



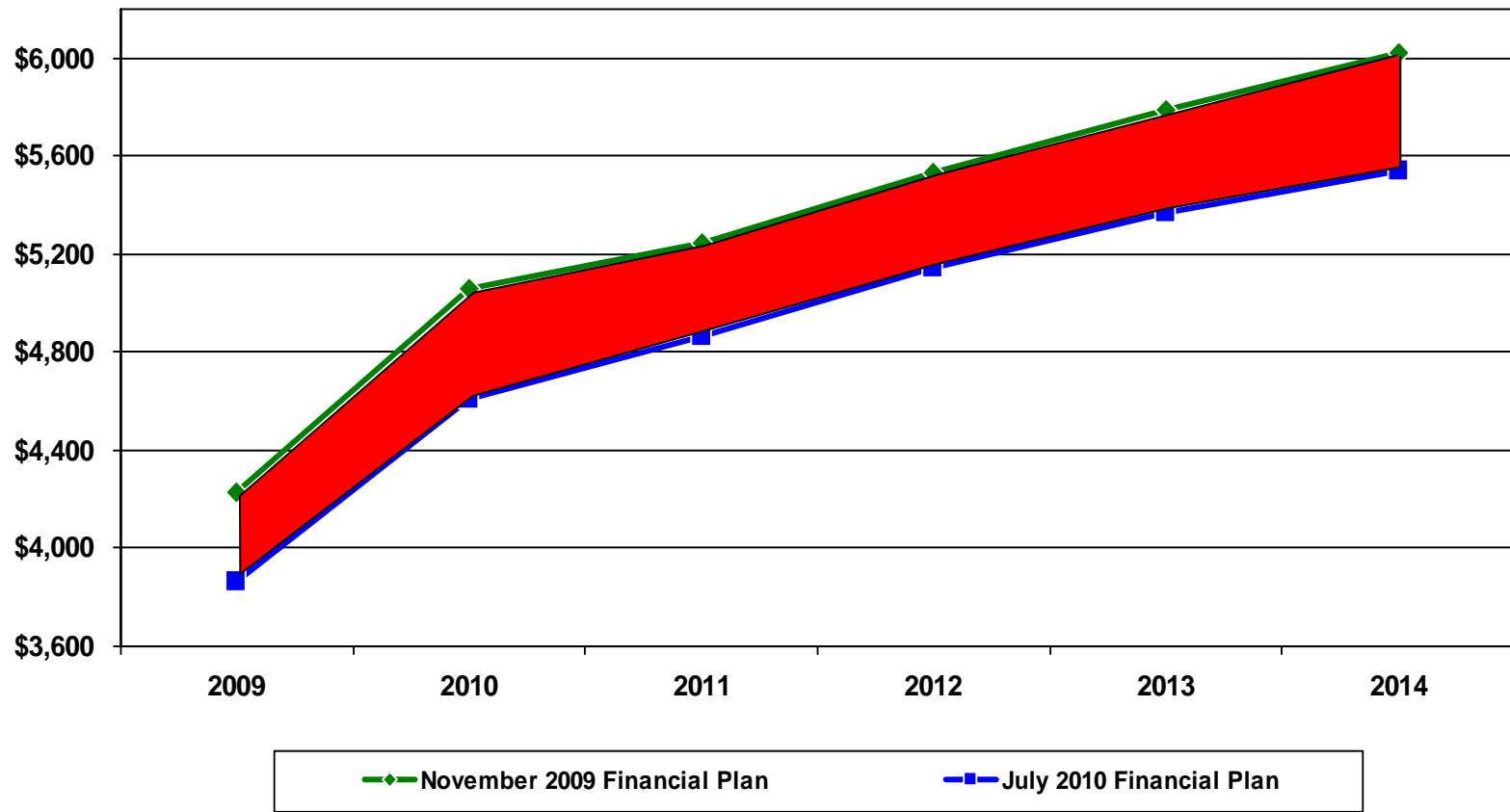
Metropolitan Transportation Authority

July Financial Plan 2011-2014

July 28, 2010

2010 began with an unexpected and massive shortfall in revenues

- Due to the State's economic crisis, MTA taxes and subsidies have fallen by more than \$900 million since last fall



