Metropolitan Transportation Authority

November Financial Plan 2014 – 2017

Presentation to the Board

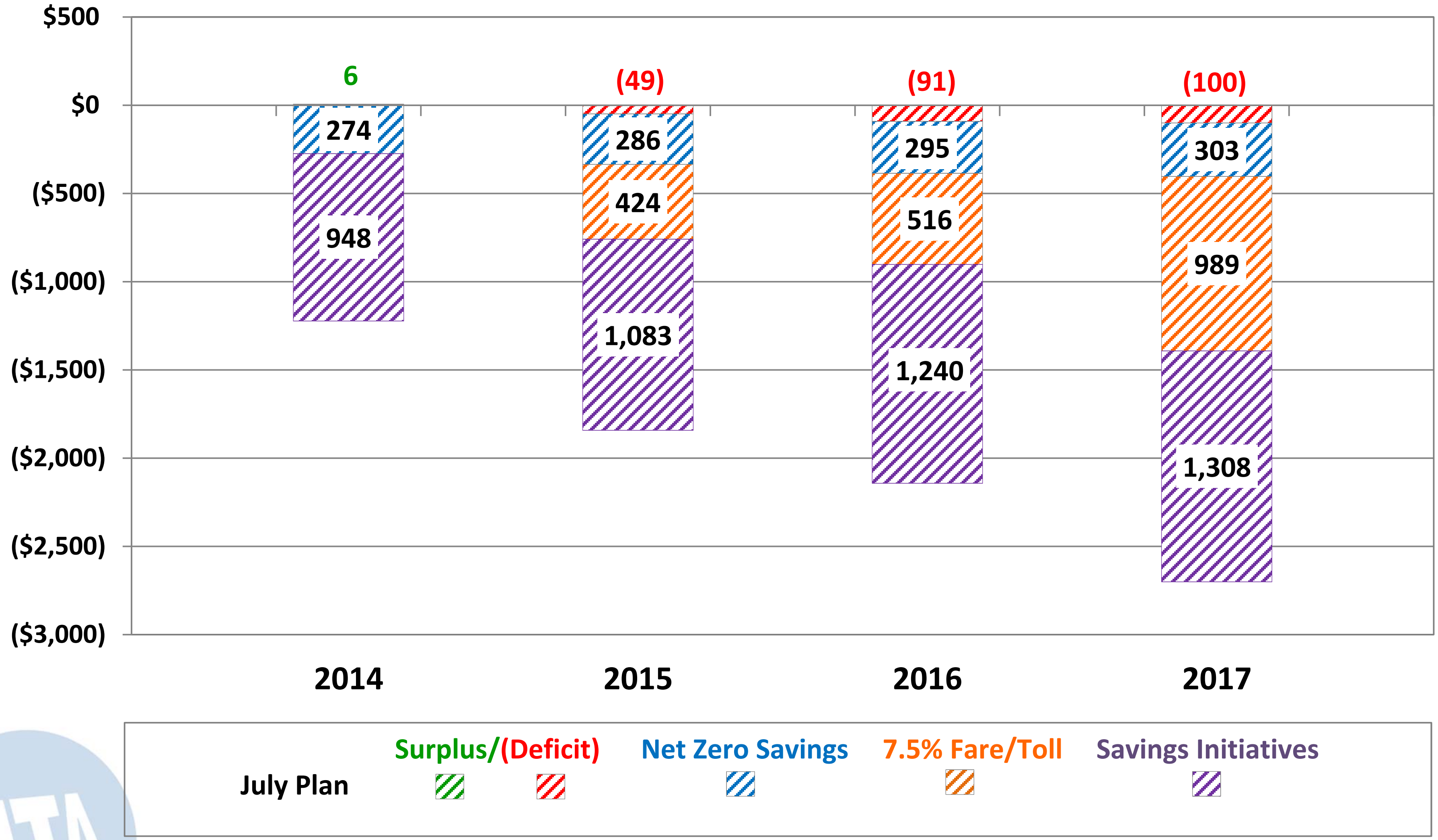
November 13, 2013

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?

