

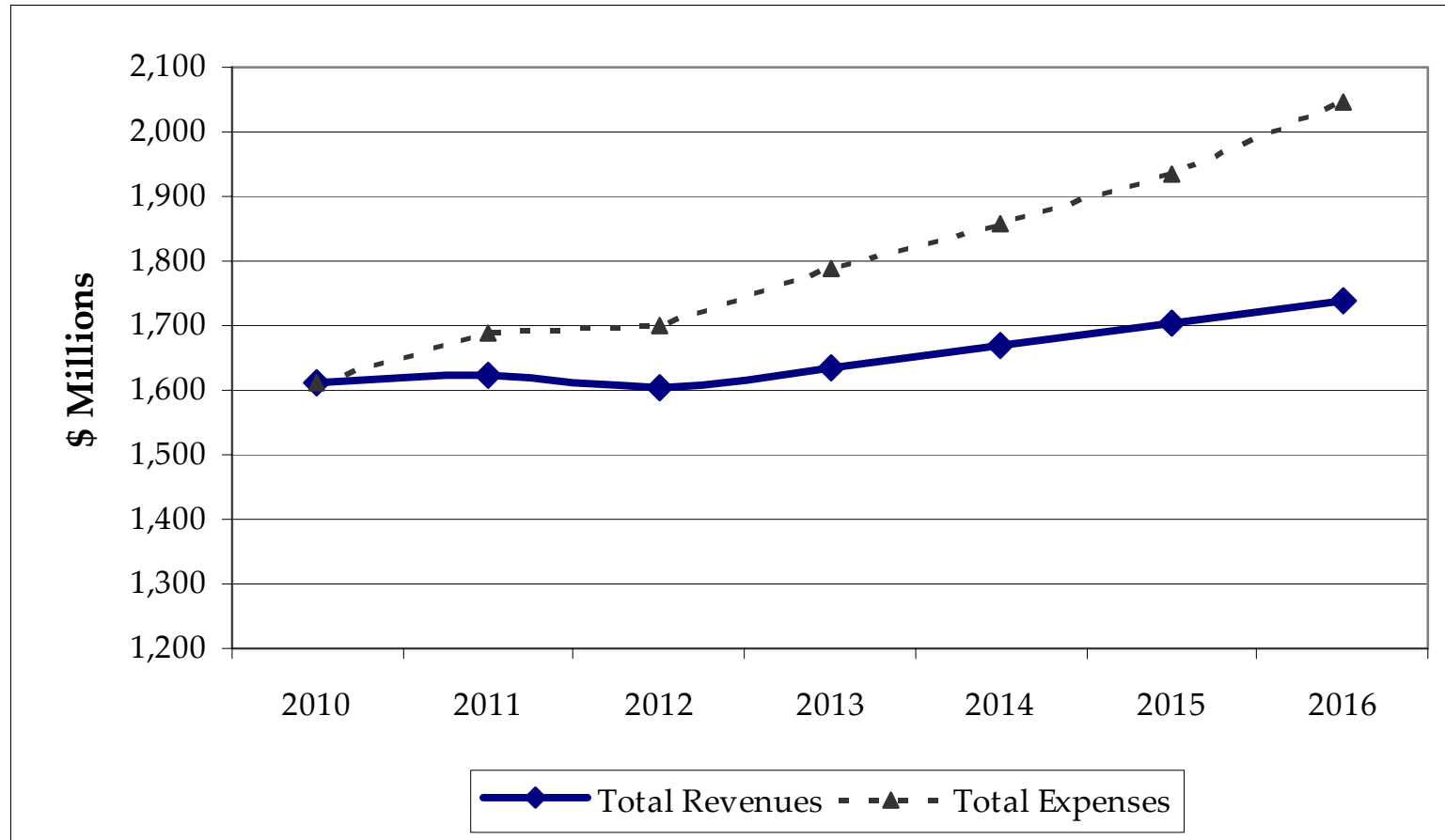


A Better City Forum: Fixing Transit Finance

Michael J. Widmer, President
Massachusetts Taxpayers Foundation
April 25, 2011



MBTA Facing an Exploding Structural Gap Between Revenues & Expenses



MBTA Projections (includes \$160 million of new sales tax revenues in 2010 and after)

