

2020 FMCB Annual Report

This report fulfills the requirements of Section 207 of Chapter 46 of the Acts of 2015 specifying that the MBTA Fiscal and Management Control Board (FMCB) report annually on, among other things, the Massachusetts Bay Transportation Authority's "own-source revenue, operating budget, capital plan and progress toward meeting performance metrics and targets." This final report is presented to the Legislature after five and a half years of governance by the FMCB, with just under six months left in our extended term.

2020 was an extraordinary year, marked by an unprecedented global pandemic, nationwide protests, political and racial tensions, and substantial changes in the ways we live and work. Due to the widespread adoption of teleworking and the closure of hotels, restaurants, and other sectors to slow the spread of COVID-19, MBTA ridership fell sharply. By the end of October, Commuter Rail ridership was down 87% compared to 2019, with the system carrying only 8.5% of its pre-COVID morning peak ridership. Ferry ridership stood at 12% of pre-COVID ridership, with the MBTA paying to operate 112 trips daily with an average of seven riders per trip. Ridership at gated rapid transit (subway) stations was still roughly one-quarter of pre-COVID levels. Even bus ridership, which serves our most durable, transit-dependent customers, had fallen to about 45% of the baseline by October.

This decline in ridership, of course, had significant implications for own source revenue. In November 2020, fare revenues were down 78% compared to November 2019. Parking and advertising revenues dropped in line with fares, while real estate revenues remained more stable. Not only did the MBTA suffer lost revenue, but it also incurred greater expenses to cover the costs of protecting our customers and employees. As a result of these unexpected variances, the budget deficit in FY21 would have been over \$600 million without the use of emergency federal aid. FY22 will be similarly challenged.

In response to these fiscal challenges, the MBTA began the Forging Ahead service planning process in September 2020. The FMCB worked with the General Manager and staff to optimize service. Social equity demands that the MBTA focus its available resources on those who most depend upon the MBTA for frequent and reliable service.

As part of Forging Ahead, the MBTA held an extensive public engagement process, in which Community Engagement officers collected comments from eleven virtual public meetings, online surveys, office hours, phone calls, and the MBTA public engagement email. In addition to virtual meetings, a new team of Community Liaisons conducted targeted supplemental outreach to communities and groups to ensure broad-based feedback. The FMCB also solicited input from the public through its public comment process, which introduced voicemail and online form submission options this year due to the pandemic.

While reducing service is always difficult, the FMCB is proud to have made what we believe to be the right decision about using operating and capital resources responsibly. We were

responsive to ridership trends and demand, and yet we focused on the riders who depend most on the MBTA for frequent and reliable service.

INITIATIVES

The FMCB has been proudly aggressive in its insistence on a rapid pace of change for the better. The following is a sampling of the wide variety of initiatives launched during our tenure:

Safety Review Panel Report – After a debilitating derailment on the Red Line in 2019, along with disturbing patterns elsewhere, the FMCB engaged three transportation experts to review the safety shortcomings at the MBTA. [The Safety Review Panel's report](#) found that the T is safe to ride, but many aspects of the organization's approach to safety, operations, and workplace culture were inadequate or questionable and required immediate attention. In response, the MBTA established four cross-functional working groups to address the report's 34 findings and 61 recommendations and integrate them into the agency's Safety Management System. While not every recommendation has been implemented yet, the MBTA has made remarkable progress in addressing its deficiencies and creating a workplace culture where safety is a core value.

Red and Orange Line Transformation – Prior to the establishment of the FMCB, the MBTA procured over \$1 billion in new vehicles. To accommodate the new vehicles, the MBTA established an additional \$2 billion Red/Orange Line Transformation Program for upgrading yards, maintenance facilities, stations, garages, test tracks, signals, and power to enable acceptance and maintenance of the new fleets. The FMCB has shifted the overall program directives from buying and building to achieving necessary 3- and 4.5-minute peak headway and reliability at 95% or greater on-time performance. The target for achieving and maintaining these performance targets for 25 years was initially set for 2025. However, the target has been delayed due to issues with the new vehicle production, caused by COVID-19 and other vehicle manufacturer delays. In 2020, the program delivered nearly 8,000 feet of new and renewed tracks, nearly completed the Vehicle Testing Facility at the Red Line test track, and commissioned the trial site for testing of the new signaling technology, which will begin installation in 2021.

Green Line Extension (GLX) – With more than 700 people supporting the project every day, key project milestones have been achieved, including delivery of all Type 9 Green Line vehicles, the complete reconstruction of two bridges in Somerville and Medford, completion of all 1.1 miles of the new GLX viaduct and station work commencing at all seven GLX stations. The project team continues toward achieving GLX revenue service by the end of 2021.

Green Line Transformation (GLT) – This program focuses on upgrading existing infrastructure to achieve faster and more reliable service. Additionally, the work centers around accommodating a new Type 10 vehicle. This vehicle will for the first time enable to purchase a standard vehicle. These vehicles carry the passenger equivalent of two cars, thus dramatically improving productivity and doubling capacity of this traditionally crowded system. In 2020, the program completed more than 6.5 miles of track renewal across all four branches of the Green Line.

Blue Line Transformation – The MBTA is planning for a future Blue Line Transformation program that will improve service reliability through infrastructure and fleet investments. Such investments will sustain and enhance service by investing in a modern signal system, improved power infrastructure, and other infrastructure investments, all in support of a new train fleet.

