OLD BUSINESS
6-14-10

MEMORANDUM

TO: Board of Selectmen

FROM: Jackie Shanley, Confidential Secretary

DATE: June 2, 2010

RE: Appointing a representative to the MBTA Advisory Board

At its meeting held on 5/24/10, the Board asked that I find out how often the MBTA Advisory Board meets.

The MBTA Advisory Board only meets when it has a request for a supplemental budget or various miscellaneous matters arise. Meetings are 3 or 4 times per year maximum and are held at the Transportation Building, Ten Park Plaza, Boston, 90% of the time.

They had P. Rogers listed as the Town's designee, but also have Marsha Brunelle as Chairman.

FINAL REPORT
TO THE MBTA ADVISORY BOARD

MBTA FISCAL YEAR 2011 BUDGET REQUEST

Submitted by the

MBTA Advisory Board Finance Committee

June 07, 2010

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June 07, 2011

FINANCE COMMITTEE MEMBERS

John Buckley, Sr.
Abington

Richard Creem
Needham

Vineet Gupta
Boston

Robert Guttman
Beverly

Richard Leary
Brookline

Joseph Melican
Dover

Joan Meschino
Hull

Jane O'Hern
Newton

ADVISORY BOARD STAFF

Paul Regan
Executive Director

Brian Kane
Budget and Policy Analyst

Deborah Gaul
Executive Assistant

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PREFACE

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

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

The committee also acknowledges the invaluable budget analysis the Advisory Board staff has provided in preparation for this report.

Dedicated to the memory of

Marcy Crowley
1923 - 2010

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Statement of Revenue and Expense

Moved: That the Massachusetts Bay Transportation Authority's fiscal year 2011 budget of total revenues of $1,621,700,706 and total expenses of $1,621,700,706 be ratified by the MBTA Advisory Board, and that this budget be based on the statement below.

REVENUE	FY09 Actuals	FY10 Budget	FY11 Budget Request
Operating Revenues			
Revenue from Transportation	448,751,949	453,447,330	451,167,000
Other Operating Revenue	58,002,689	72,874,489	67,406,967
Total Operating Revenue	**506,754,638**	**526,321,819**	**518,573,967**
Non-Operating Revenues			
Dedicated Local Assessments	146,486,060	150,148,212	150,148,212
Dedicated Sales Tax	767,056,684	767,019,551	767,019,551
Other Dedicated Revenue	0	160,000,000	160,000,000
Other Income	26,167,562	23,261,170	25,958,976
Total Non-Operating	**939,710,306**	**1,100,428,933**	**1,103,126,739**
TOTAL REVENUES	**1,446,464,944**	**1,626,750,752**	**1,621,700,706**
EXPENSES			
Operating Expenses			
Wages	402,881,583	400,613,524	396,331,319
Fringe Benefits			
Pensions	47,724,676	53,960,414	58,507,137
Healthcare	109,528,356	115,676,142	113,734,455
Group Life	1,546,281	1,469,482	1,462,012
Disability Insurance	62,333	63,820	60,256
Workers' Comp	9,819,754	10,820,897	10,820,897
Other Fringe Benefits	212,009	290,414	290,414
Total Fringe Benefits	**168,893,409**	**182,281,169**	**184,875,171**
Payroll Taxes			
FICA	30,271,460	30,673,688	30,320,393
Unemployment	2,544,780	911,274	1,168,764
Total Payroll Taxes	**32,816,240**	**31,584,962**	**31,489,157**
Materials, Supplies and Services	172,911,308	183,805,352	187,368,831
Casualty and Liability	14,923,435	15,535,693	15,435,693
Purchased Commuter Rail Service	273,461,652	280,956,341	300,511,485
Purchased Local Service Subsidy	67,737,669	81,525,339	95,706,262
Financial Service Charges	4,368,625	5,157,569	5,157,569
Total Operating Expenses	**1,137,993,921**	**1,181,459,949**	**1,216,875,486**
Debt Service Expenses			
Interest	238,051,078	266,965,765	258,987,553
Principal Payments	84,634,312	157,325,038	128,019,218
Lease Payments	19,093,168	21,000,000	17,818,449
Total Debt Service Expenses	**341,778,558**	**445,290,803**	**404,825,220**
TOTAL EXPENSES	**1,479,772,479**	**1,626,750,752**	**1,621,700,706**
Net Revenue	**(33,307,535)**	**0**	**0**
Deficiency Fund	**16,000,000**	**0**	**0**
Capital Maintenance Fund	**17,307,535**	**0**	**0**
NET Revenue in Excess of Expenses	**0**	**0**	**0**
Fare Recovery Ratio	39.4%	38.4%	37.1%
Revenue Recovery Ratio	46.8%	46.5%	44.7%

1. BUDGET OVERVIEW

On March 3, 2010 the Massachusetts Bay Transportation Authority (MBTA) presented its fiscal year 2011 budget to the MBTA/MassDOT Board of Directors. On that date the Board approved the Budget and submitted it to the MBTA Advisory Board. The FY11 budget contains a structural imbalance of over $230 million; and only achieves balance through the restructuring of $67.9 million in debt, and receipt of $160 million in contract assistance from the Commonwealth's recent sales tax increase.

A year ago the Legislature passed and the Governor signed Chapter 25 of the Acts of 2009. Commonly known as transportation reform, this act included a series of measures intended to radically alter the way transportation services are delivered in Massachusetts and save millions annually through efficiencies. Indeed, multiple members of the Massachusetts House and Senate predicted annual savings of up to $325 million through reorganization and reform.[1] This act changed the way the MBTA's annual budget is scrutinized. Whereas in the past MBTA staff prepared the budget and submitted it to the Advisory Board months in advance for a thorough, independent review; this year the budget was submitted and approved by the new MassDOT/MBTA Board of Directors on the same day.

Nevertheless, the MBTA Advisory Board has gone through its usual and extensive review of the annual budget. Its Finance Committee met three times with senior Authority mangers to question departmental assumptions, policies, and performances. Furthermore, Advisory Board staff have combed through the request and the myriad of backup information to ensure that some independent, public oversight takes place over this multi-billion-dollar public expenditure.

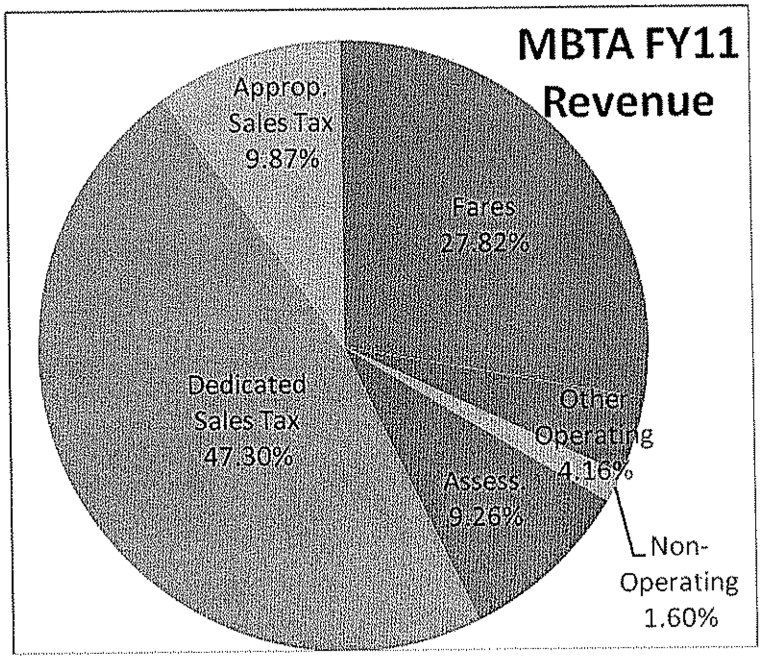
A. Revenue

REVENUE	FY10	FY11	D $	D %
Fares	453,447,330	451,167,000	-2,280,330	-0.5%
Other Operating	72,874,489	67,406,967	-5,467,522	-7.5%
Non-Operating	23,261,170	25,958,976	2,697,806	11.6%
Assessments	150,148,212	150,148,212	0	0.0%
Dedicated Sales Tax	767,019,551	767,019,551	0	0.0%
Appropriated Sales Tax	160,000,000	160,000,000	0	0.0%
TOTAL	1,626,750,752	1,621,700,706	-5,050,046	-0.3%

For the most part FY11 revenue is flat or below FY10 budget amounts. It is likely that this gap will increase when FY10's book are closed, as YTD revenue for this fiscal year is trending downward. For the first seven months of FY10 (July 1, 2009 – Jan. 31, 2010) YTD fare revenue was $10 million below projections, other operating revenues were $6.2 million below budgeted projections, and non-operating revenues were $10.5 million below projected amounts. These

[1]See: http://stanrosenberg.com/uploads/transportation_bill_summary.doc, http://www.soniachangdiaz.com/node/191, http://www.senatoreldridge.com/press-releases/200/senate-passes-transportation-reform-bill, http://willbrownsberger.com/index.php/archives/1651, http://www.stevenbaddour.com/contents/61, etc..

losses are not insurmountable, however, they do place the flat or declines in FY11 versus FY10 budgeted amounts in perspective.

