



Charles D. Baker, Governor
Karyn E. Polito, Lieutenant Governor
Stephanie Pollack, MassDOT Secretary & CEO



MINUTES

MassDOT BOARD MEETING OF JUNE 17, 2015

At the call of the Chair, a Meeting of the Board of Directors of the Massachusetts Department of Transportation was held at the State Transportation Building, MassDOT Boardroom, Suite 3830, Boston, MA.

Those present were: Misses Bonsignore, Secretary Pollack, Taylor, and Messrs. Blue, Lang, Moylan and Poftak being the Board of Directors of the Massachusetts Department of Transportation.

Also present were Frank DePaola, Interim General Manager, Tom Tinlin, Acting Highway Administrator, Erin Devaney, Registrar of Motor Vehicles, Astrid Glynn, Rail and Transit Administrator, Dana Levenson, Chief Financial Officer-MassDOT; John Englander, MassDOT/MBTA General Counsel, Jonathan Davis, Chief Financial Officer-MBTA; Thom Dugan, Owen Kane, Senior Counsel to the Board, Joe Pesaturo, Michael Verseckes and Paula Fallon.

The Chair, Ms. Bonsignore, presided.

Chair Bonsignore called the Open Meeting to Order and presented the order of business.

Chair Bonsignore opened up public comment period.

There were no speakers signed up for public comment.

Chair Bonsignore closed public comment period.

The Chair announced that today's meeting will be informal and there will be no actions taken on items discussed at the meeting. This meeting is a review to the follow-up questions they had from the last meeting. They will go through each question in order.

The first question was on historical spending. Director Poftak clarified his request to have the historical data for fiscal year 2015 year to date or projected actual and fiscal year 2016 budget request to get a sense of progression overtime. Mr. Levenson said he will get that on one page with the same level of detail. Director Taylor wanted to verify that on the list the numbers are the actual expenditures and the sources that went with each one. Mr. Levenson answered that she was correct.

The next item discussed was projects that were scheduled to start this year versus a continuing phase of a projects underway. Mr. Levenson discussed the items that went with attachment two. In the packet was a copy of the Capital Investment Plan recast to 2016 primarily committed projects and also projects going forward in FY2017. The chart gets to a level of specificity divided by division. The Chair asked if a project that is in design and not yet committed too,

is it not in the liabilities column (for example South Coast Rail). Mr. Levenson answered that in 2017 and beyond they were not including any items that are not under construction. There are some items that will be included for design such as the South Coast Rail. Mr. DePaola noted that there is some capital money included for track improvements in the corridor and bridge improvements for South Coast Rail. The Secretary noted that what is in the CIP are projects that they were already working on but there were a number of large scale projects that they do not have a construction contract. Director Taylor asked about what it meant when it says there is design money. Mr. DePaola answered that each contract is separate, if they are only carrying design money the general rule is just to get through permitting.

The next question was the explanation of the source of project cost estimates. The Chair noted that if you look at the capital plan there are items that are almost down to the dollar and there are things that look like plug numbers. She would like to get a sense of how much contingency and how much plug money there is in the capital costs in the plan. For the MBTA the estimates generally come from the project sponsor and it depends on whether it is a developed project or if it is in design. Design and Construction Project Manual spells out based on the level of design how much contingency should be used. It closely follows FTA guidelines. The other numbers are estimates and conceptual depending on how much work needs to be done. Those are based on historical experience and projection forward.

The next question was the \$81 million project on the I90/Boston University Bridge as it relates to Metropolitan Highway System spending. Mr. Levenson answered that in FY16 netting numbers exceed the \$33 million in FY16. The remaining money will be budgeted based on the reserves and the tolls taken in after expenses. Director Taylor would like to display total costs as we go forward. The Board would like a debrief with staff on what will be helpful for the CIP's. Secretary noted that it would be helpful on what does and doesn't help on the five year plans.

The next question was about the \$651.6 million of federal highway funding that is already allocated. The funding is anticipated but based on the STIP all the money is spoken in federal aid projects in 2016. The Chair asked what the process is on a stall in federal funds. The MBTA has a commercial paper program that they can borrow from of about \$250 million. There is limited available money to continue to pay the capital cost should there be a delay.

The next question asked about the current balances in the Metropolitan Highway System and the Western Turnpike reserves. The Chair asked if the tolls on the MHS system anticipate the toll revenue going down due to the closure on I90 related to the Commonwealth Bridge. Mr. Levenson noted that there is no expectation of the tolls going down but instead going up mainly because people are driving due to the lower gas prices. Secretary Pollack added that one of the other major uses of the MHS toll reserve in the capital program is the All Electronic Tolling (AET) that covers the cost of the program until completion.