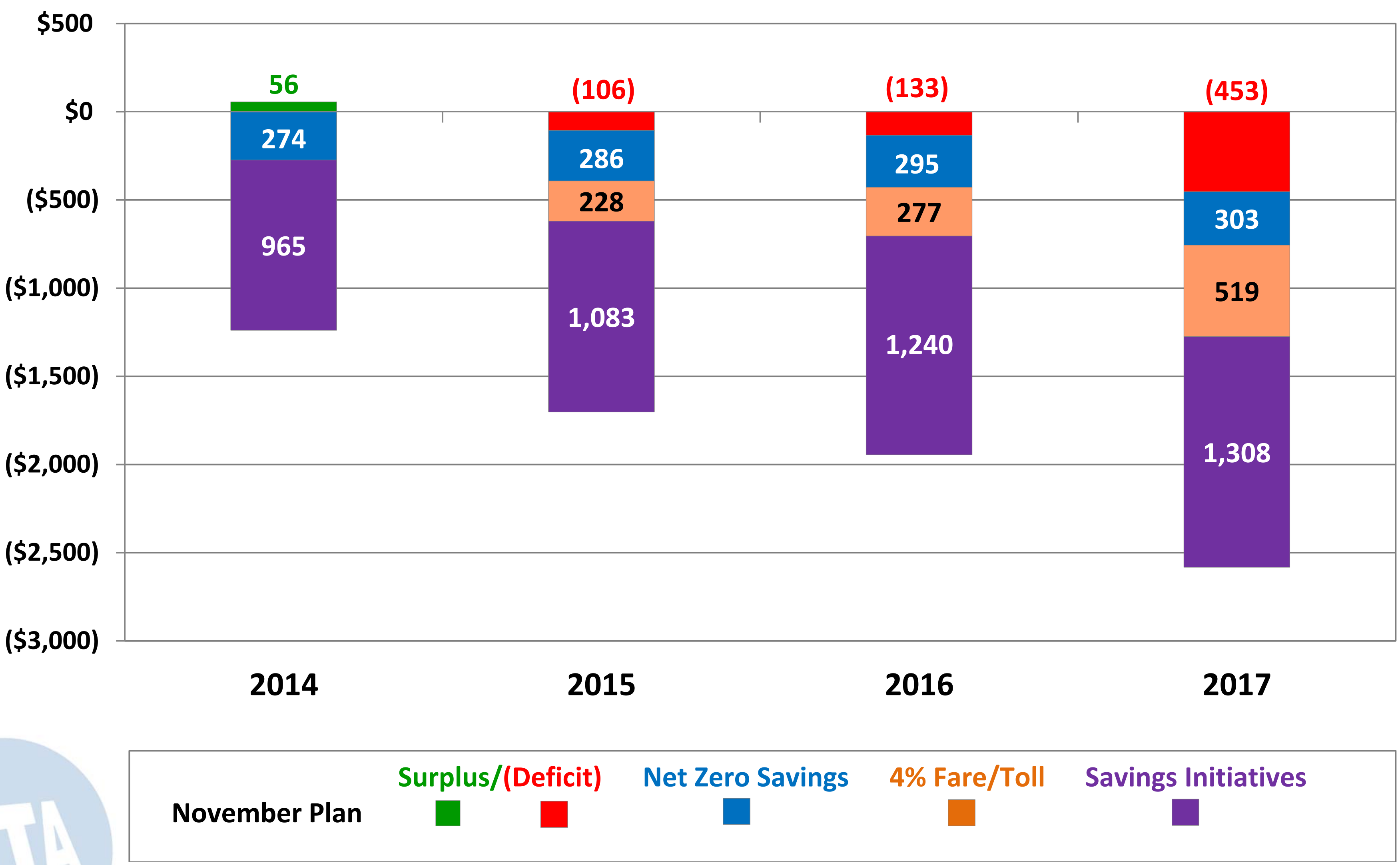
- Favorable re-estimates and other changes
  - Higher passenger/toll revenues
  - Higher real estate receipts
  - Lower health and welfare re-estimates
  - Lower debt service
  - Lower pension re-estimates
  - Higher paratransit savings
- Unfavorable re-estimates and other changes
  - Higher overtime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