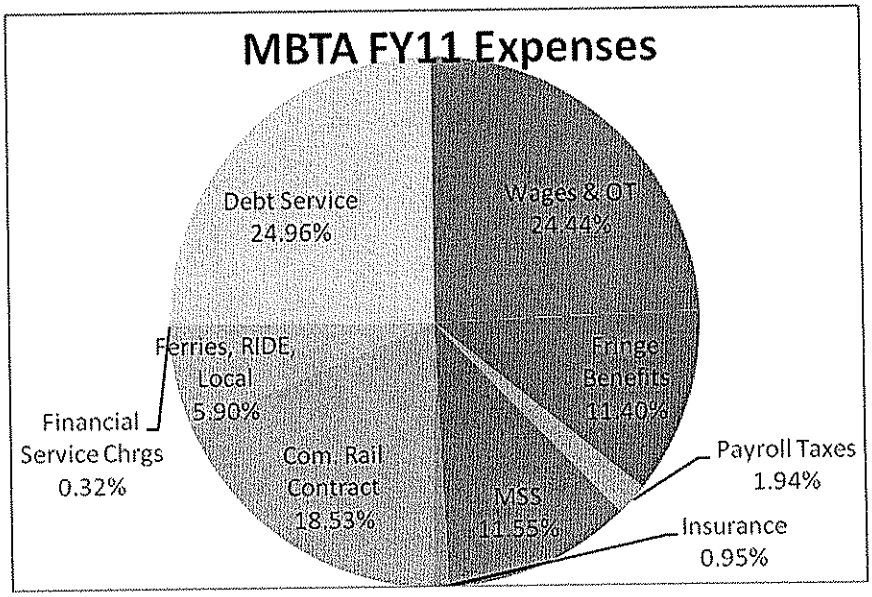


Government subsidies (assessments, dedicated sales tax, and appropriated sales tax) make up roughly two-thirds of all Authority revenue while system generated revenues (fares, operating and non-operating) account for the remaining third. The one area of growth in revenue is in non-operating revenue, due to an increase in federal formula funds available for operating. However, this increase in federal operating assistance must be offset by an equal decline in federal capital assistance.

B. Expenses

EXPENSES	FY10	FY11	Δ $	Δ %
Wages & OT	400,613,524	396,331,319	-4,282,205	-1.1%
Fringe Benefits	182,281,169	184,875,171	2,594,002	1.4%
Payroll Taxes	31,584,962	31,489,157	-95,805	-0.3%
MSS	183,805,352	187,368,831	3,563,479	1.9%
Insurance	15,535,693	15,435,693	-100,000	-0.6%
Com. Rail Contract	280,956,341	300,511,485	19,555,144	7.0%
Ferries, RIDE, Local	81,525,339	95,706,262	14,180,923	17.4%
Financial Service Chrgs	5,157,569	5,157,569	0	0.0%
Debt Service	445,290,803	404,825,220	-40,465,583	-9.1%
TOTAL	**1,626,750,752**	**1,621,700,707**	**-5,050,045**	**-0.3%**

Most increases in the FY11 budget are from contractually obligated items such as the fixed commuter rail and RIDE contracts. The slight increase in Material, Supplies and Services (MSS) is driven by contractual utility increases of less than 3%. The biggest decrease in costs is, once again in debt services (-9.1%). However, while some of these reductions are due to refinancing that will result in savings due to lower interest rates; the majority is from a restructuring that will increase the life of the loan. Anyone with a mortgage knows that the longer the loan the greater the long-term expense.



C. The Review Process

The finance committee met three times to consider the Authority's FY11 budget. Staff of the MBTA, including the CFO, deputy budget director and numerous department heads met with the committee to present their departmental budgets and answer questions. As in past years, the finance committee was provided all of the requested budget review materials and additional information, and would like to thank the Authority for the timeliness and quality of those items.

2. DISCUSSION

American public transportation is in crisis. Its infrastructure is aging, and has not been maintained adequately for at least the past 20 years. The great recession has constrained tax collections at all government levels, choking off subsidies for public transportation. While revenues decline, fixed expenses for labor, fringe benefits, utilities, and other costs continue to rise- seemingly oblivious to revenue pressures. A survey of American public transportation provided conducted by the American Public Transportation Association (APTA) in early 2010 found that 84% of providers had recently cut service or raised fares or were preparing to do so.[2] The United States faces a national crisis in this sector without a national solution.

Incredibly, the MBTA is faring well compared to its peers, although this is largely due to its ability to mask its budget woes through debt restructurings. In the FY10 State budget the Legislature increased the Authority's subsidy amount by raising the statewide sales tax. At the same time, parallel reform legislation has realized some savings in MBTA operations ($2 million

[2] http://www.apta.com/resources/reportsandpublications/Documents/Impacts_of_Recession_March_2010.pdf

because of the partial transfer to the GIC). Nevertheless, the MBTA faces a structural deficit of at least $67 million in FY11 which is once again is solving by elongating its debt loans- resulting in greater costs for the next generation in order to purchase yet so-called balanced budget now.

A. Revenue

The MBTA, like all major American public transit systems is financed through a combination of system generated revenues and government subsidies. System generated revenues are categorized as operating revenues and non-operating revenues. In FY11 system generated revenues will account for 33.58% of all MBTA revenues and government subsidies 66.42%.

Operating revenues include bus, subway, commuter rail, ferry, school, senior and paratransit fares, as well as revenue from parking fees, trackage payments from other railroads, payments from MassPort under partnership agreements, intermodal facility rents/lease payments, rents from concessionaires in MBTA facilities, and proceeds from contracts with the advertising industry

Non operating revenues include interest earned on Authority cash accruals, proceeds from land sales, non-capital federal funds for preventative maintenance, and reimbursements from utility companies related to the Authority's own power generation and consumption.

The MBTA is subsidized by the Commonwealth and by the cities in towns within the MBTA service district. Under 2000 Forward Funding legislation the Authority receives 20% of all sales tax receipts collected state wide (1¢ of the 5¢/$1.00 tax). Under the Commonwealth's FY10 budget, it also receives a flat $160m in expected annual appropriations through the annual budget. These funds are derived from a 1.5¢/$1 increase in the state-wide sales tax. The FY11 dedicated and appropriated sales tax amounts are equal to the FY10 amounts.

The MBTA's municipal partners also subsidize it via the payment of assessments. Assessment amounts are calculated annually by the State and set by the Authority under formula. For the first time in many years the overall assessments subsidy the Authority receives from cities and towns is level funded.

Total revenue is budgeted to decrease by 0.31% over FY10 budgeted amounts, a reduction of $5,050,046.

<u>Operating Revenue</u>

Operating Rev.	FY10 Budget	FY11 Budget	Δ $	Δ %
Fares	453,447,330	451,167,000	(2,280,330)	-0.5%
Advertising	12,250,000	10,658,804	(1,591,196)	-13.0%
Parking	41,177,368	34,823,602	(6,353,766)	-15.4%
Concessions/TRA	15,598,984	17,815,911	2,216,927	14.2%
Trackage	1,226,137	1,183,650	(42,487)	-3.5%
MassPort/Mobility	2,622,000	925,000	(1,697,000)	-64.7%
Other	0	2,000,000	2,000,000	
Total	526,321,819	518,573,967	(7,747,852)	-1.5%

Operating revenues will decrease by $7.75 million (-1.50%) against the FY10 budget. Of this amount parking will experience the largest decrease. In FY10 a parking rate increase took effect, whereby the price to park at all MBTA lots increased by $2. It appears that this increase was too much, and many commuters have chosen to park elsewhere. Coupled with this, as unemployment remains stubbornly high, the number of commuters with jobs to commute to appears to have decreased. Nevertheless, it is apparent that the MBTA must re-asses its parking policy and perhaps re-align its pricing and adjust its pricing structure to fit local conditions and needs, rather than applying one blanket pricing structure across the entire service district. Such a strategy may increase the number of cars using its lots, thereby increasing revenue even if the amount of money per car is lower. Furthermore, the T must move update its current parking payment method beyond shoving currency into a payment bow, and move to a more 21st Century method with some form of electronic payment- ideally via the CharlieCard, Fastlane Transponder or other method.

It is also troubling to see declines in costs shared with MassPort and via the much vaunted Mass Mobility Compact. Indeed the Mass Mobility budget line item is zeroed out in the FY11 budget, a decline of $1.575 million.

Non-Operating Revenue

NON-OPERATING	FY10 Bud	FY11 Bud	Δ $	Δ %
Interest Income	3,016,320	1,490,190	(1,526,130)	-50.6%
Property Sales	4,641,300	4,400,000	(241,300)	-5.2%
Federal Formula Funds	10,000,000	12,000,000	2,000,000	20.0%
Utility Reimbursements	3,203,550	3,296,304	92,754	2.9%
Rebates, structured leases, etc.	2,400,000	4,772,482	2,372,482	98.9%
TOTAL	23,261,170	25,958,976	2,697,806	11.6%

Non-operating revenues are budgeted to increase by $2.7 million (11.6%). The bulk of this increase is due to an increase in federal formula funds available for operations. However, it must be noted that this use of federal funds for operating is offset by an equal decrease in federal funds for capital costs. Revenue from gas rebates, structured lease income and other similar enterprises will also increase by over $2.3 million in FY11 (98.9%). However, these increases are tempered by a decrease in interest income (-$1.53m) brought about by low interest rates nationwide.

Subsidies

SUBSIDIES	FY10 Budget	FY11 Budget	Δ $	Δ %
Assessments	150,148,212	150,148,212	0	0.0%
Dedicated Sales Tax	767,019,551	767,019,551	0	0.0%
Appropriated Sales Tax	160,000,000	160,000,000	0	0.0%
TOTAL	1,077,167,763	1,077,167,763	0	0.0%

State and local government subsidies are level funded. Assessment and dedicated sales tax amounts have been certified by the Commonwealth. The dedicated sales tax amount is included in the Massachusetts FY11 budget in all versions (House, Senate and Governor), and is expected to pass intact.