To put this into context, covering this \$2.5 billion shortfall over the Plan period would require a 25% fare increase

These economic times demand a different answer

- Our response was to begin to overhaul how we do business
 - Eliminated 977 administrative positions
 - Reduced overtime
 - Negotiated better pricing with our vendors
 - Eliminated or deferred projects
 - Increased efficiency of paratransit operations
 - Managed inventory more efficiently
 - Top to bottom reorganization of MTA Bridges & Tunnels
- Difficult cuts were made:
 - Analyzed all service, and cuts were made in areas that would have the least customer impact
 - Targeted cuts in maintenance, cleaning, customer service
 - Eliminated 2,493 operating positions



Unprecedented Management actions will help close the 2010 deficit

(\$ in millions)

Cost Reductions

Streamlined operations	\$202	}	2010	Annual Recurring Savings
<i>Reduced Overtime</i>	26			
<i>Eliminated or deferred projects</i>	48			
<i>Managed invent/maint/clean/matl mgt more eff</i>	66			
<i>Operations Support & Other</i>	62			
HQ/Agency Administrative staff reductions	74			
Wage freeze for non-represented employees	14			
Paratransit efficiencies	30			
Bus and subway service cuts	32			
Station agent layoffs	11			
Other Service Reductions	18			

\$381 → \$525

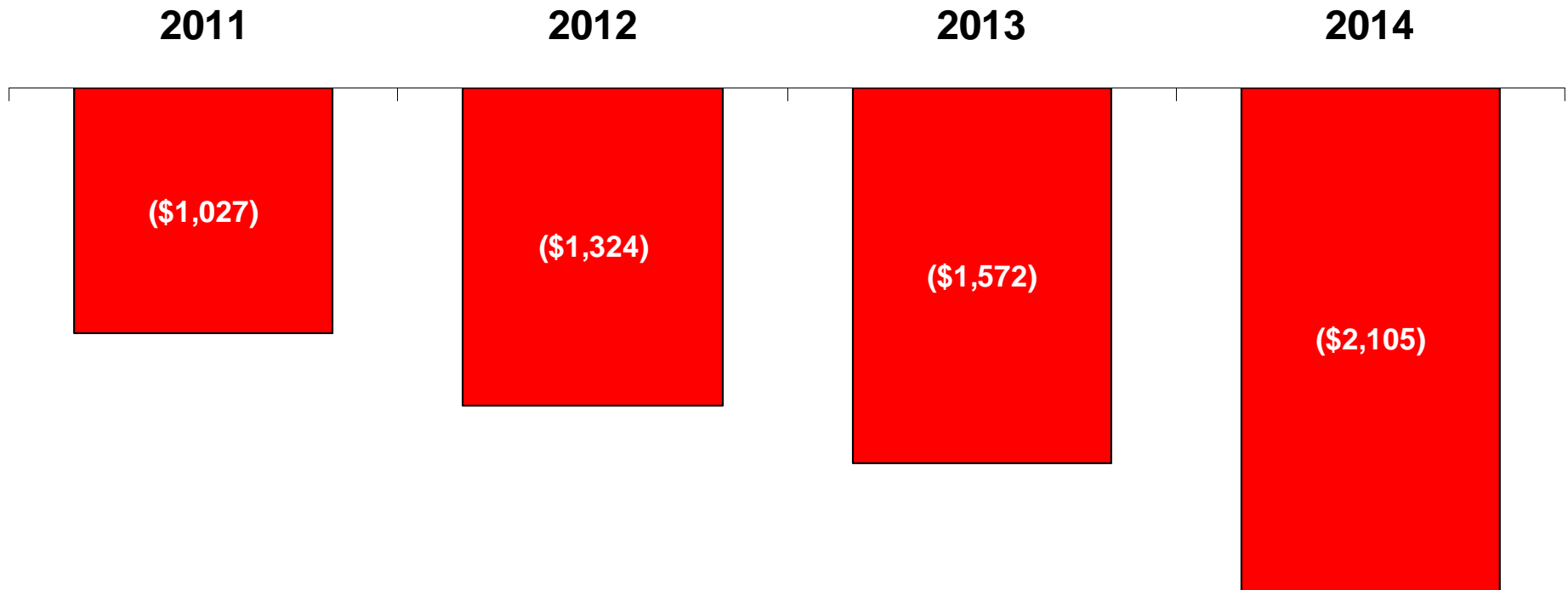
Savings & Offsets

Increased Ridership	67
Lower expenses (e.g. energy, health & welfare)	114
Debt service savings	72
Use of reserves/prior year surplus	155
Eliminate GASB 45 Contribution	57

