

**REPORT OF THE  
MBTA ADVISORY BOARD**

**MBTA FISCAL YEAR 2009**

**TRANSFER REQUEST**

Approved

March 24, 2009

*(This page intentionally blank)*

**REPORT  
OF THE MBTA ADVISORY BOARD  
FY 2009 TRANSFER REQUEST**

Submitted by the  
MBTA Advisory Board Finance Committee

March 24, 2009

**FINANCE COMMITTEE MEMBERS**

**Vineet Gupta  
Boston**

**Joseph Melican  
Dover**

**Jane O'Hern  
Newton**

**Richard Leary  
Brookline**

**Robert Guttman  
Beverly**

**Marcia Crowley  
Wayland**

**Gerri Scoll  
Weston**

**John Buckley  
Abington**

**ADVISORY BOARD STAFF**

Paul Regan  
Executive Director

Brian Kane  
Budget and Policy Analyst

Deborah Gaul  
Executive Assistant

*(This page intentionally blank)*

## PREFACE

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

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

The committee also acknowledges the work of the Advisory Board staff who have provided invaluable budget analysis for the Committee.

Massachusetts Bay Transportation Authority  
Statement of Revenue and Expense  
FY 2009 Budget

Proposed March 24, 2009 by the MBTA Advisory Board: Transfers between line items as detailed below to The Massachusetts Bay Transportation Authority's fiscal year 2009 budget, as amended, for total revenues of \$1,470,737,464 and total expenses of \$1,512,826,476 with the expected shortfall of \$42,089,013 to be made up from the Authority's deficiency fund [\$16,000,000] and capital maintenance fund [\$26,089,013].

	MBTA Requested March 18, 2008	Advisory Board Approved Original May 29, 2008	Approved Changes 11/09/08	Advisory Board Supplement #1 Nov. 6, 2008	Approved Changes 03/24/09	Advisory Board Transfer March 24, 2009	Budget YTD
<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>516,518,510</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>40,713,344</b>
<b>Financing from Dedicated Sources</b>							
Funds from Local Governments	146,486,059	146,486,059	-	146,486,059	-	146,486,059	146,486,059
Revenue from Sales Tax Trust	767,019,551	767,019,551	-	767,019,551	-	767,019,551	767,019,551
<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>913,505,610</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>1,470,737,464</b>
<b>Operating Expenses</b>							
<b>Wages</b>							
Wages	341,779,265	341,779,265	53,819,820	395,599,085	-	395,599,085	395,599,085
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>411,542,418</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>168,909,555</b>	<b>168,909,555</b>
Payroll Taxes	28,270,594	28,270,594	2,404,801	30,675,395	223,368	30,898,763	30,898,763
Materials, Supplies and Services	182,943,232	182,943,232	-	182,943,232	(9,979,928)	172,963,304	172,963,304
Casualty & Liability	15,735,693	15,735,693	(200,000)	15,535,693	(496,157)	15,039,536	15,039,536
Purchased Commuter Rail Service	266,176,063	266,176,063	4,662,345	270,838,408	2,629,817	273,468,225	273,468,225
Purchased Local Service Subsidy	61,531,256	61,531,256	-	61,531,256	6,254,061	67,785,317	67,785,317
Financial Service Charges	4,328,960	4,328,960	-	4,328,960	106,210	4,435,170	4,435,170
<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>1,145,042,288</b>	<b>1,145,042,288</b>
<b>Debt Service Expenses</b>							
Interest (All)	245,716,876	245,716,876	-	245,716,876	-	245,716,876	245,716,876
Principal Payments	102,567,312	102,567,312	-	102,567,312	-	102,567,312	102,567,312
Lease Payments	19,500,000	19,500,000	-	19,500,000	-	19,500,000	19,500,000
<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>367,784,188</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>1,512,826,476</b>	<b>1,512,826,476</b>
Surplus/(Deficit)	(19,314,748)	(19,314,748)	(22,774,265)	(42,089,012)	-	(42,089,012)	(42,089,012)
<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	26,089,013
<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>42,089,013</b>
<b>Net Revenue In Excess of Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>

