



Massachusetts Bay Transportation Authority

Forging Ahead

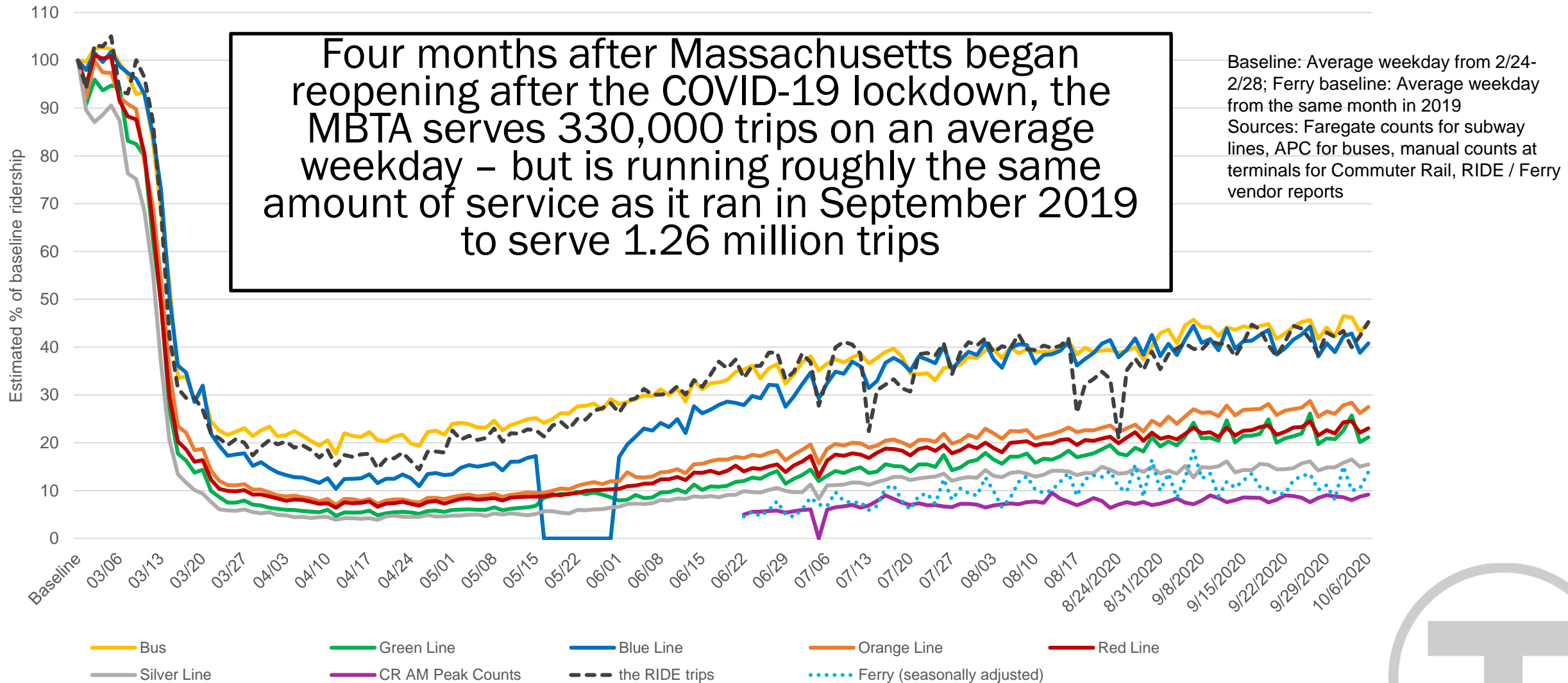
October 21, 2020

What is Forging Ahead?

- Forging Ahead is the process the MBTA is using to focus our operating and capital resources on the riders who depend most on the MBTA for frequent and reliable service.
- In order to do this we are:
 - Evaluating all internal spending to reduce expenditures
 - Assessing our capital projects and reallocating a limited amount of funds from our capital budget to support our operating budget
 - Defining a core of **essential** transit services to prioritize and determining the costs needed to run them
- Out of this difficult situation, we are **forging** a more equitable and efficient transit system to move **ahead** economic recovery for Massachusetts.