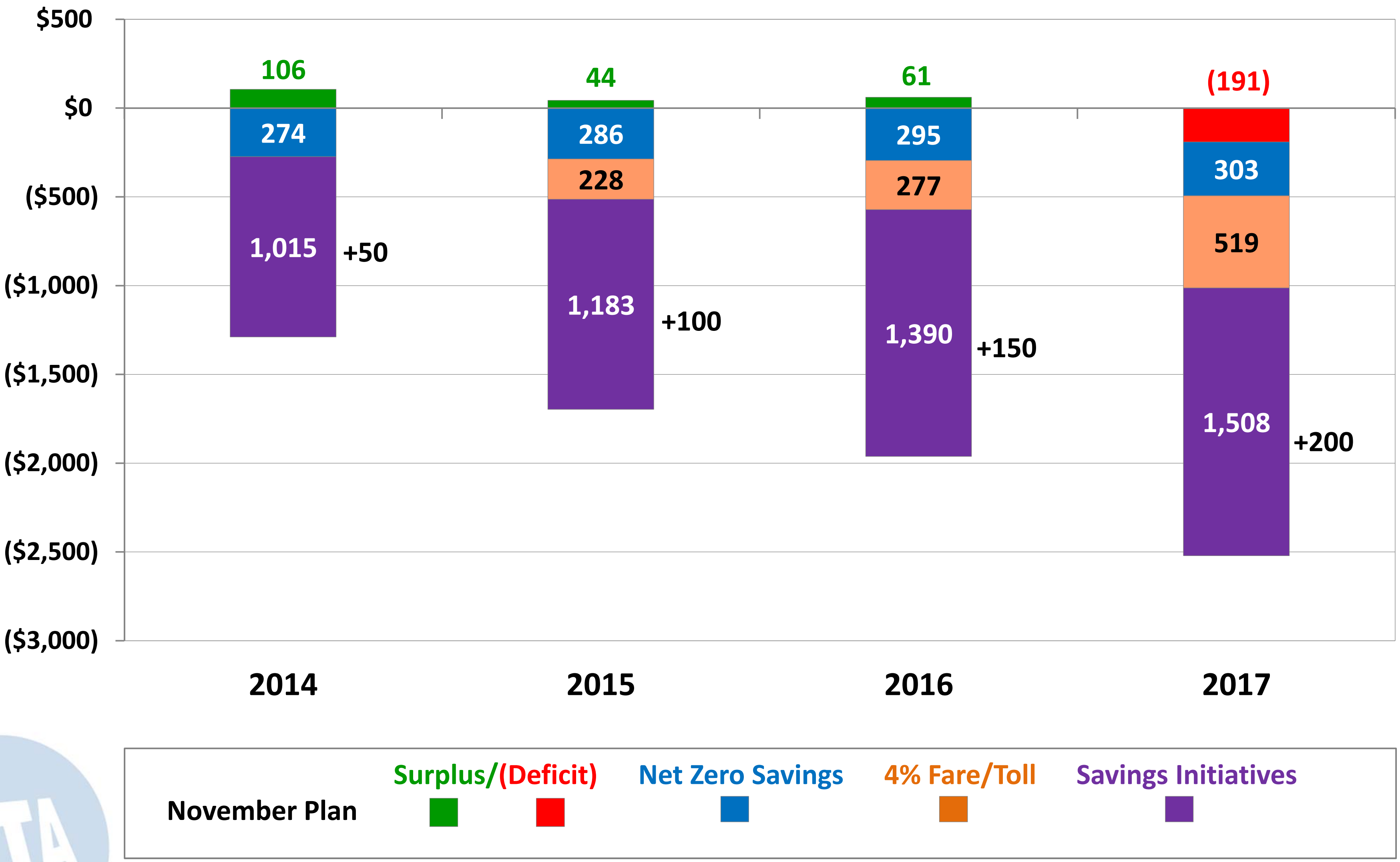
Reducing projected fare/toll revenue increases from 7.5% to 4.0 % in 2015 and 2017 will reduce revenues by $905 million and increase deficits

($ millions)



