Metropolitan Transportation Authority

July Financial Plan 2014 - 2017

Board Presentation

July 24, 2013

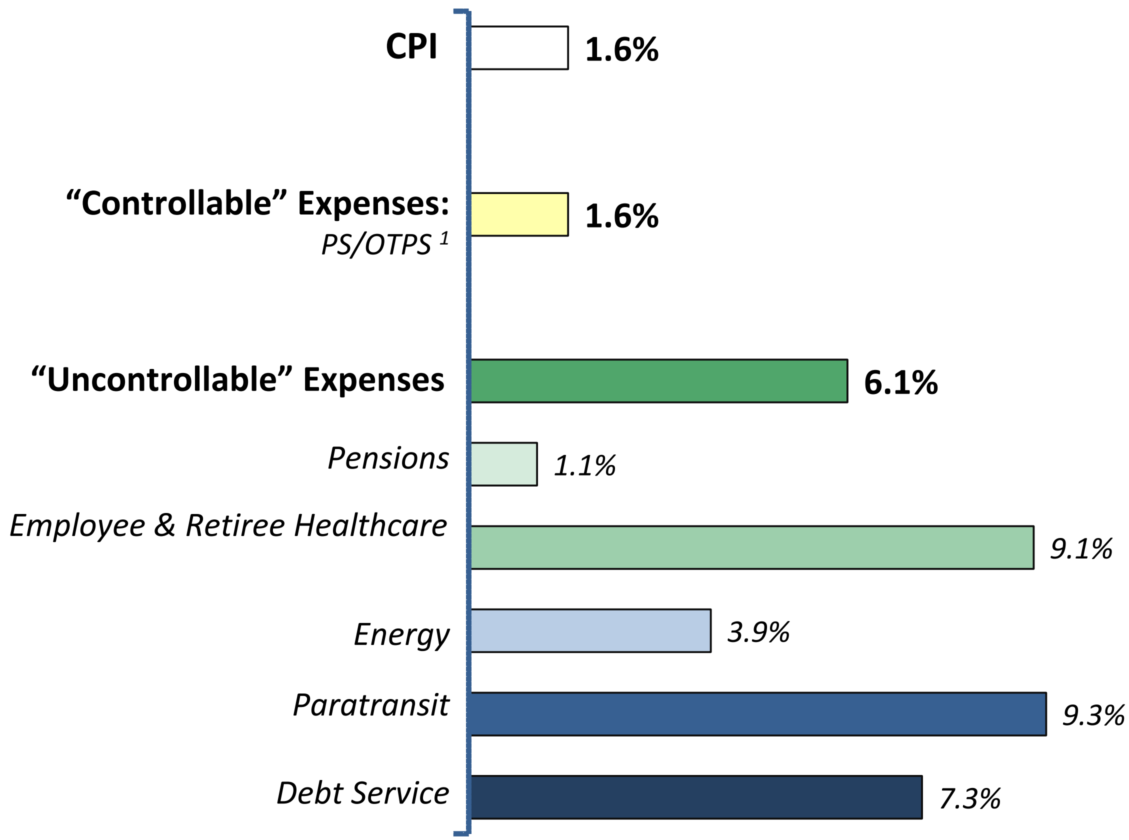
Since July 2010, MTA's Plans have been disciplined, consistent and totally transparent

- This July Plan reflects the three key elements of prior Plans
  - Significant annually recurring cost reductions: $1.3 billion by 2017
    - No budget-driven service reductions since 2010 cuts
  - Three years of "net zero" union wage growth
    - Already achieved four and a half years of real zero non-union wage growth
  - Biennial fare and toll increases as planned
- Adds and/or restores service when sustainable
- Preserves and enhances funding for the Capital Program
- *Increases emphasis on addressing long-term costs such as pension, retiree health care, paratransit, and debt service previously considered "uncontrollable"*

"Uncontrollable" expenses are increasing faster than inflation and "controllable" spending