Our ridership fell significantly and is slowly recovering



Fare Revenue: FY21 Scenario Planning and Assumptions

- Three scenarios developed in collaboration with MassDOT planning contemplating ridership growth, the current public health pandemic, and employer operations
- Adjusting assumptions for each factor accounts for a range of possible scenarios
- Adjusting budget assumptions to **Scenario 3 only in FY21** increases current ridership levels in the short-term (relative to FY21 budget) and prepares us for the possibility of a regression in COVID-19 recovery this winter
- If ridership growth trends closer to **Scenarios 1 or 2**, it would create budget favorability or upside that would be used to offset the FY22 budget gap

Scenario 1

Economic, demographic, and mobility patterns gradually return to mostly pre-COVID-19 conditions with slight increases in the number of teleworkers

Scenario 2

Travel patterns diverge from economic recovery as consumers and employees adopt to a new normal, especially in light of new and emerging remote meeting and e-commerce technologies

Scenario 3

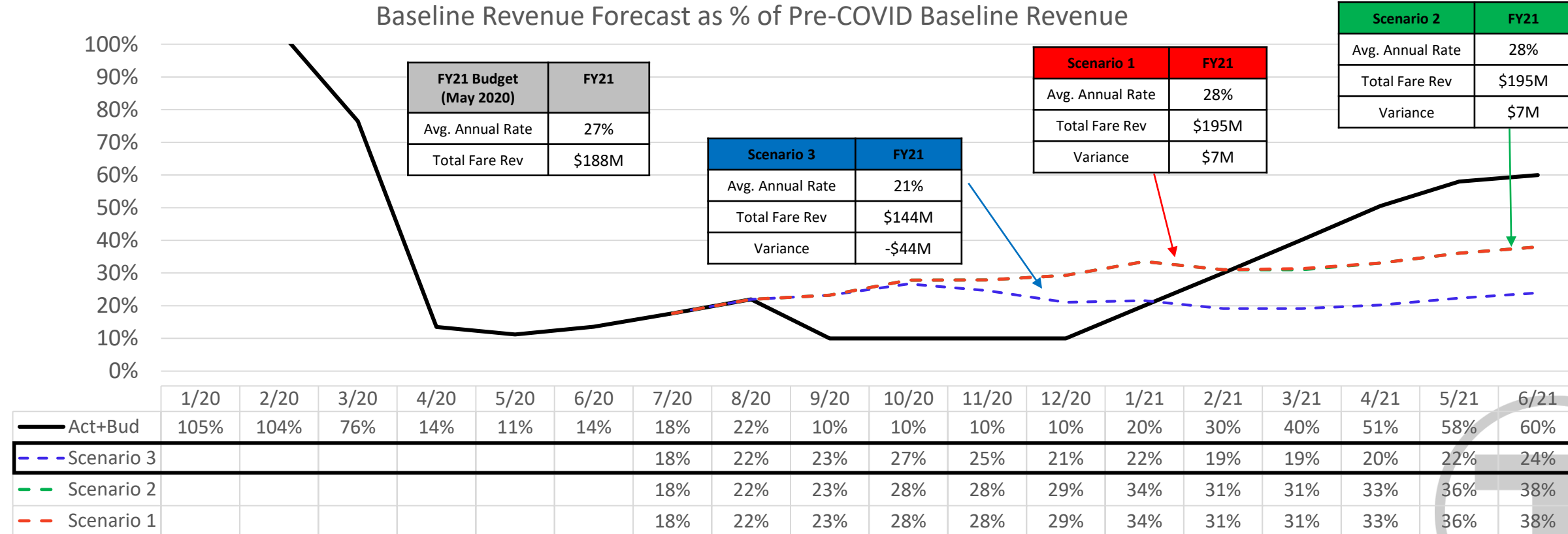
The economic impacts of COVID-19 have depressed travel and mobility, especially on the MBTA, and telecommuting is standard practice for the foreseeable future



Fare Revenue: Monthly Revenue as a Percentage of Baseline

- The scenarios range from an average 21% of baseline revenue to 28% in FY21
- Scenario 3 has an average annual rate of 21% of baseline revenue
- FY21 currently approved budget has an average annual rate of 27%
- Scenarios 1 and 2 have similar ridership implications in FY21 and begin to diverge at the start of FY22
- Budgeting for Scenario 3 mitigates the uncertainty and risk that comes with future ridership growth assumptions

Baseline Revenue Forecast as % of Pre-COVID Baseline Revenue



Why Does the MBTA Need to Change Service?