***FY2009 TRANSFER REQUEST*****Recommendation**

The Finance Committee recommends approval of the MBTA's FY09 transfer request among line items within the fiscal year 2009 budget, as amended, and submitted to the Advisory Board on March 12, 2009, as follows:

<b>Uses of Funds</b>	<b>Approved FY2009 Budget</b>	<b>Requested FY2009 Transfer Budget</b>	<b>Increase</b>
Fringe Benefits	167,646,928	168,909,557	1,262,629
Payroll Taxes	30,675,394	30,898,762	223,368
Commuter Rail Expenses	270,838,408	273,468,225	2,629,817
Local Service Expenses	61,531,256	67,785,317	6,254,061
Financial Service Charges	4,328,960	4,435,170	106,210
<b>Total Use of Funds</b>			<b>10,476,085</b>

<b>Sources of Funds</b>	<b>Approved FY2009 Budget</b>	<b>Requested FY2009 Transfer Budget</b>	<b>Decrease</b>
Material, Supplies & Services	182,943,232	172,963,304	9,979,928
Casualty & Liability	15,535,693	15,039,536	496,157
<b>Total Sources of Funds</b>			<b>10,476,085</b>

**Review of Requested Action**

The Authority is seeking Advisory Board approval to transfer \$10,476,085 from the sources to the uses detailed above. This action affects fringe benefits, payroll taxes, materials, supplies & services, casualty and liability, purchased commuter rail expenses, purchased local expenses and financial service charges.

**Unfavorable To Budget (Uses of Funds)**

Fringe Benefits

The fringe benefit line item is higher than its budgeted amount due to higher than expected health insurance costs. Tempering this increase are lower than expected costs for workers compensation insurance, life insurance, other fringe benefits, and disability insurance. The Authority’s pension contribution remains the same.

<u>Fringe Benefit Line Item</u>	<u>Increase/(Decrease)</u>
• Health Insurance	2,253,758
• Workers Compensation	(781,071)
• Life Insurance	(156,320)
• Other Fringe Benefits	(50,763)
• Disability Insurance	<u>(2,975)</u>
Net Cost Increase	\$1,262,629

The recent arbitration ruling permitted the MBTA to impose greater health insurance premiums and co-pays to its employees and new retirees. However, the ability to impose these higher fees requires changes to the Authority’s collective bargaining agreements with its many labor unions. Until each contract is negotiated by the parties, ratified by union membership and approved by the MBTA board of directors, the Authority cannot impose the new fees and realize cost savings to the health insurance line item. As the process to approve new contracts lagged, new fees could not be imposed and costs increased thus necessitating this transfer action. However, pending the approval of this action the MBTA’s health insurance line item will still be reduced from its original \$112,776,771 (5/29/08) to \$109,338,036, a savings of \$3,438,735 in FY09 as a result of the binding arbitration award.

Spending in the other line items is lower than expected due to the lower than expected total headcount. The MBTA’s headcount for February 2009 shows 392 vacant positions resulting in reduced spending on associated fringe benefit costs.

Payroll Taxes

The fringe benefit line item is higher than expected because of unemployment claims filed by a number of temporary special project employees. These workers are tradesmen employed on capital projects with a fixed endpoint. As numerous projects ended in December, 2008 a greater than usual number of special temporary employees became eligible for unemployment insurance, resulting in the increase in this category.

Purchased Commuter Rail Expenses

Negotiated penalties and incentives in the new agreement with MBCR provided revenue incentives for increased on-time performance and revenue collections. As MBCR improves

its fare collection and on-time performance rates the commuter rail line item is projected to increase. With the pending approval of this action the total cost of the commuter rail contract will increase by 2.74% between the original FY09 budget and the budget as a result of this transfer.

Purchased Local Service Expenses

The purchased local service expenses line item is higher than budget due to the increased costs of providing The RIDE.