2013 to 2017 Mid-Year Forecast

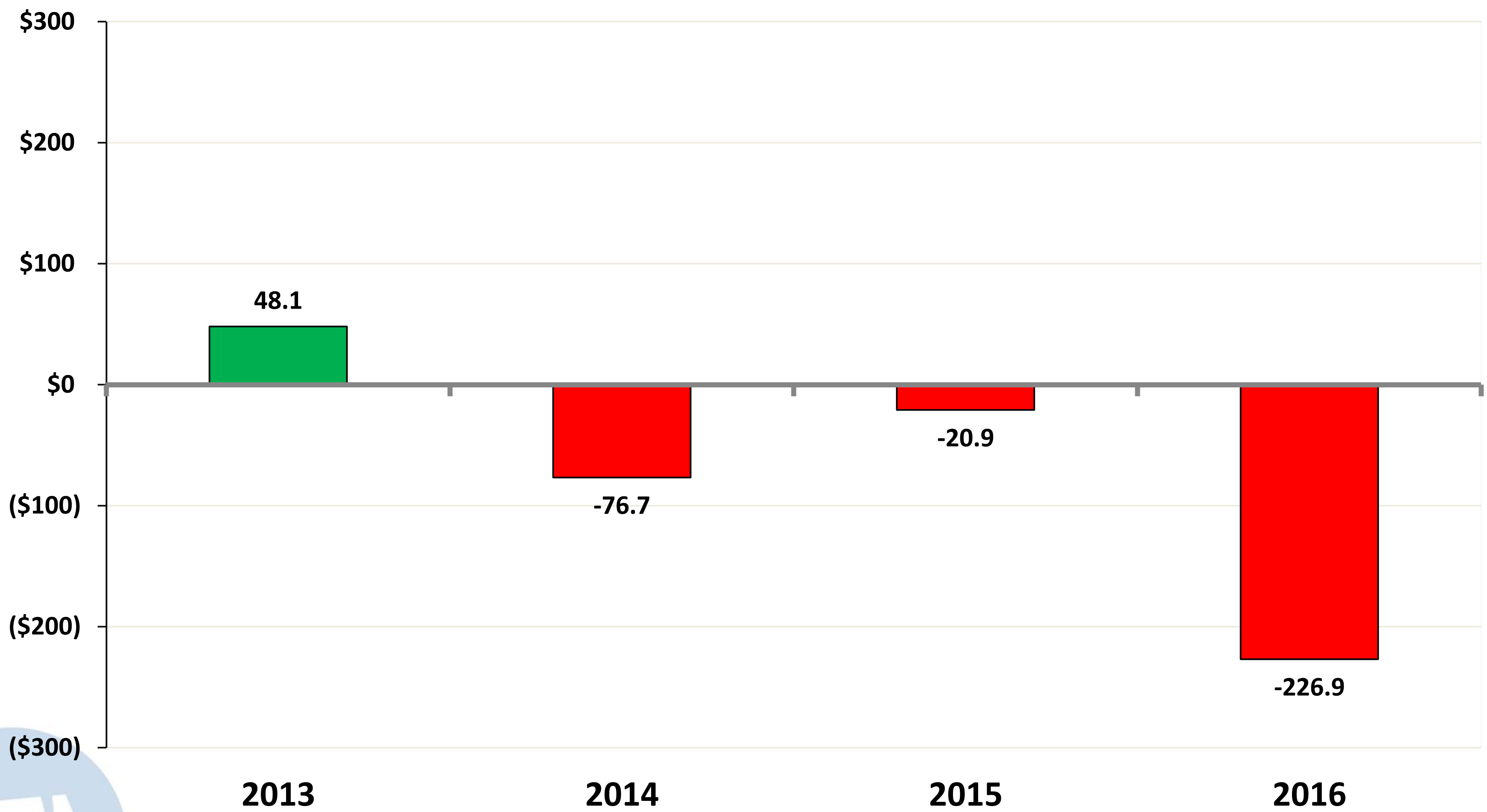
Compounded Annual Growth Rate (CAGR)



[1] Personnel Service / Other Than Personnel Service.

