One Year Later, FMCB Has Long List of Successes Yet T remains in Crisis

July 20, 2016

The FixOurT Coalition coalesced around the need to turn the MBTA into a safe, reliable and fiscally sustainable public transit system. We advocated for the creation of the Fiscal and Management Control Board, an entity created to oversee the T's turnaround. As we mark its one year anniversary, this status report is intended to examine the Board's many accomplishments and remaining challenges.

Background

The FixOurT Coalition came together last spring to fight for drastic improvements to our public transit system following the inexcusable collapse of the MBTA during the winter of 2015. The Coalition called upon lawmakers to swiftly enact a bill that would meaningfully address the problems plaguing the MBTA.

The Coalition is comprised of nearly 50 organizations and municipal leaders from all areas of the state, representing employers of all sizes and from many industries and sectors of our economy: healthcare, technology, biotech, manufacturing, engineering, real estate, construction, retail, lodging and hospitality, among others. Collectively, we represent **1.5 million** individuals who are united in a common quest to Fix Our T. These individuals – workers, customers, patients and students – experienced firsthand the loss of productivity, foregone wages and sales, and missed classes or medical appointments that resulted from the MBTA's collapse.

We joined together to bring a sense of urgency to fixing the MBTA. Previous reforms have failed because of the lack of follow through, causing the T to further deteriorate.

FIX OUR T

Coalition Co-chairs:

Eileen McAnneny, Massachusetts Taxpayers Foundation
Mayor Rob Dolan, City of Melrose

Coalition Members:

Affiliated Chambers of Commerce of Greater Springfield, Inc.
American Council of Engineering Companies of Massachusetts
Associated Industries of Massachusetts
Associated Subcontractors of Massachusetts
Boston Municipal Research Bureau
Construction Industries of Massachusetts
Environmental Business Council of New England
Greater Boston Chamber of Commerce
Greater Boston Real Estate Board
Massachusetts Alliance for Economic Development
Massachusetts Business Roundtable
Massachusetts Chemistry and Technology Alliance
Massachusetts High Technology Council
Massachusetts Petroleum Council
Division of American Petroleum Institute
Massachusetts Restaurant Association
Massachusetts Taxpayers Foundation
Merrimack Valley for Public Policy Research
Plymouth Chamber of Commerce
Retailers Association of Massachusetts
Salem Chamber of Commerce
South Shore Chamber of Commerce
TechNet
Metro South Chamber of Commerce
NAIOP Massachusetts
Nashoba Valley Chamber of Commerce
National Federation of Independent Business
Neponset Valley Chamber of Commerce
North Shore Chamber of Commerce
Pioneer Institute for Public Policy Research

Mayor Rob Dolan, Co-Chair, City of Melrose
Mayor Elect Brian M. Arrigo, City of Revere
Mayor Gary Christensen, City of Malden
Mayor Karen L. Cadieux, City of East Hampton
Mayor Mike Cahill, City of Beverly
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Mayor Jim Fiorentini, City of Haverhill
Mayor Scott Galvin, City of Woburn
Mayor Mark Hawke, City of Gardner
Mayor Daniel Knapik, City of Westfield
Mayor Jeannette A. McCarthy, City of Waltham
Mayor William Martin, City of Greenfield
Mayor Dan Rivera, City of Lawrence
Mayor Dan Rizzo, City of Revere
Mayor Joe Sullivan, City of Braintree
Mayor Arthur G. Vigeant, City of Marlborough

The Coalition's goal is to ensure that does not happen again. In recognition of the need for bold action, the Coalition has been steadfast in our tracking of progress and will remain so until we are satisfied that the T is running optimally and on a financially sustainable course.

As a proponent of a strong, independent Fiscal and Management Control Board (FMCB) vested with clear authority to restructure the operations of the T, this report measures how the MBTA has improved under the control of the FMCB.

Creation of the Fiscal and Management Control Board

The creation of a Fiscal and Management Control Board was one of several recommendations made by the Governor's Special Panel to Review the MBTA in its report *Back on Track: An Action Plan to Transform the MBTA* released in April 2015. The FMCB was one of four reform scenarios considered by the Special Panel that also included putting the MBTA into receivership or abolishing the MBTA entirely and replacing it with a successor agency.

The FMCB was created by the Legislature as part of the FY 2016 budget that was enacted in July 2015. As stipulated in the law, the FMCB's charge is to "formulate and recommend a plan to the secretary of transportation to stabilize and strengthen the finances, management, operations and asset condition of the authority." An additional mandate of the Fiscal and Management Control Board is to develop performance metrics and measure items included in the plan that will:

◊ provide a safe, reliable, and sustainable transit system consistent with the state transportation plan [under section 11 of chapter 6C of the General Laws];

◊ establish fiscal stability, including short-term and long-term planning to ensure that the authority's budgets are aligned with its operational and capital needs;

◊ reorient the authority to focus on providing better service to its current riders and on attracting future riders;

◊ facilitate sound management and a safe and effective workplace [consistent with section 7 of chapter 6C of the General Laws]; and

◊ develop a financially responsible, long-range approach to preserving and modernizing the authority's assets and meeting future needs for regional transit facilities and services [consistent with the program for mass transportation required by paragraph (g) of section 5 of chapter 161A of the General Laws].