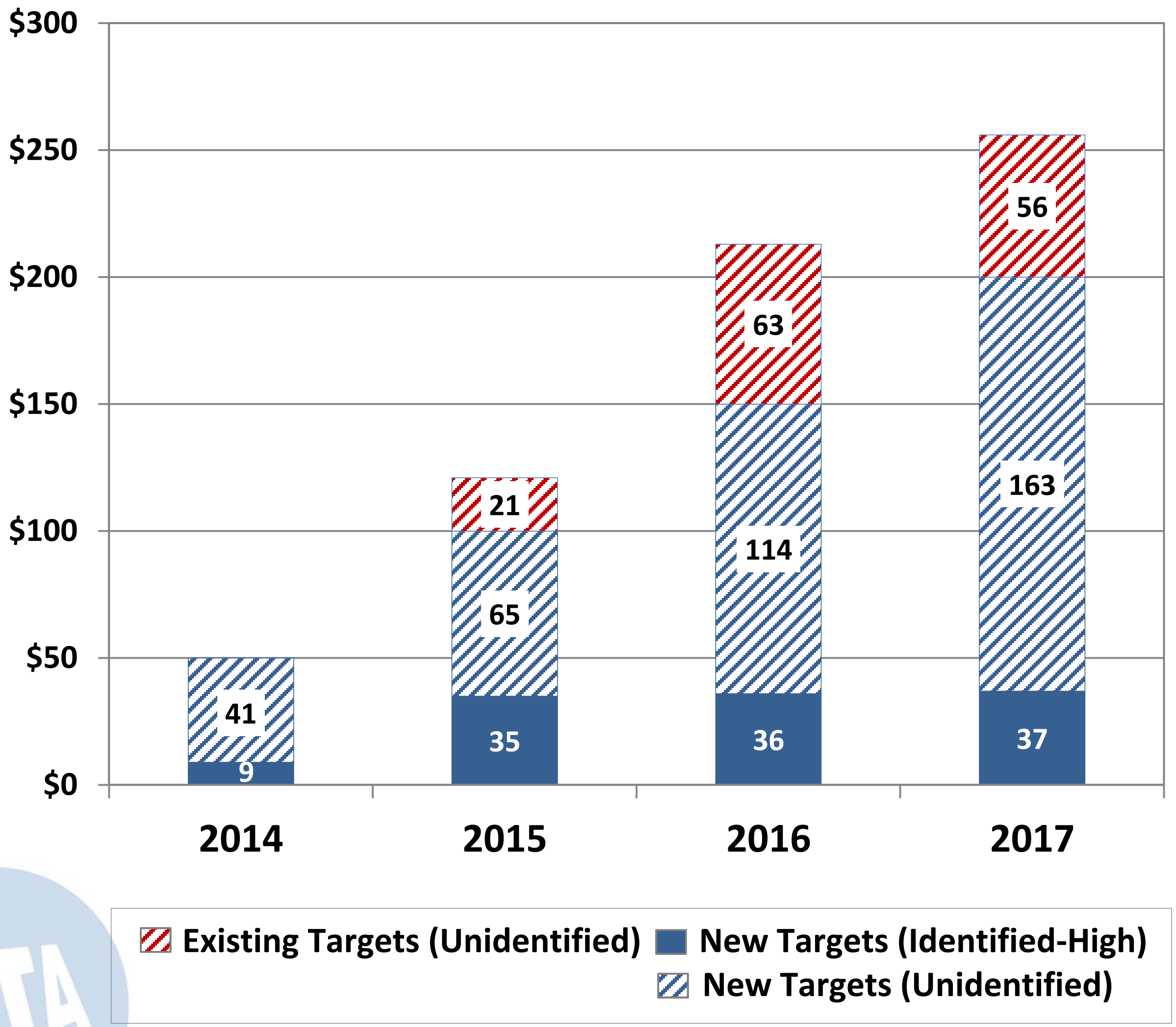
Additional savings initiatives will offset $500 million of fare/toll related deficits during the Plan Period

($ 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:

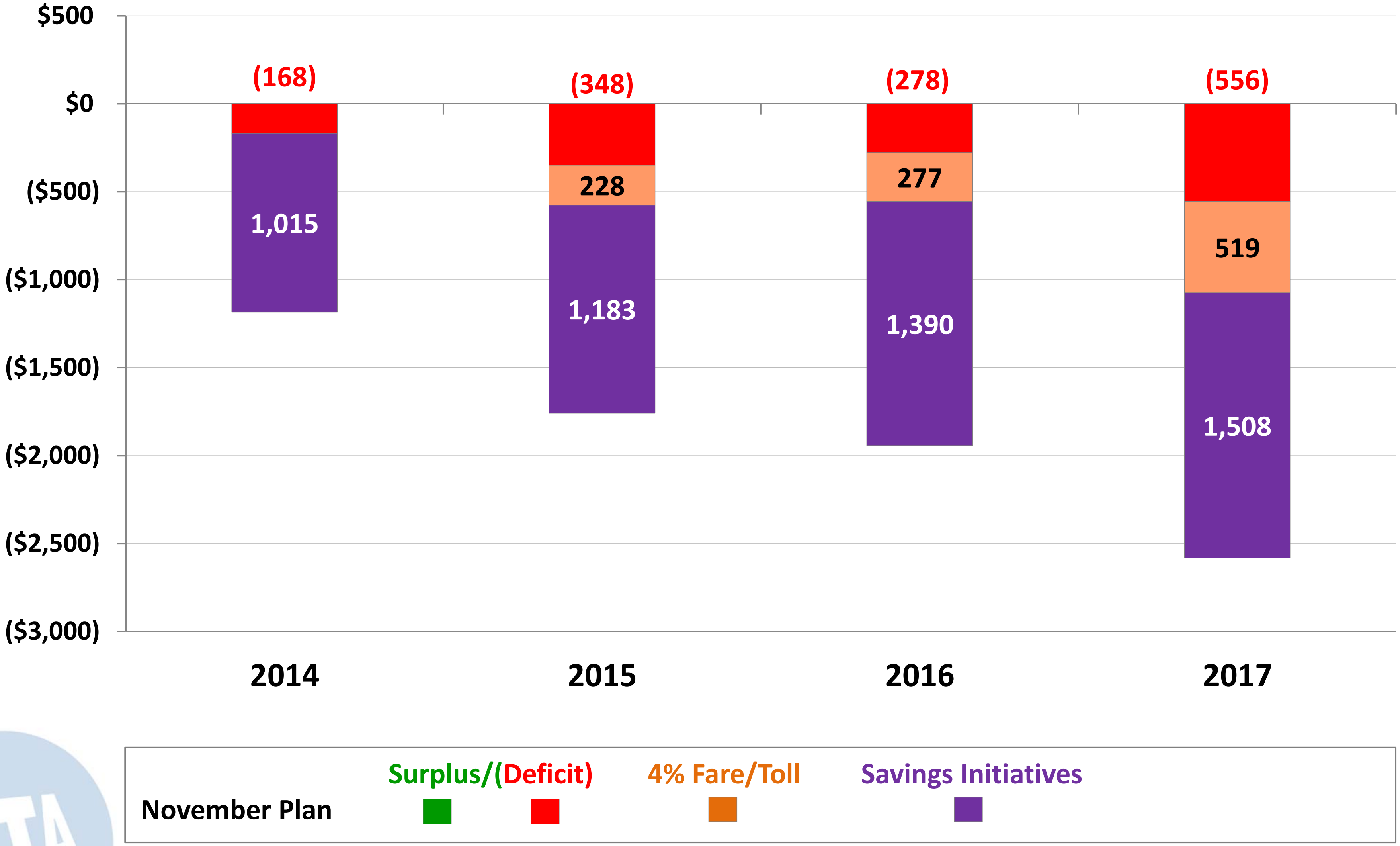
	Confidence of Achieving Savings
- Prompt Payment Discount	H
- Workers Compensation	H
- Pension	H
- IT Streamlining	H
- Energy Demand	M
- Materials & Supplies	**M**
- Consolidations	M
- Health & Welfare	**L**

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

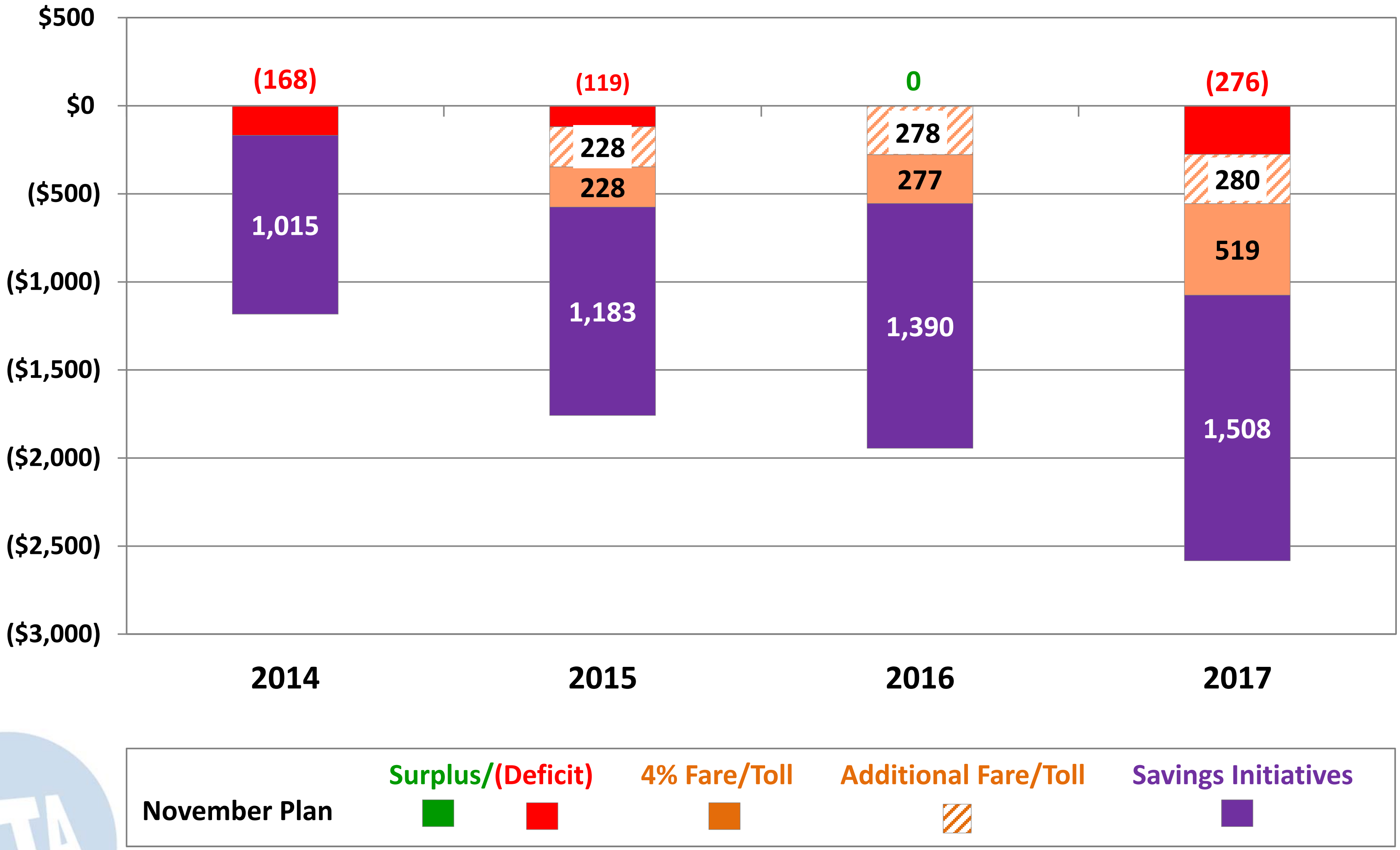
Not achieving the net zero labor initiative will increase the deficits by $1.2 billion during the Plan Period