More than half a billion dollars in recurring savings will be achieved with continued focus and hard work

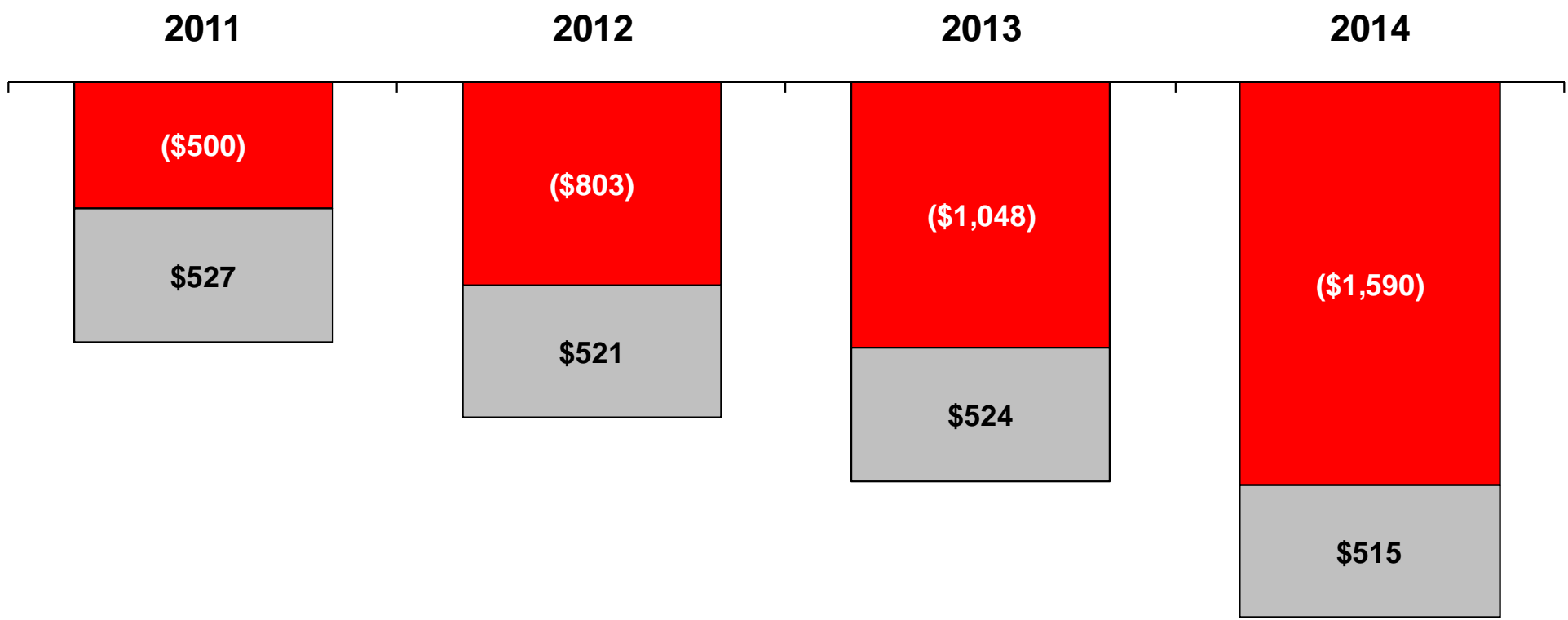
July 2011 Financial Plan Deficits Before Actions

(\$ in millions)