MassDOT is proceeding on that current schedule with more than sufficient money to complete the project on August 2016. The Chair asked about the relation with AET with the Allston tolls with the reconstruction of the interchange. Mr. Levenson noted the reconstruction of the interchange is a separate contract than the AET. He noted once the AET is up and running they will continue to collect tolls but it will still be a challenge to try and find the money to fund the rest of the interchange project. The Chair asked how does the AET get accomplished before the construction of the interchange. The new toll location is outside of the construction location.

The next question was about certain projects that would be designed. The Board asked for a restated list of the design budget and what percent design will be accomplished. MassDOT asked if they could clarify the question. Director Taylor asked to clarify what is meant when it is described as design. Mr. Levenson answered similar to the question earlier that they budget enough to get through the permitting project also noting that each project is different. It also depends on the construction estimates taking into account the contingency and other costs. Secretary Pollack added that they will be getting the Board additional information on this question, noting it is very project specific, giving more information on what stage the projects are and expected to be in 2016. Director Taylor asked for the vocabulary on the items to help with understanding everything.

The next item was discussion of the list of projects under the winter resiliency program. Mr. Davis noted that they are currently in the process of putting together a list. He asked for some more time to get the schedule to the Board. Director Taylor asked if some projects were already under way. Mr. Davis answered that they have purchase orders out for certain equipment. They have gone to the MPO and gotten on to the Transportation Improvement Program (TIP) which allows them to access federal funds and preapproval spending.

The next question discussed was the historical data for budgeted and projected actuals for 2015 and 2016. Mr. Levenson gave the Board legislative reports that have operational and capital numbers. They will work to get the relevant information from the report and separate it out for the relevant years. Director Taylor asked how much flexibility there is to move the format around over time. Mr. Levenson answered that he believes there is not much specificity. There was a specific reference to see this format in the first year in 2010 and they built upon it over the course of the years.

The next item was the single table on all the divisions for MassDOT and the MBTA. Mr. Davis noted that the MBTA numbers were not included in the MassDOT schedule but they do have them and they will incorporate the lists.

Secretary asked about the budgeted versus actual for the Chapter 90 funds. Chapter 90 is a reimbursement to Cities and Towns as they apply for it. If it isn't yet spent from FY2015 doesn't mean that it won't be reimbursed.

Director Poftak asked the MBTA about the use of the term budget. In the FY15 budget there is asterisk about the review process of the year to date spending. He asked the MBTA if something has changed from the FY15 budget to the FY16 budget. Mr. Davis added that every year the departments submit their projects with cashflow for the budget. The Budget department puts it into the system and the capital budget program lists all the individual projects. The numbers are always optimistic of what they can spend. When added up it doesn't fit within available funds. In sources and uses schedule they reduce their cash flows to fit in available funding. For FY16 they took a different approach, each project for FY16 there is cash that is able to be spent in that year. Before they never went back and changed each individual project but for FY16 they did go back and change each project to reflect the changes. The Secretary added that this is one of the items the Governor's Expert Panel brought up where there may have been a disconnect with the Capital Investment Program at the MBTA as being aspirational and there was no tool at the MBTA to track if those aspirations were being met. If you compare the plans to the spends there was a large gap for the last five years on the MBTA side. The MBTA is working on the Capital FY16 program to make sure all the money is spent. That is why between the FY15 and FY16 numbers there is a big difference. Director Lang asked about the budgeted number in FY15 for power. The number budgeted was far more than what was spend. Mr. Davis noted that in FY16 you see a substantial reduction in the amount of money going towards power. The primary reason is

one of resources of people not financial resources. There is not enough in house resources to move some of the projects forward. It is not for lack of funding. The Chair asked if the projects are taken from the list when it is found the money won't be spent. Mr. Davis answered most times, but sometimes the areas think they can spend faster than they are able, although they try not to slow down the projects but sometimes there is inability to deliver that side of the capital budget because of limited resources in house not related to funding. Director Taylor would like to make sure over time the important projects get the most attention. Secretary would like to make sure they prioritize projects in a meaningful way and the ability to move money out the door once a budget decision has been made. Once the budgeted decision are made for capital projects decisions need to be made on how to do the day to day operations as well as get the projects moving forward. Director Blue noted that when they are deciding on headcount in the operations budget it has implications on the Capital budget. He asked when the headcount discussion come up he would like more discussion to include the implications on the capital budget.

Next the Board discussed the MassDOT Operating Budget. The first item they asked for information on was the FY15 and FY16 for program levels, grants and the pay-go capital line items. Mr. Levenson clarified the pay-go capital sheet. They are using short term (current revenue) money for long term investment.