Even assuming annually recurring cost savings, three “net zeros” and biennial fare and toll increases, the February Plan projected $325 million of deficits through 2016

($ millions)



What has changed since the February Plan?

Favorable re-estimates and other changes

- Higher real estate-related subsidies (Urban Tax)
- Higher toll revenue
- Lower pension costs
- Lower health & welfare costs
- Lower energy costs
- Additional paratransit savings*
- Reduced debt service from refinancings*; and
- Reduced 2012 spending* that increased the carry-over cash balance

Unfavorable re-estimates and other changes

- Lower PMT and PBT receipts
- Lower fare revenue
- Increased insurance costs (premiums impacted by Sandy)
- Metro-North derailment costs
- Operating cost “build up” associated with expansion projects

Bottom line is net-favorable

* Reflects management efforts

Determining the amount of Service Investments to include in the July Plan

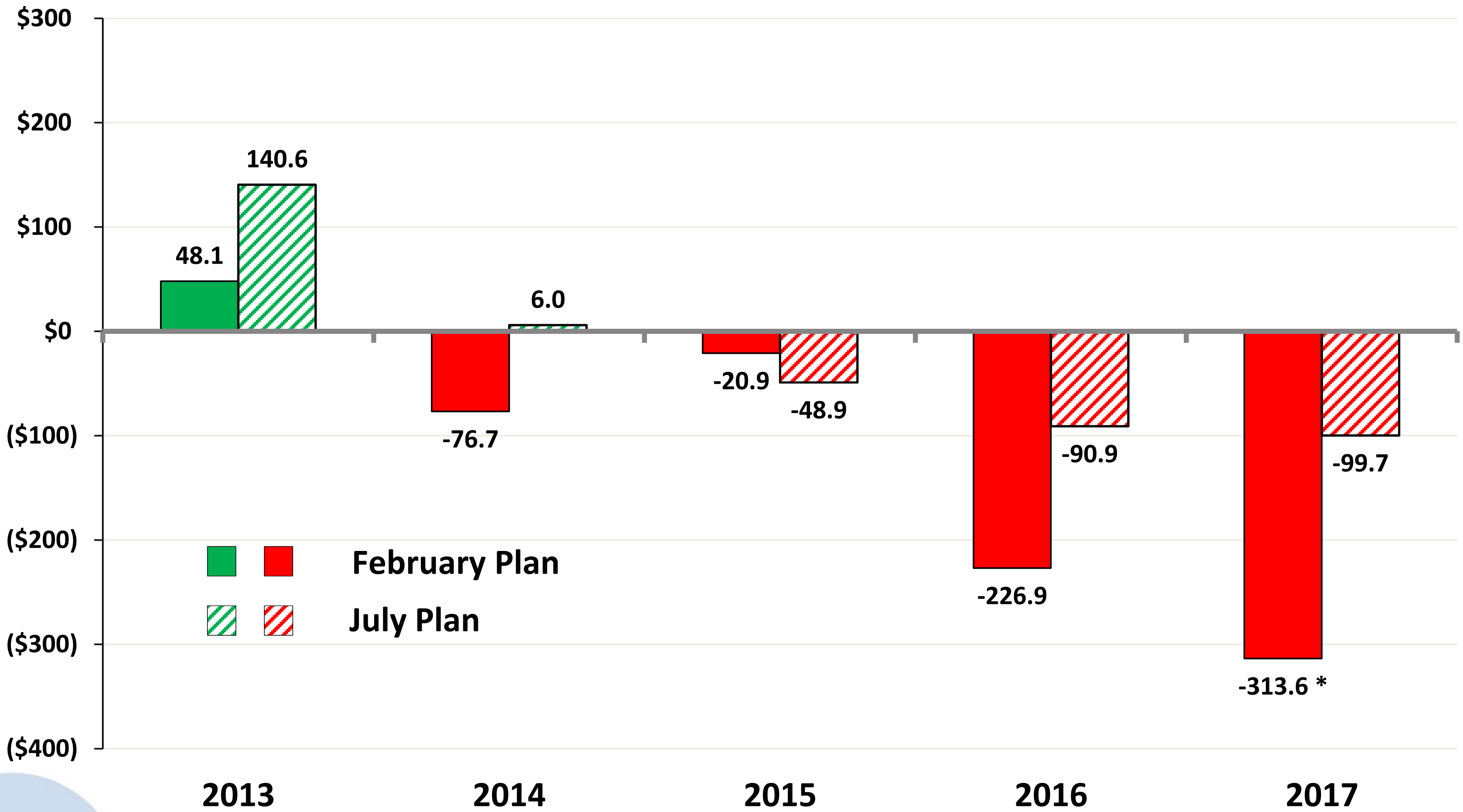
- New and restored service adds ongoing expense to the budget; funding must be sustainable
- Amount should be evaluated in the context of the overall budget, not specific revenue or expense lines
- Amount committed to additional service should be large enough to provide a meaningful improvement in our customers' use of the System, but no so large that its sustainability is at risk.

