

**Massachusetts Bay Transportation Authority**  
**FY 2014 Budget Recommendations**  
**March 28, 2013**

**Way Forward Funding By July**

# Massachusetts Bay Transportation Authority

## FY 2014 Budget Recommendations

<b>Original Budget Deficit</b>	<b>(\$139,093,357)</b>
Revenue Initiatives and Adjustments	4,228,531
Labor and Benefits Cost Containment	7,063,238
Other Cost Containment Initiatives	9,742,132
<b>Adjusted Budget Deficit (3-28-13)</b>	<b>(\$118,059,456)</b>
<b>Other State Funding</b>	<b>\$118,059,456</b>
<b>Remaining Deficit</b>	<b>\$0</b>

**Massachusetts Bay Transportation Authority**  
**Fiscal Year 2014 Statement of Revenue and Expenses**

	FY12 Actuals	FY13 Budget	FY14 Budget	FY14 % Incr/Decr over FY13 Budget	FY14 \$ Incr/Decr over FY13 Budget
<b>REVENUE</b>					
<b>Operating Revenues</b>					
Revenue from Transportation	465,755,373	536,860,339	569,188,335	6.0%	32,327,996
Other Operating Revenue	47,433,748	42,482,930	45,370,348	6.8%	2,887,418
<b>Total Operating Revenue</b>	<b>513,189,122</b>	<b>579,343,269</b>	<b>614,558,683</b>	<b>6.1%</b>	<b>35,215,414</b>
<b>Non-Operating Revenues</b>					
Dedicated Local Assessments	152,125,176	155,902,644	157,149,865	0.8%	1,247,221
Dedicated Sales Tax	781,072,865	786,866,938	799,295,175	1.6%	12,428,237
Contract Assistance	160,000,004	160,000,000	160,000,000	0.0%	0
<b>Other State Assistance</b>			<b>118,059,456</b>		118,059,456
Other Income	50,958,509	84,150,554	17,492,276	-79.2%	(66,658,278)
<b>Total Non-Operating</b>	<b>1,144,156,554</b>	<b>1,186,920,136</b>	<b>1,251,996,772</b>	<b>5.5%</b>	<b>65,076,636</b>
<b>TOTAL REVENUES</b>	<b>1,657,345,676</b>	<b>1,766,263,405</b>	<b>1,866,555,455</b>	<b>5.7%</b>	<b>100,292,050</b>
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Wages	410,179,988	415,212,217	432,264,427	4.1%	17,052,210
Fringe Benefits					
Pensions	61,663,982	65,326,526	71,047,148	8.8%	5,720,622
Healthcare	123,472,363	121,472,448	109,687,835	-9.7%	(11,784,613)
Group Life	1,046,683	807,539	702,045	-13.1%	(105,493)
Disability Insurance	53,682	46,048	13,459	-70.8%	(32,589)
Workers' Comp	9,704,584	10,352,124	10,313,118	-0.4%	(39,006)
Other Fringe Benefits	122,595	225,479	238,192	5.6%	12,713
<b>Total Fringe Benefits</b>	<b>196,063,889</b>	<b>198,230,163</b>	<b>192,001,798</b>	<b>-3.1%</b>	<b>(6,228,365)</b>
Total Payroll Taxes	<b>33,425,584</b>	<b>33,679,380</b>	<b>34,961,115</b>	<b>3.8%</b>	<b>1,281,735</b>
Materials, Supplies and Services	194,469,689	202,060,879	223,861,870	10.8%	21,800,991
Casualty and Liability	16,453,326	11,435,693	15,728,736	37.5%	4,293,043
Purchased Commuter Rail Service	318,286,891	337,333,564	387,616,249	14.9%	50,282,685
Purchased Local Service Subsidy	118,198,408	125,727,144	130,304,027	3.6%	4,576,882
Financial Service Charges	5,498,809	5,560,000	5,990,000	7.7%	430,000
<b>Total Operating Expenses</b>	<b>1,292,576,584</b>	<b>1,329,239,040</b>	<b>1,422,728,221</b>	<b>7.0%</b>	<b>93,489,182</b>
<b>Debt Service Expenses</b>					
Interest	238,971,442	244,149,664	239,787,256	-1.8%	(4,362,408)
Principal Payments	113,383,407	187,281,197	198,982,899	6.2%	11,701,702
Lease Payments	10,251,400	5,593,504	5,057,079	-9.6%	(536,425)
<b>Total Debt Service Expenses</b>	<b>362,606,249</b>	<b>437,024,365</b>	<b>443,827,234</b>	<b>1.6%</b>	<b>6,802,869</b>
<b>TOTAL EXPENSES</b>	<b>1,655,182,833</b>	<b>1,766,263,405</b>	<b>1,866,555,455</b>	<b>5.7%</b>	<b>100,292,051</b>
<b>Net Revenue</b>	<b>2,162,843</b>	<b>0</b>	<b>0</b>		
<b>Transfer</b>	<b>(2,162,843)</b>				
<b>NET Revenue in Excess of Expenses*</b>	<b>0</b>	<b>0</b>	<b>0</b>		
Revenue Recovery	43.6%	49.9%	44.4%		
Fare Recovery	36.0%	40.4%	40.0%		