Recurring savings will help close the deficit

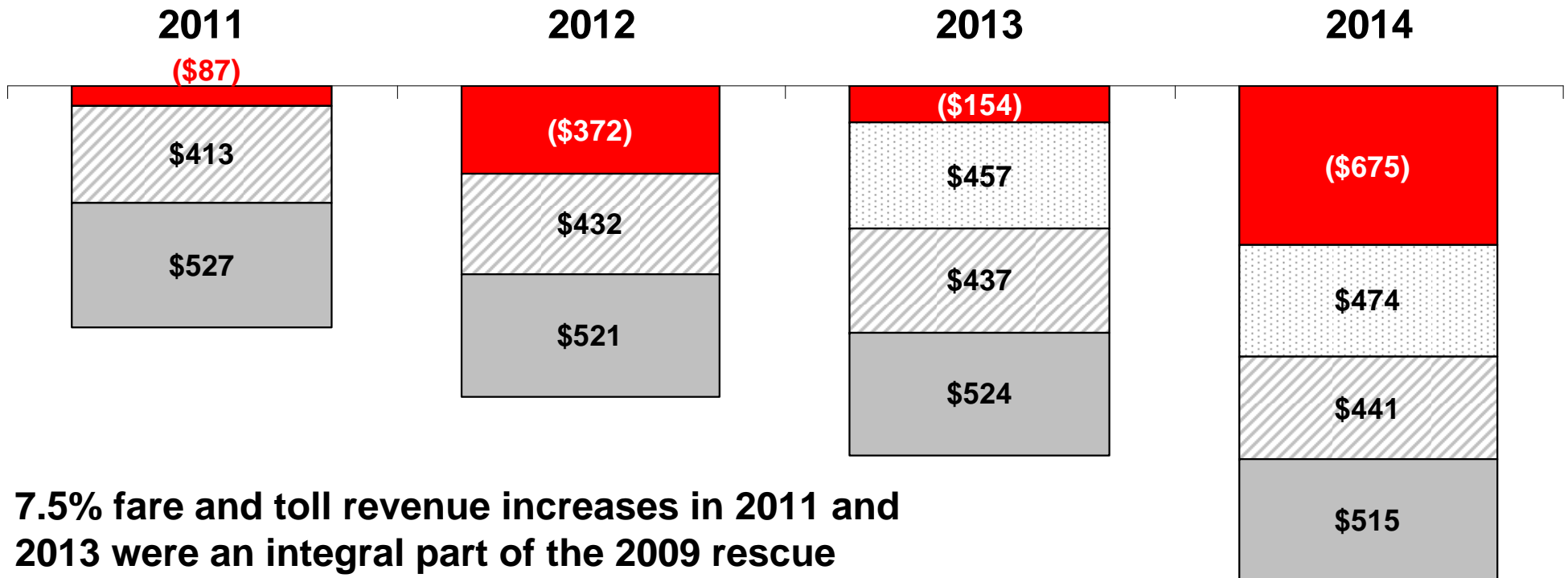
(\$ in millions)



■ Remaining Gap
■ Recurring 2010 Initiatives

Even with planned fare/toll increases, deficits totaling \$1.3 billion remain

(\$ in millions)



7.5% fare and toll revenue increases in 2011 and 2013 were an integral part of the 2009 rescue plan

- Remaining Gap
- Fare & Toll Yield 2013
- Fare & Toll Yield 2011
- Recurring 2010 Initiatives

Financial Plan Challenge

- Given the remaining deficits, can we hold the line at the planned 7.5% increase in fare/toll revenues?
- If the answer is yes,
 - Can we do it without further cutting service?
 - Can we do it without sacrificing service quality?
- We must, because holding the line on fares while compromising service would be a hollow victory.

Why hold to 7.5% revenue increase?

- The Governor and Legislature agreed that fares and tolls were a key part of the Ravitch Commission financial package to finance the MTA
 - 7.5% increase in fare and toll revenue in 2011 and 2013
 - This deal also included other aspects critical to the MTA
 - New Payroll Mobility Tax, DMV fees and taxicab surcharge
 - Funding for first two years of 2010-14 Capital Program

- With most people's wages not increasing in this economy, it is important to limit the financial burden to our customers
 - To achieve 7.5% increase in revenue, actual ticket prices – MetroCards, commuter rail tickets and tolls – will need to go up by 8-10% due to typical fall-off in ridership after fare increases

What does it take to hold to 7.5%?