Additionally, the MBTA is working with our regional partners on strategies and investments for service resiliency in the face of storm surge and flood events. Design continues on extending the Blue Line from its current terminus at Bowdoin Station to a new connection with the Red Line at Charles/MGH. Finally, the MBTA is studying the potential for full automation of this line.

South Coast Rail – In 2020, the South Coast Rail Program awarded \$564.2 Million in construction contracts for Phase 1 to provide Commuter Rail service to Fall River and New Bedford. In addition, \$44.6M in construction was completed, which included Early Action Culverts, Early Action Bridges, and Early Action Demo. Construction on both lines commenced in 2020, and the Program is on schedule to provide revenue service by the end of 2023.

Commuter Rail Transformation – In 2019, the FMCB adopted a set of policies to transform our current Commuter Rail system into a largely electrified/de-carbonized regional/urban rail system that provides more frequent all-day service throughout the system. A Regional/Urban Rail Transformation Office has been established within Railroad Operations to oversee strategic planning for both the Transformation resolutions and the current operating contract re-procurement. The office will update service planning and perform detailed technology, fleet, and facilities studies before developing a business case for the investments required to deliver the goals outlined in the FMCB resolution. The Office will also soon be providing a roadmap to full decarbonization such that the Authority can factor this into its long term capital needs.

Bus System Transformation – The MBTA has set its course for creating a more reliable, faster, lower to zero emissions bus service that is more aligned with where riders live, work, and travel through several key initiatives, including bus procurements, bus facilities, bus network redesign, bus transit priority, and bus stop amenities. The MBTA is continuing to invest in its bus fleet by replacing old vehicles on a consistent schedule while simultaneously expanding the fleet and assessing future technologies, such as battery electric buses, to move to a zero-emissions future. It is making progress on long-awaited modern maintenance facilities that can accommodate more buses to better meet demand and that will eventually support a full fleet of battery electric buses, as well as improving the working conditions for the men and women who maintain and operate the buses. Bus Network Redesign is a complete re-imagining of the network to reflect regional travel needs and create more competitive service; this initiative will be especially important as the MBTA rebuilds its bus service after recent service reductions and changing travel patterns in a post-pandemic world. The MBTA continues to partner with municipalities and other state agencies to prioritize the movement of people instead of vehicles using bus transit priority; in 2020 alone, more than 10.7 (TBC) miles of bus lanes were built, including starting construction on the MBTA's first center-running bus lanes. Finally, the MBTA continues to improve the accessibility of bus stops and upgrade bus stop amenities, including rolling out a E-Ink sign pilot.

Fare Transformation – In December 2019, a decision was made to implement key changes to Fare Transformation based on feedback and lessons learned. In June 2020, the changes affecting the contract with the Systems Integrator were formalized. Features of this reset include a phased rollout, an achievable schedule, near-term improvements to equipment reliability, a community driven process for design of the sales network, and customer experience improvements. The new project schedule will roll out continuous improvements over a five-year period. In 2020, benefits of the project began to materialize with pilots of new fare policy, greater access to CharlieCards, improved reliability of subway gates, and tap acceptance on the Fairmount Line. By 2024, riders

will be able to board buses and Green Line trains through all doors, pay their fares using mobile devices or contactless credit cards, and tap on and transfer between all MBTA modes. The new fare technology holds particular benefits for productivity improvements in bus, surface light rail and the commuter rail system.

Positive Train Control – The Positive Train Control (PTC) system was implemented on the Commuter Rail in advance of the FRA’s deadline on December 31, 2020. PTC is a train monitoring system that will alert the engineer when it detects the possibility of either a train-to-train collision or a train that’s moving too fast along the line or through a work zone. The safety technology monitors a train’s location, direction, and speed in real time. If the crew does not respond to an alert, PTC will take over and automatically stop the train. The MBTA was formally recognized by the FRA for implementing an FRA-certified and interoperable PTC system before the statutory deadline.

Building a Better T – The MBTA has a significant backlog of projects to be designed and constructed to meet our Safety, Reliability and State of Good Repair (SGR) needs. In 2020, we focused on streamlining our processes, creating delivery efficiencies, and improving budget performance. Despite a quick transition to remote work due to COVID-19, our Project, Field and Support teams did a remarkable job in adapting and delivered \$1.7 billion worth of Capital Program in FY20, including infrastructure and station upgrades on the Blue Line, Harbor Tunnel, the Red Line, and South Shore Garages, all of which were accelerated through extended service diversions with few customer service impacts. We closed the CY20 with \$930 million in fiscal to date (FTD) 2021 Capital spend. The MBTA Capital program is tracking well to exceed our planned Capital spend target of \$1.75 billion for FY21, as we continue to take advantage of low ridership, and reduced service to move our Capital Program forward. We have built an organization that can effectively deliver on an anticipated need to continue to invest almost \$2 billion annually for the next decade.

