



# Massachusetts Bay Transportation Authority

## FY25 Operating Budget Preview

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MBTA Board of Directors

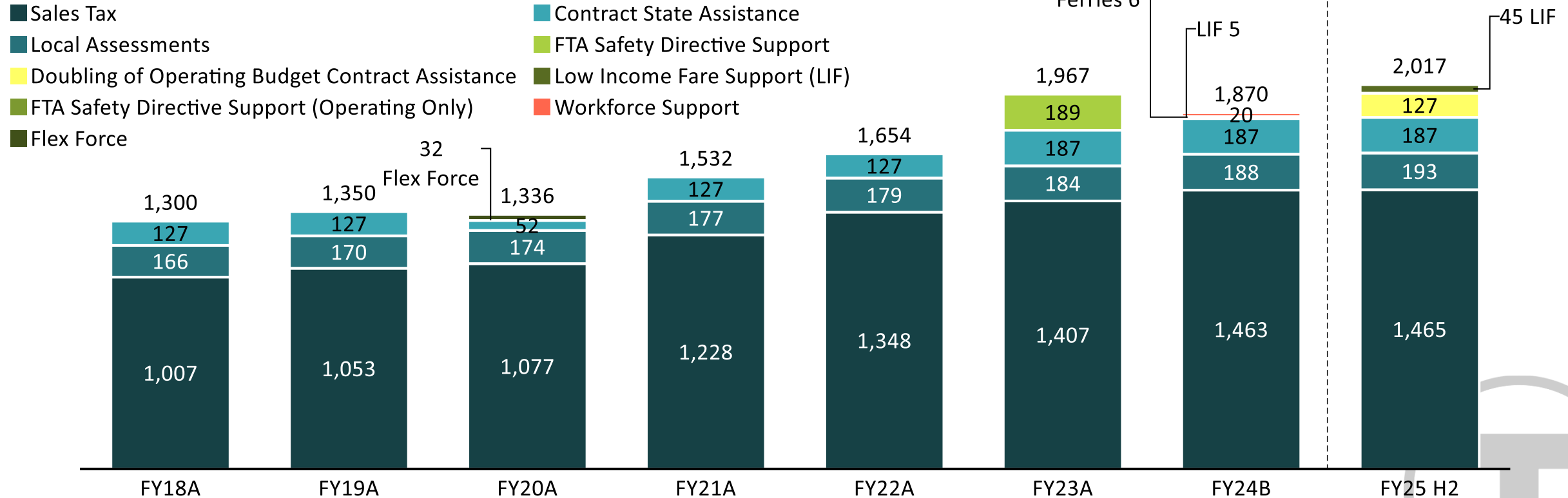
March 28, 2024

Mary Ann O'Hara

# Recap of State Support for the MBTA

- Additional state support has directly contributed to improvements in the MBTA's hiring capabilities, accelerating the completion of FTA Safety Directive, service delivery and maintenance goals, and preparing the MBTA to expand service via South Coast Rail, Bus Network Redesign and additional ferry routes