The Governor was given the authority to appoint the five members of the FMCB, who serve without pay. Since its first meeting on July 21, 2015, the FMCB has had to address several critical areas, but its primary focus has been on the following: 1) improving the reliability of the T with a focus on customer service, 2) bringing an unsustainable operating budget into balance, 3) accelerating capital spending on the T's transportation assets, and 4) bringing long-term stability to the authority. This report will review how the MBTA has changed since July 2015 with respect to each of these focal areas.

Overview of the Fiscal and Management Control Board's Accomplishments

The Fiscal and Management Control Board assumed control over the MBTA in July, 2015. During the first 12 months, board members made an astounding commitment of time and energy to this endeavor that has resulted in a remarkable impact on operations at the MBTA in a compressed period of time.[1] The list of successes is encouraging and far longer than people might have hoped. There is a new atmosphere of cooperation, transparency, and accountability.

A review of the status of the MBTA following the first year under the FMCB's control finds that progress in key focal areas has been achieved and important decisions have been made to move the T towards desired goals, yet the truly difficult decisions remain.

[1] See Appendix A for an abridged list of improvements at the MBTA under the authority of the FMCB.

Improving Reliability of Services with a Focus on the Customer

Following the disastrous winter of 2015 where the MBTA was forced to suspend or reduce scheduled services over several weeks due to its lack of preparedness for weather related challenges, the FMCB's first task was the development and implementation of a winterization program to ensure that the T could operate regular service in all conditions and not leave riders stranded. The program included among its many changes, the purchase of new snow moving equipment, replacement of third rail heaters, and enhanced customer communications to keep riders informed of current conditions and schedules.

Due to the mild winter in 2016, it is difficult to know for certain if these weather resiliency changes have made a noticeable difference in performance, but making these capital investments and having an emergency preparedness plan is a major step forward and the Board should be credited with putting one in place.

The 2015 winter's shortcomings were made worse by the T's inability to communicate with customers in real time about delays and schedule changes. To address this, the T has resumed its monthly customer review surveys and the posting of a performance dashboard. The dashboard provides daily updates of the T's on-time performance by mode which allows for internal monitoring and public review (Figure 1). Equally important, the MBTA management has instilled the importance of performance and communication with customers as cornerstones to a revived transit system.

Other performance improvements in transit services and communication with customers include:

◊ A management reorganization structured along modal business lines to enhance performance.

◊ The recruitment of a number of senior leaders to improve all aspects of operational oversight including a chief administrator, chief financial officer, chief technology officer, chief procurement officer, and director of capital programs.

◊ The renegotiation of two commuter rail service contracts with Keolis.

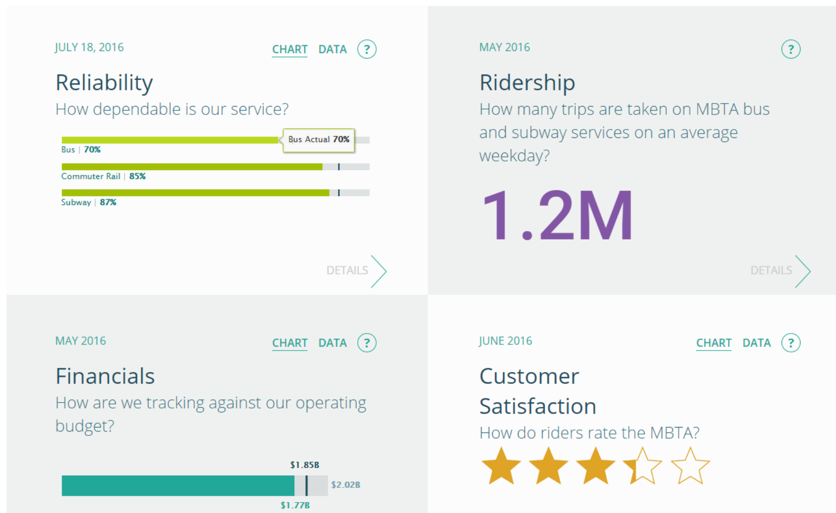

Figure 1 – Performance Dashboard Updated Daily

Source: MBTA Performance Reports, July 18, 2015

◊ The addition of locomotives and coaches on commuter rail service to increase frequency, capacity and on-time performance of trains.

◊ The accelerated procurement process for an upgraded and state-of-the-art automatic fare collection system planned to include mobile payment systems such as Apple Pay and Android Pay for ease of use by customers and enhance revenue collection for the T.

◊ Utilization of a centralized call center system for paratransit services to increase efficiency and performance.

These initial changes have made a noticeable difference. Unfortunately, more significant improvements in MBTA services will require major capital investments in rails, power, signals, and new vehicles all of which will take quite a few years to complete given the T's capital spending limitations.

Building a Sustainable Operating Budget – A Perpetual Challenge

One of the FMCB's most immediate challenges was to tackle an ever-widening structural budget gap stemming from the imbalance between the T's operating expenses (annual growth in excess of 5 percent) and revenues (annual growth of less than 2 percent). The Board and the T's new leadership collaborated on ways to shrink the gap and the results have been impressive. They successfully reduced the structural budget gap by $85 million in FY 2016 through a combination of cost cutting and revenue enhancements. For the first time in fifteen years, total costs (including growth in debt service costs) will grow by less than revenue growth – only one percent growth over FY 2015, down from a projected 5.8 percent increase.