B. Measures of Efficiency

Efficiency Measures	FY10 Budget	FY1 Budget
Fare Recovery Ratio	38.4%	37.1%
Revenue Recovery Ratio	46.5%	44.7%
NOIPM	$0.341	$0.364

Fare Recovery Ratio

Fare recovery ratio is a measure of how much subsidy is required to pay for the costs of providing public transportation services [Fare Revenue ÷ Operating Costs]. It is a measure of how much of a passenger's trip is covered by the fare they pay. The ratio is calculated by dividing total fare revenues by operating expenses (not including debt service). A high fare recovery ratio means that fares are high compared to costs. A low fare recovery ratio means that costs are high compared to fares. The MBTA has no statutory policy for fare recovery ratio target. Under this budget the Authority's fare recovery ratio is 37.1%, down from 38.4% in FY10.

Revenue Recovery Ratio

Recovery ratio is a more expansive measure of efficiency in that it takes all system generated revenues into account as a measure of operating costs. By including parking fees, advertising proceeds and other revenue the Authority realizes by virtue of operating public transportation services, revenue recovery ratio is a more accurate measure of how much of a trip is paid for by non-subsidy sources. Revenue recovery ratio is calculated by dividing operating revenue by operating cost (not including debt service) [Operating Revenue ÷ Operating Costs]. The higher the revenue recovery ratio the higher amount of operating costs paid by users of the system. The April 2000 report of the MBTA Blue Ribbon Committee recommended the MBTA aim to achieve a revenue recovery ratio of 50.0%. In this budget the Authority's revenue recovery ratio is 44.7%, down from 46.5% in FY10.

Net Operating Investment Per Passenger Mile (NOIPM)

NOIPM is another measure of efficiency. It is calculated by subtracting all operating revenue from operating expenses and dividing this figure by annual passenger miles traveled [(Operating Cost – Operating Revenue) ÷ Annual Passenger Miles]. The result is expressed as a dollar amount which represents the amount of subsidy required to move a passenger one mile. Conversely, $1.00 minus the NOIPM is the amount the amount of system generated revenue money required to move a passenger one mile. The lower the NOIPM the higher the ratio of fares to operating costs. The lower the NOIPM the less the amount of subsidies required to move a passenger one mile. To significantly change a NOIPM score fares must increase and costs remain the same, or fares remain the same and costs decrease. Under the MBTA's enabling legislation (MGL CH 161A, sec 11) the MBTA is supposed to achieve a NOIPIM score of $0.20, and do so by maximizing non-fare revenue. Given that it is impossible to calculate annual passenger miles in advance it is not possible to calculate NOIPM at the start of a fiscal year. However, the MBTA budget documents suggest that in FY11 it plans to provide 1,870,943,800 passenger miles. This suggests a NOIPM score of $0.364, compared to an FY10 score of $0.341 for the same number of passenger miles.

C. Operating Expenses

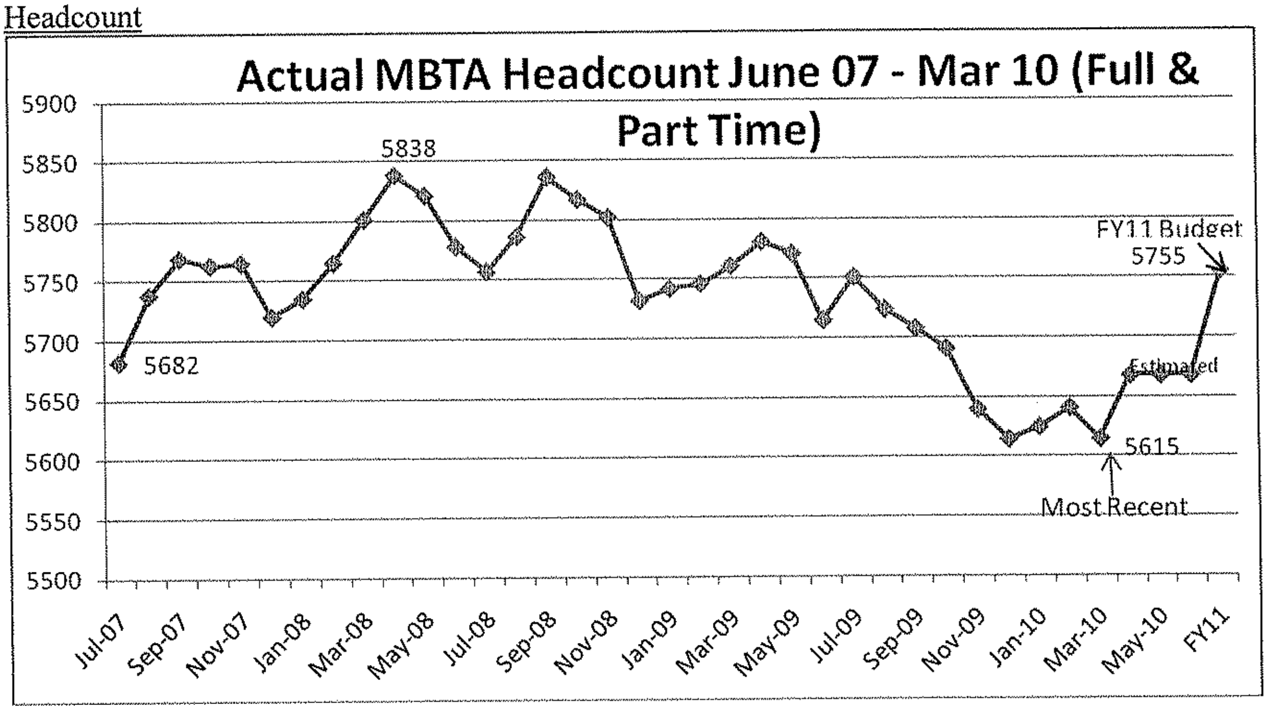
Wages

WAGES	FY10	FY11	Δ $	Δ %
Straight Time	382,870,166	378,612,038	(4,258,128)	-1.11%
Overtime	17,743,358	17,719,282	(24,076)	-0.14%
Total Wages	400,613,524	396,331,320	(4,282,204)	-1.07%

In total wages are budgeted to decrease by $4.28 million (-1.07%). Firstly, there are almost no wage increases built into this budget. The MBTA's largest union, Local 589's contract expires at the end of FY10 and it is not expected that a new contract will be forthcoming for at least another year. At that time, as the MBTA experienced in 2009, a retroactive pay increase for FY11 is expected, the costs of which must be born in a future budget. This budget does include $2.3m for contractually obligated and negotiated pay increases for several unions. For the 5th year in a row non-unionized MBTA employees will not receive any pay increases.

Once again the committee applauds the Authority's budget office for its continued efforts to shift employees from the capital to the operating budget. The long term benefits of this are self-evident.

Headcount



The Authority's wage line-item savings are due to reductions in its headcount. It projects $6.6m in wage savings from the elimination of 111 positions due to a shift to single-person train operation on the orange line, a decrease in the number of inspectors on the blue line, and a reduction in the number of customer service agents (CSA) staffing subway stations at off-peak times. The committee applauds this effort, and looks forward to the shift to singe car operators on the red line and further CSA reductions. However, it also notes that as of March 2010 the MBTA's non-capital, full and part time headcount is near its all time low, at 5615. Even with the 111 position reduction, the FY11 budgeted headcount figure will increase to 5755, an increase of 140 positions. The committee would have preferred a more aggressive strategy to not-fill these slots. Had only half of these positions been budgeted (70), the FY11 wage savings would have increased by an additional $4.3m, for a total FY11 savings (including the 111) of over $10 million.[3]

<u>Overtime</u>
The FY11 overtime budget will decrease by $24,076 (-0.14%). The committee notes a large overtime budget decreases in the Systemwide Modernization (AFC) department, as well as a small decrease in the money room. Small overtime increases are included in the budget for the Operations Support and System Maintenance (SMI) departments. The committee notes and applauds the absence of any increase in the overtime budgets for the bus, subway, or police budgets.

<u>Fringe Benefits</u>

FB	FY10	FY11	Δ $	Δ %
Pensions	53,960,414	58,507,137	4,546,723	8.43%
Healthcare	115,676,142	113,734,455	(1,941,687)	-1.68%
Group Life	1,469,482	1,462,012	(7,470)	-0.51%
Disability Insurance	63,820	60,256	(3,564)	-5.58%
Worker's Comp	10,820,897	10,820,897	0	0.00%
Other FB	290,414	290,414	0	0.00%
Total Fringe Benefits	182,281,169	184,875,171	2,594,002	1.42%

The promise of the reform legislation was major savings in this area in particular. Effective Jan 1, 2010 non-unionized MBTA employees shifted to the Massachusetts Group Insurance Commission. This shift of less than 250 employees netted savings in the FY11 budget of $1.94 million. As union contracts expire the Legislation requires, and the Authority expects to shift its entire workforce to the GIC within the next 5-7 years. Once this is complete, the Authority expects $31 million per year in savings to its healthcare line item.[4]

The GIC saves money by virtue of its size. With over 300,000 subscribers it can bring economies of scale to bear in negotiations with providers and realize incremental savings that even organizations as large as the MBTA never could. Furthermore, the GIC also shifts more costs onto its subscribers in the forms of higher co-pays and deductibles than the MBTA did, as it was required to negotiate plan changes with its unions as part of contract negotiations. This means that some of the savings come from pushing costs onto the workforce- a not uncommon practice in the private sector. However, unlike the private sector the MBTA's unionized workforce enjoys the benefit of binding arbitration. This sets up the all-too likely scenario where an arbitrator will seek to make the T's union's whole for their out-of-pocket expenses by

[3] The MBTA uses an average per capita savings of $59,043 for budgetary purposes.
[4] J. Davis remarks to MBTA AB Finance Committee 5/12/10

granting large wage increases as part of its next contract. Some committee members have expressed fears of 9% wage increases being granted as part of the next contract. Such an increase ($34m extra based on the FY11 amount) would wipe out any savings from joining the GIC. Clearly such a scenario was never intended under the Transportation Reform legislation, and yet the scenario retains enough likelihood to merit vigilance on the part of all who care about public transit in Massachusetts.