## Operating State Support

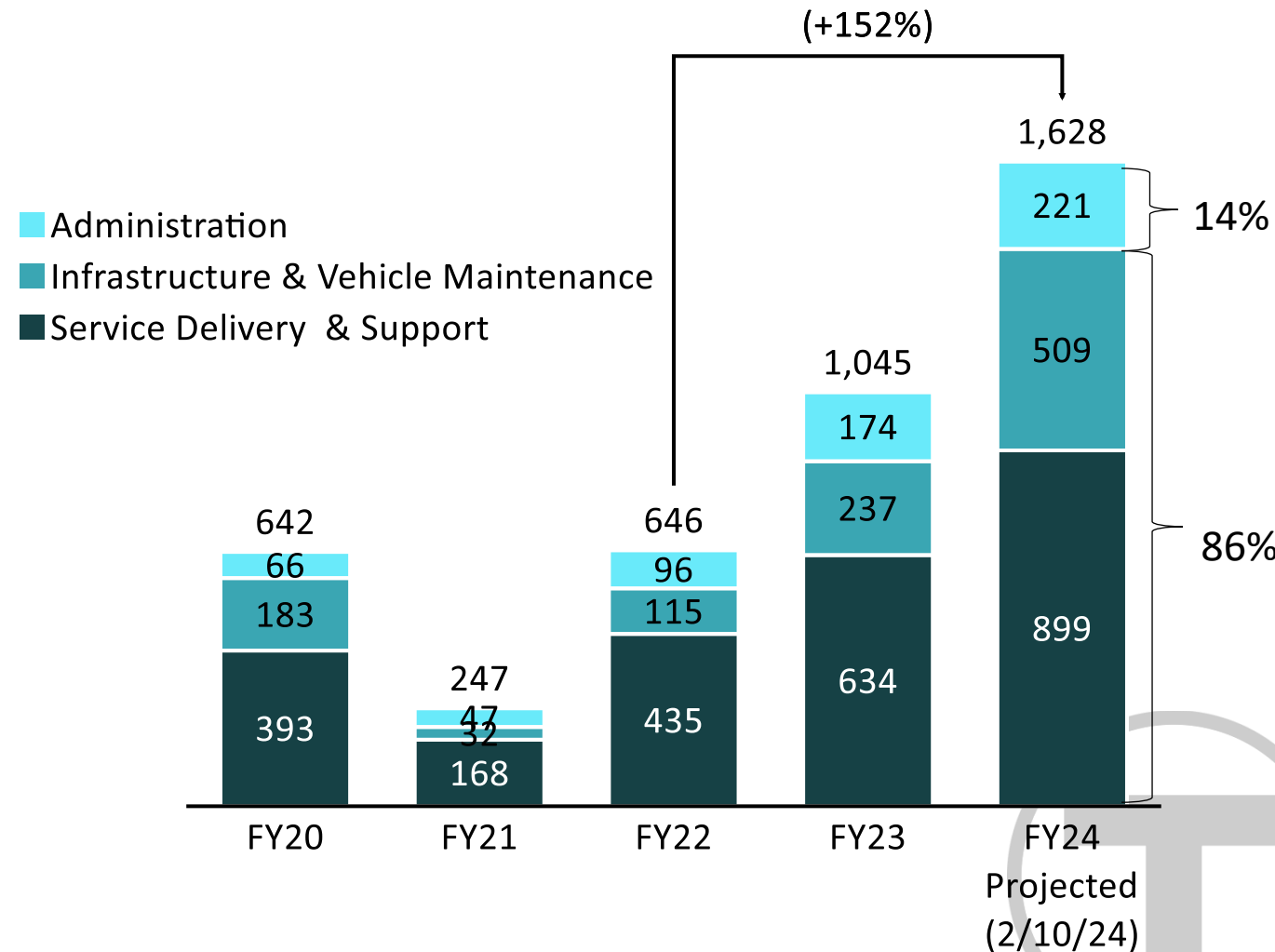


Note: State capital support is excluded from this chart. \$189M in FY23 is only the operating portion of the \$378M FTA Safety Directive Support

# State Support Accelerates HR Output by 152%

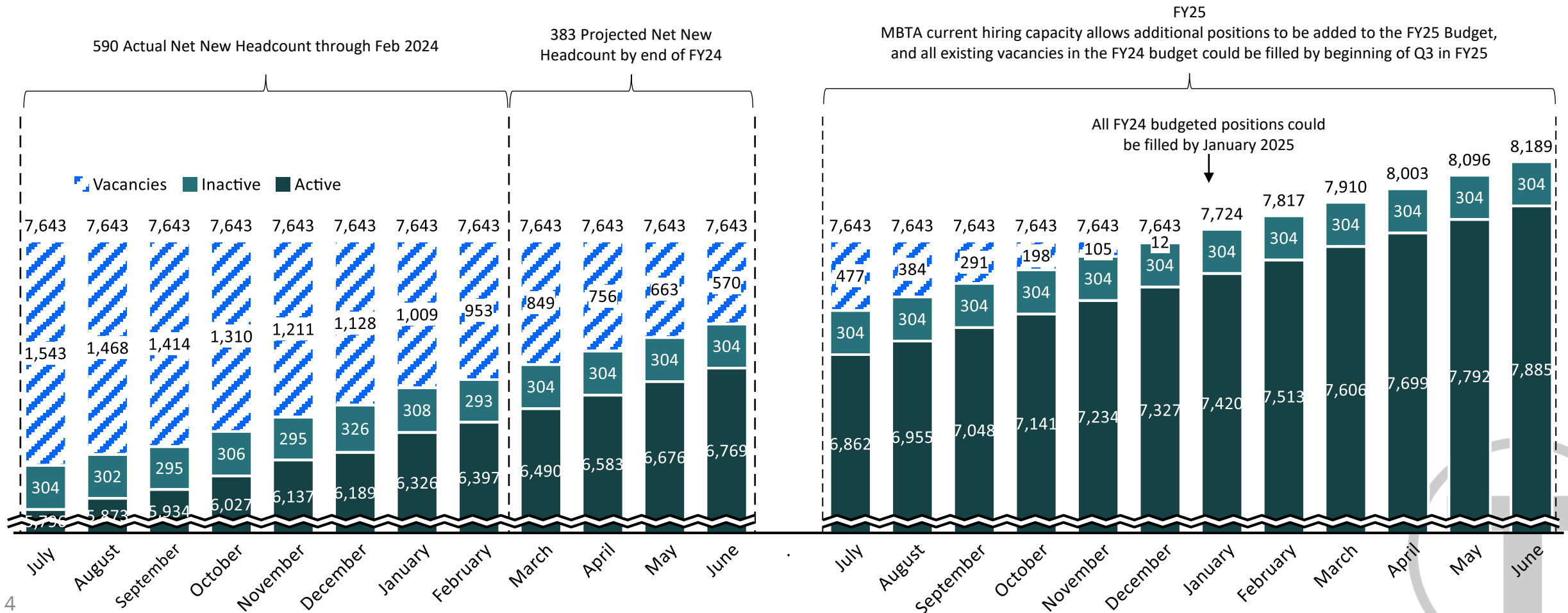
- HR Output measures the number of Promotions, External Hires and Internal Hires that occur throughout the fiscal year
- Additional State Support beginning in FY23 increased HR Output by 152% compared to years where additional state support was unavailable
- **86% of total projected HR Output is related to Service Delivery & Support, and Infrastructure & Vehicle Maintenance, directly contributing to the execution of the MBTA's safety, maintenance and service goals**
- Promotions are key to achieving MBTA service, safety and maintenance goals because internal employees, such as **Operators** and **Repairers**, must be pushed upwards into specialized roles that cannot be externally recruited, such as **Inspectors** and **Trainers**