The savings in the 2016 budget came from a comprehensive review of all cost components for the first time in many years that resulted in cost reductions in several areas.

Employee costs will be $27 million lower than budgeted through better controls and new policies, such as:

- ◊ A 49 percent reduction in overtime expenses.
- ◊ A 33 percent reduction in unscheduled absenteeism and a review of MBTA pension performance and cost drivers.
- ◊ Material and service expenses were reduced by $32 million and debt service costs were lowered by $7 million.
- ◊ $11 million in revenue was generated by increased advertising.
- ◊ An accelerated procurement process of upgraded automatic fare collection system is expected to enhance fare collection on commuter rail and Green Line services while reducing costs.

These changes not only reduced the 2016 budget gap but also delivered longer term cost controls. The projected gap between expense and revenue growth by 2019 has narrowed to 11 points (figure 2—the dotted lines show 32 percent growth in expenses versus 21 percent growth in revenue since FY 2012) a 50 percent drop from the MBTA's 22 point estimate in FY 2015 (the solid lines show 39 percent growth in expenses versus 17 percent growth in revenues). In other words, actions taken by the FMCB and Chief Administrator have lowered the operating budget gap by $400 million over four years (FY2016-FY2019).

Despite this progress, the structural gap persists and will widen unless the MBTA can expand its revenues or reduce its expenses considerably. Revenues are expected to increase at an average rate of only 2.2 percent per year over the next two fiscal years (1.5 percent in FY 2018 and 3.0 percent in FY 2019 depending on the size of a fare increase effective July 1 2019).[2]

In contrast, operating expenses are projected to rise rapidly driven by wage increases, moving personnel off the capital to the operating budget, higher pension obligations, increased contractual costs for commuter rail, higher compensation packages to attract new management, and increased debt service costs. Given these trends, balancing the budget will become increasingly difficult and could prevent the T from generating $700 million in budget savings for pay-go investments as assumed in the FY 2017 – FY 2021 capital plan. More disappointing is that the MBTA may need more than the current $187 million in additional state assistance to balance its FY 2019 budget.

Because of statutory caps on most of the MBTA's revenue sources, the FMCB is forced to reduce the annual growth in operating costs to balance the budget. To converge operating expenses with the 2 percent annual growth in revenues, a herculean task, the FMCB must tackle two matters in the months ahead: outsourcing non-core services and implementing an early retirement program to reduce headcount. The Board must seek operational savings through privatized contracts for services such as cash management and warehousing, both of which would bring small but immediate savings. However, in order to reduce cost growth to align with available revenues the T

[2] The Legislature amended the language in the 2013 transportation finance legislation limiting MBTA fare increases to seven percent once every 24 months .

will have to explore outsourced rail and bus maintenance services and do so quickly.

The T must also succeed in reaching agreements with the unions on early retirement plans, non-core service headcount, pension reforms, and upcoming compensation packages.

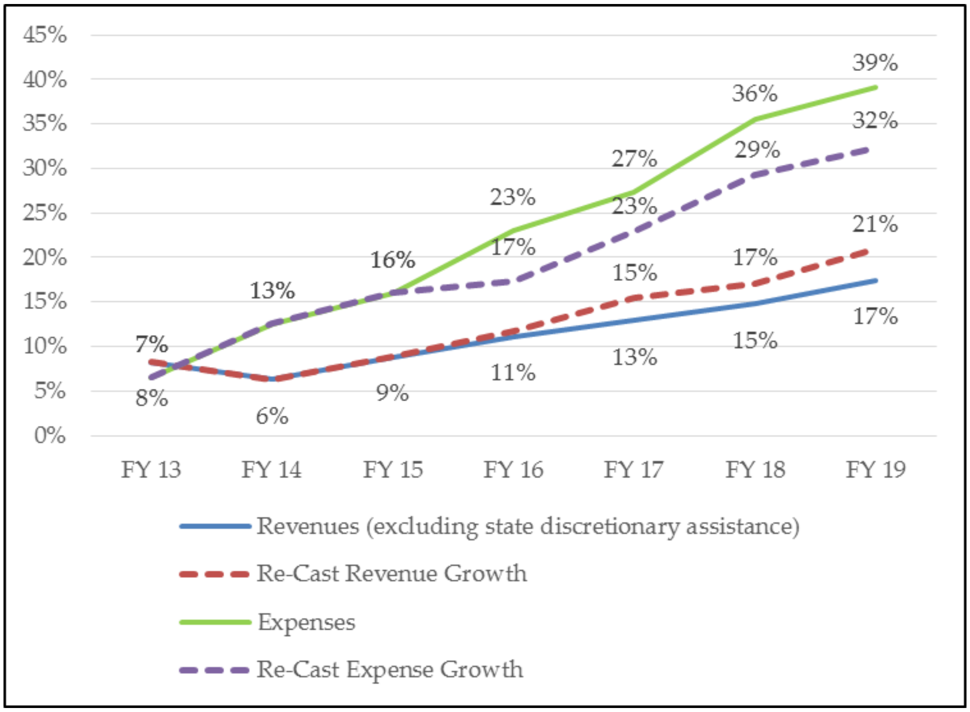

Figure 2 – MBTA Projected and Revised Structural Budget Shortfalls

On these measures, the FMCB has yet to act. The work they have done to date has been remarkable but completion of these two critical tasks outlined above are essential. Absent these efforts, the T will be forced to balance its budget as it has proposed in the past – by securing increased state aid to cover the shortfall or by reducing services.