Highlights of the July Plan

- Funds $18 million of additional service investments and customer enhancements
  - *In addition to* $11.5 million of service adjustments, primarily driven by guidelines
- $11 million in other customer service initiatives in 2014
- Invests $76 million in important new operational and maintenance needs
- Includes $80 million annually of PAYGO capital beginning in 2015 in support of the 2015-2019 Capital Program
  - Funded primarily with debt service savings from the 2013 refunding and re-estimates of interest rates and cash flows
- Uses $80 million of non-recurring real estate receipts to reduce LIRR Additional Pension Plan’s $1.2 billion unfunded liability, saving $6 million annually
- Increases OPEB contributions to continue to address $17.8 billion unfunded liability
- Proposes use of unexpended year-end General Reserve balances to make one-time payments toward long-term obligations (unfunded pension or OPEB liabilities, PAYGO or debt retirement) to reduce annual expenses, minimizing pressure on fares and tolls.
- Consistent with New York State budget projections

With these re-estimates and new initiatives, the July Plan projects out-year deficits of $240 million, lower than the February Plan

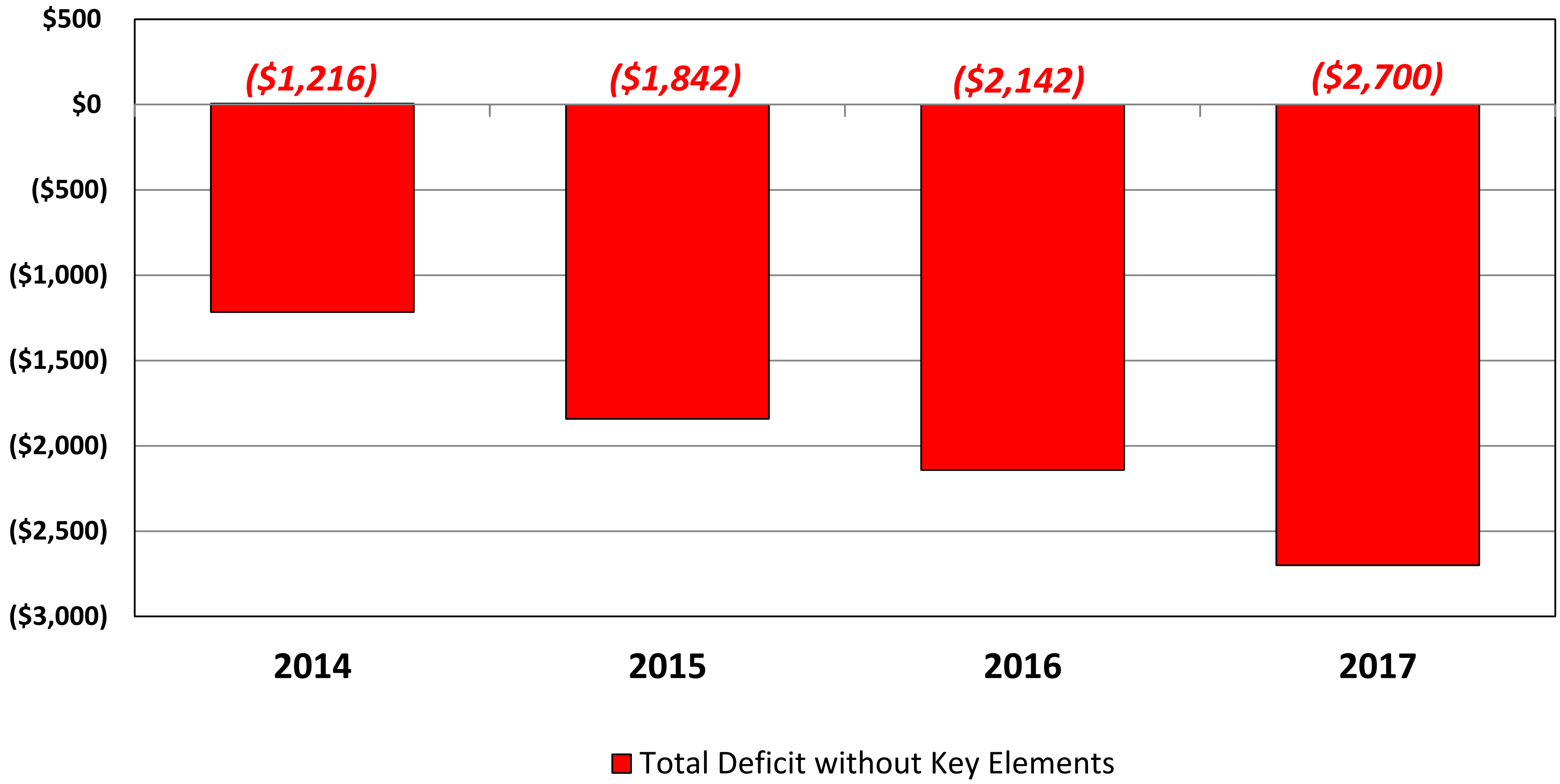
($ millions)



* The February Plan only included projections through 2016; 2017 represents an extrapolation of the February Plan's 2016 projection.

The key elements of prior Plans remain essential in addressing the July Plan deficits

($ millions)