**MBTA Output: Hires & Promotions**



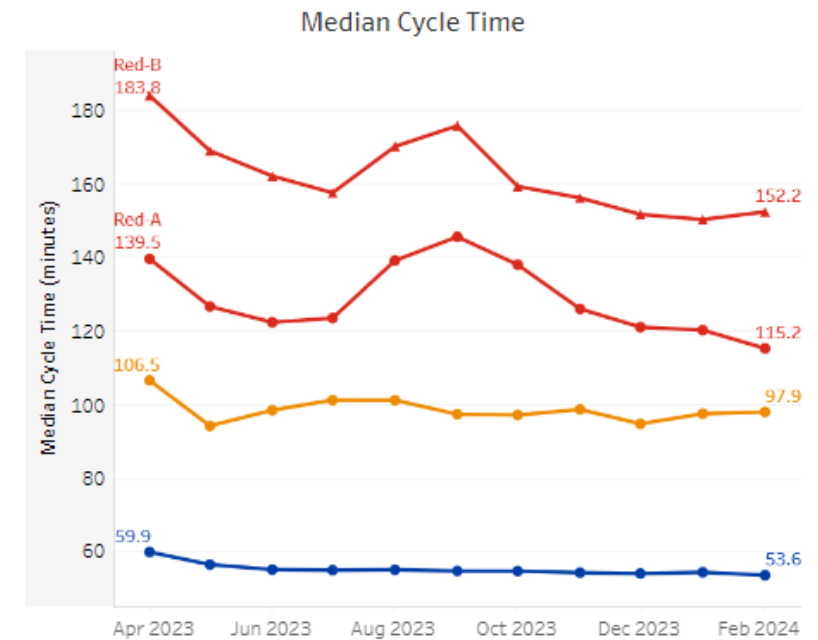
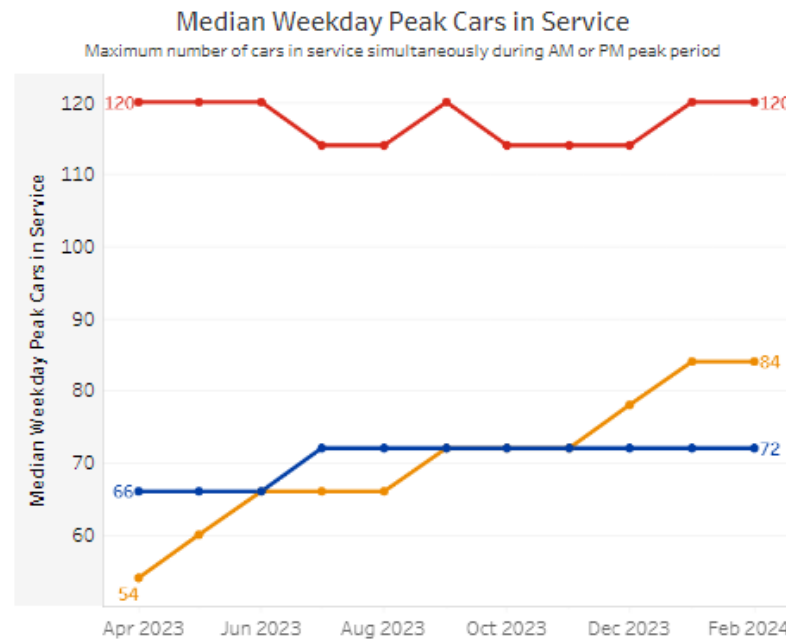
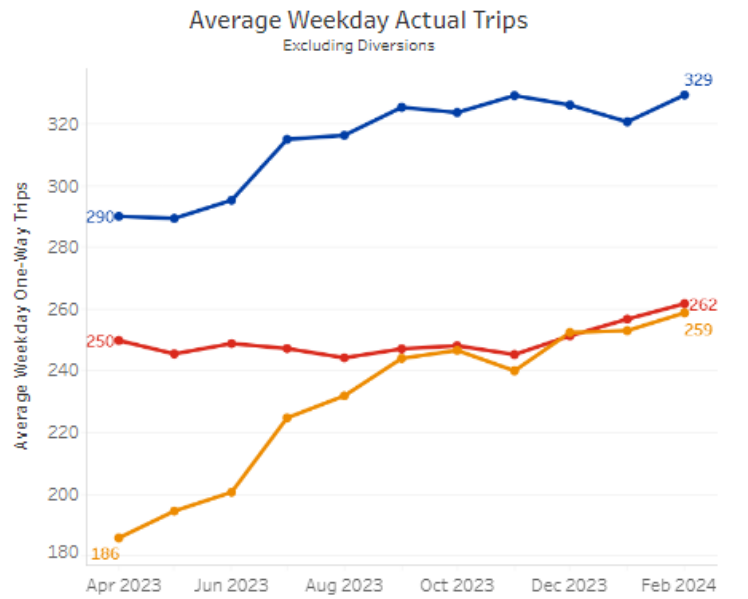
# MBTA Projected Headcount