- Even accounting for the need to reduce crowding and accommodate social distancing, the MBTA is providing more service than its revenues can support and its ridership justifies
- Given the continuing pandemic and economic dislocation, ridership may not return to pre-COVID levels for a long time
- Given changes in where and how people work, learn and receive health care, riders may never again use the MBTA's different travel modes and options the same way they did before COVID
- 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
- Social equity demands that the MBTA focus its available resources on those who depend most on the MBTA for frequent and reliable service

The MBTA is therefore opening up a dialogue with its riders, the businesses and communities it serves and the stakeholders who depend on the MBTA about how best to prioritize the transit services that it provides.



Our Commitments: The MBTA Will . . .

- Provide safe, reliable, and accessible transportation, prioritizing the needs of those riders who depend on transit the most
- Monitor crowding and ridership and adjust service as ridership and revenue recover, focusing on equity and the riders most likely to return to transit as the pandemic ebbs and the economy recovers
- Exercise care when using capital resources for operating expenses and continue to prioritize investments in safety and in maintaining and modernizing the assets needed to provide reliable service
- Support the recovery of businesses and communities from the COVID pandemic and resulting economic disruptions
- Acknowledge that change has occurred in where and how people work, learn and receive health care and plan for the future realizing that there is much we do not yet know about future travel and transit use
- Rebuild service and the system as ridership and revenue recover, creating the system that our riders and the region now need rather than re-creating the system that existed before COVID



Focusing our resources on Essential Services

- To do this, the MBTA is first:
 - Working to reduce expenditures in our operating budget that don't impact service
 - Assessing our capital program and reallocating a limited amount of capital funds, in the short-term, to support our operating budget
 - We are conducting a collaborative, comprehensive and methodical review of the CIP to identify opportunities for deferring or scaling down projects, in order to transfer funds to support preventative maintenance work in our operating budget.



Defining Our Essential Services

The MBTA is working to determine our set of core essential services. These are the buses, trains, vans, and boats that service our most transit critical populations and communities that rely on transit.

These services come first.

	Serving high transit critical population	Serving low transit critical population
Higher ridership (current or propensity)	Preserve service/access at Service Delivery Policy standards <i>(though individual trips may still be affected)</i>	Access to different service for drive to transit riders, changes to frequency and span
Lower ridership (current or propensity)	Longer walk to more frequent service May also result in additional transfers or changes to fares	Potential to end access within ½ mile, lower frequency and span

This process is designed to create an equitable network that preserves access and quality of service available to transit critical populations (low-income, people of color, seniors, people with disabilities, and no to low vehicle households).



Planning for the Future

- We have to prioritize service now, but are doing so with our vision for the future in mind.
- We are using our ongoing work to improve bus service, redesign the bus network, and rethink commuter rail to guide our decisions now.
- We will add service back to respond to changing demand and travel patterns.
- The feedback we receive on Forging Ahead will inform both the short-term service priorities and how we build service back as resources and riders return.