- Holding the line at the planned level is only possible if:
 - We continue to overhaul the way the MTA does business
 - We work with labor to increase productivity and efficiency

Continue to overhaul our business

- The actions taken to close this year's gap are a start, but we have to work hard to ensure that these changes stick and the savings recur each year.
- We will also continue looking for ways to do business differently, including new initiatives:
 - Consolidate communications functions
 - Rationalize IT
 - Smarter procurement
 - Review inventory/materials management practices to reduce inventory
 - Benchmark performance to identify opportunities to change and be more efficient
 - These initiatives will generate additional savings of \$75 million in 2011, growing to \$200 million in 2014
- Between the actions taken to date and the new initiatives, recurring annual savings grow from \$600 million in 2011 to \$725 million in 2014.

Working with Labor to Achieve Savings

- Wage and benefit costs represent 2/3 of MTA operating expenses
 - Working with labor is critical to achieve savings
 - In the current environment, we cannot afford raises without offsetting savings to pay for them
- A net zero approach to wage increases could be achieved through collectively bargained:
 - Work rule changes
 - Increases in productivity
 - Contributions to benefit costs
- Net wage costs held flat for two years for all employees
 - Financial Plan assumes annual CPI-based wage increases thereafter
- Financial Plan savings grow from \$38 million in 2011 to \$203 million in 2014

Bus Operations in Nassau County

- MTA operates Nassau County's bus system but the County owns all assets and is responsible for funding operations
- In 2010, Nassau County is underpaying its obligation by \$26 million
 - This cost has fallen on the MTA's shoulders
 - Since 2000, the MTA has absorbed \$140 million
- Given the economic climate, the MTA can no longer afford to subsidize Nassau County's funding responsibility
 - Financial Plan assumes Nassau County resumes full funding of LI Bus operations



July Financial Plan 2011 - 2014
MTA Consolidated Statement of Operations
Non-Reimbursable
(\$ in millions)

Non-Reimbursable	2009	2010	2011			
	Actual	Mid-Year Forecast	Preliminary Budget	2012	2013	2014
Revenue						
Fare & Toll Revenue	\$5,683	\$5,998	\$6,096	\$6,217	\$6,290	\$6,361
Other Revenue	461	504	524	553	584	619
Total Operating Revenue	\$6,144	\$6,501	\$6,620	\$6,770	\$6,874	\$6,980
Operating Expenses						
Labor	\$6,914	\$6,864	\$7,100	\$7,391	\$7,689	\$8,030
Non-Labor	2,598	2,719	2,786	2,963	3,174	3,410
General Reserve	0	50	100	100	100	100
Depreciation/OPEB/Environmental Remediation	3,083	3,457	3,609	3,766	3,910	4,053
Total Operating Expenses	\$12,594	\$13,090	\$13,595	\$14,220	\$14,873	\$15,593
Net Operating Deficit Before Subsidies and Debt Service	(\$6,451)	(\$6,589)	(\$6,974)	(\$7,450)	(\$7,999)	(\$8,613)
Dedicated Taxes and State/Local Subsidies	4,137	4,937	5,169	5,467	5,716	5,895
Debt Service	(1,404)	(1,841)	(2,052)	(2,204)	(2,376)	(2,555)
Net Deficit After Subsidies and Debt Service	(\$3,718)	(\$3,493)	(\$3,857)	(\$4,187)	(\$4,659)	(\$5,273)
Conversion to Cash Basis: Depreciation/OPEB/Env Remediation	\$3,083	\$3,457	\$3,609	\$3,766	\$3,910	\$4,053
Conversion to Cash Basis: GASB Account	(54)	(57)	(57)	(60)	(63)	(66)
Conversion to Cash Basis: All Other	556	(108)	(195)	(322)	(236)	(305)
CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$133)	(\$200)	(\$500)	(\$803)	(\$1,048)	(\$1,590)
Fare/Toll Yields on 1/1/11: 7.5%	0	0	413	432	437	441
Fare/Toll Yields on 1/1/13: 7.5%	0	0	0	0	457	474
CASH BALANCE AFTER FARE INCREASE	(133)	(200)	(87)	(372)	(154)	(675)
New MTA Efficiencies	0	0	75	125	175	200
Net-Zero Labor Initiative	0	11	38	129	194	203
Non-Represented Wage Freeze	0	14	14	15	15	15
Additional Overtime Reductions	0	0	19	19	19	19
Metrocard Green Fee and Cost Savings	0	0	0	20	20	20
Repayment of Loan to Capital Financing Fund	0	0	0	(100)	(100)	(100)
Eliminate MTA Funding of Long Island Bus Deficit	0	0	27	26	22	24
Eliminate 2010 GASB 45 Contribution	0	57	0	0	0	0
B&T Holdback	0	0	(31)	(20)	(35)	(2)
PRIOR-YEAR CARRY-OVER	263	130	12	67	0	156
NET CASH BALANCE	\$130	\$12	\$67	(\$92)	\$156	(\$141)