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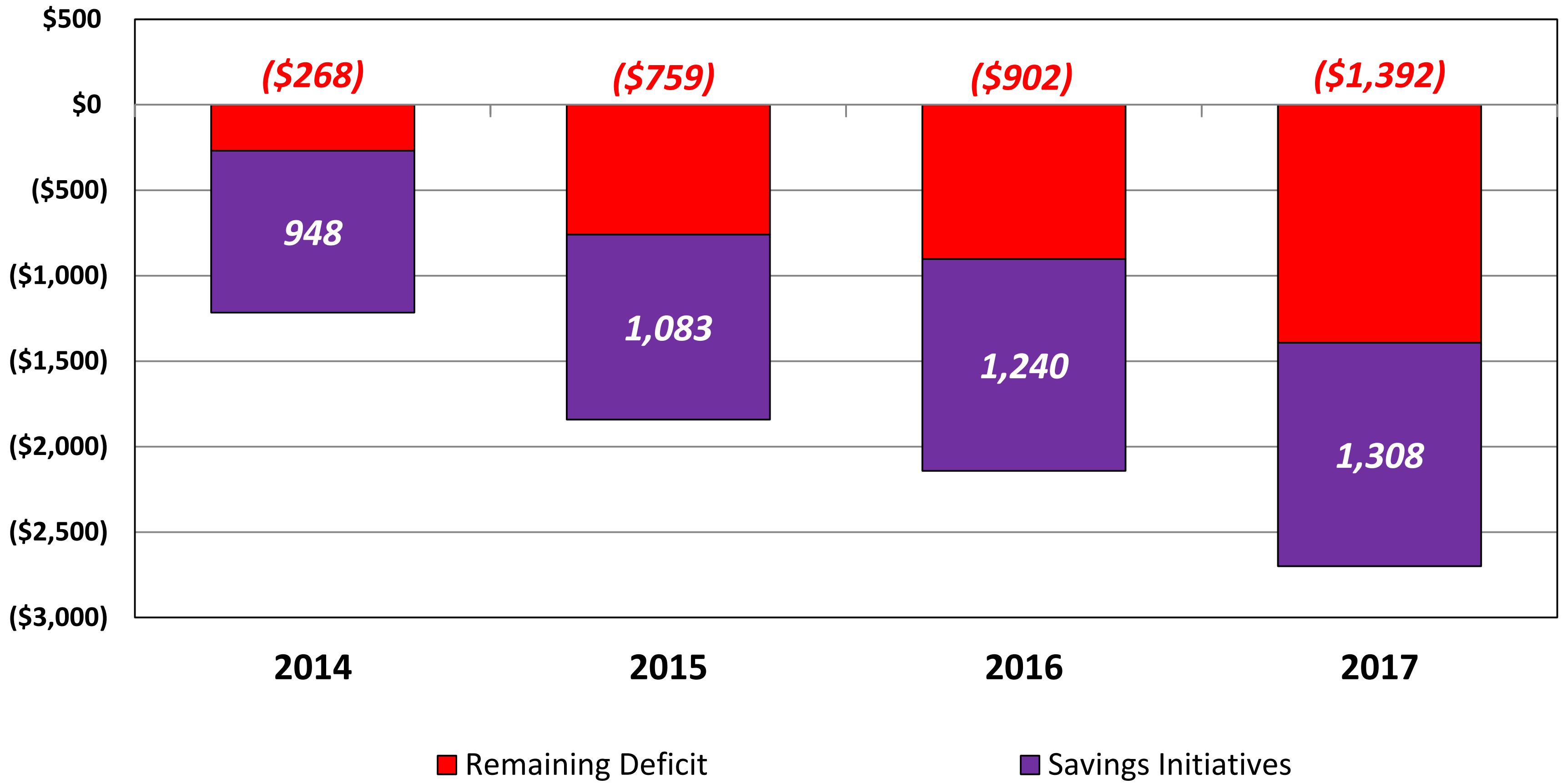