($ millions)



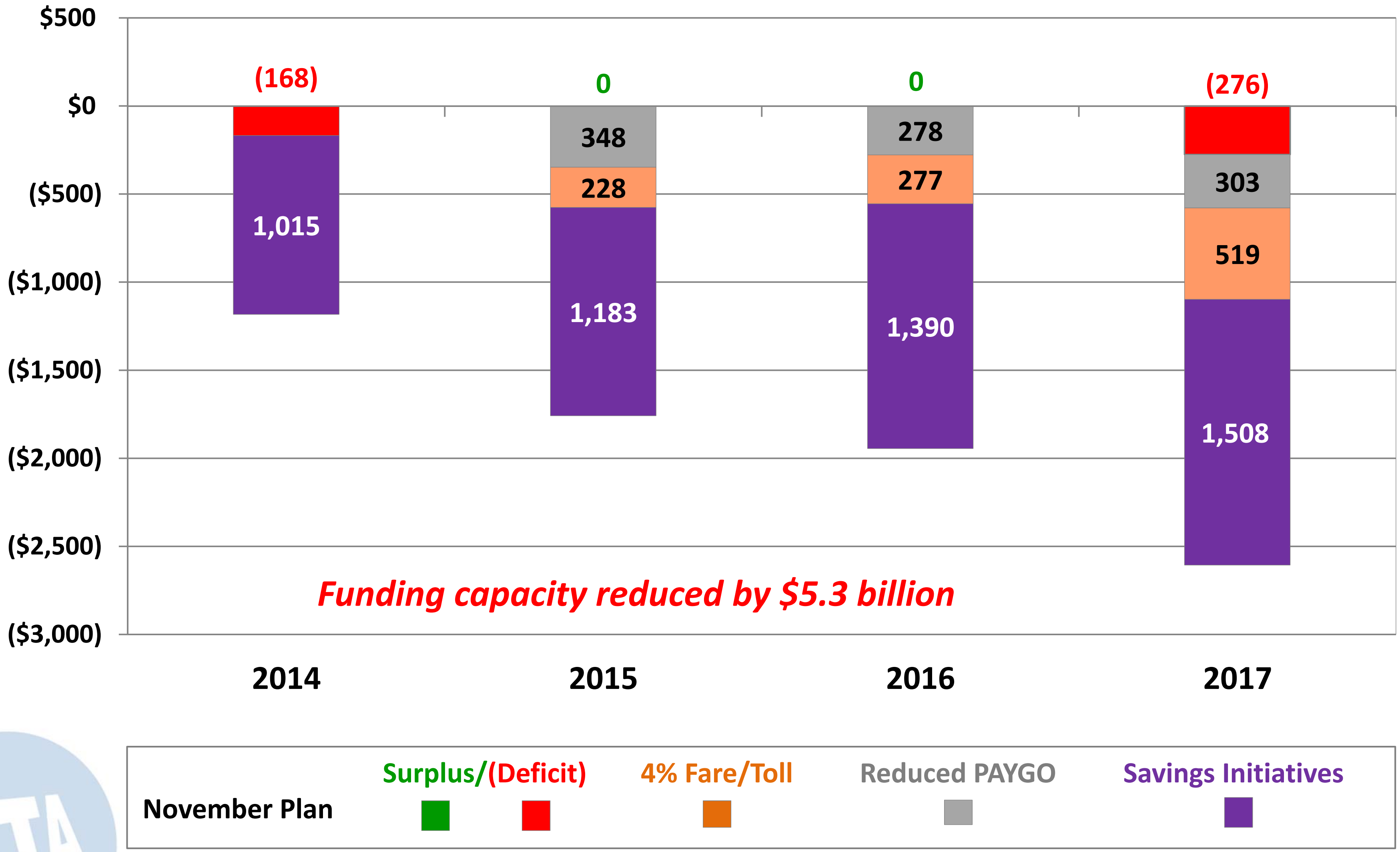
Closing these labor-related deficits requires $287 million of "one shot" actions in 2014 and 2015 and an additional 4.0% fare/toll revenue increase in 2015