Pensions

The pension line item can be subdivide into 6 categories relating to employee retiree/compensation plans. Each sub-plan is the result of past negotiations between the Authority and various parties. The largest segment of the pension line item its contribution to the so-called "Main Fund". This fund is privately administered, and governed by a board of directors with representation both MBTA management and labor. The Board's by-laws dictate that at least 2 management and 2 labor votes are required to make any decision. It is the principal retirement vehicle for most MBTA employees. Every year the MBTA makes a contribution to this fund as part of its budget. The amount to be contributed is determined by the Main Fund board, based on an independent actuarial study. This study, as stipulated in the 589 contract and under applicable state and federal laws, considers the fund's assets, number of subscribers, anticipated number of subscribers and a host of other factors. The actuary determines how much the fund requires and the MBTA is responsible for 73% of this amount, with employees being responsible for the remaining 27%. These payments represent the employer and employee contributions to the employee's retirement, a common practice in the both the private and public sectors.

In addition to the main fund, the MBTA also makes contributions to the police plan, an executive deferred compensation savings plan, and a Medicare supplement plan. Such plan, like the main plan, are regulated by contracts between the Authority and either collective bargaining units or individual employees.

One of the reforms enacted as part of last year's legislation was a change to the MBTA's retirement rules. In the past the pension fund allowed any member with 23 years of service, regardless of age, to begin collecting an early pension. The legislation forbids this practice, and mandates that the minimum scenario to receive any pension by 55 years of age plus 25 years of service. This change has had not impact on this year's operating budget, but should begin to show some savings in 15 years when those employees who were eligible to retire after 23 years will be forced to wait an additional 2 years to do so.

Payroll Taxes

PATROLL TAXES	FY10	FY11	Δ $	Δ %
FICA	30,673,688	30,320,393	(353,295)	-1.15%
Unemployment	911,274	1,168,764	257,490	28.26%
Total Payroll Taxes	31,584,962	31,489,157	(95,805)	-0.30%

MBTA employees are eligible for social security, Medicare, and Medicaid and the Authority makes FICA payments as required under state and federal law. The decrease of $353,295 is due to the reduction of 111 positions as described in the wage discussion. Unemployment costs are budgeted to increase by 257,490. The Authority's unemployment triggers are: end of temporary employment, lay-offs, medical light duty classification, disqualification by the clinic, suspended employees not returning following their suspension, resignation for medical reasons beyond the employee's control, and/or subsequent employment. Massachusetts employees can collect for a total of 79 weeks.

Other Operating Costs

OTHER OPERATING	FY10	FY11	Δ $	Δ %
Materials, Supplies and Services	183,805,352	187,368,831	3,563,479	1.94%
Casualty & Liability Insurance	15,535,693	15,435,693	(100,000)	-0.64%
Commuter Rail Contract	280,956,341	300,511,485	19,555,144	6.96%
Ferries, RIDE, Local Service	81,525,339	95,706,262	14,180,923	17.39%
Financial Service Charges	5,157,569	5,157,569	0	0.00%
TOTAL	566,980,294	604,179,840	37,199,546	6.56%

Materials, Supplies, and Services

This line item includes costs for postage, copier rental and supplies, utilities for MBTA property, contract cleaning, rent for 10 Park Plaza, uniforms plus gasoline, diesel, CNG, traction electricity, and jet fuel for all MBTA revenue vehicles it directly operates. The committee is pleased to see reductions versus FY10 for costs related to postage and photocopiers. It notes that most other costs increases are for utilities for Authority property or operations. It is the committee's hope that FY11 does not experience the volatility in fuel prices experienced in year's past.

Casualty & Liability Insurance

These costs is budgeted to decrease by $100,000 due to hard negotiations by the Authority as it took advantage of the economic downturn to seek better rates from its brokers. Kudos.

Purchased Commuter Rail Services

The MBTA does not directly operate its commuter rail services, instead it contracts with a third party- Massachusetts Bay Commuter Railroad to do so for them. In January 2010 the MBCR was amended to extend the MBCR contract to July 2013. This extension also included certain increases to part of the contract for items such as wage increases for railroad personnel, and increased fuel costs. The contract also mandates that MBCR perform certain maintenance and capital construction duties on behalf of the MBTA. Such cost increases explain the $19.55m (6.96%) cost increase in this line item.

Ferries, RIDE, Local Services

This line item includes the cost to provide The RIDE, commuter boat service, private carrier bus service and local bus service. Like the commuter rail contract, third parties provide these transportation services to the MBTA under contract. The largest segment of this line item is for the RIDE- the MBTA's paratransit service. The RIDE contract was re-bid last year effective July 1, 2010 and will continue through the end of fiscal year 2013. Providing such services are incredibly expensive- and are also among the fastest growing types of trips provided by the MBTA. The RIDE contract stipulates increases annually. These increases were negotiated by the Authority and its providers as part of the completive bid process. Almost all of the increase in this line item is driven by these contractual increases for the RIDE.

The budget for private carriers (Winthrop, Canton, Medford, & Hull) is level funded at its FY10 amounts. Also level funded are the subsidy amounts for those suburban buses (Bedford, Beverly, Burlington, Dedham, Lexington, and Mission Hill). The budget for ferries is down slightly. Discussions with MBTA senior managers suggest that the Authority has no plans in the near term to eliminate ferry service.

Financial Service Charges

This level funded line item relates to the charges credit card companies charge the Authority every time a customer uses a credit-card to purchase goods or services from the MBTA. This line item also includes the fees the MBTA sometimes pays its financial advisors to advise it on its many complex debt and other financial transactions.

C. Debt Service

DEBT SERVICE	FY10	FY11	Δ $	Δ %
Interest (All)	266,965,765	258,987,553	(7,978,212)	-2.99%
Principal Payments	157,325,038	128,019,218	(29,305,820)	-18.63%
Lease Payments	21,000,000	17,818,449	(3,181,551)	-15.15%
TOTAL	445,290,803	404,825,220	(40,465,583)	-9.09%

FY11 is only balanced because $67.9m in debt principal payments were restructured. This means that the principal actually due this year (excluding leases) was $454.9m. By restructuring these debts to ensure a payment (excluding leases) to $387m the Authority was able to forgo paying this $67.9m and thus, on paper, achieve a balanced budget. The MBTA did not save $67.9 million dollars; instead it has forgone paying this amount of money. It still must pay this money back, ultimately at a great cost in increased interest payments. **For all intents and purposes the FY11 budget is balanced because we have asked our grandchildren to pay our loans back for us**. There is absolutely no generational justice, nor fiscal sense in doing this. Once again we have sacrificed fiscal prudence, lower long-term costs, and doing the right and just thing for political expediency and short-term gain.

If the interest rate on the $67.9m in deferred payments is a conservative 3%, then in the next year alone this deal will cost the Authority an additional $2.04 million. Over the next decade this deal could end up costing over $23.4 million

For far too long the MBTA has relied on debt restructuring to balance its books on paper while increasing its long term costs for all of us. The MBTA is mired in a structural deficit that will only increase until the point where it has no more principal to restructure. At that point the structural deficit will become an actual deficit- except the problem will be all that much worse because of the accrued interest the T will still be responsible for at that point due to its past restructurings.

3. CONCLUSION

The Transportation Reform legislation is still being implemented at the MBTA, and yet it has already born some savings. No one, however, can be satisfied with the pace of these reforms or the amount of savings that can be attributed to the MBTA's bottom line. Furthermore, the amount of oversight is simply unacceptable under the new system. This $1.6 billion budget, financed with over half a billion in tax payer money, was presented and approved by the new MassDOT board on the same day without any public comments, suggestions or oversight. Furthermore, for the first time since the days of the Boston Elevated, the cities and towns that contribute substantially to the operation of public transportation in Massachusetts had no say in how their citizen's tax dollars were spent.

Many eyes make for good public policy- and millions in savings. For instance, as discussed in section 2 part B the committee believes there is scope for many millions in savings through further reductions in the FY11 headcount. It is likely that if the Advisory Board retained its approval and cutting powers, we would have cut the FY11 budget wage line item by a further $4.3 million plus related cuts to fringe benefits and payroll taxes to keep the headcount down. Heaven knows that the MBTA can use all the savings its can get, and such savings certainly would be in keeping with the spirit of the reform legislation.

The reform legislation is threatened by the upcoming binding negotiation between the Carmen's Union and the MBTA. Undoubtedly, the union will seek retroactive wage increases for its members to cover what are sure to be out-of-pocket cost increases related to joining the GIC. Any such wage increases granted by an unaccountable arbitrator goes against the spirit of the reform legislation and indeed undermines it by potentially eliminating any savings achievable. The legislature must act to protect this important reform by passing meaningful reforms of the binding arbitration process itself.

On the revenue side, it is clear that the MBTA's got it wrong when it hiked its parking fees by $2 across the board recently. (This increase, coincidentally, was needed to pay for a binding arbitration award.) While the Authority realized more revenue from charging more, it seems to have left lots on the table by driving away so many customers by charging too much. The Advisory Board understands, perhaps better than anyone outside of 10 Park Plaza, the financial difficulties of the MBTA. But, we believe that instead of a broad brush increase across all MBTA lots, perhaps a more targeted, variable pricing structure taking into account local needs conditions, and micro-economies may yield the best of both worlds- increased revenue and increased use of MBTA parking facilities.