- Savings initiatives close 58% of the cumulative deficit

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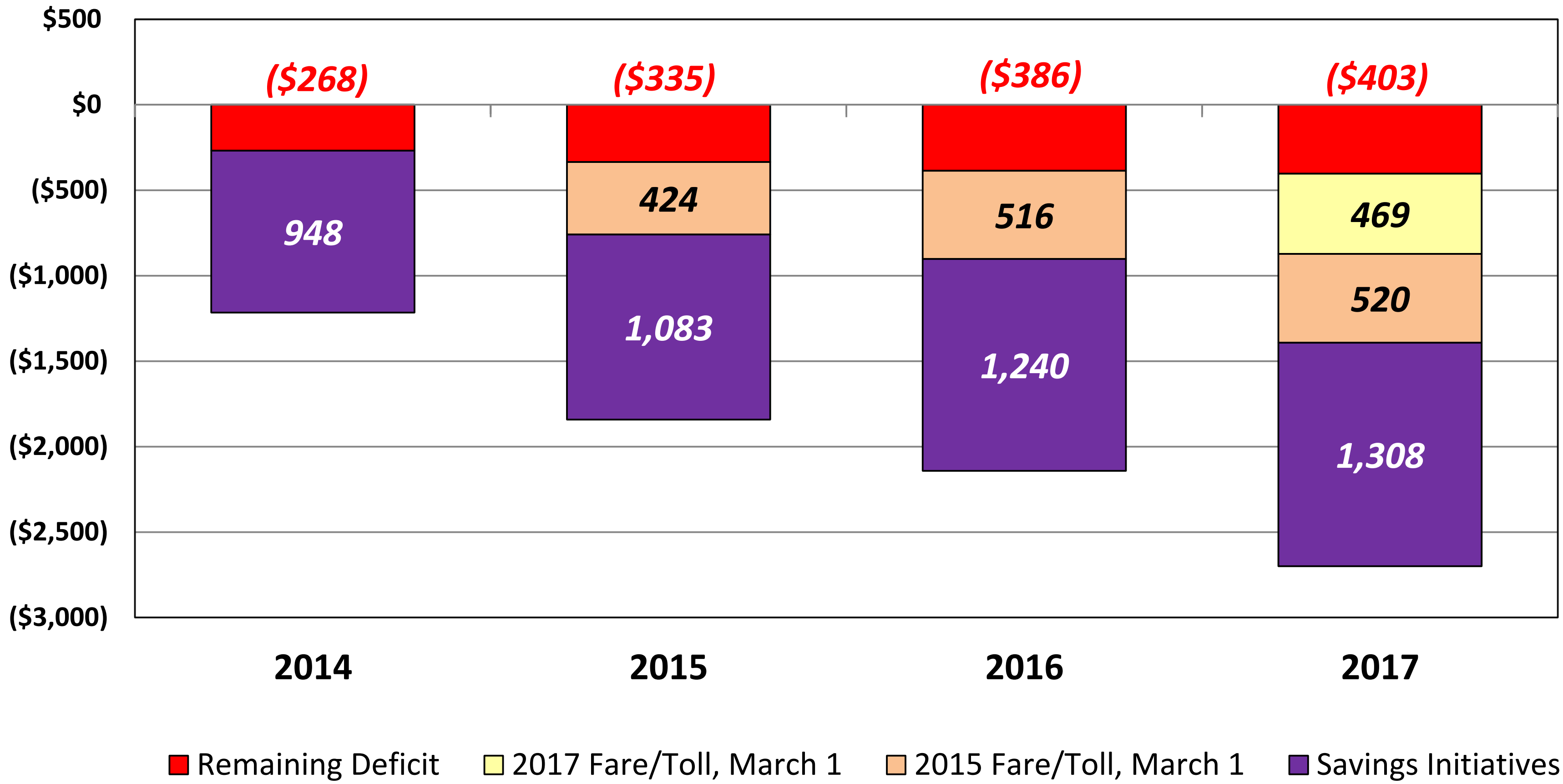

- Savings initiatives close 58% of the cumulative deficit
- Fares and tolls close 24%