- MBTA's hiring capacity improvements allow new positions to be added to the FY25 budget, but financial challenges to fund new hires in FY25 remain
- MBTA pace of hiring allows all existing vacancies to potentially be filled by Q2/Q3 of FY25
- Results from the Workforce Assessment will not be available until Summer 2024, and are excluded from this projection



# Additional Workforce Support Accelerates Service Improvements

- **Heavy Rail** delivered service has increased on all lines, driven by decreased cycle times from removing speed restrictions and the delivery of new train cars
- **Light Rail** delivered service will be increasing due to decreased cycle times from removing speed restrictions and increased hiring
- **Bus** reliability and service delivered began to improve in FY24 as dropped trips decreased due to historic L589 CBA agreement and increased hiring
- In FY25, service delivered is expected to continue improving on all modes



Blue Line Red Line Orange Line

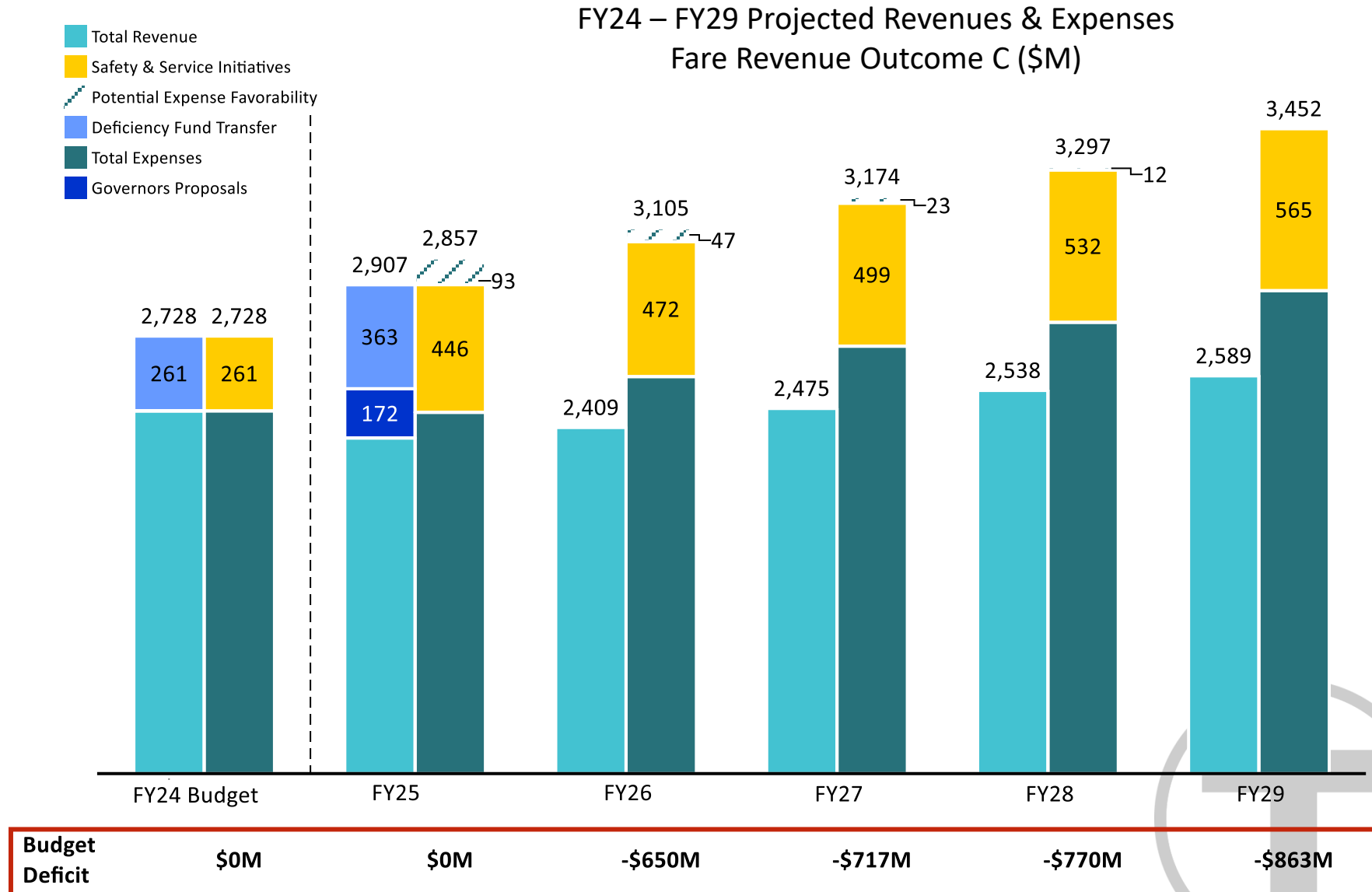
Blue Line Red Line Orange Line

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# FY24 – FY29 Pro Forma Recap

- The following actions must be taken to balance the FY25 budget
  - Fully utilize all MBTA cash reserves
  - Utilize additional revenues proposed in H2 Budget Proposal to fund Low Income Fare program and offset significant fixed price increases
  - Identify ~\$93M in savings and cost reductions
- Savings become harder to identify as hiring and track work accelerates
- Deficiency fund balance and cash reserves available in FY25 will depend on fare revenue, FY24 potential favorability, and hiring and attrition rates.
- Looking ahead to FY26 and beyond, structural budget gaps of \$650M - \$863M are projected as expense growth outpaces revenue growth, and no cash reserves will be available beyond FY25



# FY25 Budget – Next Steps

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- Identify \$93M in savings and efficiencies to balance the budget and ensure more effective use of funds
- Continue conducting hiring and headcount analyses to identify which priority positions must be added to the FY25 Operating Budget
- Begin developing the FY25 Preliminary Budget Presentation which will be presented to the board in April or May 2024
- Work with departments to ensure budget requests reflect a prioritized sequencing of projects and initiatives
- Continue engaging with the Transportation Finance Task Force and partners at the State to examine long term funding solutions and avoid the fiscal cliff in FY26