Climate Change – The MBTA is addressing the threat of climate change on two fronts: first, by reducing our carbon footprint, and second, by making the system more resilient to the impacts of climate change. On the first front, the MBTA works to reduce our consumption of fossil fuels via good service planning where the agency operates the system more effectively and in a way that consumes less energy. The MBTA is committed to accelerating the conversion of its current diesel-powered bus and Commuter Rail services to a fully decarbonized future. The first electric bus-compatible maintenance facility will be in service by 2026, and Rail Transformation staff continues to develop a plan for the FMCB’s adopted Phase 1 Regional Rail initiative. In addition, the MBTA continues to make gains in the area of energy efficiency with over 90 projects over the past few years that have resulted in an energy reduction of 75 million kilowatt-hours and 117 million pounds of greenhouse gases. Most importantly, as of January 1, 2021, the MBTA procures 100% of its electricity from certified renewable sources, with additional renewable energy purchases underway by June 2021. On the second front, the MBTA is preparing for the inevitable impacts of extreme storms by working to complete its full vulnerability assessments by 2022; it has also identified and committed to transparent processes and reporting to turn primary threats into action plans for protection and fully integrate costs into its capital needs, capital and operating budgeting processes as well as improved operating and maintenance policies and procedures.

Strategic Planning – From Winter 2019 through early Spring 2020, the MBTA engaged in an employee-led internal planning process. The goal was to improve agency operations by addressing organizational performance issues which have interfered with our ability to execute on operational

commitments. The process allowed for the generation of a shared sense of purpose and the opportunity to critically examine areas needing further attention. Over 100 mid- and senior-level leaders spent four months in fourteen facilitated planning sessions, and nearly 6,000 employee hours were committed to this endeavor. The work to date has resulted in new vision, mission, values, and organizational priorities deeply supported by agency leadership.

Diversity, Equity, and Inclusion (DEI) – In the wake of nationwide protests demanding racial justice in the summer of 2020, the FMCB asked the MBTA to report regularly on its progress in achieving diversity, equity, and inclusion targets. In the 2020 Strategic Planning process, MBTA leadership identified equity as one of its four core values. More importantly, MBTA leadership recognized that it had significant work to do to live out this value, and investing in a more diverse, inclusive, and equitable organization became one of its three strategic initiatives. The MBTA has introduced two new DEI Executive and Employees Advisory councils and is working on an integrated DEI strategy powered by these centers of excellence. The creation of a new leadership role focused on diversity, equity, and inclusion in personnel, procurement, and policy has also expanded DEI capabilities and reach. Additionally, the MBTA is looking to expand the portfolio of workforce development trainings, promote career development and support for members of diverse communities through Employee Resource Groups, introduce an employee hotline to allow employees to share confidential complaints, and explore mentorship and supplier diversity programs.

Means-Tested Fares – The FMCB is pleased that the Legislature acknowledged the need for a means-tested fare as well as the need for a potential funding source. The MBTA and the FMCB began analyzing different methods of operationalizing a low-income fare program in summer 2019. It became very clear very quickly that successful means-tested fare programs required funding other than what is included in the MBTA's operating budget. Before the pandemic impacted the MBTA in myriad ways, the staff presented analysis on the revenue and operational impacts of implementing low-income fares. While the financial eligibility threshold introduces a wide degree of variability, estimates on the revenue impacts ranged from only \$40 to \$55 million. The FMCB also knows that there are significant operational costs based on increased trips and administrative costs for running a program with tens of thousands of enrollees. There is simply no way to fund such an effort without additional revenue. The pandemic has disproportionately impacted low-income communities and caused significant changes in ridership patterns. These changes will have a corresponding impact on the cost of a low-income fare program. At the same time, due to high unemployment, such a program could be essential to a strategy to rebuilding the Commonwealth's economy in a way that furthers racial justice. We remain ready to partner with the public, the Legislature and other stakeholders to identify sufficient funding that allows the MBTA to develop and implement a robust low-income fare program that meets the needs of our riders and advances an equitable economic recovery.

Fiscal Look Ahead – The current funding structure of the MBTA needs to be adjusted. Among other things it is incompatible with the goals of decarbonization, climate resiliency and economic justice. There are two fiscal concerns we would like to highlight: paying our increasing pension obligations and ensuring needed capital resources without debt service becoming more of a strain on the capital budget. These two forces will continue to exacerbate the difficulty that the MBTA currently experiences in keeping fares affordable and service reliable for economic justice communities and attractive to suburban motorists.

The pension issue is important not only because it is a strain on the MBTA operating budget but more importantly because the failure to reform the retirement fund for carmen and other MBTA workers could endanger critical retirement assets for the MBTA's hard working workforce. In FY17 the MBTA contribution was \$71 million, equivalent to 16% of pensionable wages. In this year's budget that figure has risen to more than \$128 million and more than 26% of pensionable wages. By FY25 the pro forma projects that the contribution could rise to \$175 million and 34% of pensionable wages. This is unsustainable and requires a fix through renegotiation of the Pension Agreement, legislation or both.

Forward Funding has been a blessing and a curse. It guarantees the MBTA a "base revenue amount" which currently exceeds more than \$1 billion annually and is automatically adjusted upward. This BRA now provides roughly half of MBTA's annual operating revenues and ensures the MBTA an excellent rating for the issuance of bonds for certain capital projects. But the MBTA is responsible for the debt service on those bonds. This year the T's capital budget is \$1.7 billion, with 21% from MBTA-issued bonds and the remainder from other state and federal sources. Debt service on outstanding bonds constitutes 23% of the MBTA operating budget, the same proportion as in FY17 when the capital outlay was only \$811 million. Our concerns is about the future. Looking ahead, debt will support a larger share of the capital program, as federal and state funding sources are spent down. A recent 5yr pro-forma from staff suggested a need to borrow up to \$3.5 billion over the next 5 years to maintain our capital investment program. Without alternate sources of revenue for capital projects, the debt service line item in future operating budgets will significantly increase. We recommend that new state, federal and other sources of dedicated revenue be found for capital improvements which will mitigate the MBTA's debt service burden. This will allow the MBTA to continue and accelerate our aggressive capital program which is key to modernizing the MBTA, supports Commonwealth reaching our climate goals and allows the MBTA to offer increasingly better service at affordable fares.