2010 Projected Headcount

	<u>Positions</u>
November Plan Baseline Positions	69,762
Streamlined Operations	885
Reduced Overtime	
Eliminated or Deferred Projects	
Managed Invent/Maint/Clean/Matl Mgt More Efficient	
Operations Support & Other	
HQ/Agency Administrative Staff Reductions	977
Bus and Subway Service Cuts	699
Station Agent Layoffs	450
Other Service Reductions	109
Reductions Identified in 2009	350
Total Reductions:	<u>3,470</u>
July Financial Plan Positions	66,292

Risks to the Financial Plan

- State Financial Crisis
 - Plan is built on the assumption that all resources collected on behalf of the MTA are paid to the MTA
- Economic Uncertainty
 - Economy remains tenuous and the MTA has limited financial reserves
- Labor Settlements
- Long-Term Vulnerabilities
 - Working capital
 - \$500 million capital loan
 - Retiree healthcare costs (OPEBs)

Conclusion: Is the Challenge Achievable?

- Holding to 7.5% increase in fare/toll revenue is hard...
 - Requires continued focus on management cost-cutting
 - Wage and benefit costs must be stabilized
 - Many risks to the plan
- ...And a hollow victory if we can't maintain service quality
- Although the July Plan is preliminary, sticking to 7.5% is important and is achievable if the assumptions hold and the risks are avoided – particularly the loss of additional tax receipts



Fare Policy Proposal

Fare Policy Objectives

- Achieve necessary increase in revenues from fares/tolls
- Maintain ridership and mobility through fare policy
- Improve equity in the fare structure
 - Reduce largest discounts
 - Minimize increase on ticket types relied on by lower income riders
- Make it more efficient to sell and collect fares
 - For every \$1 we collect in fares, it costs \$.15 to sell and collect it
 - Fare policy can help lower costs and increase revenue collected
 - Simplify options and retire ineffective discounts



Transit Fare Policy Proposal

- Only 14% of trips are made using the base fare, which is held at \$2.25
 - Base fare more likely to be used by low income riders.
- Achieve increase in fare revenue from Bonus Pay-Per-Ride trips by changing bonus amount to 7%.
 - Bonus Pay-Ride is used for 36% of bus and subway trips
 - Preserves discount when you buy multiple trips.

Fare Cards	Current Fare	Proposed Fare
Base Fare	\$2.25	\$2.25
Bonus PPR Fare	15% bonus w \$8 purchase \$1.96	7% bonus w \$10 purchase \$2.10
Express Bus	\$5.50	\$5.50
Bonus Express Bus	\$4.78	\$5.14



Transit Fare Policy Proposal

- Time based passes offer the greatest discount, with discount varying depending on the number of trips taken.
 - Average number of trips per pass is 59 trips on a 30-day pass and 16 trips on a 7-day pass.
 - 32% of trips are taken with a 30-day pass and 15% are taken with a 7-day pass.
- Proposal presents two possible options for consideration. Only one of these options will be adopted by the Board and made available to customers.
 - Seek public input on choice between a capped option or unlimited options

