

MBTA Advisory Board

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Dear Legislator:

Last month I wrote to you about the MBTA's bleak financial outlook. Recent events make this outlook seem optimistic. Unforeseen increases in fuel and employee costs are seriously affecting the MBTA's budget and bring the day when unpalatable choices about service levels, passenger costs and employee numbers much closer.

All told, the recent decision of the independent interest arbitrator will cost the MBTA \$132.5m over the 4 year term of the decision (2006 – 2010). \$80m of this must go to retroactive and current wage increases and must be paid this year. Arbitrator awards like this are not unusual. While both sides are not 100% happy, both sides gained from the decision. However, our concern is that the MBTA lacks the capacity to absorb an extra \$80m in unforeseen expenses this year.

Increased fuel costs continue to adversely impact the T's financial status. Fuel costs are about \$25m higher than projected for this point in the FY. Coupled with the increased wage costs, this leaves the MBTA with a \$105m deficit in FY09 and few good options to close it. They could spend down their remaining cash reserves, borrow to meet operating expenses, or push existing principal payments further into the future and incur higher long-term costs. To do so would not solve the T's structural deficit and would only delay the necessary legislative solutions until next year.

For many years the MBTA Advisory Board has called on the legislature for debt relief. \$0.27 of every dollar spent by the T services debt. Even basic debt relief would save the Authority about \$117m annually- cash it could use for unforeseen costs such as these.

The MBTA Advisory Board will continue to work with our elected leaders to ensure the financial solvency of the MBTA. We look forward to working with you and will be in touch with your office soon.

Sincerely,

Paul Regan
Executive Director