CONCLUSION

Before the pandemic, we had a transit system that had not kept up with our changing region. The FMCB set a course for more reliable service, improved accountability to taxpayers, and an investment program to make needed short- and long-term mobility improvements while also responding to the need for removing barriers to access our system, to decarbonize our operations and improve the system's resiliency to the impacts of climate change.

The pandemic has served to increase the intensity to achieve those objectives by re-enforcing the system's role to serve the mobility and health needs of environmental justice communities and essential workers and to integrate public health as additional cornerstones of our strategy.

Our goal for recovery should not be to simply return to the network we had before. We need to forge ahead, building the foundation for the transit service that will power an equitable and sustainable economic recovery for Massachusetts. While the resources needed for the MBTA to continue on its pathway are not currently in place, we hope that the MBTA's stewardship of the resources it receives, the clarity of its mission, and the support of stakeholders will combine to affect solutions.

Even with the vaccine rollout underway, we are still managing through uncertainty. We don't know with certainty when we can relax social distancing guidelines, how our fare revenue will recover, if travel patterns have changed in a more permanent way due to telework, housing, and land use changes, or the length and nature of the economic recovery. We do know who our transit-critical riders are, and we know that we need a simpler, less redundant, and more equitable system. Our decisions about how to accomplish that have been guided by principles for the future we want, scenarios using the best data we have, and robust feedback from the public.

As we look to the end of our term, the FMCB would like to make a few recommendations for the MBTA's next governing body. We have previously opined that the MBTA needs its own board of directors and that the Secretary of Transportation should be a member of the board. The hiring and firing of the GM should be the role of the Board with certain rights reserved for the Secretary. With the exception of the Secretary, the future MBTA board members shall not also serve as MassDOT board members. The position of the Secretary shall be responsible for providing interagency and intermodal collaboration from a policy and program perspective. With this understanding, we further recommend setting the number of required meetings to 18. We recommend that a Safety update be a required agenda item at every future Board meeting. We have found both practices to be useful.

We have come to believe that clear control of the board by a sitting Governor is critical to its success. We agree with the Safety Review Panel finding that at least one member be a specialist in operations and safety. We also believe that full transparency with the public is the best long-term safeguard against a relapse of pre-2015 conditions. Transparency has associated costs, but in the long term it is undoubtedly less expensive. We strongly encourage the Legislature to set in motion a plan for establishing a successor board at least 45 days before the end of the FMCB's term on June 30. A strong and coordinated transition will be helpful to all.

Finally, we are grateful to Governor Baker for appointing each of the eight directors who have served over these past five years. We thank him for his support and for the independence he granted us to do our jobs. We certainly did not perform infallibly, but our intent has always been clear: to move the MBTA toward the system that our region needs and that can stand among the great transit systems of the world. The journey continues as we pass the baton to the next board.

Appendices

- A. Forging Ahead
- B. Vision, Mission, and Core Values
- C. Fiscal sustainability
- D. Maintaining a priority list of immediate capital needs for the next 5 years and procurement and implementation plans
- E. Imposing a barrier between the commingling of operating and capital budgets
- F. Increasing own-source revenue as required by section 61 of chapter 46 of the acts of 2013 and utilizing the lease and sale of real estate assets to support the long-term health of the system and implementing value capture strategies
- G. Centralizing authority procurement and contracting, implementing best procurement and contracting practices and sharing or consolidating authority procurement and contracting with that of the department consistent with this act
- H. Planning and preparedness processes and adopting an incident command system
- I. Improving customer relations and instituting a customer-oriented performance management program
- J. Identifying and implementing best practices supporting workforce productivity and engagement and reducing employee absenteeism
- K. Reducing barriers to public-private partnerships

Appendix A: Forging Ahead

In September 2020, the MBTA began the Forging Ahead service planning process. The process was a response to the impacts of COVID-19. The dramatic decline in ridership means that the MBTA has been operating nearly empty trains, ferries, and buses. Even accounting for the need to reduce crowding and accommodate social distancing, the MBTA has been providing more service than its revenues can support, and more than its ridership justifies. Social equity demands that the MBTA focus its available resources on those who most depend upon the MBTA for frequent and reliable service. Using limited resources to operate nearly empty trains, ferries and buses is not a responsible use of the money provided to the MBTA by riders, communities, and taxpayers.

In carrying out the Forging Ahead service planning process, MBTA staff prioritized the allocation of operating and capital resources for the riders who depend most on the MBTA for frequent and reliable service. As defined in their public-facing presentations, the approved framework aimed to preserve service at or above “Service Delivery Policy” levels for all services in the “High Ridership and High Transit Critical” quadrant. (The Service Delivery Policy was approved by the FMCB in 2017 and quantifies MBTA’s target minimum acceptable service level by mode across multiple metrics, including hours of operation, frequency, and crowding.) To do this, we:

- Evaluated all internal spending to reduce expenditures.
- Assessed our capital program and reallocated a limited amount of funds from our capital budget to support our operating budget.
- Defined a core of essential transit services to prioritize and determine the costs needed to run them.