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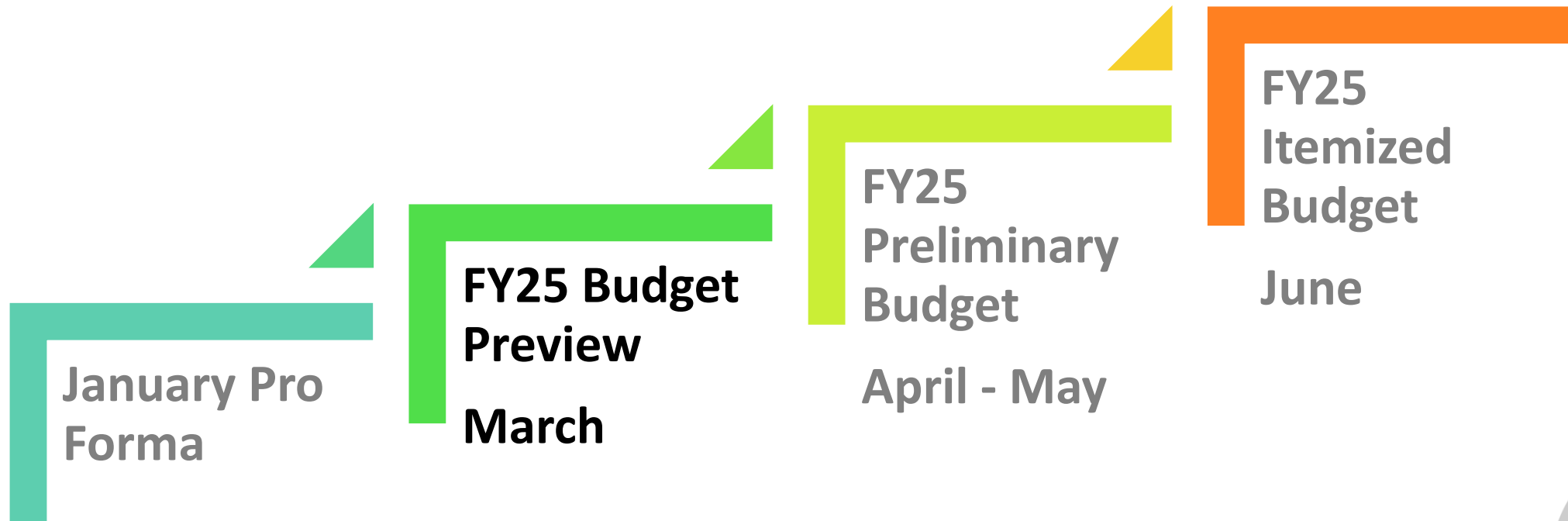
# Appendix





# FY25 Budget Presentations

- Beginning with the January Pro Forma, several budget presentations will be made to the Board prior to the approval of the FY25 budget
- Additionally, Finance has and will continue to provide quarterly updates on FY24 actual spending and revenue and variances to budget



# Recap of FY24 Major Investments & Highlights

- The FY24 budget maximized existing resources and made further investments in safety, service, and priority initiatives

## Safety

- **For operations safety**, included additional staff and new services spending to improve quality assurance, inspection, and safety assessment projects

## Hiring & Recruitment

- **Historic Collective Bargaining Agreements** in FY24 accelerate hiring and reduce attrition of front-line staff

## Bus Network Redesign

- **For Bus Network Redesign**, staffing up to initiate service enhancements and non-wage costs for additional service mileage

## Infrastructure Investments

- **Lifting speed restrictions**, the Track Improvement Program, and Signal & Power infrastructure investments

## Low Income Fares

- **Developing a low-income fare program** to support accessibility of the MBTA for lower income populations

# FY25 Budget - Priorities

## Safety & FTA Directive Work

- **Continue hiring critical operations safety staff**, to address quality assurance, inspection, and safety assessment projects

## Track Improvement Plan & Infrastructure Investments

- **Increase maintenance capacity** to lift speed restrictions and continue upgrading MBTA infrastructure to achieve a state of good repair

## Low Income Fares

- **Expanding reduced fares to income-eligible riders** to expand access and reduce cost of services. Program expected to launch summer 2024.

## Hiring & Training

- **Continue investing in recruitment, retention, and training programs** to build back to pre-pandemic service levels and address maintenance needs