Solving the Chronic Underinvestment in Capital Assets

As challenging as it is to balance the operating budget, addressing the capital needs of the T is even more so. The FMCB inherited a system suffering from the effects of years of chronic underinvestment in assets that have deteriorated badly as a result. Even though the T spends nearly $70 million annually on personnel costs to manage capital programs, they lack sufficient talent and management systems to spend available capital resources – a huge impediment to fixing the T.

To start to reverse this trend, the Secretary of Transportation, the FMCB, and senior leadership have made capital spending a priority in order to deliver safer and more reliable services. The T hired a director of capital programs to manage capital investments and monitor actual versus planned capital spending. They changed the way the T develops its capital plan establishing clear goals that prioritize reliability and capacity. The FMCB requested a comprehensive fleet plan covering capital investment needs for the next ten years for long-term capital planning.

In addition, the T raised additional capital resources by redirecting $100 million in savings from the FY 2016 operating budget and setting aside $43 million in revenue from the fare hikes to be used as pay-as-you-go (paygo) capital.

But the problems plaguing capital throughput persist. The T was able to spend only $765 million of $1.05 billion in available resources or 70 percent of the FY 2016 capital budget (Figure 3). FMCB board members and senior management acknowledge that the FY 2017 capital spending throughput will not be markedly higher.

The T needs to spend approximately $1.1 billion per year for each of the next few years on projects supporting reliability and increased capacity in order to improve the authority's service. That annual figure will soon rise above $1.1 billion from inflationary costs alone and could increase even more if the T cannot prevent the system from deteriorating further. Resolving these investment constraints has to be one of the FMCB's uppermost priorities.

Unfortunately, improving the reliability, safety, and capacity of T services becomes even more difficult when the T must shift attention to large expansion projects. In May, the FMCB discovered that Green Line Extension costs could run $1 billion over budget. This discovery forced an extensive review of the project, followed by a revised design to reduce cost in order to close the gap and the submission of an application to the Federal Transit Administration for approval and continued financial support.

Soon thereafter, the FMCB and MBTA leadership released an updated South Coast Rail cost projection that added $1 billion and six years to the timeline forcing staff to evaluate alternative rail routes. On top of that, advocates continue to push for construction of a rail link between North and South Stations requiring the T to conduct a study on the costs and benefits.

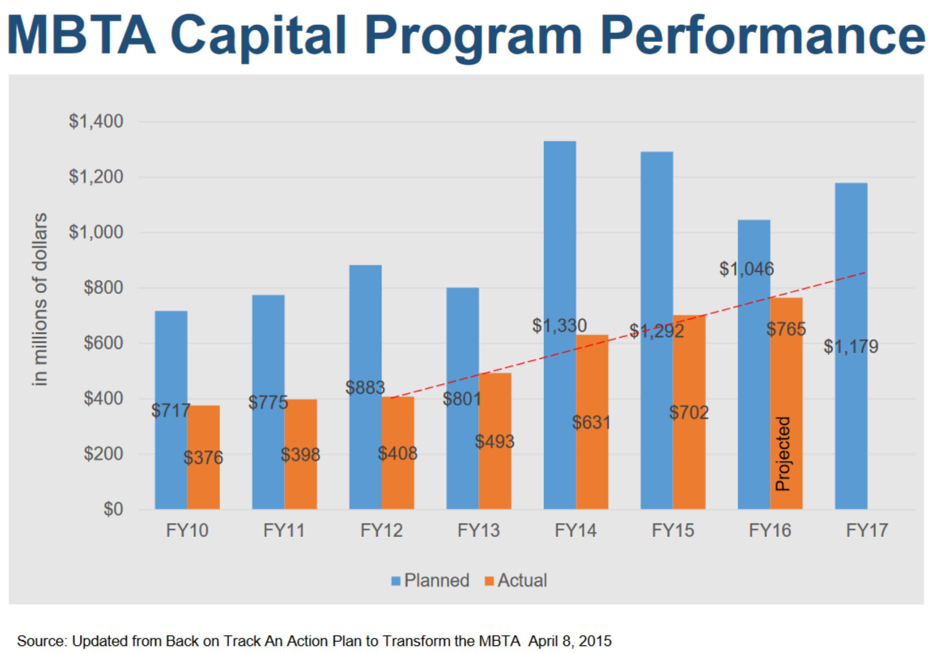

Figure 3 – MBTA Capital Investments since FY 2010: Planned vs. Actual

These and numerous other popular expansion projects divert limited resources and staff time away from the agency's core focus. They also further impede the T's ability to make much needed investments in its existing rails, power, and signals which are essential to improved services for its growing ridership.

Leadership and Long-Term Governance Becomes the Priority

Overshadowing all of the authority's other challenges is the lack of long-term stability. Despite the recent hires noted earlier, there are too few people responsible for running the day-to-day operations, many of whom are also tasked with providing staff support for the FMCB at its weekly board meetings. Key personnel are stretched too thinly to lead the authority through the various upcoming hurdles.