<u>Purchased Local Service Line Item</u>	<u>Increase/(Decrease)</u>
• The RIDE	6,440,700
• Water Transportation	40,721
• Suburban Bus	(186,500)
• Private Carrier Bus	<u>(40,860)</u>
Net Cost Increase	\$6,254,061

The cost of providing parallel paratransit service continues to grow. Through the first six months of FY09 ridership was up 15.6% versus the first six months of FY08. The cost of this line item was \$49,042,971 in the original FY06 budget. Pending the approval of this action its cost will rise to \$67,785,317, a 38.2% increase.

Financial Service Charges

The financial service charge line item is over budget because of the additional cost of bond counsel fees associated with the turmoil in the financial markets. The MBTA had significant dealings with such institutions as Lehman Brothers and AIG. As the credit worthiness of these institutions disintegrated, the Authority faced the possibility of owing its bondholders millions in termination fees. However, due to the quick actions of the MBTA CFO and its outside bond counsel the Authority was able to quickly restructure certain investments, shielding itself from catastrophic meltdown costs. However, the complexity of these deals and the timeliness required resulted in a greater than usual utilization of outside bond counsel and an increase in the financial service charge line item.

**Favorable to Budget (Source of Funds)**

Materials, Supplies & Services

The original FY09 materials, supplies & services line item (\$182,943,232) was budgeted in a time of rising fuel prices. Since then the decline in motor fuel costs has yielded significant savings in this line item. These savings coupled with savings in departmental supply and materials budgets yielded a nearly \$10 million in savings in this line item.

Casualty & Liability

The \$496,157 in savings in the casualty and liability line item were realized as a result of lower than expected insurance renewal premiums.

## Analysis

### *Operating Revenue*

Strong ridership netting increased fare revenue is the one bright spot in the MBTA's dreary budget picture. On an average day in 2008 1.28 million people rode the T each day. Ridership was especially strong in the final months of 2008 which bodes well for fare revenue receipts in FY09. It is unclear, however, if parking revenue receipts will meet budget expectations. Anecdotal evidence from across the MBTA service area shows that the increased parking rates have diminished parking lot utilization. If this trend holds true then the Authority will find it difficult to close FY09 with a balanced budget.

Similarly, a major component of the first FY09 supplemental budget was increased revenue expected from the Massachusetts Mobility Compact. Under this compact the MBTA was promised increased contributions from MassPort for Silver Line operations, Airport Station maintenance and Anderson Station parking. Under this agreement the MBTA sold MassPort a parcel of land at Wood Island which it previously leased from the T. The MBTA gave up long-term lease revenue in return for the sale price plus a commitment to these other initiatives. Other payments due to the MBTA have not yet materialized as part of the interagency agreement.

### *Non Operating Revenue*

With the exception of the proceeds of the land sale at Wood Island and federally maintenance funds, it is evident that the MBTA will conduct almost no land sales this fiscal year and realize almost no non-operating revenue. At the end of FY08 the non-operating revenue category was short over \$16 million. It is likely that the MBTA will end FY09 with an even larger deficit in this category.

## Final Notes

The increased pace of providing The RIDE is troubling and has been for the past several years. Each and every time a customer uses the RIDE it costs the MBTA over \$30 on average. As the current RIDE contracts expire and new, more expensive ones come into effect, this cost will increase to an average of \$44.60 per trip and demand is increasing all the time. The MBTA is required by federal and state law to provide parallel paratransit service to its fixed route network and rightly so. However, the continued cost of providing the RIDE will soon threaten the viability of the entire system. Once again the MBTA Advisory Board calls upon the MBTA Board of Directors and management to conduct a thorough review of RIDE policy vis-à-vis state and federal legal requirements and service levels to understand why the cost of providing this service has escalated so quickly. We call upon the MBTA to report back to the Advisory Board in 2009 with its findings.

The MBTA Advisory Board has called for years for debt relief and increased dedicated revenues. For the past several years the Authority has been able to barely close its budget deficits through accounting actions, refinancing and spending its cash reserves. Those options are now gone. Without new revenue or debt relief the MBTA will not be able to maintain its current service levels in FY10.