($ millions)



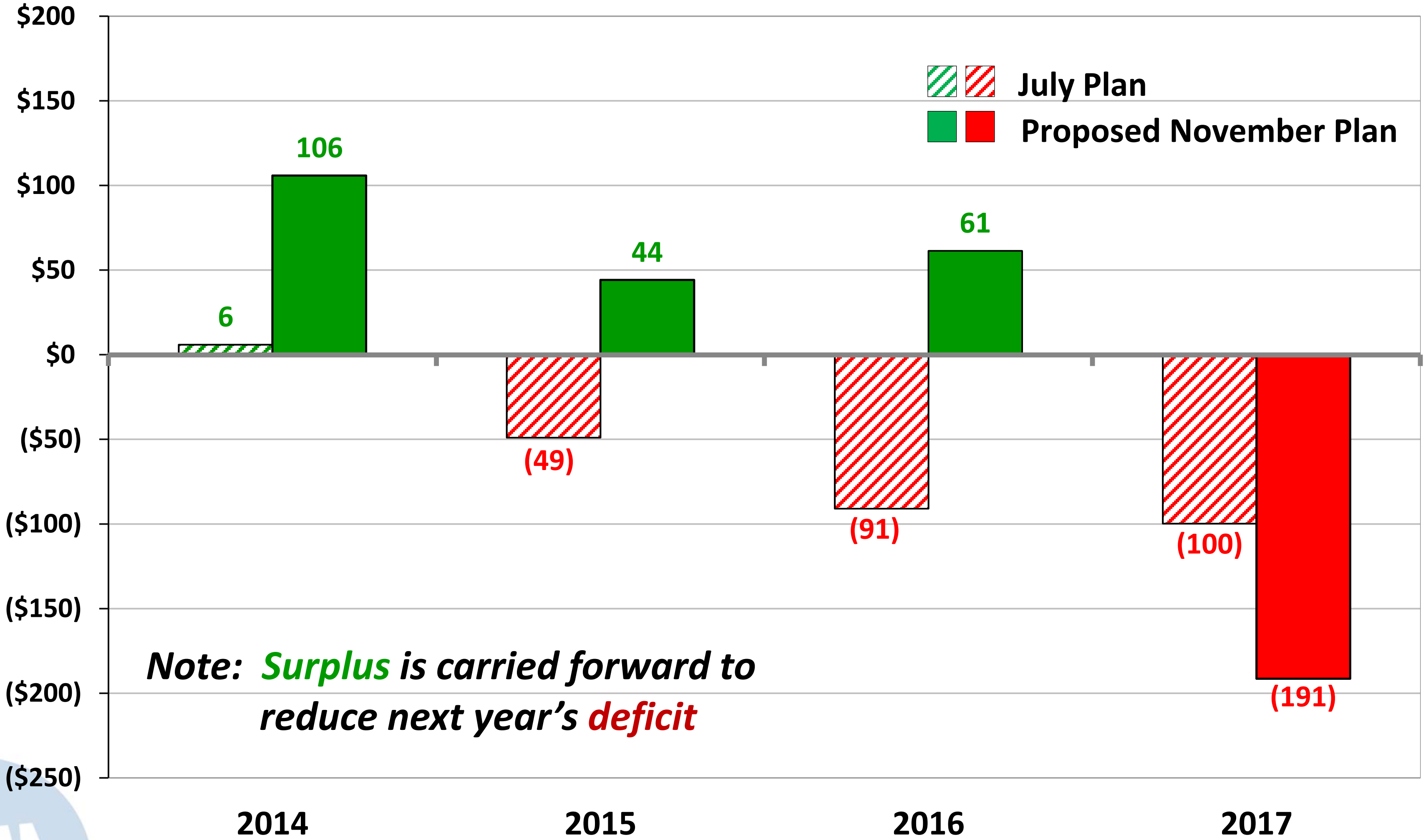
Alternatively, $168 million of one-shot actions in 2014 and reduced PAYGO of approximately $300 million a year “going out” offsets the labor-related deficits

