Metropolitan Transportation Authority

November Financial Plan 2015 – 2018

Presentation to the Board
November 19, 2014
The July Plan projected cash balances through 2017 with a deficit of $262 million in 2018

Note: Cash balances are carried forward to reduce next year’s deficit
The July Plan was based on four key, inter-related elements

• Funding TWU Local 100 and LIRR Union Coalition pattern settlements through:
  – Favorable re-estimates
  – OPEB reserves and eliminating contributions through 2017
  – Eliminating supplemental LIRR pension contributions
  – Reducing PAYGO

• Projected fare/toll revenue yield increases of 4% in 2015 and 2017

• Annually recurring cost savings ($1.2 billion in 2015 increasing to over $1.5 billion by 2018)

• No further legislative erosion of PMT revenue

• The July Plan funded:
  – Annual PAYGO capital of $290 million beginning in 2015 as a “down payment” on the 2015 – 2019 Capital Program
  – Investment of $363 million in safety improvements over the Plan period
  – Investment of $125 million in new operational and maintenance needs over the Plan period
  – Additional $20 million in annual service and service quality investments
    – Supplementing $5 million in annual service guideline adjustments
What has changed since the July Plan?

• Re-estimates and other changes increasing financial results
  — Higher Fare/Toll projections
  — Higher Real Estate Transaction Tax receipts
  — Lower energy expense forecasts
  — Higher Petroleum Business Tax (PBT) revenue

• Re-estimates and other changes reducing financial results
  — Lower MTA Aid projections
  — Higher overtime estimates
  — Higher health & welfare expenses
  — Higher debt service costs
  — Increased safety investments
  — Increased service adjustments
  — Additional operational and maintenance needs
  — New IT investments (Enterprise Asset Management Program)

• Re-estimates and other changes are $60 million net unfavorable through 2018
Highlights of the November Plan

• 4% fare and toll increases projected in 2015 and 2017
  – In prior Plans, the increases were revenue yield-based increases; due to elasticity and other factors, the resulting increases in fare and toll prices were significantly greater than the stated nominal target rate for some fares and tolls
  – The revenue increase for the 2015 Fare/Toll increase is based on fares and tolls increasing by a 4% rate (to the extent practical); reduction in annual revenue versus the same percentage increase in revenue yield is $25 - $29 million annually
• Raises annually recurring savings target by an additional $50 million annually starting in 2018 ($1.3 billion in 2015, $1.6 billion in 2018)
• Increases safety investments by $79 million over the Plan period – investments in the July and November Plans total $442 million
• Adds service adjustments of $58 million over the Plan period – additional service, service quality and service adjustments in the July and November Plans total $173 million
• Adds $31 million in new operational and maintenance needs over the Plan period – investments in the July and November Plans total $157 million
• Increases IT investments (including Enterprise Asset Management) of $98 million over the Plan period – additional investments proposed in the July and November Plans total $154 million
• Uses the 2014 General Reserve funds of $135 million to further reduce unfunded pension liability on the LIRR Additional Plan – reducing pension expense by approximately $10 million annually
• Maintains annual PAYGO capital contribution of $290 million
• Financial Plan remains balanced through 2017; 2018 deficit balance increases from $262 million to $322 million
• However, the 2018 “going-out” deficit is reduced by $52 million
We continue to increase our annually recurring savings targets

($ in millions)
More savings have been targeted and identified since last November ($ in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Implemented Savings</th>
<th>Other Identified Savings</th>
<th>Prior MTA Efficiencies – Unidentified Savings</th>
<th>2018 Program – Unidentified Savings</th>
<th>Savings Targets</th>
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<td>2015</td>
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2018 increased target
Although the projected 2018 deficit is $60 million larger than in July, it reflects a $52 million improvement given the difference in the 2017 carry-over cash balances.

*Note: Cash balances are carried forward to reduce next year’s deficit*
Challenges going forward

• Secure approval for fully funded 2015 – 2019 Capital Program
• Avoid further legislative erosion of PMT revenue
• Continue to pursue efficiencies/consolidations to maximize annually recurring cost savings; remain focused on existing cash control to avoid “backsliding”
• Address chronic cost issues:
  – Workers’ compensation
  – Claims
  – Overtime
• Maintain discipline to use non-recurring revenues, favorable budget variances, excess resources to reduce unfunded liabilities: OPEBs, pension liabilities, and/or PAYGO