Next steps

- Staff is developing detailed service packages to be released on November 9th
- Following release of service packages, the MBTA will be soliciting public feedback on essential services implementation
- Current service implementation timeline
 - Bus, light rail, and heavy rail changes can be made quarterly, first changes to take effect ~July 1, 2021
 - Ferry and commuter rail changes subject to contract negotiations, could be implemented as soon as Spring 2021

Service Packages

- Commuter Rail span, weekend service, and line-specific changes
- Ferry lines operating
- Heavy Rail headways & span
- Light Rail headways & span
- Major Bus changes
- Any RIDE implications

Forging Ahead Public Engagement

- 11 virtual public meetings from Nov 10 - Dec 3
 - 10 meetings focused on sub-regions
 - 1 public hearing
 - 1 system-wide meeting
- Proactive, non-virtual engagement with communities
 - Targeted outreach to communities most impacted and least likely to engage in virtual meetings
- Online feedback tools at www.mbta.com/forgingahead

The engagement process for Forging Ahead will be:

- **Transparent** – we will share all information needed to provide input
- **Proactive** – we will reach out to impacted communities
- **Iterative** – we will return to communities when we have more information
- **Accessible** – we will ensure language access and access to persons with disabilities

Forging Ahead: Capital Projects



Capital Reallocation Overview

- Ridership and revenue loss due to COVID-19 results in a significant budget gap for the fiscal year beginning July 1, 2021.
- A short-term reallocation of capital funds to the operating budget is a key part of our strategy to mitigate this shortfall and preserve essential service to transit-dependent riders.
- The MBTA receives over \$150M in annual “Sec. 5307” federal formula funds; these funds have traditionally been used for capital investment, but can be applied to certain eligible preventative maintenance expenses on the operating budget.
- In order to shift funding from the capital to operating budget, we must identify an equivalent amount of currently funded capital projects to stop, slow, or scale down.
- MBTA staff are currently reviewing all 500+ projects in the CIP to develop proposals for leadership and the FMCB, consistent with other Forging Ahead planning and analysis
- Since almost 75% of the FY21 CIP is fully encumbered on active contracts, with new commitments in the pipeline, immediate action is needed to reallocate funds to preventative maintenance and minimize potential service reductions.



Transit agencies are turning to capital to address budget gaps

Based on a recent policy brief published by the American Public Transportation Association (APTA):

- The majority of the \$25B in emergency funding provided by the CARES Act has been obligated, leaving transit agencies across the country with ongoing budget gaps
- These gaps have forced agencies to consider service cuts, staff furloughs, and changes to ongoing or planned capital projects
- According to APTA, 56% of large agencies have already been forced to delay, defer, or cancel capital projects to close budget gaps.
- Additionally, 8 in 10 large transit agencies are *considering* delaying, deferring, or cancelling capital projects if the Federal Government does not provide additional emergency funding

Peer Agency Actions:

- SEPTA may be forced to delay or cancel up to \$250M in capital projects due to a shortfall in Pennsylvania Turnpike Funds caused by the Coronavirus pandemic
- WMATA staff has proposed \$30M in FY21 Capital Program deferrals, along with \$139M in service adjustments and \$42M in management actions, to close a projected FY 21 shortfall of \$212M
- The MTA has put an indefinite hold on all capital projects as the agency faces a \$10.3B budget gap over the next two years



MBTA Capital Program Strategy – Managing Uncertainty

Short-term focus: Capital reallocation

- **Continue** active construction projects to maintain momentum and take advantage of low ridership
- Identify projects or scope to **pause** until conditions improve or additional funding is secured
- Aggressively pursue external funding and financing opportunities
- Align capital program strategy with Forging Ahead service planning framework
- Focus on “no regrets” decisions that make sense in the most possible futures
- Structure near-term investments to preserve maximum flexibility in an uncertain world