Fare Cards	Current Fare	Proposal Options		
30-day Pass Fare at 55 trips Fare at 90 trips Fare at 110 trips	Unlimited <u>\$89.00</u> \$1.62 \$.99 \$.81	Capped at 90 trips <u>\$99.00</u> \$1.80 \$1.10 N/A	or	Unlimited <u>\$104.00</u> \$1.89 \$1.16 \$.95
7-day Pass Fare at 15 trips Fare at 22 trips Fare at 30 trips	Unlimited <u>\$27.00</u> \$1.80 \$1.23 \$.90	Capped at 22 trips <u>\$28.00</u> \$1.87 \$1.27 N/A	or	Unlimited <u>\$29.00</u> \$1.93 \$1.32 \$.97

Implications of Transit Fare Proposal

- Proposed changes to the fare structure support mobility, minimize ridership loss and promote equity
 - Changes to time-based passes still provide significant discounts to heaviest users to minimize ridership loss.
 - Higher increase on 30-day makes it possible to hold the base fare and limit increase on 7-day pass
 - Both are relied on by lower-income riders who are more sensitive to fare, which also reduces ridership loss
 - The median household income for the base fare is \$36,000, the 7-day is \$38,000 and the 30 day is \$63,000



Improve Efficiency of Fare Collection

- MTA prints 170 million MetroCards each year, many of which wind up as litter in the system, at an annual cost of nearly \$13 million
 - Nearly 850 million cards have been produced in the past five years
- **Challenge:** Use fare policy to encourage riders to refill MetroCards, providing a savings to the operating budget and reducing waste
- **Solution:** Institute \$1 charge for new MetroCards bought in the subway system, where it is just as easy to refill a card as get a new one.
 - This is a charge no one has to pay
 - Everyone has a MetroCard in hand, which can be refilled in the system at no cost
 - If the card has expired, the machine will offer to load any remaining value on a new card at no cost
 - Passes can be reloaded without cost
 - And the charge will not apply to:
 - Out of system vendor sales
 - Elderly/disabled
 - Transit benefit organization customers
 - Commuter railroad combination monthly joint ticket pass users
 - Stolen cards
 - Cash on buses
 - Similar fee of \$.25 is proposed for the Single Ride Ticket in the subway to discourage shifting to this non-reusable, token-like instrument

Simplify Fare Collection Options

- Eliminate Underused Passes
 - 1-day pass used for only 0.8% of trips
 - Elimination cuts down on illegal scammers
 - 14-day pass used for only 2.1% of trips
 - Changes in 7-day and 30-day passes close gap in per-ride cost and eliminate need for 14-day pass

Railroad Fare Policy Proposal

- Average ticket increases range from 7.6% to 9.4% (depending on ticket type and zone)
- Several changes proposed to improve the cost-effectiveness of fare collection to help limit these increases.
 - **Challenge:** Mail & Ride and WebTicket transactions cost 7 times more than transactions at Ticket Vending Machines (TVMs).
 - **Solution:** Maintain the convenience of Mail & Ride and WebTicket while encouraging use of less expensive TVMs.
 - Eliminate discounts for WebTicket and Mail & Ride
 - Reduce discount on the Mail&Ride Joint monthly railroad/MetroCard
 - **Challenge:** The railroads increase their risk of uncollected fares by allowing tickets to be used for many months after purchase and by handling a number of on-board transactions. The cost of refunds is not included in the current ticket prices.
 - **Solution:** Shorten ticket validity periods to reduce the risk of uncollected fares
 - One-way ticket reduced to 7 days (from 6 months)
 - 10-trip validity reduced to 90 days (from 1 year)
 - **Solution:** Round the cost of the on-board transactions up to the nearest dollar to encourage customers to purchase tickets for the correct zone or time period before getting on the train and to speed up on-board transactions.
 - **Solution:** Institute a fee to cover the cost of processing refunds

Bridges & Tunnels Proposal

- Proposed Tolls
 - Cash increases for cars
 - \$.50 at majors and Henry Hudson
 - \$.25 at minors
 - E-ZPass for cars increases by 10% to achieve necessary revenue increase.
 - Resident discount programs increase proportionally.

Proposed Process and Timing

- Board Authorization of Fare Hearings – July 28th
- Fare Hearings – Mid-September
- Board Action – Early October
- Implementation – January 1, 2011