In November, we began outreach to our riders, the businesses and communities we serve, and the stakeholders who depend on the MBTA. We were seeking comment about how best to prioritize the transit services. As part of this outreach:

- We conducted ten public meetings and one public hearing, which brought together a total of 2,010 attendees.
- We contacted 266 community organizations, of which 39 organizations actively confirmed that they had shared information with their members.
- We organized 30 supplemental community meetings, 3 of which were held in Chinese and 2 in Spanish.
- We collected 3,839 comments from online forms, 407 comments from official public meetings, and 179 comments from community meetings.
- We received 1,463+ emails via public engagement email, which represented 834 individuals, as well as 569 form emails and 60 delegation letters.

The base service proposal presented in December provides:

- 85-90% of pre-COVID bus service for 41% of pre-COVID bus ridership
- 75-80% of rapid transit service for 22% of pre- COVID ridership
- 70% of commuter rail service for 13% of pre-COVID ridership

Changing service primarily by reducing service frequency will make it easier to restore service when warranted by ridership and revenue, as restoration will mainly involve increasing service frequency. Because most FY21 service changes affect frequency (rather than access or span), we can monitor ridership and know if ridership is growing to the point where additional service is needed.

Given the continuing pandemic and economic dislocation, ridership may not return to pre-COVID levels for some time. Scenario planning forecasts show that substantially lower ridership levels could well continue into the fiscal year beginning July 1, 2021. The timing of service restoration will also depend on public health guidance (including guidance on the continued need for social distancing) and the timing of the Commonwealth's post-vaccination re-opening plan.

As we bring service back, some schedules and routes will return to their pre-pandemic form, but some schedules and routes may need to be fundamentally changed (as compared to the pre-pandemic system) in order to match long-term, pandemic-driven shifts in where and how people work, learn, and receive health care. All modified service proposals are subject to Title VI Service Equity Analysis and Environmental Review.

By March 2021, we will reevaluate the FY22 outlook in terms of the factors influencing both ridership demand and state and federal funding. In terms of defining ridership demand, staff will not merely rely on current ridership numbers but will also monitor other data sources—including passenger surveys, employer surveys, roadway data, general travel data (LBS), and economic recovery planning. Planning scenarios will be refined and revised as necessary, and ridership will be compared to scenario projections to understand which scenarios most accurately predict future ridership. We will continue our outreach to riders, communities, and other stakeholders through this process

We are also actively working with our unions to assess all available options for implementing service changes and for achieving budget savings while positioning the MBTA to bring back service with its current trained and experienced workforce.

Appendix B: Vision, Mission, and Core Values

What we do

Vision: *We envision a thriving region enabled by a best in class transit system.*

Mission:

We serve the public by providing safe, reliable, and accessible transportation.

How we do it

Core Values:

Safety. *We put safety at the forefront of our work.*

Service *We aim to deliver superior service, connecting people and communities.*

Equity *We strive to treat all customers and employees fairly and consult diverse voices and perspectives in decision-making.*

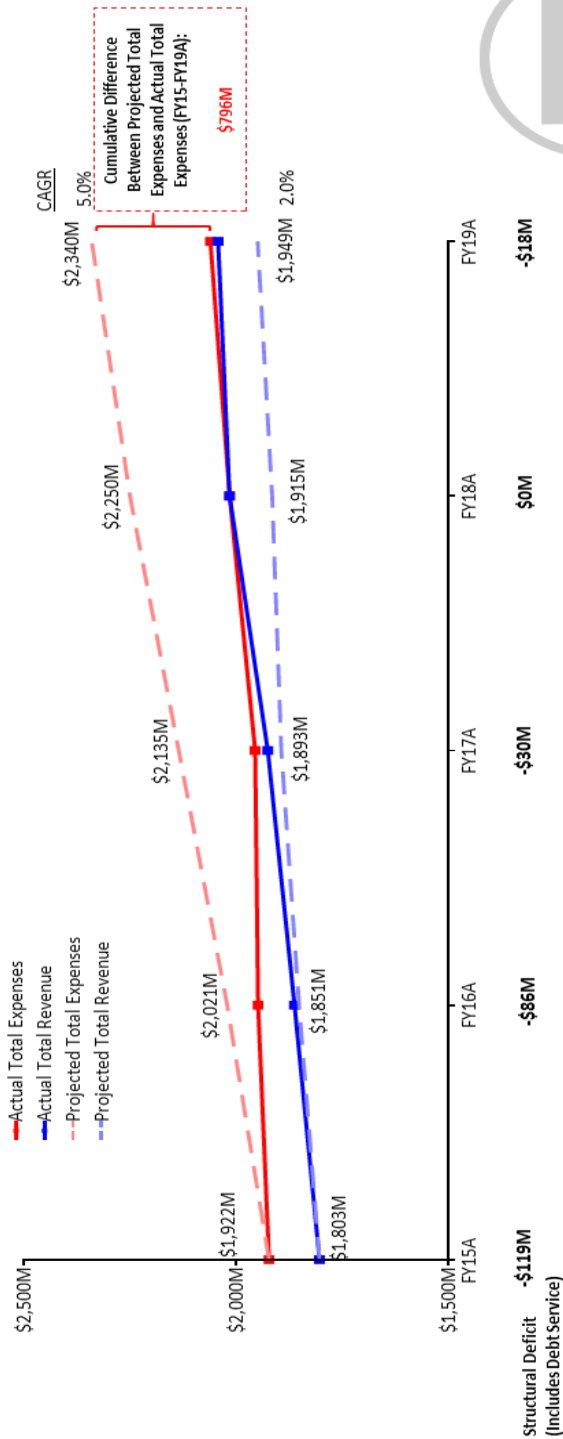
Sustainability *We invest resources wisely in solutions for our team, our communities, and our environment.*