Finally, on debt the MBTA must stop its practice of balancing its books on the backs of the next generations. Structural deficits are unacceptable and will force the T and the State to accept the obvious- we cannot afford the system we currently operate with the financing and cost structures we have in place. If this forces fare increases or service cuts, or a new source of subsidies then so be it- at least it is this generation of citizens, those who enjoy the benefits of public transportation, who will be bearing the burden of such decisions. The way things are going now we are deciding for our kids and grandkids the burdens they must bear while enjoying the benefits. It is nor fair and must stop. The MassDOT Board should adopt a policy for all its divisions immediately abolishing the practice of debt restricting to balance budgets- this will force us to live within our means and hopefully begin addressing the myriad of problems within our transportation network that remain to be addressed.

The MBTA Advisory Board

MBTA Advisory Board Meeting
9:30 am
June 7, 2010
State Transportation Building
10 Park Plaza, 2nd Floor
Conference Room 1
Boston, MA

AGENDA

1. Call to Order

2. Approval of the Minutes

3. Executive Director's Report

4. Report on the "Next Stop-The Future of Transit" Summit

5. Finance Committee Report on FY2011 MBTA Budget

6. Nominating Committee

7. Other Business

8. Adjourn

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www.MBTAADVISORYBOARD.org info@mbtaadvisoryboard.org

MBTA Advisory Board Meeting
October 29, 2009

The MBTA Advisory Board meeting was held on Thursday October 29, 2009 at 9:30 a.m., Conference Room 1, at the State Transportation Building in Boston.

Member communities present (31): Acton, Belmont, Beverly, Braintree, Brookline, Cambridge, Cohasset, Concord, Dover, Framingham, Hanover, Hingham, Hopkinton, Hull, Ipswich, Lexington, Lincoln, Marblehead, Medford, Melrose, Newton, Quincy, Salem, Stoneham, Swampscott, Topsfield, Waltham, Wayland, Wellesley, Westwood, Whitman and Winchester.

MBTA Advisory Board staff present: Paul Regan, Executive Director, Deborah Gaul, Executive Assistant, and Brian Kane, Budget & Policy Analyst.

Approval of the Minutes
Mayor Cohen entertained a motion to accept the minutes of the September 1, 2009 meeting. The motion was made and seconded and the minutes were accepted with the necessary corrections.

Executive Director's Report
Paul Regan presented his report. Mass DOT will have their first Board of Directors meeting on Monday, November 2nd. To date the new Mass DOT board members have not been named. The MBTA Advisory Board will attend the meeting. Paul Regan has met with the incoming Secretary of Transportation about the future role of the Advisory Board and was gratified to hear that they are looking forward to working with us. We are refilling legislation asking for the reinstatement of our powers. There we will a newly formed MBTA caucus, a group of legislators from the MBTA district and the Advisory Board will be working with them to garnish support for the reinstatement of the powers of the Advisory Board. This will be a long term project. The D'Alessandro report is due out but the Advisory Board has not seen an advance copy. The South Shore communities had invited him to attend this meeting, but he was unable to attend. Based on prior conversation between Paul Regan and Mr. D'Alessandro the report will be very realistic. The …..list is finally out; it was due out in July 2009 and came out last week. The lion share goes to highways, but there are some transit projects. The vote is taking place at the Boston MPO meeting which is also today.

Finance Committee's Report on the MBTA FY 2010 Budget
Paul Regan gave the report. The MBTA Board of Directors in October approved a budget transfer request to close FY2009. The request asks to move $1.9M from the wage line item to the payroll tax line item, which is over budget. Due to the cost of Unemployment expenses related to the layoff of 72 regular and special project workers at the MBTA last Spring, and a FICA calculation of $500,000 based on the implemented

arbiters agreement. The wage line item for which the transfer is coming from exceeded the budget by $8.6M after a midyear supplemental budget request of $53.8M to fund the arbiters binding arbitration. The arbiter found that the MBTA owed two years retroactive 3% raise for FY2009, and a 4% raise for FY2010. The MBTA funded this by taking the funds out of their reserve accounts. Although revenues were short by $24.2M, it was a reflection of non-fare and fare revenue shortfalls. To make up for this unanticipated shortfall the MBTA restructured their debt generating $26M. Between the funds generated from the debt restructuring plus the overage in the wage line item, the MBTA ended up taking less out of their reserve accounts than anticipated. This restructuring pushes the MBTA's debt down the line, making the long-term debt problem that the Advisory Board has been focusing on for the last five years, worse instead of better.
The MBTA needs oversight to have someone to advocate for their needs and to call out the shortfalls of a system that finances the transportation for 1.1M commuters in the metropolitan area.

Mayor Cohen entertained a motion to approve the request. The motion was moved and seconded.

Daniel Salvucci of Whitman

Other Business
Mr. Charles Chittick of Hingham spoke about his handout and the Town of Hingham being concerned about the viability in the MBTA water born service would be in danger from Quincy, Hull and Hingham. Should further service cuts be made the boat service would be in danger. The boat service has been in service since 1975. The subsidy for the boat service is 50% of the subsidy that is provided for the Greenbush Line passengers. Furthermore, if other sources of revenue were included that subsidy to the riders of the boat would be substantially less. The Town of Hingham would like to get Mr. D'Alessandro to review the boat service and give it consideration. Mr. Chittick is requesting support of the Advisory Board members to submit the information to Mr. D'Alessandro's committee and assist the communities affected.

A motion was made and it was seconded.

Marcy Crowley of Wayland stated that Mr. Chittick idea has great merit and suggested that to not compare it to Greenbush since it has strong merits and can stand on its own.

Mr. Chittick amended his request.

Joan Meschino of Hull suggested that to make the letter stronger that we should send a letter from Hull that the Ferry Boats are an important part of the MBTA role in Greenhouse gas solutions and its environmental impacts benefits. The letter could be provided that was sent to the MBTA by Hull's Town Planner.

A vote was taken on the motion that was amended by the Advisory Board membership. The vote passed.

Richard Leary of Brookline advised members that the next meeting of the Advisory Board is October 29, 2009 and expect to receive a final transfer request from the MBTA in connection with the 2009 budget. There will also be a further report on the PMT. There will also be a report from the subcommittee that was established today to develop strategies for the transportation reform legislation.

Walter Sullivan of Melrose asked for updated analysis on actual expenses versus the budget from the MBTA where they stand with the budget before the meeting.

Jonathan Davis stated that the MBTA would provide the information to the Advisory Board office for the membership.

Dann Chamberlain of Groton suggested the Advisory Board membership make a motion to send a letter to the Governor and Legislature regarding the removal of Mr. Grabauskas as the former General Manager of the MBTA. He asked for a motion that stated: "given the present financial condition of the MBTA the Advisory Board feels that it was highly inappropriate to squander nearly a third of a million dollars for a political buyout of an employee who was performing satisfactorily".

The motion was moved and seconded and up for discussion on the motion.

Laura Wiener of Arlington stated that she would not vote on the motion until she had more information.

Walter Sullivan recommended that we move against the current motion/proposal. It would be getting the Advisory Board involved in areas that we don't have complete information. It is also not the purpose of the Advisory Board to comment on actions involving personnel.

Richard Leary requested that Paul Regan comment on the motion.

Paul Regan stated that our Chairman (Mayor Cohen) acting in his role as Mayor of Newton had a letter published discussing his views on the General Managers' dismissal and strongly endorsed the performance of Mr. Grabauskas. The letter was published before the MBTA Board of Directors took their action.

Mr. Leary stated that his has been on the Advisory Board for many years and the Board has never gotten involved in such an issue. He asked if Mr. Chamberlain wanted to withdraw his motion?

Mr. Chamberlain stated that he still wanted a vote.

Anthony Mastrandea of Norwood wanted to remind us that Advisory Board is taking some action on the diminished responsibility that the Advisory Board will have with the new reform bill. He advised the Advisory Board to vote no on the motion on the floor.

Paul Connolly of Quincy asked for a ruling from the Chair since he feels the motion is out of order and we should not be voting on matters as personnel at the MBTA.

Richard Leary stated that the duties and the responsibilities of the Advisory Board are clearly spelled out in the statute. The issue/motion before us is not covered in the statute. He stated that he would let the motion stand and let the Advisory Board take a vote.

Frank Chin of Watertown urged Advisory Board members to vote negatively on the motion. We are in the process of forming a subcommittee to define what role the Advisory Board will have once the transportation legislation begins. He sees not upside for the Advisory Board to take this kind of action in a statement. He recommended that the members vote against it.

Richard Leary asked for a show of hands on members wanting further discussion on the motion.

Mr. Chamberlain requested that his motion be withdrawn from the floor.

Motion was made to adjourn and seconded. The meeting closed at 11:00 a.m.

Jacqueline Shanley

From: Deborah Gaul [dgaul@mbtaadvisoryboard.org]
Sent: Thursday, June 03, 2010 2:15 PM
To: Deborah Gaul
Subject: FW: MBTA Advisory Board Meeting, Monday, June 7, 2010
Attachments: MBTA Advisory Board Meeting October 29, 2009.docx

Advisory Board Members:
In your correspondence/packet that was emailed to you yesterday there was a bad copy of the October 29, 2010 minutes. This email reflects the correct copy of the minutes. I apologize for any inconvenience.

MBTA Advisory Board Meeting
October 29, 2009

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MBTA Advisory Board staff present: Paul Regan, Executive Director, Deborah Gaul, Executive Assistant, and Brian Kane, Budget & Policy Analyst.