The talent level is woefully inadequate. The potential personnel losses from attrition threaten operations. Recruiting and training replacements will take considerable time and face a number of hurdles. And losses of key personnel could have seismic consequences to the authority's short-term stability and continuity while undermining recruitment efforts.

On top of that, the recent retirement of the T's general manager forces the chief administrator to take on those duties until a permanent successor can be found. The search would be difficult at any time because there are relatively few experienced candidates and MBTA compensation levels are far lower than competitive agencies – but having to find a new general manager now occurs at a most inopportune time. Potential candidates may be hesitant to accept the position when the poor data and antiquated systems throughout the authority pose enormous impediments to change, a successful turnaround remains in doubt, and the temporary term of the FMCB accentuates the uncertain governance and reporting structure in the near term.

All of these factors make recruitment of an optimal candidate who has the experience to instill innovation, recruit senior personnel, change the culture, and lead the T through the next several years a truly challenging task.

The Fiscal and Management Control Board's Unfinished Business

The MBTA crisis has not abated. The Special Panel deemed the T a 'pervasive structural failure' and that characterization remains accurate. While they have made progress on numerous fronts, the FMCB continues to uncover a wide assortment of problems for which fixes are not readily attainable. The board finds itself grappling with decades of mismanagement and negligence across the authority.

Many of the fixes to date depend on the continued focus of the FMCB and senior management. Changes in leadership or governance would undermine the progress achieved to date.

Unfortunately, the FMCB is also fighting the clock. The FMCB has approximately 18 months to resolve the T's performance issues with its core services, stabilize the organization through long-term leadership recruitment and retention, and put a strong governance structure in place. If the MBTA fails to reach these objectives, the likelihood of a successful turnaround diminishes and the future for the state's public transit system becomes increasingly bleak.

The Fiscal and Management Control Board members have brought a focus, expertise and transparency to the MBTA's operations and it has positively impacted the T's operations. Customer service has improved, the operating budget is more balanced, and the capital investment process is more rational and properly managed. The long-term stability of the T continues to be an issue, and will probably remain so until a more permanent governance structure can be created. The Board members should be commended for the progress they have made to date. But the turnaround of the T is still not certain and will require an enormous amount of work for the remainder of the Board's existence.

Appendices:

The FMCB has had a remarkable impact on operations at the MBTA in a compressed period of time. The list of successes is encouraging and far longer than people might have hoped. The Board has:

Recruited a number of senior leaders to manage the T that includes a chief administrator, chief financial officer, chief technology officer, chief procurement officer, chief strategy officer and director of capital programs, among others

Developed and implemented a winter resiliency program

Reorganized management structure along modal business lines to enhance performance

Negotiated two commuter rail service improvement plans with Keolis

Added locomotives and coaches on commuter rail service to increase capacity and on time performance

Publish daily on-time performance metrics by mode

Resumed monthly customer satisfaction surveys and publish results

Accelerated procurement process of an upgraded automatic fare collection system with plans to include mobile payment systems such as Apple Pay and Android Pay for ease of use

Centralized call center system for paratransit services to increase efficiency and performance

Reduced overtime expenses by 49 percent in FY 2016

Reduced unscheduled absenteeism by 33 percent in FY 2016

Increased own source revenues by $11 million

Reviewed MBTA pension performance and cost drivers

Set aside $100 million for pay-as-you-go (paygo) capital investments from savings from the FY 2016 operating budget

Managed a ‘look back’ review of the $1 billion shortfall in the Green Line Extension (GLX) Project

Reduced the GLX $1 billion gap to ~ $100 million to revive the project

Raised fares by an average of 9.3 percent in FY 2017 and set aside the $43 million in add additional revenues for paygo capital improvements

Required the MBTA to develop and present a comprehensive fleet plan covering capital Investment needs for the next ten years

Established a goal focused capital investment plan that prioritizes reliability and accountability and adds a cost-benefit review for expansion projects

Creation of the FMCB in H3650 (2016 Budget)

SECTION 200. (a) There shall be within the department and reporting to the secretary a Massachusetts Bay Transportation Authority fiscal and management control board.
(b) The fiscal and management control board shall consist of 5 members to be appointed by the governor as follows: 3 shall be members of the board; 1 shall have experience in transportation finance; and 1 shall have experience in mass transit operation. Each member shall serve for the entire time that the control board is in existence, unless removed with or without cause by the governor. Any vacancy in the Fiscal and Management Control Board shall be filled in the same manner as the original appointment of the member being replaced. The secretary shall designate the chair of the control board, and may fix annual time and expense reimbursements of not more than $6,000 to be paid to members of the Fiscal and Management Control Board from funds of the department. Directors serving on the Fiscal and Management Control Board may receive the time and expense reimbursements in addition to any payments provided to directors under subsection (b) of section 2 of chapter 6C of the General Laws. The Fiscal and Management Control Board shall meet as regularly as necessary to ensure the stability of authority operations and finances but not less frequently than 3 times each month.

(c) Notwithstanding sections 3 and 7 of chapter 161A of the General Laws or any other general or special law or regulation to the contrary, the Fiscal and Management Control Board shall be afforded all powers, responsibilities, and obligations relative to the authority that are vested in the board, except as otherwise provided in this act, and those powers, responsibilities, and obligations set forth in this act.