($ millions)



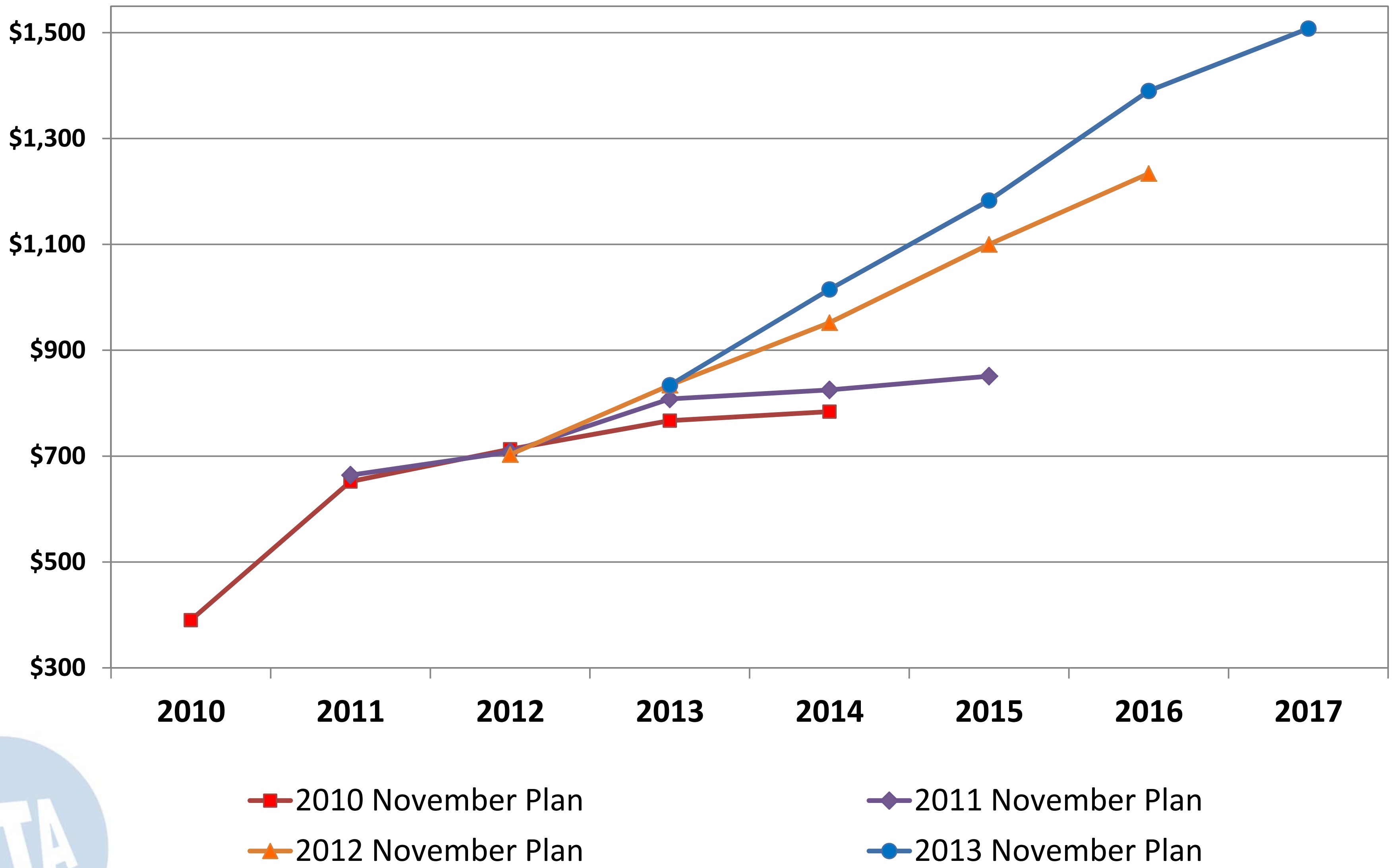
Assuming 3 “net zeros,” 4% fare/toll revenue increases, additional savings initiatives and no reduction in PMT or other taxes/subsidies: PAYGO is preserved, near-term deficits are eliminated, and the 2017 deficit is manageable

($ millions)



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"