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Finance Committee's Report on the MBTA FY 2010 Budget
Paul Regan gave the report. The MBTA Board of Directors in October approved a budget transfer request to close FY2009. The request asks to move $1.9M from the wage line item to the payroll tax line item, which is over budget, due to the cost of Unemployment expenses related to the layoff of 72 regular and special project workers at the MBTA last Spring, and a FICA calculation of $500,000 based on the implemented arbiters agreement. The wage line item exceeded the budget by $8.6M after a midyear supplemental budget request of $53.8M to fund the arbiters binding arbitration. The arbiter found that the MBTA owed a two year retroactive 3% raise for FY2009, and a 4% raise for FY2010. The MBTA funded this out of the reserve accounts. Revenues were short by $24.2M, it was a reflection of non-fare and fare revenue shortfalls. To make up for this shortfall the MBTA restructured their debt, generating $26M. Between the funds generated from the debt restructuring plus the overage in the wage line item, the MBTA ended up taking less out of their reserve accounts than anticipated. This restructuring pushes the MBTA's debt into the future, making the long-term debt problem that the Advisory Board has been focusing on for the last five years, worse instead of better.
The MBTA needs oversight to have someone to advocate for their needs and to call out the shortfalls of a system that finances the transportation for 1.1M commuters in the metropolitan area.

Mayor Cohen entertained a motion to approve the request. The motion was moved and seconded.

Daniel Salvucci of Whitman asked a question pertaining to the Finance Committees' report regarding the declining revenues of the MBTA. Was it due to the MBTA overestimated or was it due to less people riding the MBTA? The MBTA had an opportunity to capitalize by getting new ridership. Commuters felt it was more expensive to ride the MBTA than to pay for gas. The MBTA missed a crucial period to shine and maintain the extra ridership that they lost due to the increase in gas. If the MBTA had put their best foot forward and make appropriate changes, our ridership would not have declined.

Mayor Cohen requested a vote on the FY2010 budget, which passed.

Update on the PMT
Paul Regan gave a report. The Program for Mass Transit (PMT) is a 25 year fiscally unconstrained capital spending program that is supposed to be the source for all capital spending at the MBTA. This program does not exclude projects because of their costs. By law the PMT serves, as the source for all projects funded in the MBTA's five-year capital

investment program. Last time it came before the Advisory Board was 2003, and is supposed to be produced every five years, and is a year overdue. One of the criticisms of the 2003 PMT was the lack of a strong vision. This new PMT addresses the criticism by stating that the MBTA will provide safe, reliable, accessible, efficient, and cost effective services that meet the evolving mobility needs of the regions, its communities and individuals. The MBTA has identified a series of outcomes. The projects included in the PMT were taking customers where they needed to go, take customers when they needed to go, treat customers fairly and with respect, keep customers well informed and improve the MBTA's impact on regional transportation and environmental protection. There is a strong focus on the state of good repair. The MBTA Advisory Board has been supportive of the need to invest in state of good repair for many years. The MBTA should be spending $100M more annually on state of good repair than it does. This PMT speaks to this issue, highlighting the ongoing critical infrastructure needs of the system. It also divides the service area up into corridors. It allowed the different regions to talk about their connectivity needs as well as their needs to travel back and forth on the existing spoke system. While the PMT meets the legal standards, the remaining critical question that can't be answered in the PMT is "what is the future of capital planning for public transit"? Since last year the structure of the transportation management oversight funding has been dismantled. What exists now is a vacuum. The MBTA has spent much of its time developing its PMT. Groups like the Advisory Board and many others have spent many hours working to make it a useful document. However, the PMT may be dead on arrival with the beginning of Mass DOT. The Advisory Board strongly urges that the new decision makers pay close attention to the overall state of good repair needs of the MBTA and resist the temptation of expansion with limited funds available.

Joe Cosgrove of the MBTA stated that the PMT was a lengthy process. There is a $2.7B backlog in our state of good repair will have to be addressed. Over the next decade the MBTA has to look at major vehicles that are approaching the end of their useful life. There are a lot of challenges and opportunities in terms of public transportation that has been seen in the last two years with the fluctuation and volatility in the energy markets and the need to go green. These things will change in the new structure when we make the transition to Mass DOT. Mr. Cosgrove thanked Paul Regan and Brian Kane for being active during the steering meetings with the Advisory Committee which guided them through the process which included community members and advocacy groups.

Mayor Cohen entertained a motion to approve the PMT.

A motion was made and seconded.

An Advisory Board member asked was there a draft of the PMT document for review?

Paul Regan stated that there is a copy available in the back of the room.

Paul Regan apologized for not getting a report out earlier to the Advisory Board membership prior to the meeting. The rule going forward is that obligation for the MBTA to produce a PMT stands. The MBTA will still have to produce the PMT, according to the law, every five years. Going forward the Advisory Board will no longer have final approval over the PMT. In the past once approved or approved with changes by the Advisory Board membership it was given to the MBTA Board of Directors. There isn't a Board of Directors. There isn't any entity to give the approval to. Paul Regan will mail it to the Secretary of Transportation, because the law has changed and there is no update to the new provisions. Paul Regan felt it was important to get on report about planning for MBTA expenditures is being taken out of the MBTA.

Mayor Cohen asked that if we don't vote on the PMT today will the Advisory Board lose our power to approved moving forward? Normally, the PMT would go to a committee with for some discussion. Due to the changes in the law and we were not able to put the report in the mailing to members, we are faced with this decision.

Robert Waldner of Ipswich asked whether the PMT report is downloadable on an internet web site?

Paul Regan stated that can be seen at the web site mbtaadvisoryboard.org. The actual full PMT is available on the MBTA.com web site. The vast majority of the PMT text has appendices of people who have opposed projects by regions and the list of state of good repair projects.

Frank DeMasi of Wellesley asked about the PMT that usually doesn't address the freight operators that operate on MBTA or state owned rail beds. Massachusetts presently owns over 40% of all of the rail systems and 100% of the rail beds east of Worcester and south of Ayer, MA. Rail (freight) companies that have been making good returns/investments and he was wondering why we don't see either a relationship or beneficial contributions that the freight rails make? He sees this as a possible revenue generator for the MBTA.

Paul Regan pointed out that the MBTA bridge repair going on throughout the system right now serves the MBTA, mostly commuter rail fleet; it serves to improve freight access. The more freight that travels over MBTA owned rails, and the MBTA does charge a fee for using their rails, companies are charged a trackage fee. Under the new organization, freight rail and transit are joined together in one of the sub groups. The person ultimately in charge of the MBTA will also be in charge of all of the RTA's throughout the state as well as freight rail.

Marcy Crowley had a question for Joe Cosgrove. How are the stimulus funds being divided via the regional transit authorities?

Joe Cosgrove answered that each year the MBTA uses the same percentage split with the standard section 5307 formula fund. Each RTA in the Boston urbanized area gets the same percentage in their annual allocation. For the MBTA it is about $200M in stimulus funds.

Steve Olanoff of Westwood stated that he was on the PMT committee representing the regional transportation advisory council and the PMT report was well written and recommended its approval.

Bob Conway of Winchester asked whether the other regional transportation agencies have to produce a PMT such as Worcester, Springfield or any of the other larger cities?

Paul Regan answered Mr. Conway's question stating no because the RTA's are much smaller operations than the MBTA. They are all exclusively buses and are contracted bus service out. Therefore they don't have the same capital needs that the MBTA has. Cape Ann had years without any capital needs beyond buying new buses, so they didn't need a PMT. Four or Five years ago the MBTA partnered with Cape Ann to assist them with building a regional bus center where they could have a dispatch center. MBTA net worth value is around $20B as opposed to the other RTA's added together their assets only total $60-$70M.

Walter Sullivan of Melrose asked how much funding has the MBTA received from the federal stimulus bill from July 1 through October 29, 2009? What is the number?

Joe Cosgrove stated that in Phase 1 $164,088M was received. Phase 2 is $54M. There is $10M in highway stimulus funds to the MBTA routes and bus improvements. 10% of the stimulus program could be used for operating system expenses. Currently programming is pro capital, all capital today. The Metropolitan Planning Organization is the interagency group whose representative communities, who program the federal surface transportation funds.

Paul Regan added that the Advisory Board sits on the MPO, which are five cities and towns, state agencies and two regional organizations.

Walter Sullivan added that it is $228M has been available to the MBTA in different programs that came out of stimulus funding that was approved. How much of the funding is a replacement for funds which were originally in the budget that the Advisory Board approved for fiscal year ending June 30, 2009? He asked if the answer is "No" than funding is not coming from two sources for the same projects. Is someone keeping track and not allowing not to be in the current budget that the Advisory Board approved and also be in the stimulus funding?

Mayor Cohen stated that the funds are not in the operating budget on the capital side.

Paul Connolly of Quincy asked why the vote on the PMT has to be done today at this meeting.

Mayor Cohen answered that as of November 1st the powers of the Advisory Board, with the new bill that was passed earlier this by the legislature, to approve the PMT will no longer exist.

Paul Regan added that if the Advisory Board membership does not approve the document, which is a much better document than previously produced, and we want to go on the record as supporting this new approach. This is our only chance to do this since the new laws kick in November 1 and the Advisory Board won't have a chance to weigh in with our vote after November 1.

Robert Guttman of Beverly said that the Advisory Board should vote for the PMT report.

Mayor Cohen apologized to the many of the members who were new to today's meeting that it is our policy to have votes without full consideration by the Advisory Board. It is only a unique set of circumstances that this request for a vote is being made.

Mary Rodrick of Beverly asked what projects are in the ARRA Funding?

Paul Regan stated that he has a copy of the ARRA funding and will email or mail it to any member who wishes to receive it.

Robert Waldner asked does the PMT report include the expansion of service project into Fall River/New Bedford?

