



**Massachusetts Bay
Transportation Authority**

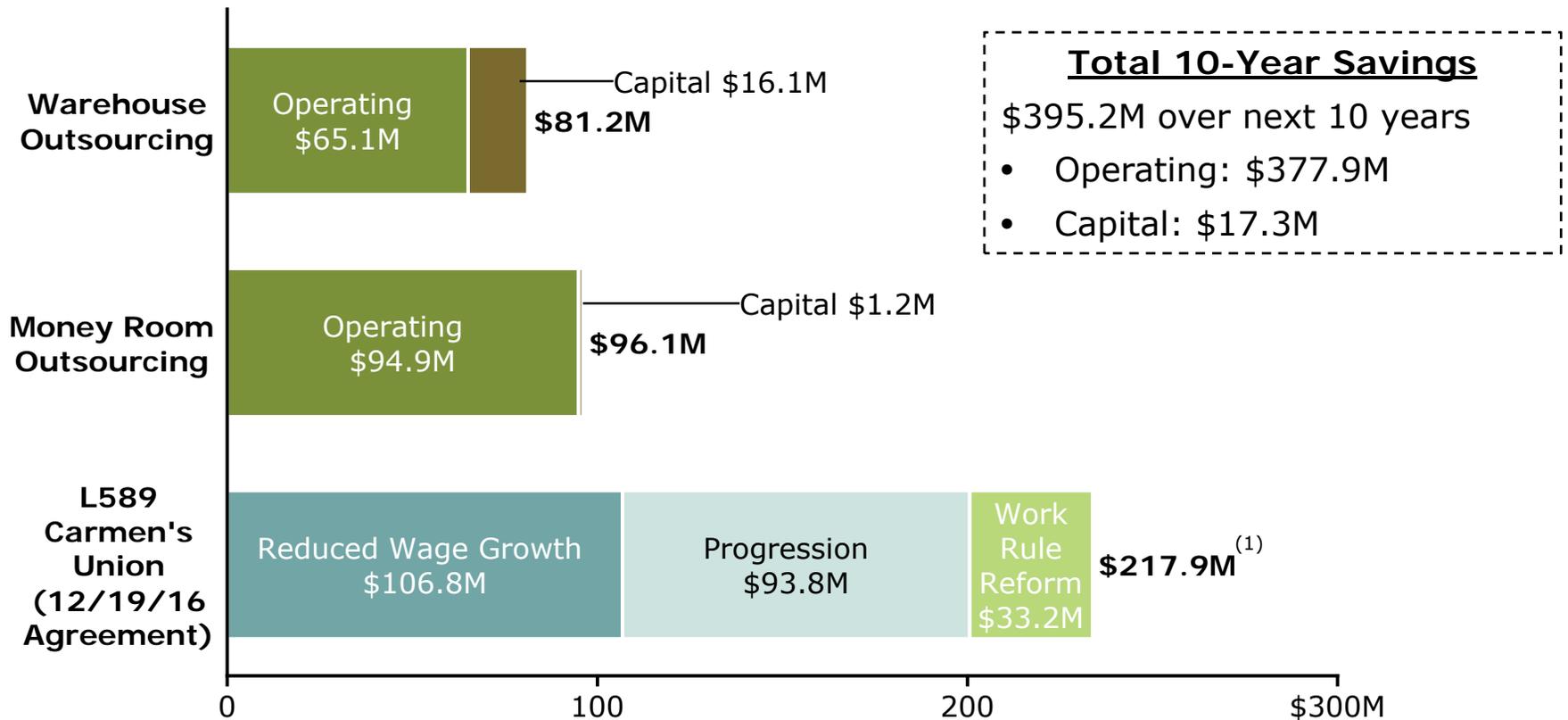
**Flexible Contracting and Productivity Improvements:
10-Year Projected Savings**

February 2017



Savings Due to Pacheco Waiver and Negotiated Productivity Gains Projected to Save MBTA \$400 Million Over 10 Years

10-Year Projected Savings



(1) Total L589 Carmen's Union savings net of \$16.0M in MBTA contributions to Health & Welfare Trust over next ten years.
 Note: Warehouse and Logistics savings excludes \$22.7M in potential revenues from sale of excess inventory. Money Room savings excludes \$3.2M in potential revenues from sale of current money room facility and vehicle fleet.