(d) Meetings of the Fiscal and Management Control Board shall be subject to sections 18 to 25, inclusive, of chapter 30A of the General Laws. Records of the Fiscal and Management Control Board shall be subject to section 10 of chapter 66 of the General Laws.

(e) The Fiscal and Management Control Board may employ, retain, and supervise such managerial, professional and clerical staff as may be necessary to carry out its responsibilities. The Fiscal and Management Control Board shall have the authority to set the compensation, terms and conditions of employment of its own staff. Staff hired under this subsection shall be employees of the department, except such employees as the Fiscal and Management Control Board formally designates as independent contractors; provided, however, that said independent contractors shall be treated as executives under section 26 of chapter 161A of the General Laws.

(f) The Fiscal and Management Control Board shall initiate and assure the implementation of appropriate measures to secure the fiscal, operational and managerial stability of the authority and shall continue in existence until June 30, 2018, and thereafter for an additional period of 2 years upon the recommendation by the Fiscal and Management Control Board to the governor in writing based upon specific findings that such 2-year period is in the best interest of the public and necessary to achieve operational stability and to establish performance metrics for the authority; provided, that such recommendation has been approved in writing by the governor not later than June 30, 2018; and provided further, that the Fiscal and Management Control Board shall in no event continue beyond June 30, 2020. The recommendation and findings by the Fiscal and Management Control Board, if any, and the governor's approval, if any, shall be filed with the clerks of the house of representatives and senate, the chairs of the house and senate committees on ways and means, and the chairs of the joint committee on transportation.

(g) Following the dissolution of the Fiscal and Management Control Board, the board of directors shall resume governance of the authority.

SECTION 201. (a) The Fiscal and Management Control Board may delegate any powers, responsibilities, and obligations specifically afforded to it to the general manager of the Massachusetts Bay Transportation Authority, unless otherwise provided in this act.

(b) The general manager shall, at least monthly, provide the Fiscal and Management Control Board with information on the status of the revenues and expenses for the operating budget and on the status of revenues, contracting, procurement and authorized and actual spending for the capital program. The general manager shall, at least quarterly, provide the Fiscal and Management Control Board with data on progress toward achieving key performance management targets. The reports shall be submitted to the secretary of transportation, the secretary of administration and finance, the clerks of the house of representatives and senate, the chairs of the house and senate committees on ways and means, and the chairs of the joint committee on transportation.

SECTION 202. (a) The Fiscal and Management Control Board shall formulate and recommend a plan to the secretary of transportation to stabilize and strengthen the finances, management, operations and asset condition of the authority. The Fiscal and Management Control Board shall develop performance metrics and measure items included in the plan. The plan shall:
(i) provide a safe, reliable, and sustainable transit system consistent with the state transportation plan under section 11 of chapter 6C of the General Laws;
(ii) establish fiscal stability, including short-term and long-term planning to ensure that the authority's budgets are aligned with its operational and capital needs;
(iii) reorient the authority to focus on providing better service to its current riders and on attracting future riders;
(iv) facilitate sound management and a safe and effective workplace consistent with section 7 of chapter 6C of the General Laws; and
(v) develop a financially responsible, long-range approach to preserving and modernizing the authority's assets and meeting future needs for regional transit facilities and services consistent with the program for mass transportation required by paragraph (g) of section 5 of chapter 161A of the General Laws.

SECTION 203. In addition to those powers otherwise provided in this act, the Fiscal and Management Control Board shall have the authority to:
(i) establish separate operating and capital budgets each with clearly designated revenue sources and uses and establish policies and procedures to ensure no funds are commingled between operating and capital budgets;
(ii) establish 1-year and 5-year operating budgets, beginning with fiscal year 2017, which are balanced primarily through a combination of internal cost controls and increased own-source revenues consistent with paragraph (q) of section 5 of chapter 161A of the General Laws and which facilitate the transfer of all employees of the authority from the capital budget to the operating budget; provided, that said 1-year and 5-year budgets shall be consistent with section 20 of chapter 161A of the General Laws;
(iii) establish 5-year and 20-year capital plans that include a phased program for the complete restoration of the physical assets of the authority including its vehicle fleet, a plan to address failings within the existing capital program and funding recommendations to meet the region's transit needs;
(iv) establish a rigorous performance management system and performance metrics and targets that address, among other things, maximizing of own-source revenues, increasing ridership, reducing absenteeism, addressing vacancies and attrition, improving employee morale, achieving procurement and contracting improvements and improving customer focus and orientation;
(v) review any contract for the provision of services entered into by the authority, including contracts entered into before the establishment of the Fiscal and Management Control Board, including, but not limited to, commuter rail and paratransit service contracts, and amend those contracts, as necessary, in accordance with their terms; and
(vi) establish, increase, or decrease any fare, fee, rate, or charge for any service, license, or activity within the scope of the authority subject to and consistent with subsection (d) of section 61 of chapter 46 of the acts of

2013.