Medium-term focus: Rebaselined CIP

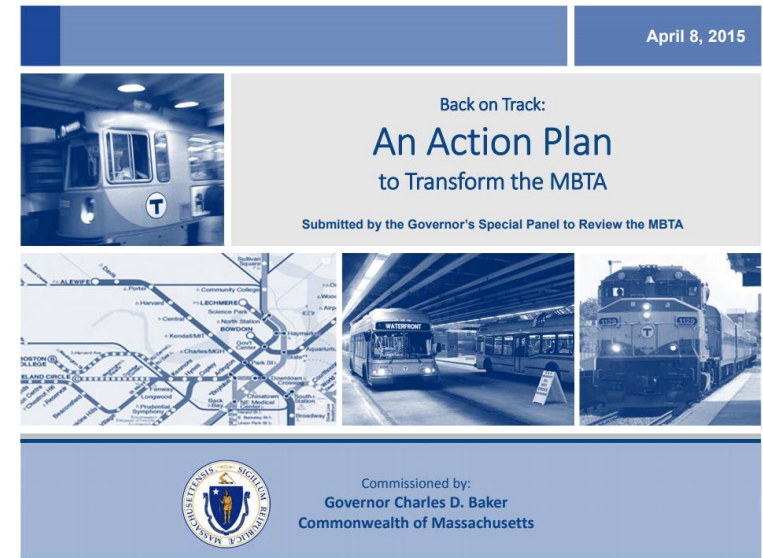
- Update and reconcile capital program funding sources
- Use outputs of scenario planning to revisit CIP prioritization and project selection framework
- Reassess fleet size and other capital needs through the lens of updated service levels
- Finalize decisions on paused projects/scope



Overarching Principles for Capital Reallocation

Principle 1: Maintain separation of capital and operating budgets

- Back on Track: An Action Plan to Transform the MBTA
 - In 2015 the Governor's Special Panel to Review the MBTA found that despite significant maintenance and modernization needs to reach a state of good repair, the MBTA regularly used funds intended for the capital program for operating expenses.
 - To address the MBTA's operational deficits and capital needs, and to prevent their recurrence, the panel recommended **clear separation** between operating and capital budgets.
- To the extent feasible, minimize the use of capital for operating costs and avoid creating a structural dependence on capital funds to balance the operating budget
- Reallocating Federal formula funds is a **short term** solution to replace lost revenue



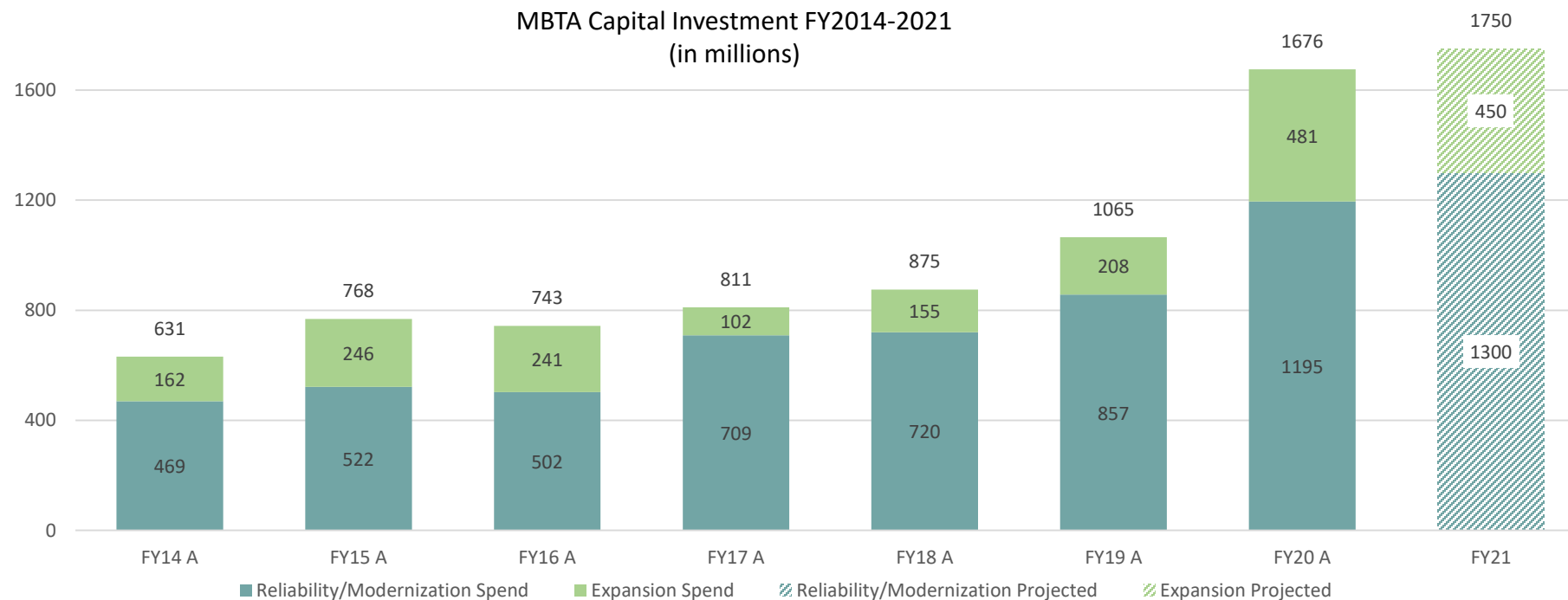
"Implement a 'firewall' between the operating and capital budgets"