Appendix C: Fiscal Sustainability

In 2015, the status quo Pro Forma projected a 5% cumulative annual growth rate in total expenses, leading to a \$391 million structural deficit by FY19. However, with the guidance of the FMCB, the MBTA achieved a cumulative cost savings of \$796 million, despite adding new services, and balanced the FY18 operating budget without any additional state assistance or subsidy for the first time in a decade. Core operating expense growth increased at a rate of 1.6% over the last five years, five times lower than the inflation rate over that same time period.

FY20 Operating Budget Update

FMCB actions to date have resulted in \$796M cumulative savings

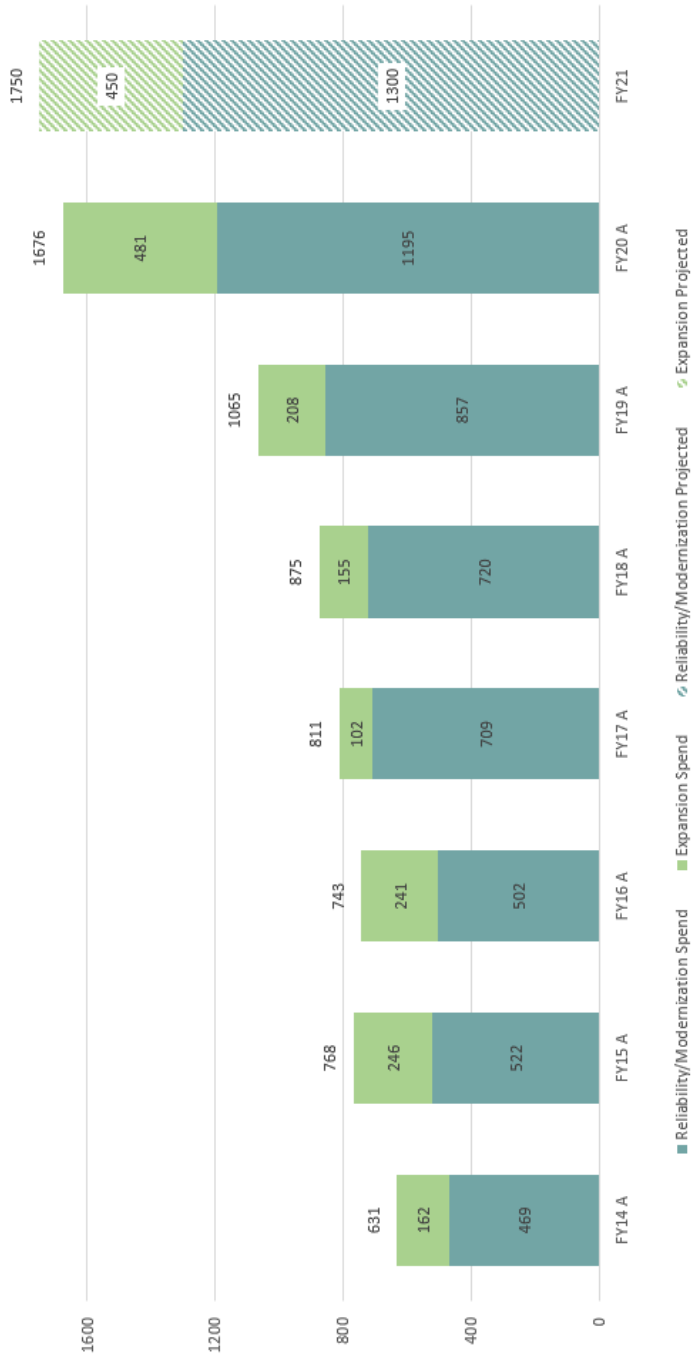


Appendix D: Maintaining a priority list of immediate capital needs for the next 5 years and procurement and implementation plans

Due to unprecedented economic challenges facing the Commonwealth and the continually evolving COVID-19 pandemic, MassDOT published a one-year CIP for FY21. The FY21 CIP builds on the previously published FY20-24 Capital Investment Plan (CIP) and continues the MBTA's focus on core system capital investments to deliver a safe, reliable, and modern transit system. The overarching goals of addressing asset condition and modernizing the system by 2032 remain the CIP's principal focus. In total, the FY21 CIP identifies \$2.4 billion in available funding sources and assigns those funds to three priorities (reliability, modernization, and expansion) and 19 investment programs. The Authority has laid out an aggressive plan for how to invest available funding while recognizing the importance of a realistic and feasible set of goals for project delivery and execution. The CIP allocates funding to high-priority programs and projects based on FMCB-approved program sizes and anticipated project cash flows. The spending target of \$1.75 billion in FY21 continues the upward trajectory of capital investment to achieve system safety, reliability and modernization goals while allowing for the development of internal and external delivery capacity.