SECTION 204. Notwithstanding any general or special law or regulation to the contrary, the Fiscal and Management Control Board shall have the authority to: (i) reorganize or consolidate departments, divisions or entities of the authority, except the Metropolitan Boston Transit Parking Corporation, in whole or in part; (ii) establish any new departments, divisions, or entities as it deems necessary; and (iii) transfer the duties, powers, functions, and appropriations of 1 department, division, or entity, except the duties, powers, functions, and appropriations of the Metropolitan Boston Transit Parking Corporation, to another. Any such reorganization or consolidation that affects the department shall not be effective unless approved by the board.

SECTION 205. Based on a recommendation of the Fiscal and Management Control Board, the board of directors may amend any borrowing authorization or finance or refinance any debt of the authority in accordance with law; provided, however, that the board of directors shall not delegate this authority.

SECTION 206. Not less frequently than monthly, the Fiscal and Management Control Board shall appear before and provide updates to the board.

SECTION 207. (a) Within 60 days after all of the members of the Fiscal and Management Control Board have been appointed, the Fiscal and Management Control Board shall submit a preliminary report to the secretary of transportation, the secretary of administration and finance, the clerks of the house of representatives and senate, the chairs of the joint committee on transportation, and the chairs of the house and senate committees on ways and means. The report shall include a preliminary analysis of, and management plans to address, the authority's structural operating deficit and its capital and maintenance needs over the 5 years following the effective date of this act.

(b) Annually, not later than December 15, the Fiscal and Management Control Board shall report on the authority's own source revenue, operating budget, capital plan and progress toward meeting performance metrics and targets to the secretary of transportation, the secretary of administration and finance, the clerks of the house of representatives and senate, the house and senate chairs of the joint committee on transportation, and the chairs of the house and senate committees on ways and means. The report shall include an update on the authority's progress in: (i) maintaining a priority list of immediate capital needs for the next 5 years and procurement and implementation plans; (ii) imposing a barrier between the commingling of operating and capital budgets; (iii) increasing own-source revenue as required by section 61 of chapter 46 of the acts of 2013; (iv) conducting thorough reviews and analyses of all proposals for system expansion, taking into account operating and capital costs, benefits to current and new riders and economic development impacts; (v) centralizing authority procurement and contracting, implementing best procurement and contracting practices, and sharing or consolidating authority procurement and contracting with that of the department consistent with this act; (vi) planning and preparedness processes and adopting an incident command system; (vii) reorganizing internal structure along modal business lines; (viii) maintaining 1-year and 5-year operating plans and budgets; (ix) maintaining a 20-year capital plan for the restoration of physical assets; (x) improving customer relations and instituting a customer-oriented performance management program; (xi) identifying and implementing best practices supporting workforce productivity and engagement; (xii) reducing employee absenteeism; (xiii) reducing barriers to public-private partnerships; and (xiv) utilizing the lease and sale of real estate assets to support the long-term health of the system and implementing value capture strategies.

SECTION 208. Notwithstanding any other provision contained in this act, no existing rights of the holders of bonds, notes and other financing obligations issued by or on behalf of the authority under chapter 161A of the General Laws shall be impaired and nothing in this act shall be construed to alter or grant the power to alter existing agreements securing such bonds or other obligations, hedge agreements or investment contracts pertaining thereto, other than in accordance with their terms. The authority shall maintain the covenants and agreements of the trust agreements, bond resolutions and other instruments pertaining to such bonds and other obligations secured thereunder so long as such bonds and other obligations shall remain outstanding. The Fiscal and Management Control Board shall not control, and shall not have the power to alter or otherwise impair, the trust imposed in the third paragraph of subsection (a) of section 35T of chapter 10 of the General Laws and shall not have the power to alter or otherwise impair the other commonwealth covenants set forth in said third paragraph. The commonwealth hereby re-affirms such trust and other covenants.

For Immediate Release - July 17, 2015

Governor Baker Appoints 5-Member MBTA Fiscal & Management Control Board

BOSTON – Governor Charlie Baker today appointed the five-member Massachusetts Bay Transportation Authority's (MBTA) Fiscal and Management Control Board (FMCB) and designated Joe Aiello as Chair immediately after signing into law the Fiscal Year 2016 budget. A key reform recommended by the Governor's MBTA Special Panel following unprecedented winter weather that crippled service at the MBTA, the FMCB is set to begin working immediately, holding its first meeting on Tuesday, July 21st.

"Fixing the MBTA will be a complex task, but moving forward with a Fiscal and Management Control Board dedicated solely to the T's operations and finances is an important step toward delivering accountability for taxpayers and riders," said Governor Baker. "I want to thank the legislature for putting this board in place with other measures that will allow us to begin fixing the T. I especially want to thank the five talented individuals who have agreed to serve in this crucial capacity, and who bring decades of combined experience and different but complementary perspectives as they get to work fixing the status quo at the MBTA, and begin the process of delivering a world-class public transit system that the people of Massachusetts can be proud of, and deserve."

"By signing this bill into law we now have two crucial tools to begin fixing the MBTA, a dedicated group focused solely on the T and new tools that will allow the MBTA to operate more reliable services, repair critical infrastructure and explore more efficient ways to serve our riders," said MassDOT Secretary Stephanie Pollack. "Board members will be meeting on Tuesday, along with the expanded MassDOT Board, for briefings that will help them quickly begin their work to get the MBTA back on track."