Next the Board discussed the reporting internally in the departments and what the Board can expect going forward. Mr. Davis noted they provided in the

handout an example of the operating statement that they typical provide to the Finance and Audit Committee on a monthly basis along with a written analysis with a projection. Mr. Davis added that they are working on other reports that they will bring before the Finance and Audit Committee. Director Taylor thanked them for their work and she looks forward to seeing the reports. She noted once the Finance Board gets comfortable with the reports they will check in with the full board to see when they would like to see the reports. Mr. Levenson noted that the same will go with MassDOT's reports. Director Poftak asked where the capital expenditures for the MBTA are being drawn off of. Mr. Davis stated that it is drawn off of the budget. The chart they are discussing is not based on the budget but the historical spending.

The last item on the agenda was the question that related to Chapter 90 historical spending. There was no further discussion on this item.

The Chair opened up the discussion to additional questions the Board had since receiving the material. The Secretary noted that they will collect all the questions on the data and get the answers to them by the next board meeting. Director Lang noted that context is very helpful when dealing with all the paper and all the numbers. He would like simple terms or a summary to go with the charts and paper. Director Moylan added for the Board to do their job effectively he would like to have a budget format that can be charted in the individual visions that the Board had without getting embedded in all the details. He would like to work on a plan that would be easily comprehensible to everyone on the budget

information. Director Blue would like to see metrics to figure out how we are performing and how we compare to other transit systems. Director Poftak added there needs to be more emphasis on performance metrics. MassDOT should have a capital budget that is tightly bound to performance measurement. Secretary Pollack added there is an office of performance and innovation and at the July meeting the office will give an initial report on performance metrics. They have begun to track metrics and would like to get feedback from the Board. The Secretary added the FY16 plan is a continuation of decisions that were made prior to the administration taking over. The CIP plan does not yet reflect a vision or set of priorities by the current administration. For example they need to invest more in system preservation and maintenance. That is why the Secretary thought it is more appropriate to have a one year plan instead of the five year plan. MassDOT needs more time to review and decide the projects for the five year plan. Next time around the Board, public and operating division will be brought on much earlier so they can have an input in the process.

The Chair announced that there were more handouts. In the handout there was an update on the early retirement and that the backfill numbers are still being worked on. Mr. Levenson noted that this will be the operating budget they will ask the board to vote on, the 29th of June. The Chair asked if there were any additional questions on the MassDOT budget and asked for 48 hours to get back to the department with their questions.

Next the Chair asked what the process will be for giving input and adding input to the Capital Investment Program for the Board and the public. The Secretary answered they will collect the information after all of the public meetings plus any input the board gives on the CIP. A summary will be put together that brings together everything heard. The Chair asked when the final CIP will be ready to send to the Board. Mr. Kane answered that it should be ready latest June 26, 2015. It was discussed that the materials will be to the Board by that Friday, June 26, 2015.

The Chair asked about the \$1.65 billion in Accelerated Bridge Program expenditures and spending. Mr. Levenson said he will get those numbers to the Board for the ABP spending from the beginning to the end.

The Chair also asked about the Positive Train Control (PTC) mandate created by Congress with the expiration date of December 2015. She asked if there was a list of other mandates like the PTC that MassDOT will not be meeting that will put the department at risk for federal funding. Mr. Davis stated he didn't think there was any with Federal Transit Administration (FTA) and the PTC was an unfunded mandate with Federal Railroad Administration (FRA) so there are no threats of losing money there. Next the Chair asked about Risk Based Asset Management and if they were hitting all the federal requirements to get the assets management where it needs to be. Mr. Davis answered that they have been working with FTA as one of the few transit agencies in the US that is ahead of the curve as required for MAP21.

The Chair asked for a list of rough capital cost of projects that are currently not accounted for that are not in FY17 column and beyond, for MassDOT and the MBTA.

On motion duly made and seconded, it was;

VOTED: To adjourn.

Documents used for this reports

Historical Capital Spending for MassDOT and MBTA

List of Projects to start FY16

Source of Projects Cost Estimates for MassDOT and MBTA

MassDOT Projects Authorized

MBTA Board CIP Reports

MassDOT FY10-FY14 Legislative Reports

MassDOT FY15 and FY16 Operating Budget Report By Division

MassDOT FY16 Program Budget

MassDOT FY16 Federal Grant Budget

MHS WT Tobin CIP Projects Lists

MBTA FY16 Operating Budget

MassDOT FY15 3rd Quarter Operating Budget

Chapter 90 Historical List