MBTA Capital Investment by Year

MBTA Capital Investment FY2014-2021
(in millions)



Draft for Discussion & Policy Purposes Only



Appendix E: Imposing a barrier between the commingling of operating and capital budgets

January 22, 2021

Mr. Joseph Aiello, Chairperson
Financial Management Control Board
Massachusetts Bay Transportation Authority
Ten Park Plaza
Boston, MA 02116

Dear Chairperson Aiello,

The FY20 Budget (CH 154 of the Acts of 2018) amended the Massachusetts Bay Transportation Authority (Authority) legislation requiring an itemized budget by further specifying requirements for expenditures and the classification of any employee on the capital budget. The section provided that such classification be in accordance with federal funding requirements, government accounting standards, applicable state finance, and federal laws. The amended language further requires an annual review by an independent third-party auditor of the Authority's practices related to classifying employees on the capital budget. (See attached outside section 45)

In order to ensure compliance with section 45, we have enhanced procedures related to classification and review of capital personnel. These procedures included a review in the first quarter of each capital employee's work responsibilities and classification to specific projects, grant and work order sources, which funded their efforts, be they federal, state or other sources. Payroll, which is processed on a biweekly basis, is entered and approved by project managers and senior managers within the Capital Delivery and Capital Program Oversight departments. Payroll is then validated and input errors edited prior to final posting within the accounting department for proper classification. A final review of capital labor expenses occurs subsequent to posting by specific capital grant or work order, compliance with generally accepted accounting principles and funding source requirements.

The annual audit of the financial statements of the MBTA for the year ended June 30, 2020 is delayed due to the pandemic, and the FY20 financial statements are expected to be issued by January 31, 2021 with no finding of any material weaknesses. This third party independent review coupled with the enhanced internal operating procedures demonstrate our efforts in compliance with section 45 of CH 154 of the Acts of 2018. The attached letter from KPMG (our auditor) contains a summary of their engagement, procedures and observations as part of their engagement.

If any further clarification or material is needed please contact me at your convenience.

Mary Ann O'Hara
Chief Financial Officer



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January 22, 2021

Ms. Mary Ann O'Hara
Chief Financial Officer
Massachusetts Bay Transportation Authority

Dear Ms. O'Hara:

We have substantially completed our audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, of the financial statements of the Massachusetts Bay Transportation Authority (Authority), as of and for the year ended June 30, 2020, and expect to issue our report thereon by January 31, 2021.

Our audit of the Authority's basic financial statements, in accordance with generally accepted accounting principles, included various procedures related to the Authority's labor and wages including gaining an understanding of the labor and wages process, performing a substantive analytical test of labor and wages expenses as well as subjecting labor and wages capitalized as part of our overall capital asset addition detail substantive testwork. The audit procedures performed related to labor and wages as part of our June 30, 2020 audit of the Authority's basic financial statements did not identify any material weaknesses.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our audit was not designed to identify all deficiencies in internal control that might be material weaknesses. Additionally, we were not engaged to, and we did not perform any additional audit procedures related to labor and wages other than those identified above. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

N. Brock Romano
Partner

Appendix F: Increasing own-source revenue as required by section 61 of chapter 46 of the acts of 2013 and utilizing the lease and sale of real estate

Parking: In FY18, parking enforcement improvements reduced operating expenses and grew revenue. In FY19, price updates grew revenue, but offsets included major construction, expiration of third-party agreements, and past policy decisions. Covid-19 has significantly impacted parking revenues, however, the MBTA has implemented new enforcement technologies at its garages which has further reduced its operating expenses and enabled all customers to pay electronically for parking.

Advertising: Since 2017, the MBTA, through its partnership with Outfront Media, has installed more than 650 digital panels to date at no cost to the MBTA which deliver advertisements and dynamic customer information. In response to Covid-19, advertising revenues have declined and, in response, the MBTA has further developed its out of home assets which are less impacted by declines in ridership. The strategic digitization of existing outdoor advertising assets alongside roadways reaches drivers, provides useful transit and transportation information, and supports rider recovery. The MBTA will use its outdoor information panels to promote its services to vehicle traffic and drive ridership while also generating incremental revenue.

Real estate: The MBTA Real Estate department, with support from its primary Real Estate advisor, MRG, is engaged in an ongoing and proactive property portfolio review, to determine opportunities to improve operations and customer experience, to generate additional recurring revenue, and to identify and prioritize sites that are most suitable for development, irrespective of their current revenue status. In addition, MRG's website actively promotes real estate opportunities for lease or sale. As a long-term strategy, the Real Estate department seeks to extract value from properties without permanently disposing of them.

With respect to the specific recommendation of creating and populating an additional data field for each property in LandTracker, which would indicate lease or sale potential. There are over 4,200 individual parcels in LandTracker, many of which are encumbered by obligations such as easements, and most of which are MBTA right-of-way parcels that are not suitable for development. Additional data fields would not necessarily add the desired value of highlighting land that could be available for disposition.