## **RECOMMENDED VOTE**

That the Board of Directors approve the Authority's budget of current operating expenses and debt service costs for a one year period—July 1, 2013 through June 30, 2014—in the amount of \$1,866,555,455 in the form submitted at this Meeting; and

That the General Manager is hereby authorized and directed to submit the budget, in the name and on behalf of the Authority, to the MBTA Advisory Board no later than April 15, 2013 in accordance with Section 20 of Chapter 161A of the Massachusetts General Laws.

**Massachusetts Bay Transportation Authority**  
**FY 2014 Budget Recommendations**

**No Way Forward Funding By July**

# No Way Forward Funding

- Initial deficit: **\$140m**
- Identified **\$24m** in one-time cost containment measures
- March 5, 2013: Board approved preliminary budget, with TBD for **\$118m**



**Massachusetts Bay Transportation Authority**  
**FY 2014 Budget Interim Contingency Gap Financing**  
(should additional funding not be available)

**Adjusted Budget Deficit (3-28-13) (\$118,059,456)**

<u>Gap Funding: One Time</u>		<u>Risks</u>
<b>Preventive Maintenance Funds</b>	\$48,100,000	<ul style="list-style-type: none"> <li>• Reduces Global Asset Preservation Strategy (T-GAPS) by \$30M. The program includes infrastructure improvements to 33 stations, 9 facilities and 40 power unit substations</li> <li>• Reduces the FFY13 Bridge Program by \$12M. The program includes inspection &amp; rating, design and construction of bridges.</li> <li>• Eliminates \$4M for improvements to the JFK Station. Project includes demolition and reconstruction of stair and ramp.</li> <li>• Eliminates \$2M of funding for improvements to Harvard Busway. The project would correct drainage and water infiltration problems.</li> </ul>
<b>Projected FY13 Operating Budget Surplus</b>	12,904,796	• Reduces Pay Go capital funding and increased reliance on bond funding
<b>Defer Contribution of OPEB Liability</b>	5,000,000	• Defers any recognition of the liability
<b>Capital Program Elimination</b>	9,500,000	• Eliminates \$9.5M of funding for improvements to Harvard Busway. The project would correct drainage and water infiltration problems.
<b>Overhead Reductions</b>	2,191,079	• Freeze on administrative positions
	\$77,695,875	

**Adjusted Budget Deficit after Gap Funding (\$40,363,581)**

# No Way Forward Funding

## ■ Phase 1

- Public outreach to close 2014 budget gap
- \$77.7m one-time cost reductions
- Eliminate least productive service
- Freeze ~30 non-operating positions

## ■ Phase 2

- \$40.4m (remaining operating deficit for FY 2014)
- Fare and / or service changes effective December / January





# Fare Scenarios

1. Generate ~\$39m over 6 or 8 months
2. No change for seniors, students and the disabled
3. All other fares increased proportionally

	A. Six Months	B. Eight Months
Avg. Fare Increase	19%	14%
Passenger Trips	-9m	-8m
% of Ridership	-4.6%	-3.1%

Sample Fares	Current	A	B
Bus	\$1.50	\$1.85	\$1.75
Subway	\$2.00	\$2.45	\$2.30
CR Z8	\$314	\$393	\$369
RIDE	\$4.00	\$4.00	\$4.00



# Service Reduction Scenario

Reduction	Ops Savings	Fare Revenue Impact	Annual Net Savings	Annual Passenger Trips Lost
10 least productive bus routes*  Subsidy to suburban bus programs (\$154k)	\$2.1m	(\$313k)	\$1.8m	208,542

\* Operating cost per passenger of 4x system average or greater

Impact to:	
Passenger trips	-0.1%
Revenue vehicle hours	-0.4%
Revenue vehicle miles	-0.3%
 MBTA Jobs Lost	 16



# Potential Timeline

to implement Fare and Service Change Scenarios

Identification of Gap	July
Final Proposal	July
Analysis	August
Public Meetings	September
Vote	October
Implementation	60 days
Fare and Service Changes	December



# Phase 3: Re-Size MBTA for FY15 and Beyond

- Public process in January on resizing
- Permanent reduction of fixed costs
  - Closure of facilities
  - Fleet, facility disposal
  - Workforce reduction
  - Ridership / revenue loss