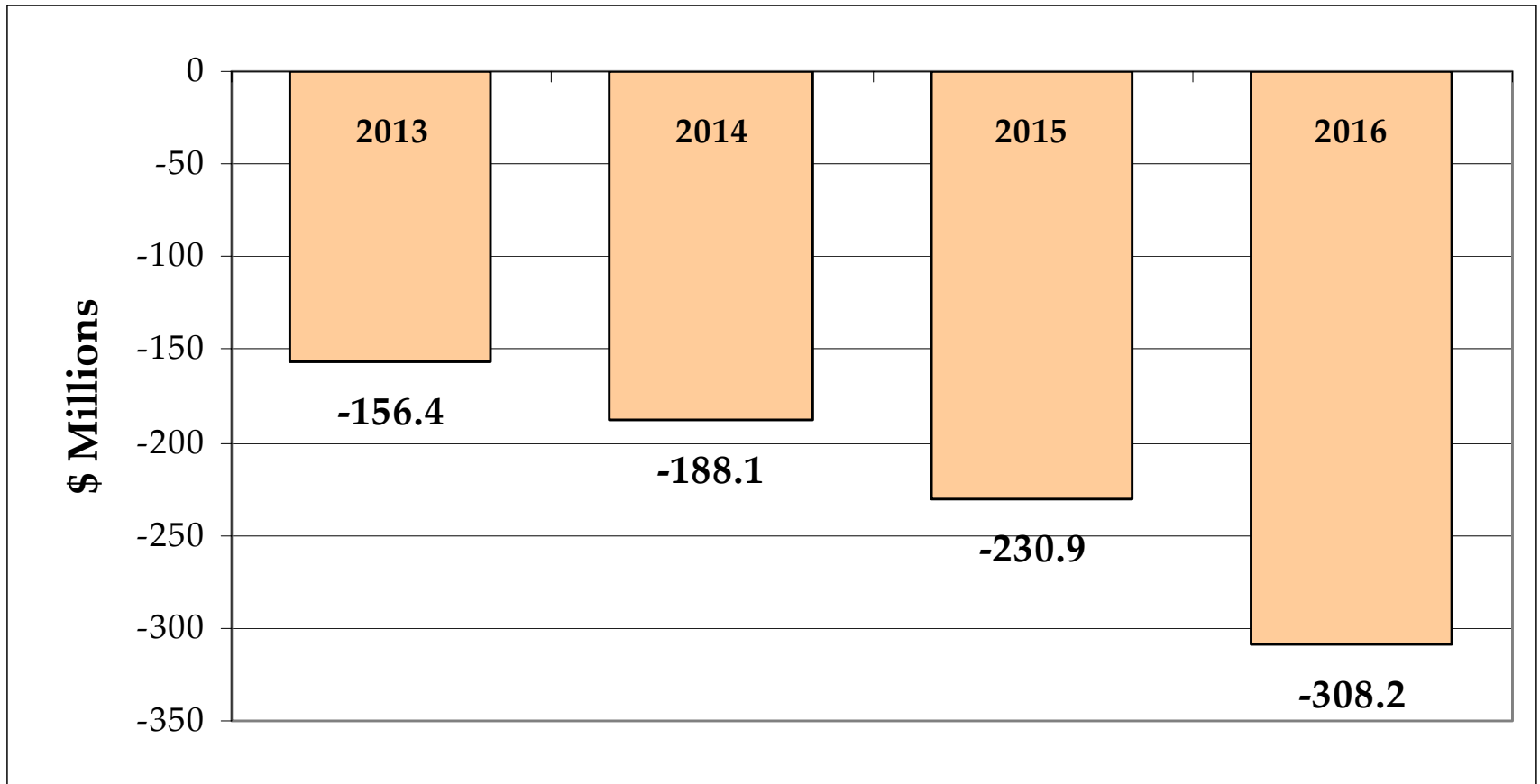


One-Time Revenues, Restructuring of Debt Close 2011 and 2012 Gaps

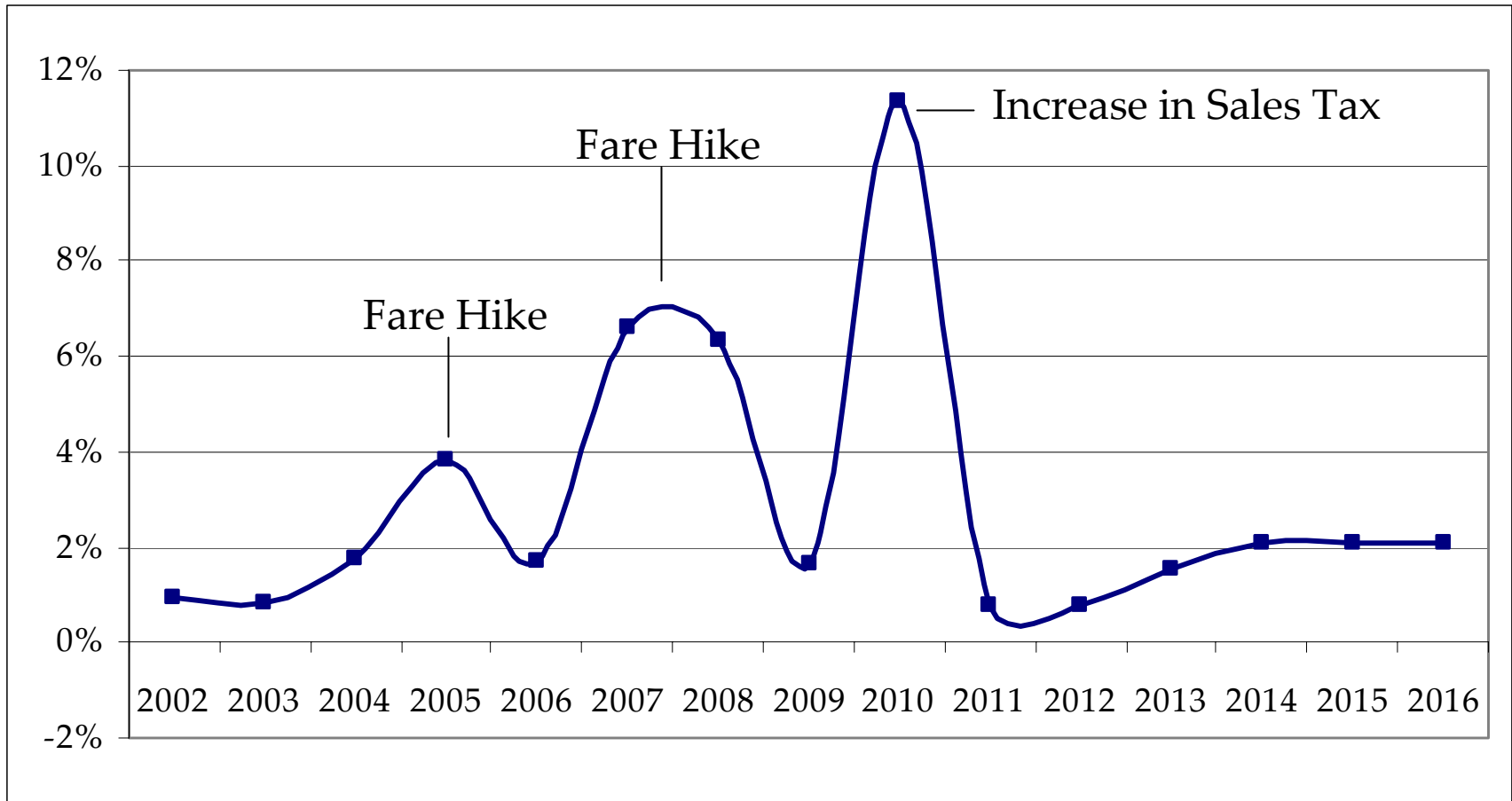
- Fiscal 2011
 - Restructure debt ~ \$68 million
- Fiscal 2012
 - Restructure debt ~ \$33 million
 - Lease North Station Parking Garage - \$45 million
 - Issue bonds securitized by parking garage revenues to pay down \$35 million of debt annually from FY 12 - 17