Paul Regan stated yes it does.

The PMT report was voted on, which passed with 2 Nays.

MBTA Headcounts

Brian Kane of the Advisory Board gave the update to members. Given the work that the Advisory Board has done on absenteeism and overtime it is important that we keep a focus on the area of headcount. In the Born Broke report that the Advisory Board published in April, one of the things that was found was that the MBTA 6,000-7,000 employees is very small given the number of trips that the MBTA provides. Philadelphia/Septa have 9,000 employees and supplies the same number of trips. Providing services from a headcount perspective the MBTA is very efficient. Headcount is the only area that the MBTA has operational control over due to the fact that it contracts out much of its operations for commuter rail, debt service, and providing the Ride. Trends are down by 189 positions since the start of fiscal year 2008. Part time headcount is up by 47 year-to-date but down 39 versus average. Capital headcount is down by 215 year-to-date and down 162 versus average. Shift from capital to operation budget is long term beneficial. Full-time headcount trend is down by 21 year-to-date and 16 versus average. The headcount is still way down from its all time trend and this trend is more or less static. Operations have the most full time positions. On average 93% of all employees work in the operations department (7% of the work force is on the administrative side). 7% of the work force is the focus of the transportation reform legislation. Headcount is down by 20 positions.

An Advisory Board member asked a question about the operations side. What portion of the employees are bus drivers, train operators, machinists, electricians, dispatchers, etc?

Brian Kane answered that it is roughly 4,500 up to 5,500 in operations.

Robert Guttman asked would it be appropriate as a measure of productivity to measure miles per employees?

Brian Kane stated we have that data available.

Mary Rodrick asked does headcount include the Ride and commuter rail (MBCR)?

Brian Kane stated that the Ride and the MBCR are contracted out. There are some MBTA employees that oversee those contracts and provide supervision. The actual drivers of the commuter rail trains, conductors and the people who drive the Ride vehicles work for private contractors. Therefore that headcount is not included in this analysis although it is included in some federal analysis that has been reviewed.

Walter Sullivan congratulated the Advisory Board on an excellent report provided in a timely manner.

Bob Conway of Winchester asked what are the unemployment costs figured into this? So is the most favorable way is by attrition?

Brian Kane said that it is a huge amount and continues for eighteen months. Analysis has been done on the unemployment percentage. Every layoff that the MBTA puts in place now will have reverberations through this year and next years' budget.

Mayor Cohen stated the layoffs hurt as opposed to eliminating a position by attrition. From a dollars point of view you are saving but you are not controlling which positions are removed, so it is a tradeoff.

Dan Salvucci of Whitman stated that every 2 or 3 employees that are laid off you have to lay off a third one to pay off all the costs in the first year. He agreed that we should not be laying off employees that drive or do the maintenance work. As far as the management end of it if an employee is laid off someone else should pick up the slack.

Brian Kane stated that the burden has been shifted to a smaller number of employees, and they cannot provide the same level of services that were provided. It is difficult to get information and data from the MBTA since employees who used to do it have left the agency.

Carey Duques of Salem asked what will happen with new restructuring on the administrative side when Mass DOT begins, any predictions?

Paul Regan stated that the legislation calls for consolidation of a lot of the administration of all of the transportation agencies into one central office. The MBTA provides the labor intensive services. The Highway Department contracts out almost everything they do other than bridge inspections. The Turnpike is a relatively small workforce. Brian Kane found when doing his analysis is that when all of the major transit systems the MBTA have the smallest percentage of the workforce dedicated to administration. Other transit agencies have up to 20% in administration and the MBTA is 7% of administrative total workforce.

Mark Brennan of Cohasset stated that he spent nine years of his career downsizing a major industry twenty times the size of the MBTA. You can take a major consolidation and the first place they go is the administrative support department. It is the first place because they have a commonality between groups. He does not know what the future of the Advisory Board is but when must start doing things to make it better. He is tired of the complaining.

Future of the MBTA Advisory Board

Mayor Cohen asked Paul Regan to present his thoughts on our future. The Advisory Board has a relationship with a group called Transit Works that surveys MBTA bus routes. He asked Transit Works to survey the Advisory Board members and it was sent to every Chief Elected Officials and MBTA designee in your city/town. The surveys were supposed to be returned to the Advisory Board office by October 20th. Our office are still receiving them back and are still compiling the information we have received. The most important issues are the economy, local aid and local finances, and transportation.
The survey most important issues were transportation with 33% of the communities responding. The report will be sent by email or mail for anyone who wishes to have the report.

Legislation is ongoing to be filed to restore our powers. It will be a late file this year due to the fact that it is a two year term of legislators. Almost all of the members of the Transportation Committee at the State House have gone on the record as in favor of strong oversight of Mass DOT. Paul Regan is confident that the legislation will be filed. Realistically, this is going to be a long battle and he will be surprised if it happens in one year.

Paul Regan and Brian Kane have reviewed all of the issues that have been raised by the Advisory Board members over the last several years and how they have fitted together. They have focused on some core principles that have come out of all of the committee reports. Focus has been on service, transit and transportation policy and fiscal responsibility. In terms of service, people want better customer experiences on MBTA vehicles. They want investment in the core system of bus and rapid transit vehicles and reliability on commuter rail. A schedule should be a promise, so better on time performance is essential. A need for an increase in state of good repair spending. Smarter land use and development and take advantage of the system we have now as opposed to expansive green field development that strains the system. Fiscal responsibility: the Advisory Board member/communities, this year will put $150M into the system and we deserve a say in how those funds are spent. What the Advisory Board communities have said consistently over the last ten years is that debt relief for the MBTA or a dedicated revenue stream for capital spending is essential. A thorough review of MBTA operational and capital budgets with real information has to be ongoing on an annual basis. Performance management and professionalism at all levels of the MBTA is an expectation that should be met and deserved by both the members of the Advisory Board and the riding public.

The next steps is once we have compiled all of the information, we will begin the process of figuring out what the Advisory Board can effectively do for the next year. A Nominating Committee will be put together.

Mark Brennan asked have the Advisory Board office received any common themes from the survey feedback. Can Paul Regan give any insight as to the new head of Mass DOT?

Paul Regan responded that the data from the surveys are still coming in. We were trying to get a feel for what the communities thought were important. What we heard was that the fiscal squeeze that is affecting cities and towns is by far the most important issue. From the communities perspective there was some comments about some (.....chapter 90 funds) not being available and their own needs to improve their own transportation systems.

The new Chair of Mass DOT is Secretary Jeff Mullen. He is the main coordinator for the implementation of the new legislation since it was passed last spring. Paul Regan sat down with Secretary Mullen about the oversight of transportation. He said that the bill in his opinion is thin on public anticipation and on oversight transparency issues at the new Mass DOT. The bill calls for a couple of appointments. One is a rider representative, another is a transit representative, but they don't have any power, they are just appointed. He asked what Paul Regan thought was important. The most important thing is real access to real financial data so that we can honestly and objectively ascertain how the MBTA is doing. The cities and towns pay for the Advisory Board. If we get the information we need we can be effective.

Mayor Cohen commented that we are all looking forward to the report that the Advisory Board will be presenting to its members and future meetings. Mayor Cohen hopes that the Advisory Board can be as important a force today and in the future as it has been in the past.

Other Business

Richard Leary (Brookline) made a presentation to Mayor Cohen. Marcy Crowley (Wayland) and Richard Leary were designated as an Ad Hoc Subcommittee to carry out this pleasant assignment. The Advisory Board was established in 1964. There have been 10 or 12 Chairman in the 45 years since. The Advisory Board wanted to recognize Mayor Cohen's contribution both to the Advisory Board and to public transportation in the Commonwealth. You were very helpful in securing passage of the management rights legislation which was so important to the MBTA in the early 1980's. Over the seven years that you have served as Chairman of the Advisory Board, you were a strong and effective leader during a very difficult period. You fostered an excellent relationship with MBTA management that included three General Managers and the first rate Chief Financial Officer and Deputy General Manager, Jonathan Davis and his able colleague, Mary Runkel who have been very helpful to the Advisory Board for many years. You testified at several legislative hearings on transportation issues and you were an articulate spokesperson for the Board in addressing MBTA problems and issues. Your skills in conducting Advisory Board meetings have been evident to all of us, with that dry sense of humor. You have been in great form this morning. You manage to inject some levity into otherwise somber sessions. So in appreciation of all you have accomplished and on behalf of the entire Advisory Board membership we would like to present you with a gift for your years of services.

Marcy Crowley (Wayland) wanted to call attention to Mayor Cohen's most able appointee who serves as a member of the Finance Committee without whom we could not have managed and wanted to thank you for sharing her (Jane O'Hern) and thank you for all your service.

Mayor Cohen was presented with a Paul Revere bowl inscribed with his name and years of service as Chairman of the Advisory Board.

Mayor Cohen thanked Marcy and Dick as well as the members of the Advisory Board. No matter where the path is going to lead in the future, no matter what I do in the future, that part of his public life that involved chairing the Advisory Board and working with all of you will always be one of my favorite memories. To Paul Regan, Deborah Gaul and Brian Kane and to Mary Runkel and Jonathan Davis also for all of the good work that has been done and the relationships that we have had, thank you. In closing Mayor Cohen did bid everyone a very fond farewell.

Meeting adjourned at 10:55 a.m.

STARTS & STOPS

The Boston Globe

Improvement creates problem on Storrow

By Eric Moskowitz, Globe Staff | May 23, 2010

If you've driven Storrow Drive westbound in the past year, you've probably noticed a change: where there used to be two lanes heading for Newton, and one splitting off for Fenway/Kenmore, there is now one lane heading for Newton and two exiting for the Fenway/Kenmore area.