Appendix G: Centralizing authority procurement and contracting, implementing best procurement and contracting practices and sharing or consolidating authority procurement and contracting with that of the department consistent with this act

The MBTA works with an array of partners to support operations, including human resources, financial management, procurement, information technology and communications, marketing and advertising, and real estate management. Several of these functions are managed through long-standing relationships with third-party private vendors whose focused industry expertise supports better and more efficient operations. In some cases, including commuter rail, The RIDE, ferries, and several bus routes, service delivery itself is contracted out. All Regional Transit Authorities contract out their bus operations and most out-source maintenance

One example of innovative contracting is new snow and ice removal contracts. Prior contracts for this type of work were based on an hourly rate, forcing the MBTA to own snow's unpredictability and potentially uncapped financial obligations fully. The department decided to pilot a new risk-sharing framework for snow and ice removal at bus stops on key routes and at bus and rail support facilities, allowing the MBTA to cap its risk exposure, budget accordingly for snow and ice removal, and track, measure, and adjust performance in real time. The results of the pilot were impressive: each vendor performed to the standard and continued to perform at no additional cost to the MBTA even when snowfall exceeded the 65-inch cap. In FY19, the pilot scaled up to include all 5,600,000 square feet of area that the MBTA is responsible for clearing. The MBTA received 61 invoices from contractors, an 84% reduction from FY18.

Appendix H: Planning and preparedness processes and adopting an incident command system

Over six weeks in January and February 2015, Boston experienced record-breaking snowfall totaling 94.4 inches, drastically exceeding the average snowfall of 44.3 inches per year since Logan Airport began recording snowfall data in 1936. This snowstorm brought the MBTA to a standstill and resulted in a system-wide shutdown for multiple days. In response to the closure, MBTA Operations revised the snow and ice plan, implemented an incident command base structure and Emergency Operations Center, adopted a winter resiliency investment plan, and began an after storm/event action review. Since then, the MBTA has not experienced a full system shutdown or closure.

The MBTA's winter preparation strategy now includes significant improvements to infrastructure, vehicles, management, and communications. Infrastructure improvements include procurement of additional third rail heaters, switch and trip heaters, snow fencing, switch covers, emergency power generation at facilities and sub-stations, and dewatering pumps. Vehicle improvements include procurement of non-revenue equipment such as auger snow blowers, jet blowers, snow plows, and rail borne equipment as well as procurement of revenue equipment such as spare traction motors. Management improvements include a revised snow and ice operations plan, the installation of a storm desk at the Operations Control Center, and the establishment of a winter drill and exercise training program. The MBTA's public information strategy is now more customer-centric and involves both a general awareness campaign and incident-specific awareness with actionable information. Communications tactics include the use of the MBTA website, digital screens, social media, T-alerts, in-station personnel, the call center, and printed ads.

Appendix I: Improving customer relations and instituting a customer-oriented performance management program

The Customer Experience Department is responsible for developing a consistent communications strategy for our riders and the MBTA workforce to positively affect the customer journey through the multiple touch-points customers experience on the transit system. The customer journey is influenced through communications, both directly (i.e. social media, in-station customer communications, PSAs, transit ambassadors, call center, CharlieCard Store) and indirectly through targeted community and stakeholder outreach.

Recognizing the importance of communicating directly to our employees, the Customer Experience Department publishes the quarterly employee newsletter, *Between the Lines*, produces the GM Video Series, prepares General Manager Updates and hosts TSTOP, the MBTA's new intranet for employees.

The MBTA recognized early in the COVID-19 pandemic the need to promote and communicate public health on public transportation. That was the start of Ride Safer, a campaign designed and launched by the Customer Experience Department, to educate riders and employees and shift behavior for a new way of riding on the T. Ride Safer promotes a safer travel environment through communications in our stations, on our platforms, and in our vehicles.

The Customer Experience Department consists of four teams:

- **Customer Communications** - responsible for internal and external communications, design and production
- **Social Media** - where our riders look for information and alert us of issues during their trips, and where the media looks for the latest news and announcements from the Authority
- **Customer Relations** - responsible for Issue Resolutions and the Call Center, which receives phone and website inquiries and investigates and responds to issues by riders
- **In-Station Customer Experience** - helps riders navigate MBTA stations through three units: In-Station Customer Service Operations, responsible for overseeing the activities of the Transit Ambassadors; Customer Experience Training, responsible for providing training and education for Transit Ambassadors and for the Corporate Volunteer Program and the Ideal Program; and the CharlieCard Store, the MBTA's only accessible walk-in counter operation that allows customers to apply for MBTA reduced fare media

Appendix J: Identifying and implementing best practices supporting workforce productivity and engagement and reducing employee absenteeism

When the Fiscal and Management Control Board began its term in 2015, the MBTA's operating costs were growing at an unsustainable rate, with a widening gap between projected costs and revenues. During its first five years, the board directed and oversaw a variety of productivity initiatives and cost control measures aimed at reigning in costs, improving productivity and setting the MBTA on a course to fiscal sustainability, while simultaneously improving service and investing in the system.

The MBTA has explored and/or implemented outsourcing initiatives, business enterprise software overhaul, business process redesign, and revenue initiatives to control costs and enhance employee productivity with mixed success.

Appendix K: Reducing barriers to public-private partnerships

On November 4, 2019, the FMCB approved a series of resolutions related to bus and rail transformation. One of these resolutions called for the legislature to adopt Governor Baker's transportation bond bill to ease restrictions on public-private partnerships.

The recently signed version of the Transportation Bond Bill makes critical investments in our system. The bill provides \$300 million as a direct capital transfer to the MBTA and includes funding for South Coast Rail, Green Line Extension, and South Station improvements. Outside sections of the bill, such as fare decriminalization, Job Order Contracting, bus lane enforcement, and adverse possession, provide flexibility for the MBTA to improve the system even further. However, it did not include language related to public-private partnerships.