. Nugiel (public)
Maynard:	Chet Osbourn	Bob Seay (WGBH)
Quincy:	Frank Tramontozzi	
		Staff:
		Brian Kane, Amira Patterson