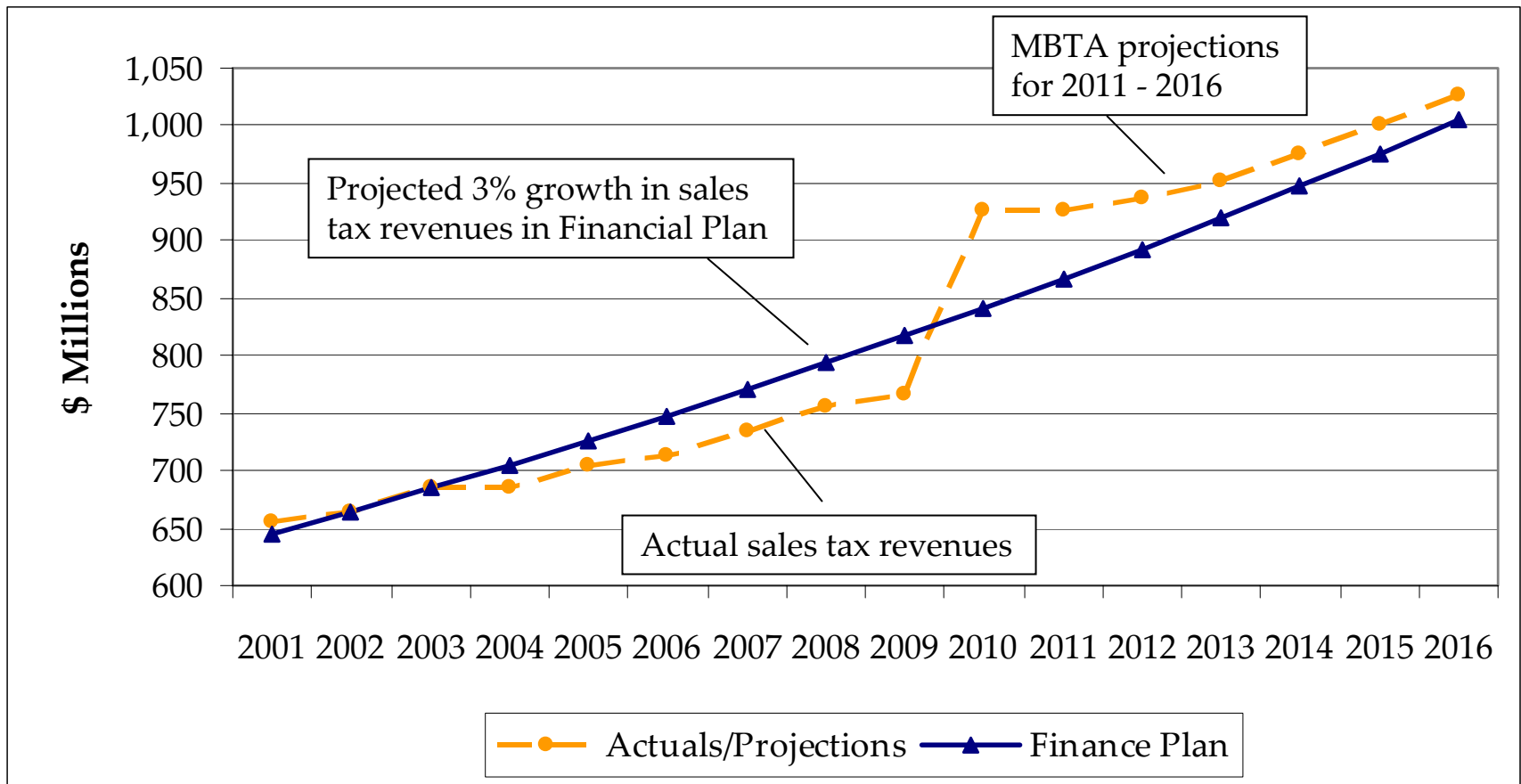
Huge and Growing Deficits Beyond FY 2012



Revenues from Transportation, Local Assessments, and Sales Taxes Growing at ~ 2 Percent Annually from 2011 - 2016



\$160 Million In New Sales Tax Revenues Puts MBTA Ahead of Original Finance Plan



Expenses Growing Twice as Fast as Revenues

	2010	2011	2012*	2013*	2014*	2015*	2016*	Annual Change 2010 - 2016
Wages and Taxes	428.6	427.8	441.0	449.3	458.3	467.5	476.9	1.9%
Employee Benefits	182.6	184.9	206.4	197.7	202.7	213.9	226.6	4.0%
Materials	177.8	187.4	203.8	222.3	242.8	265.6	290.7	10.6%
Insurance	15.5	15.4	15.4	15.8	16.2	16.6	17.0	1.6%
Commuter Rail	276.9	300.5	318.0	331.6	330.5	339.3	348.4	4.3%
The Ride	91.2	95.7	110.7	116.3	128.7	145.3	159.6	12.5%
Debt Service	438.9	477.8	405.1	457.4	477.0	485.1	527.4	3.4%
Total	1,611.5	1,689.5	1,700.4	1,790.3	1,856.2	1,933.3	2,046.6	4.5%

