



Deval L. Patrick, Governor  
Timothy P. Murray, Lt. Governor  
Richard A. Davey, MassDOT Secretary & CEO  
Jonathan R. Davis, Acting General Manager  
and Rail & Transit Administrator



February 1, 2012

The Honorable William F. Welch  
Clerk of the Senate  
State House Room 335  
Boston, MA 02113

**Re: Massachusetts Bay Transportation Authority's Efforts to Maximize Non-Transportation Revenue**

Dear Mr. Welch:

Pursuant to section 11 of chapter 161A and the reporting requirements contained therein, the Massachusetts Bay Transportation Authority (MBTA or Authority) is pleased to provide an update on the Authority's efforts to maximize non-transportation revenue.

The Authority collected \$86.9 million in non-transportation revenues in FY 2011, a decrease of \$9.2 million or 10% as compared to FY 2010. FY 2010 non-transportation revenues had previously increased 14% or \$12 million as compared to FY 2009, primarily as a result of a temporary increase in federal operating assistance and the continued recovery of the financial and real estate markets. The FY 2011 decrease is directly attributable to a decrease of \$15 million of that federal operating assistance. In FY 2010, the MBTA received \$28.8 million in federal operating funds including a onetime payment of American Recovery and Reinvestment Act funds. The FY 2011 federal operating assistance revenues by comparison are \$13.6 million. The MBTA continued to grow non transportation revenue collected from programs under its control. Non fare revenues not attributable to federal operating assistance increased by \$6 million or 6.2% in FY 2011.

Advertising revenue totaled \$12.3 million in FY 2011 an increase of 5% over FY 2010. Over the same period, revenue from real estate operations increased by 3% to \$50 million.

Revenue from real estate operations, which includes parking but excludes property sales, is projected to decrease to \$35.6 million in FY 2012 due primarily to a decrease in the amount of parking revenue available to the operating budget as a result of the parking revenue securitization executed in FY 2011. FY 2011 property sales totaled \$1.2 million, an \$800,000 decrease from 2010. The FY 2012 budget includes \$45 million of

revenue from property sales and long-term leasing. This onetime and substantial increase reflects the planned sale or lease of the North Station parking garage facility.

### **Marketing**

The Authority received \$12.3 million through its advertising contract with Titan in FY 2011. This represents a 5% increase over advertising revenue collected in FY2010. The Authority does expect to continue to receive amounts in excess of the minimum annual guarantees by sharing in a higher amount of net billings and has budgeted \$14.7 million of advertising revenues in the fiscal year 2012 budget.

In addition to the contract with Titan Outdoor, the MBTA also receives guaranteed advertising revenue from real estate operations on its outdoor billboard contract with Clear Channel Outdoor Inc., sponsorship agreements with Van Wagner Outdoor, Clear Channel, and Westwood Development LLC, advertising on bus shelters with CEMUSA, Inc., and advertising at the North Station Parking Garage.

### **Real Estate and Parking**

The Authority generated \$50 million in real estate operations and parking revenues in FY 2011. The Authority anticipates generating \$49.3 million in gross revenue in FY 2012 from real estate operations and parking with \$35.6 million available after payment of parking securitization bond debt service. Non-transportation revenue generated by the use of MBTA-owned real estate includes: sale, lease, and grant of easements of surplus parcels; leasing of land and buildings such as concession/vendor space, advertising, abutter uses, and telecommunication facilities; curing of encroachments, and licensing for the use of land and buildings such as outdoor advertising (billboards) and underground utilities/fiber optics.

#### **Real Estate:**

- Non-transportation revenue generated by the sale, lease, or licensing of MBTA-owned real estate has averaged over \$18.74 million per year since forward funding was enacted (FY 2001 through FY 2011).
- Since forward funding was enacted, over 950 new leases and licenses have been granted bringing the current total annual rental income to almost \$15.2 million. The disposition of Authority property, either by sale, long term lease, or easement, has generated an average of over \$6.4 million in non-fare revenue annually.