Several readers have e-mailed to complain about the chaos and backups they say this change has caused, as drivers unfamiliar with the change swerve across lanes, and as evening rush-hour traffic backs up toward Beacon Hill.

A reader named Jeff says it now takes him 15 minutes to travel the eight-tenths of a mile between the Fiedler Footbridge and the Mass Ave. bridge. And an e-mailer named Patrick writes, "I hope you investigate, and bash whomever decided on this mess."

A physician at Massachusetts General Hospital e-mailed in the hope that, short of a change to the configuration, police might help.

"There are MANY people who take the middle lane, which is supposed to exit at Fenway, then thrust themselves into the far right lane," he wrote, "almost causing accidents, and certainly inciting tempers."

The Department of Conservation and Recreation — which manages the road, because it runs along the Esplanade — temporarily closed the middle lane last summer while doing work on the overpass (known as Bowker Ramp H) that carries Kenmore and Fenway traffic from Beacon and Boylston streets to Storrow Drive westbound, said Wendy Fox, a DCR spokeswoman.

That temporary closure reduced Storrow outbound to one lane, alleviating what had been a highly accident-prone area immediately to the west, where the overhead Bowker onramp connects with the traffic racing around the bend on Storrow.

After the construction ended in September, DCR decided to leave the Storrow westbound restriction and switch the reopened middle lane to exiting traffic.

The verdict is still out on whether the new benefits beyond the ramp are worth the new problems at the approach. DCR plans to hire a traffic consultant this summer to review the situation, Fox said.

Boston isn't the only metropolis combating mass transit troubles

Crumbling rail ties. Faulty power systems. Dirty stations. Balky escalators. Reduced train speeds. Yawning deficits. Demands to expand, even when there isn't nearly enough money to maintain the current system. Sound familiar?

It's the story of the T . . . and of just about every other public transportation system in the country. Leaders of five of the nation's biggest (and oldest) transit agencies — numbers two, four, five, six, and nine in ridership — gathered at the Federal Reserve Bank of Boston last week and swapped stories about the shared pressures and challenges they face.

"We're pretty much in 20th-century armor trying to do a 21st-century fight," said Beverly A. Scott, head of Atlanta's MARTA. Chicago's Richard L. Rodriguez, on the job a year, described a "baptism by fire."

And yet, these five systems — Chicago, Washington, Boston, Philadelphia, and Atlanta — manage to move nearly 6 million riders a day to and from work and around their cities with relatively few major incidents.

"When you look at the conditions of the systems they operate and the millions of safe trips that they turn out every day, they really are miracle workers," said Peter M. Rogoff, administrator of the Federal Transit Administration, speaking at the Boston summit.

The panelists came together at the invitation of the MBTA Advisory Board and the think-tank MassINC to talk about working together, hoping to start a national conversation to address problems that, to date, have been considered — and insufficiently addressed — at local and regional levels.

Beyond the commiserating and the back-patting, they talked covetously of a European climate in which heavy gas taxes and congestion tolls discourage driving and help subsidize sleek and efficient rail systems. And they appealed — with congressman John W. Olver, a member of the House Appropriations Committee, listening in the audience — for federal help to address a maintenance and upkeep backlog that the Federal Transit Administration has estimated at $50 billion for the nation's seven largest transit systems.

The big-city transit officials agreed that they need to do a better job telling the story of mass transit: the vital role it plays in local economies, the environmental benefits, the financial challenges that, they say, stem more from structural deficits and a lack of dedicated taxes than from waste, fraud, or employee indifference.

"Most people do not have any clue about transit economics 101," Scott said. "We have not done a good job at all in terms of communicating the who, the what, the how."

The other general managers sounded similar notes, including the MBTA's Richard A. Davey Jr., who proposed addressing a "credibility gap" with more visible management and performance measurements, and by engaging the public with more behind-the-scenes tours.

Davey's predecessor and the panel moderator, Daniel A. Grabauskas, said an "It's a Wonderful Life" moment might help, if only an angel Clarence could descend and offer the citizenry a glimpse of what urban life would be like without public transit.

Those who previously took their water for granted experienced something similar with the Massachusetts Water Resources Authority's recent rupture, Davey observed. "I'm not concocting a T crisis, don't worry," he said. "But that's one way to get your message out: You don't know what you've got till it's gone."

Rogoff offered some frank low-cost advice: "Paint is cheap," he said, proposing a way to promote unglamorous, but inexpensive, bus routes when there is little money to fund rail expansion.

"If you take a bus and you paint it a different color, you can call it a 'special bus,' " he said. "And if you have a special bus, you can then paint a lane on a roadway that the taxpayers have already paid to build, and call it a 'busway.' "

Throw in "signal preemption" — the power for buses to change traffic lights — and you have a sleek, effective bus-rapid transit system at low cost, Rogoff said.

He also encouraged the local officials to "have the guts to say no" to expansion before maintenance, and to "speak truth to power." He lauded Scott, who painted buses in the MARTA system with red Xs to educate the public about what service would be eliminated while Georgia's lawmakers starved Atlanta's transit system.

"I sometimes have this fantasy that many decades from now, when God calls them home, the state legislators from Georgia will go to the pearly gates and discover that the person who's either going to let them into heaven or not is Beverly Scott," he said.

Happier medium reached on Green Line extension beyond Lechmere

The Green Line extension beyond Lechmere has been eagerly awaited in Somerville for years, for its anticipated environmental, economic, and quality of life benefits, and for its power to right a transportation wrong: New England's densest city supports two noisy elevated highways and the T's massive commuter rail maintenance yard but has just one rail stop (Davis), even though multiple rail lines slice through it.

That's why the state's proposal to couple the Green Line extension with construction of a 24-hour, 11-acre storage-and-maintenance facility for 80 Green Line light rail cars smack in the Inner Belt and Brickbottom areas — where homes were razed decades ago in anticipation of the never-built Inner Belt Highway around Boston — has stung so much, generating resistance and activism in the city, making the extension bittersweet, and threatening to delay its 2014 completion.

But that all changed last Monday when state officials revised their plans, deciding instead to place the Green Line facility adjacent to the Boston Engine Terminal, the already existing commuter rail maintenance facility in East Somerville. The state had resisted that option for many reasons, including that it required the taking of about 10 acres of warehouse property; Somerville resisted the state's preferred option as cheaper but shortsighted, preventing

etc....

May 14, 2010

The Boston Globe

The search for a national solution to our transit woes

By Dan Grabauskas and Paul Regan

RED SOX and Yankees fans can agree on one thing — how to get to the game. In New York, about 45 percent of ticketholders take public transportation. In Boston, more than 50 percent of ticketholders take the T — a percentage higher than any other professional sports franchise in any city in the country. Yet, even as hundreds of thousands pour into rail cars each season, most are unaware that the trains are running on empty.

From sports and entertainment to banking, health care, and higher education, industry sectors in cities throughout the country are dependent on mass transit. In Boston, nearly 60 percent of all workers in the financial district take the T to work. Yet when it comes to valuing these systems, we are a nation in denial, passive about their economic contribution; lacking the collective will to finance them properly; and oblivious to the certainty of their deterioration if their issues are not addressed.

The MBTA faces a $230 million structural deficit and $543 million in unfunded safety-critical projects, according to a recent report by former John Hancock chief executive David D'Alessandro.

> Before we can answer the call for expansion, we need to fix what's falling down in our transit systems.

By deferring maintenance and taking on debt we cross our fingers on another year of business as usual, (with no hope of expansion), after which we may go the way of transit systems around the country that are also retrenching.

According to a 2010 survey by the American Public Transportation Association, 84 percent of all transit agencies have cut service or raised fares in the last year, or plan to do so in the near future. New York City faces a $800 million shortfall, and has implemented a plan to delay maintenance, and cut entire subway lines and bus routes; Chicago, facing a $300 million shortfall, has significantly reduced service on dozens of bus routes, and rail lines; Philadelphia has announced a 6 percent fare increase to help close a $110 million operating deficit; and Washington has a $189 million operating deficit for next year, with plans to balance it by using capital funds to pay for operating costs (thus deferring maintenance), as well as reducing some bus and rail service.

These "legacy" transit systems are starved by budgets in which escalating and intractable fixed costs outpace combined fare revenues and government subsidies. They are pressured by safety and reliability concerns resulting from deferred maintenance, and they face continuing calls for expansion without regard for how to pay to build, operate, or maintain the extensions, let alone the existing system.

Each of these systems has unique funding demands, management challenges, and politics that have led to their financial woes. Yet, their parallel problems indicate a national crisis. A national transit summit next week in Boston will examine these issues as systemic problems, demanding national strategies and broadly applied solutions. It will also offer a front row seat to the elephant in the room: paying for what we have with what little we've got.

Before we can answer the call for expansion, we need to fix what's falling down. This point of contention among well-intentioned transit supporters must be resolved by prioritizing and sequencing our efforts. To do so, we must make a national shift toward support for repair work. A country brought up on expansion must embrace maintenance as the new manifest destiny.

The federal government must respond in a significant way to the most publicly beneficial example yet of "too big too fail." Radical new funding formu las that will help save these systems must be considered. The reauthorizatio of the federal Intermodal Surface Trans portation Efficiency Act this fall may be the tipping point on a new era of economic renewal and energy efficiency through well-supported mass transit.

The private sector must step up with financial and political support that goes beyond the self-interest of construction request for proposals. And both the public and private sectors must come together around creative financing strategies that can provide a dedicated, reliable, and growing stream of funding for transit.

Dan Grabauskas, former general manager of the MBTA, is senior fellow for public policy at MassInc. Paul Regan is executive director of the MBTA Advisory Board.