The July Plan has four key, inter-related elements

• Three years of “net zero” labor settlements for all MTA unions (“going out” value of $303 million/year)

• Annually recurring cost savings ($800 million in 2013, increasing to $1.3 billion in 2017)

• Projected fare/toll revenue increases yielding 7.5% in 2015 and 2017 (“going out” value of each approximately $500 million/year)

• $330 million of annual PAYGO capital beginning in 2015 as a “down payment” on 2015-2019 Capital Program

• In addition to these four elements, Plan also assumes no further legislative erosion of PMT revenue stream

• *Failure to achieve full value of the first two elements, or any significant decrease in the PMT or other taxes/subsidies, will require an increase in fares and tolls and/or a decrease in funds committed to PAYGO*
The first three elements are the main factors in reducing the July Plan deficits to a cumulative $240 million ($ millions)
What has changed since the July Plan?

• Favorable re-estimates and other changes
  – Higher passenger/toll revenues
  – Higher real estate receipts
  – Lower health and welfare re-estimates
  – Lower debt service
  – Lower pension re-estimates
  – Higher paratransit savings

• Unfavorable re-estimates and other changes
  – Higher overtime re-estimates
  – Lower PBT receipts
  – Operational and Maintenance Needs

• Bottom line is net favorable by a cumulative $791 million over the Plan Period

• Improved financial position and additional cost reductions allow for new customer initiatives and other important investments
Highlights of the November Plan

• Reduces “projected” fare/toll revenue increases in 2015 and 2017 from 7.5% in the July Plan to 4% (2% annual increase)
  – Reduces revenues by $905 million during Plan Period

• Offset by additional annual cost reduction of $50 million in 2014 increasing to $200 million in 2017 for a cumulative increase of $500 million
  – Total annual cost reductions during the Plan Period increase from $1.01 billion in 2014 to $1.51 billion by 2017

• Holds 2014 budget increase to 1.96%

• Increases annual PAYGO capital by $40 million to $370 million beginning in 2015 as a “down-payment” for the 2015 – 2019 capital program
  – $2.96 billion of PAYGO over expected eight year expenditure period, or
  – $6.50 billion in funding capacity ($5.20 billion in bonding capacity if PAYGO funds are used for debt service and residual PAYGO of $1.30 billion)

• Invests $217 million in new operational and maintenance needs over the Plan Period

• Uses unexpended General Reserve and less reliable real estate revenues to reduce unfunded pension liability to achieve recurring savings

• Maintains OPEB contributions to address $17.8 billion unfunded liability

• Eliminates deficits in years 2014 - 2016 with manageable 2017 deficit of $191 million
Reducing projected fare/toll revenue increases from 7.5% to 4.0% in 2015 and 2017 will reduce revenues by $905 million and increase deficits ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/(Deficit)</th>
<th>Net Zero Savings</th>
<th>4% Fare/Toll</th>
<th>Savings Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>56</td>
<td>965</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>2015</td>
<td>(106)</td>
<td>228</td>
<td>286</td>
<td>(128)</td>
</tr>
<tr>
<td>2016</td>
<td>(133)</td>
<td>277</td>
<td>295</td>
<td>(332)</td>
</tr>
<tr>
<td>2017</td>
<td>(453)</td>
<td>519</td>
<td>303</td>
<td>(1,308)</td>
</tr>
</tbody>
</table>

MTA

November Plan

Reducing projected fare/toll revenue increases from 7.5% to 4.0% in 2015 and 2017 will reduce revenues by $905 million and increase deficits ($ millions)
Additional savings initiatives will offset $500 million of fare/toll related deficits during the Plan Period ($ millions)
We have identified savings initiatives and will continue to identify and pursue new opportunities to meet the 2014-2017 targets ($ millions)

Identified Initiatives and Potential Opportunities:

- Prompt Payment Discount H
- Workers Compensation H
- Pension H
- IT Streamlining H
- Energy Demand M
- Materials & Supplies M
- Consolidations M
- Health & Welfare L
The Financial Plan and the 2015 – 2019 Capital Program “down payment” are both at risk

- Failure to achieve 3 “net zero” labor settlement (approximately $300 million a year “going out”)
- Loss of PMT outside of NYC (approximately $300 million annually)

- **Either of these risks** would increase deficits by $1.2 billion over the Plan Period
  - Requiring significant “one-shot” actions
  - Requiring an additional fare/toll increase of up to 4.0% in 2015, and/or
  - Reducing the MTA funding capacity by up to $5.3 billion, and/or
  - Implementing more than 3 times the service reductions of 2010

- The following slides demonstrate the impact
Not achieving the net zero labor initiative will increase the deficits by $1.2 billion during the Plan Period ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/(Deficit)</th>
<th>4% Fare/Toll</th>
<th>Savings Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>1,183</td>
<td>228</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1,390</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1,508</td>
<td>519</td>
<td></td>
</tr>
</tbody>
</table>

($3,000) ($2,500) ($2,000) ($1,500) ($1,000) ($500) $0 ($500) ($1,000) ($1,500) ($2,000) ($2,500) ($3,000) 2014 2015 2016 2017

Savings Initiatives

MTA
Closing these labor-related deficits requires $287 million of “one shot” actions in 2014 and 2015 and an additional 4.0% fare/toll revenue increase in 2015 ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/(Deficit)</th>
<th>4% Fare/Toll</th>
<th>Additional Fare/Toll</th>
<th>Savings Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>(168)</td>
<td>1,015</td>
<td>0</td>
<td>278</td>
</tr>
<tr>
<td>2015</td>
<td>(119)</td>
<td>1,183</td>
<td>277</td>
<td>519</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>1,390</td>
<td></td>
<td>1,508</td>
</tr>
<tr>
<td>2017</td>
<td>(276)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Alternatively, $168 million of one-shot actions in 2014 and reduced PAYGO of approximately $300 million a year “going out” offsets the labor-related deficits

($ millions)

Funding capacity reduced by $5.3 billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Surplus/(Deficit)</th>
<th>4% Fare/Toll</th>
<th>Reduced PAYGO</th>
<th>Savings Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,015 (168)</td>
<td>1,183</td>
<td>1,390</td>
<td>1,508</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>348 (228)</td>
<td>278</td>
<td>303</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
<td>277</td>
<td>519</td>
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<tr>
<td>2017</td>
<td>(276)</td>
<td>0</td>
<td>1,390</td>
<td>1,508</td>
</tr>
</tbody>
</table>
Assuming 3 “net zeros,” 4% fare/toll revenue increases, additional savings initiatives and no reduction in PMT or other taxes/subsidies: PAYGO is preserved, near-term deficits are eliminated, and the 2017 deficit is manageable ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>July Plan</th>
<th>Proposed November Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>6</td>
<td>106</td>
</tr>
<tr>
<td>2015</td>
<td>(49)</td>
<td>44</td>
</tr>
<tr>
<td>2016</td>
<td>(91)</td>
<td>61</td>
</tr>
<tr>
<td>2017</td>
<td>(100)</td>
<td>(191)</td>
</tr>
</tbody>
</table>

Note: Surplus is carried forward to reduce next year’s deficit
To reduce pressure on future fares/tolls and PAYGO capital, annual savings targets must continue to increase ($millions)
Achieving our objectives requires continued management focus on cost reductions and Labor’s cooperation

- Achieving the November Plan objectives:
  - Reducing 2015 and 2017 fare/toll increases to historically low levels (2% year)
  - Funding a significant “down payment” on the next Capital Program from MTA’s own resources
  - Eliminate near-term deficits

- Will require the MTA to continue to increase its annual recurring savings targets

- However, objectives cannot be achieved without Labor’s cooperation on 3 “net zeroes”