Outsourcing Warehouse Operations

\$65.1M in Operating Savings and \$16.1M in Capital Cost Avoidance Over 10 Years

Former In-House Operation: Operating cost of \$135.6M and \$16.1M of capital investments

- MBTA annual cost of \$12.1M was projected to grow at 2.5% annually for 10 years
 - Annual cost includes \$2.0M associated with fully-loaded cost of 2% of mechanic labor time devoted to searching for parts
- Required \$16.1M in capital expenditures to upgrade current warehouse facilities and software

Mancon Contract: Operating cost of \$70.5M and avoid capital costs of \$16.1M

- Average annual Mancon contract of \$5.5M over first 5 years, with next five year period projected to grow at an annual average of 2.9%
 - MBTA inventory management team and implementation contingency funds projected to cost \$1.5M for first five years, \$1.2M for last 5 years
 - Avoids \$16.1M of capital expenditures associated with upgrading MBTA warehouse and software
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Outsourcing Money Room Operations

\$94.9M in Operating Savings and \$1.2M in Capital Cost Avoidance Over 10 Years

Former In-Operation: Operating cost of \$131.2M and \$1.2M of capital investments

- FY2016 cost budgeted at \$11.8M, projected to grow at 2.5% annually
- AFC 2.0 implementation in Year 5 eliminates need for 3 FTEs responsible for processing currency and 2 FTEs associated with collecting currency, saving MBTA \$800K over 5 years
- Requires \$1.2M in capital expenditures for equipment and vehicle upgrades

Brinks Contract: Operating cost of \$36.2M and avoid \$1.2M in capital investment

- Average annual Brinks contract of \$3.5M over next 5 years
 - Currency collection and counting costs projected to fall by \$1.3M based on AFC 2.0 implementation and elimination of mobile vaults in Year 5
 - Brinks collection and counting costs projected to grow at 2.5% annually starting in Year 5 through end of 10-year period
 - Annual MBTA contract oversight staff projected to cost \$500K for next 10 years
 - Avoids \$1.2M of capital expenditure for equipment and vehicle upgrades
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12/19 Carmen's Union Deal: Over \$200M in Projected 10 Year Savings

TOTAL SAVINGS: 12/19/16 AGREEMENT				
	4 Years	10 Years	25 years	Notes
Reduced wage growth (all L589 members)	(\$48.7)	(\$106.8)	(\$331.1)	<ul style="list-style-type: none"> ➤ 7/1/17 - 0% ➤ 7/1/18 - 1.5% ➤ 7/1/19 - 1.5% ➤ 6/30/20 - 2.5% ➤ 12/1/20 - 1.5% ➤ Average growth over 4 years - 1.55%; ~40% below historic trend, and in line with revenue growth
New hire progression to top rate	(\$27.4)	(\$93.8)	(\$350.1)	<ul style="list-style-type: none"> ➤ 236 Hires assumed per year ➤ Steps: 55%/60%/65%/75%/100%
40-hour workweek before OT	(\$2.3)	(\$5.6)	(\$18.1)	➤ MBTA updated to Q1 FY17 (~\$0.6M p.a.)
Electronic roster picking (10-hour rule savings)	(\$2.6)	(\$7.5)	(\$26.4)	➤ Electronic roster picking pilot software eliminates 10hr exceedances
Spread pay phase out (Linked to 4-day workweek pilot)	(\$2.0)	(\$5.1)	(\$17.3)	➤ In garages where the 4-day workweek has been implemented (as of 11/2016), spread pay has been eliminated
Electronic Roster Picking (Inspector OT and differential pay)	(\$4.7)	(\$15.0)	(\$54.3)	<ul style="list-style-type: none"> ➤ Inspectors working on the Pick must be backfilled on OT, this spend goes to zero (\$1.6M pa) ➤ Inspectors working on the Pick currently receive \$30 per day as differential pay (\$0.1M pa)
MBTA contribution to Health & Welfare Trust	\$7.1	\$16.0	\$42.6	<ul style="list-style-type: none"> ➤ Medicare Part B reimbursement capped at Medicare base rate (no reimbursement for surcharge); MBTA will contribute \$400 per subscriber, per annum ➤ Payments to Health and Welfare do not require fringe, and are not creditable to pension
TOTAL SAVINGS, 12/19/16:	(\$80.7)	(\$217.9)	(\$754.7)	
AVG. ANNUAL:	(\$20.2)	(\$21.8)	(\$30.2)	

Notes: 15 year average of L589 increases is 2.7%; Labor agreement would be in effect until 6/30/2021; Historic 5-year average hires is 236
Source: MBTA Internal Data / The Labor Bureau, Inc.



Proposed Next Steps

- Despite progress, the FMCB faces hard decisions to bring the FY2018 and 5-Year Projected Operating Budget into balance
- The FMCB must consider additional flexible contracting options in FY17 and FY18 while continuing to improve internal productivity
- Based on the baseline findings contained in "FY18 Focus: Controlling Costs and Improving Service in Transportation and Maintenance," the following should be considered immediately:
 - RFI for MBTA bus maintenance activities (\$30M-\$40M annual savings)
 - RFP for in-station Customer Service support (up to \$11M annual savings)
 - Implement the following policies as permitted through labor negotiations:
 - › Contract out future expansion of bus service
 - › Contract out bus diversion due to capital improvement projects