- Currently, the combined vending and ATM program generates approximately \$571,000 per year. A reoffering of the entire ATM program will occur in 2012.
- Pursuant to the expanded MBTA contract with Cemusa, Inc. for a bus shelter-advertising program, approximately 200 bus shelters and bicycle racks have been installed and maintained with a value of approximately \$3 million at no cost to the MBTA. MBTA is also receiving 45% of gross advertising revenues from the bus shelter-advertising program for the MBTA-owned shelter sites and 22.5% of such revenue for the municipally-owned shelter sites. In addition, the Cemusa shelters are serviced and maintained at no cost to the MBTA. This program adds to the MBTA's bus shelter inventory, provides a needed amenity to the ridership and generates approximately \$425,000 per year in additional revenue to the Authority.
- The expansion of the Subway wireless program is currently under construction by Insite Wireless. This program will expand to all underground stations the technology to allow the use of wireless devices in tunnels, improving customer service and the safety and security of the system. This program is currently producing a revenue stream of approximately \$385,000 per year for phases one and two. As new stations are added, the license fees will increase accordingly.
- The Authority and its outdoor advertising contractor, Clear Channel, produce over \$1.277 million in revenue from existing outdoor advertising locations. Clear Channel completed construction on eight new billboards generating over \$678,000 in additional fees. The Authority also approved an amendment to the contract to approve the conversion of up to eighteen static billboards to digital which when completed will produce \$1.38 million in additional annual revenues.
- The sponsorship program on certain Authority-owned real estate, such as vent shafts and the South Station Bus Terminal, is contributing \$1.2 million annually to non-fare revenue.
- In FY11 MassDOT closed on the acquisition of certain rights of way from CSX to be operated by the MBTA. MBTA Real Estate has been managing these rights of way since acquisition and is currently working on curing encroachments and updating leases and licenses for utility, telecommunications, and other uses. Approximately 400 leases and licenses are currently being managed.

Additional efforts are planned in FY 2012 and beyond to continue to maximize non-transportation revenue from the Authority's real estate assets. These efforts include:

- Identifying new property sale and leasing opportunities including air rights over existing facilities and rights-of-way.
- Working closely with other state agencies (MassHousing, MassDevelopment, and MassDOT) to cultivate transit-oriented development (TOD) projects.

#### Parking:

In FY 2011, net revenues from parking totaled \$30 million. In addition to more efficient and professional parking management, the MBTA has introduced new processes to provide customer convenience and increase revenues.

In FY 2011, the MBTA implemented an on-line monthly pass program for “honor box” parking lot locations. This allows a customer the convenience of a once per month payment with a \$10.00 monthly discount for purchasing the monthly pass. The MBTA has also introduced a Pilot Competitive Pricing Program that has lowered the daily rate at 10 parking facilities to \$3.00 and is tracking the revenues at these lots for 12 months and comparing it to the previous 12 months to determine the effect on revenues and utilization at these lots.

The MBTA has increased the parking fines and changed the structure of its enforcement process. Previously, the fine was \$1.00 for non-payment of the daily parking fee. Under the new process, the customer is fined \$1.00 that must be paid within 3 days. If the fine is not paid within three days, the fine amount increases an addition \$20.00. These increased fines do not affect most of the MBTA customers and only targets violators who do not pay their daily parking fee.

#### Fiscal Efficiencies:

The MBTA’s conservative financial management and strong credit ratings have provided the Authority with uninterrupted access to the capital markets and the ability to fund its capital program at relatively low interest rates. The MBTA actively manages its debt portfolio. Debt management includes defeasance of debt, refunding or restructuring prior debt and deploying hedge agreements used to manage certain financial uncertainties, such as the purchase of fuel.

Credit rating agencies have continued to rate MBTA’s credit as one of the highest among transit properties in the country. The Authority’s Assessment and Sales Tax bonds are rated Aa1 and AAA from Moody’s and Standard & Poor’s respectively. Underlying its strong credit ratings is the MBTA’s continued success in achieving

management efficiencies. Strong credit ratings are also critical to the Authority's ongoing ability to obtain lower borrowing costs and reduce future debt service expenses.

In conclusion, the Authority will continue to explore every opportunity to achieve growth in non-transportation revenues. With the continued support from the MBTA Board of Directors, we expect to achieve the Authority's goals and objectives for non-transportation revenues.

Sincerely,



Jonathan R. Davis  
Acting General Manager and  
Chief Financial Officer



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