Governor Baker appointed in February a Special Panel to carry out an extensive analysis of the underlying functions of the MBTA's governance, finances and capital planning which became apparent throughout historic snowfall and persistent freezing temperatures earlier this year. Among the panel's recommendations were the call for a FMCB to assume control of the MBTA, a reconstituted Massachusetts Department of Transportation (MassDOT) Board of Directors, lifting of efficiency restrictions at the MBTA, and a separation of the MBTA's capital and operating budgets among a number of recommendations.

About the MBTA Fiscal and Management Control Board Members

Joseph "Joe" Aiello (Chair) is currently a partner and Director of Business Development North America at Meridiam Infrastructure where he has worked since 2007, overseeing strategic development and investments in transportation, water and social infrastructure. Before joining Meridiam, Aiello served in several capacities for 13 years with DMJM Harris prior to its acquisition by AECOM Enterprises, Inc. where he was most recently President for the firm's global, public private partnership business. Aiello also worked at the MBTA as Assistant General Manager of Planning and Budget and Assistant Director of Construction for Special Projects and Finance. He holds his B.A. from the University of Massachusetts at Amherst and a M.S. in City and Regional Planning from Harvard University.

Lisa Calise is the Chief Financial Officer at Watertown-based Perkins School for the Blind, focusing on global services and education for those living with blindness and deafblindness. Before joining Perkins in 2010, Calise served the City of Boston for over a decade, most recently as the Director of Administration and Finance, and previously as Chief Financial Officer and Collector-Treasurer and Budget Director, implementing government efficiency programming. Calise also served in the White House Office of Management and Budget as a budget examiner. A Massachusetts native, Calise obtained her B.A. from Boston College and a Master's Degree in Public Management from the University of Maryland.

Brian Lang currently serves as President of UNITE HERE Local 26, Boston's hotel and food service union. Lang has spent a total of seventeen years representing the union's 7,000 members, starting as organizing director and eventually being elected as president in 2011. Before joining the UNITE HERE Local 26 team, Lang was already involved as a union organizer for SEIU Local 285. His previous work experience as a meatpacker and a bellman has given Lang a strong understanding for the needs of hotel and food service employees that he uses to advocate for workers' rights.

Steve Poftak is Executive Director of the Rappaport Institute for Greater Boston at Harvard Kennedy School. Poftak was Director of Research and Director of the Center for Better Government at the Pioneer Institute for Public Policy Research. He has led research projects and authored a number of papers on transportation policy, government efficiency, municipal finance, and job creation. Previously, Poftak worked at the Commonwealth's Executive Office for Administration and Finance, where he managed the $1.3 billion capital budget, prepared the state's quarterly cash flow reporting, and monitored non-tax revenue receipts.

Monica Tibbits-Nutt is the Executive Director of the 128 Business Council where she has worked since 2010, advising communities in the 128 Corridor in transit planning and overseeing the operation of 12 shuttle routes with nearly half a million in annual ridership. Tibbits-Nutt also has experience with the MBTA, where she served as a Transportation Planning Consultant to the MBTA Advisory Board, and as Executive Director and Transportation Planner for TransitWorks, providing research evaluation for the MBTA and Secretary of Transportation. She holds a B.S. from the University of Southern Indiana and a Masters of City and Regional Planning from The Ohio State University.

Principles of the FixOurT Coalition

June 2015

The FixOurT Coalition came together this spring to fight for drastic improvements to our public transit system following the inexcusable collapse of the MBTA this winter. The Coalition calls upon lawmakers to enact a bill that will meaningfully address the problems plaguing the T, and to do so swiftly.

The Coalition is comprised of nearly 50 organizations and municipal leaders from all areas of the state, representing employers of all sizes and from many industries and sectors of our economy: healthcare, technology, biotech, manufacturing, engineering, real estate, construction, retail, lodging and hospitality, among others. Collectively, we represent **1.5 million** individuals who are united in a common quest to Fix Our T. These individuals – workers, customers, patients and students - experienced firsthand the loss of productivity, foregone wages and sales, and missed classes or medical appointments that resulted from the MBTA's collapse. We have joined together to ensure it doesn't happen again.

Despite efforts over the past decades, previous reforms have failed and the T continues to deteriorate, threatening our vibrant economic recovery. Bold action is urgently needed. Five months after the T's complete shutdown, we cannot lose the sense of urgency around fixing something that is severely broken. Our top priority must remain the interests of the working and commuting public.

The Coalition urges the legislature to focus on comprehensive reforms that restructure the T's operations and finances to optimize MBTA operations. The Governor's comprehensive plan contains three indispensable reforms that must be included in legislative action:

A strong, independent Fiscal Management and Control Board (FMCB) with clear authority to restructure the operations of the T.

Relief from the Pacheco law – so that the MBTA, like the Massachusetts Water Resources Authority, can improve its service delivery through a competitive procurement process.

Approval of arbitration awards –so that the unfettered discretion of the arbitrator does not drive up MBTA labor costs to unsustainable levels that exacerbate the Ts existing budget challenges and brings the MBTA closer in line with the benefits that all state and municipal employees enjoy.

We must fix the T now. The stakes are too high for too many of our consumers, workers, taxpayers and residents of the Commonwealth who rely on a dependable, working, world-class public transit system. They expect and want change.

Join us at FixOurT to send your message to lawmakers that this time we have to get it right.