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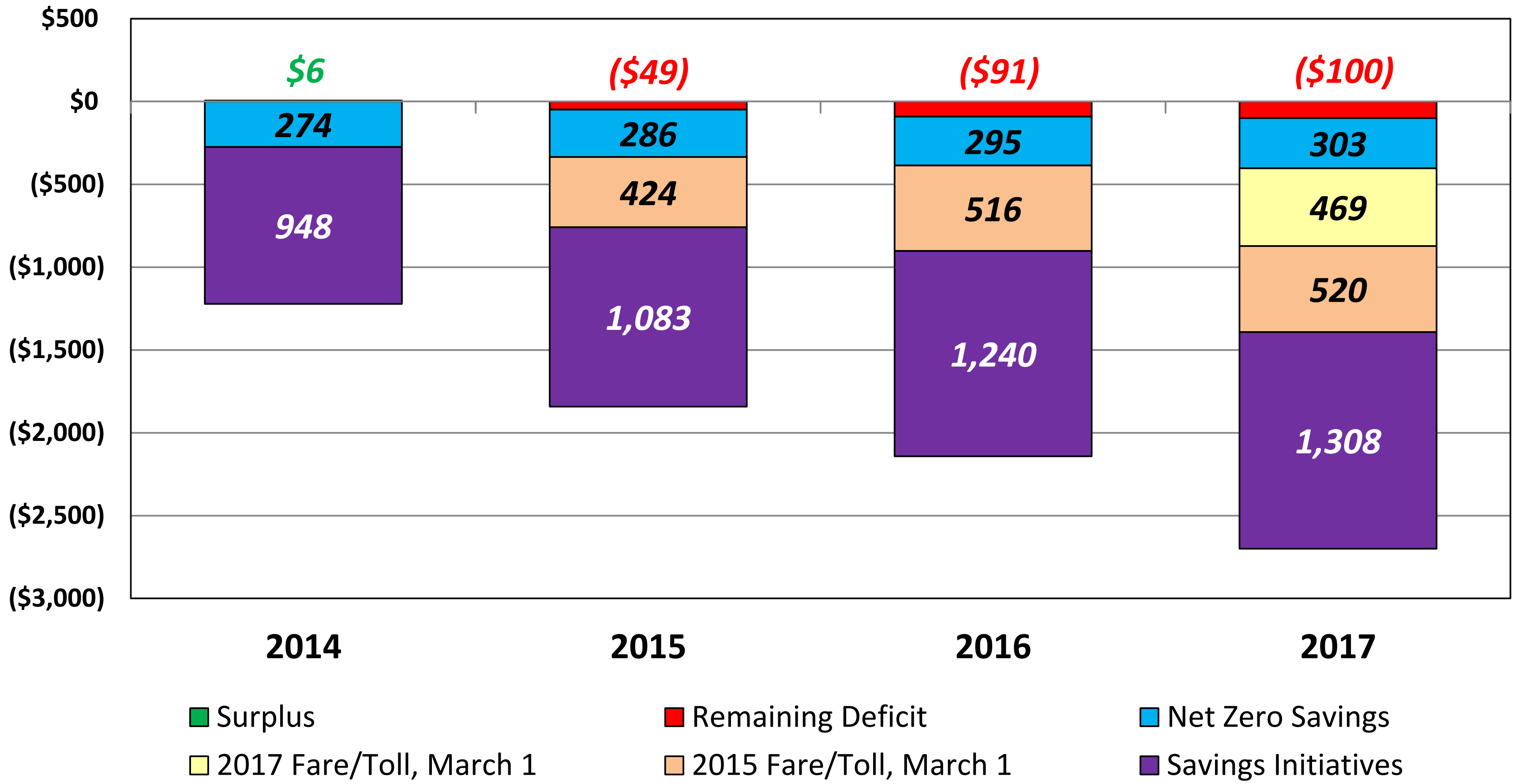
($ millions)



- Savings initiatives close 58% of the cumulative deficit
- Fares and tolls close 24% , and
- “Net-zeros” from represented employees close only 15%

MTA is continuing to follow its Plan, but risks remain

- Execution of Financial Plan
  - “Net-zero” labor settlements
  - Annually recurring cost savings
  - Fare and toll increases in 2015 and 2017

– Loss or reduction of PMT or other revenues without equivalent replacement revenues

- Economic uncertainty
  - National economy remains weak
  - Local economy recovery is uneven

- Federal support below expected levels
  - On-going capital support in light of sequestration pressures
  - Repair and resiliency funding

- Longer-term vulnerabilities
  - Increasing operating costs associated with expansion projects
  - Funding for 2015-2019 Capital Program
  - Casualty risks to the system; ability to fund mitigation investments
  - Retiree healthcare costs
  - Pensions
  - Building and maintaining critical financial reserves