## South Coast Rail

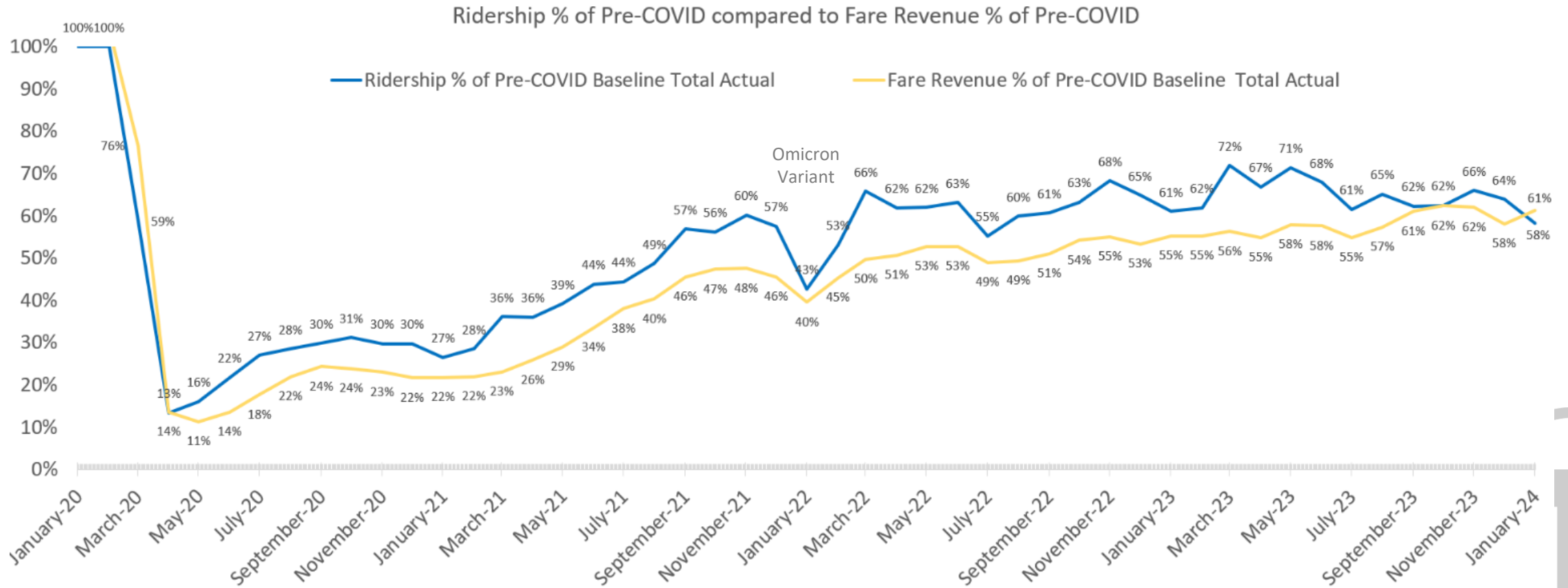
- **Prepare for passenger service** from Fall River and New Bedford in 2024

## Fare Transformation

- **For continuous improvements to the fare system** to test and launch more ways for customer to pay including contactless payments

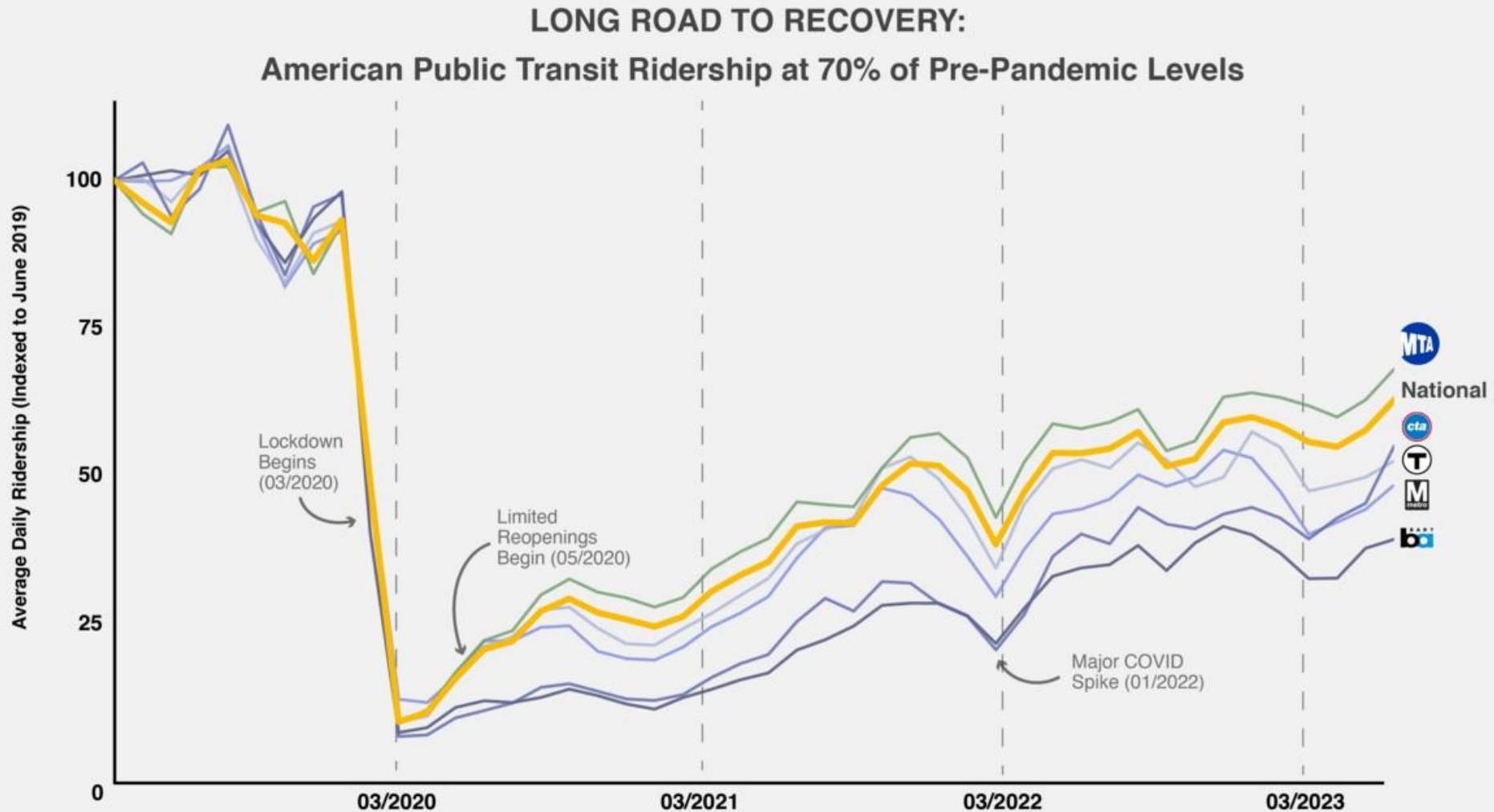
# Post-Pandemic Ridership Patterns Begin to Solidify