Overarching Principles for Capital Reallocation

Principle 2: Continue the upward trajectory of capital investment to achieve system safety, reliability, and modernization goals

- Maintain momentum by prioritizing projects that address the most pressing capital needs and identifying alternative funding sources to replace reallocated federal formula funds



Parallel processes to reallocate funds and seek new sources

Review Capital Program

- Conduct a collaborative, comprehensive and methodical review of the CIP to identify opportunities for deferring or scaling down projects.
- Stood up a cross-departmental team to review the status, flexibility, and timing of all projects to evaluate:
 - How much of the CIP is currently obligated (no contract flexibility)?
 - How much flexibility exists within the unobligated segment of projects (projects not currently under contract)?
- Developed a range of policy streams and channels of analysis to help shape and frame trade-offs and the decision-making process.
- **Outcome:** Recommendations for policy-level and project level adjustments that can be made to the capital program in support of the operating budget.

Seek Additional Funding

- Aggressively pursue external funding and financing opportunities to replace lost revenue and reallocated formula funds.
- Stood up a cross-departmental team to collaborate on “capital inflows”, including federal grant and loan opportunities.
 - Awarded \$3M grant for ferry overhauls
 - Received \$20M in FHWA redistribution funds for bus lanes
 - Submitted FHWA ATCMTD grant application for bus dispatching
 - Proactively preparing for FFY21 round of discretionary grants
- Engaged USDOT Build America Bureau to discuss low-interest financing through TIFIA and RRIF programs to build on success of recent PTC/ATC loan closing
- Preparing to submit a letter to FTA to request entry of Green Line Transformation into project development for the CIG Core Capacity program
- **Outcome:** Strategy for external funding/financing to minimize impact of revenue loss on the long-term capital program

Decision-Making Framework for Capital Reallocation

Key considerations for projects with flexibility:

- Safety is never compromised – safety investments may be needed even for projects targeted for reallocation
- Decisions should weigh project flexibility, placement on the framework, and anticipated benefits/outcomes to transit-dependent riders
- New projects in all categories may be paused or scaled down to focus resources on completing existing work

	Safety/ Maintenance	Accessibility	Capacity/ Amenities	Expansion
Higher ridership (current or propensity)	Continue or accelerate projects	Continue projects, based on impact	Continue select projects, consistent with demand	Advance planning/design, if resources allow
Lower ridership (current or propensity)	Focus on safety-critical elements	Consider scaling down, based on impact	Pause or scale down, consistent with demand	Pause or defer investments

Next Steps for Capital Reallocation

- **October 5:** Present financial scenario, guiding principles, and prioritization approach to the FMCB
- **October 15:** Present *Forging Ahead* principles and approach to Boston Region MPO
- **November 9:** Present capital reallocation proposal consistent with scenario planning analysis to the FMCB
- **November 11:** Present summary of capital reallocation proposal to MassDOT Capital Programs Committee
- **November 16 (if needed):** FMCB follow up on capital proposal
- **November 19 (*tentative*):** Present Transportation Improvement Program (TIP) Amendment to MPO and release for 21-day public comment
- **December 17 (*tentative*):** Seek MPO endorsement of the TIP Amendment
- **December:** MassDOT submit revised Statewide TIP (STIP) to FHWA/FTA
- **January:** MBTA begin to submit grant applications for preventative maintenance
- **February:** Execute FTA grants, and begin draw down of funds for eligible preventative maintenance expenses



Timeline for Service, Budget, and Capital Decisions