* MBTA Projections



The MBTA Carries the Largest Debt Burden in the Nation

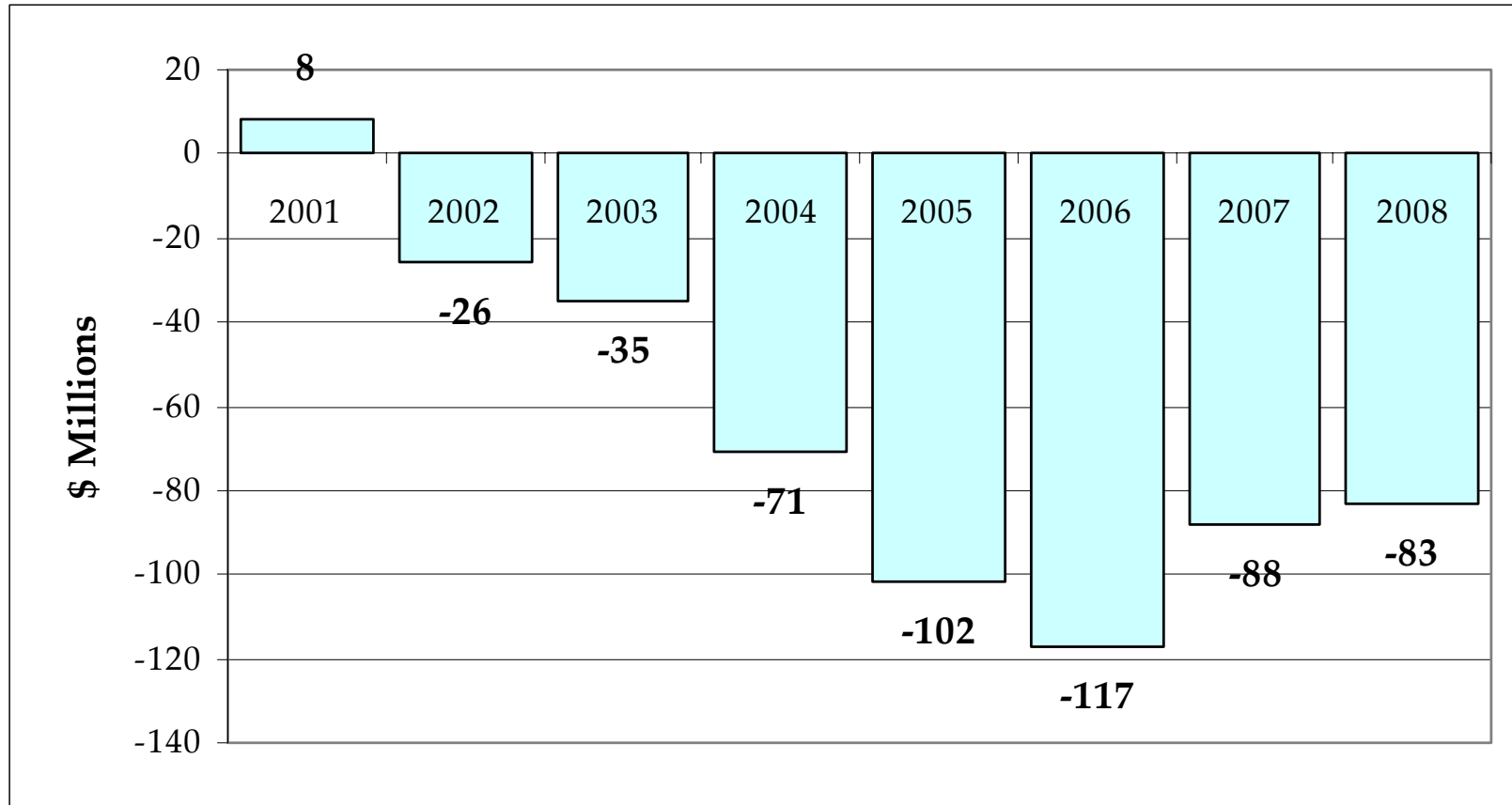
The MBTA has the highest transportation authority debt burden in the country; will spend ~ 28 percent of its FY 11 budget on debt service

	Total P&I Debt	Operating Budget	Debt as % of Budget
Boston / MBTA	8,600	1,700	506%
New York / MTA	37,161	9,886	376%
Chicago / CTA*	1,234	1,285	96%
Los Angeles / MTA	4,370	3,826	114%
WMATA (DC)	671	1,357	49%

* Excludes \$4.8 billion in pension and OPEB bonds



However, Because of a Series of Debt Restructurings, the MBTA Paid \$515 Million Less in Debt Service Than Forecast by the Finance Plan



Source: D' Alessandro Report



The MBTA's Debt Trap – A Vicious Cycle

- Forward Funding finance plan expected principal debt to peak at \$4.6 billion in 2005 - by FY 10, MBTA had \$5.5 billion in debt (excluding interest)
- “Much of the current debt has been refinanced at a lower cost over the past ten years, but those savings opportunities no longer exist.” *MBTA 2011 Operating Budget Proposal to the Board of Directors*
- Delaying debt payments to balance operating budgets has increased total debt and interest costs, exacerbating the T's debt burden
 - Restructuring debt in FY 11 and 12 transfers more than \$100 million in principal payments to future operating budgets
 - Securitizing parking revenues reduces principal payments by \$265 million from FY 12 – 16 and shifts \$350 million in debt to FY 2022 – 2041 along with ~\$400 million in additional interest payments