- Ridership and fare revenue recovery has leveled off, peaking at 72% of pre-pandemic levels for ridership and 62% for fare revenue
- FY24 Fare Revenue Averages 61% of pre-pandemic levels through January
- MBTA ridership and fare revenue trends are consistent with peer agencies, as shown on slide 15 in the appendix



# Peer Transit Agencies Show Similar Ridership Trends

*Ridership data through Spring 2023 for peer agencies*



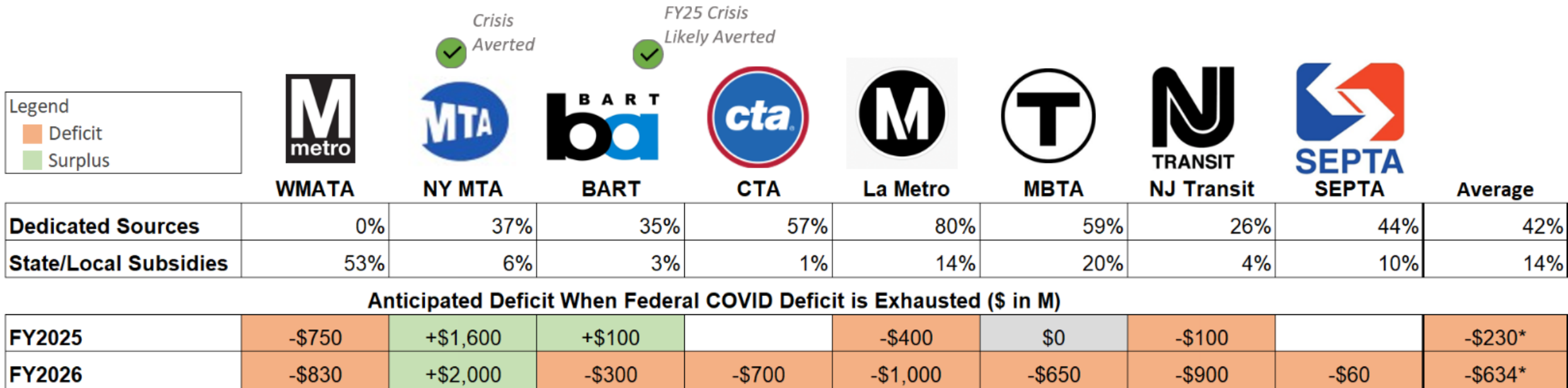
SOURCE: American Public Transportation Association |  
MTA | CTA | MBTA | WMATA | BART OpenData  
Data Indexed to June 2019.

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# Peer Transit Agencies Projected Deficits

- Peer transit agencies with significant legislative support, such as MTA, have leveraged new revenue sources such as payroll mobility taxes, fare increases, and gaming license revenue to create future year surpluses for investments in safety & service
- Agencies without legislative support, such as WMATA, are proposing up to 60% service cuts to balance their FY25 budgets
- The MBTA's FY25 Operating Budget is currently in development and the Governors proposals are a huge step in the right direction to help support ambitious safety & service investments



From WMATA Future Financial Planning FY2025-2035 presentation June 22, 2023. SEPTA Federal Relief depletes in FY2024. SEPTA using Stabilisation Fund for FY2025 and FY2026  
 CTA amount for entire Chicago -RTA region. MBTA Deficits Updated with January 2024 Pro Forma Projection (Outcome C). Based on publicly available sources as Month/Year

\*MTA outlier surplus values excluded from deficits in the 'Average' column