Metropolitan Transportation Authority

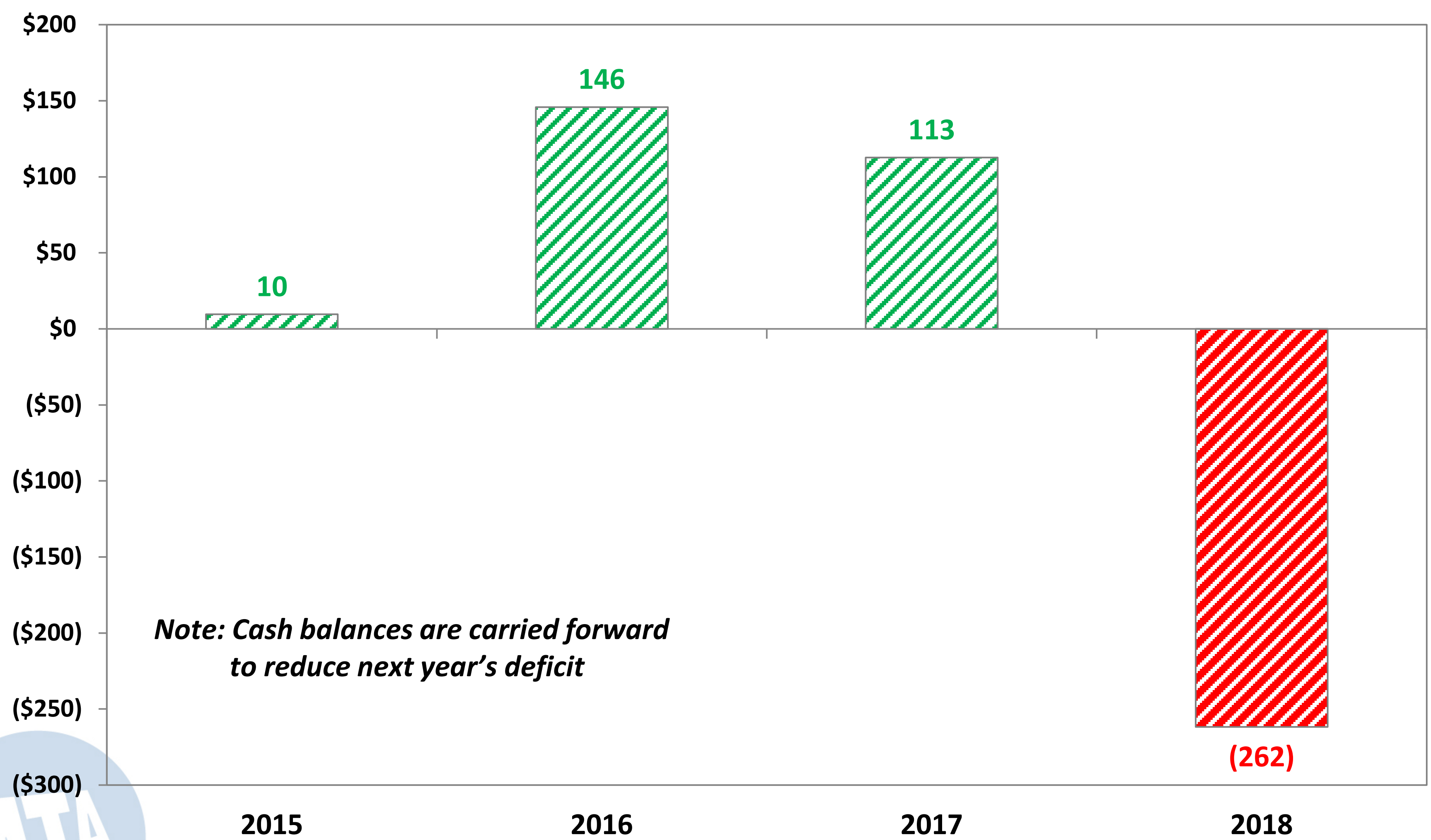
November Financial Plan 2015 – 2018

Presentation to the Board

November 19, 2014

The July Plan projected cash balances through 2017 with a deficit of $262 million in 2018

($ in millions)



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?

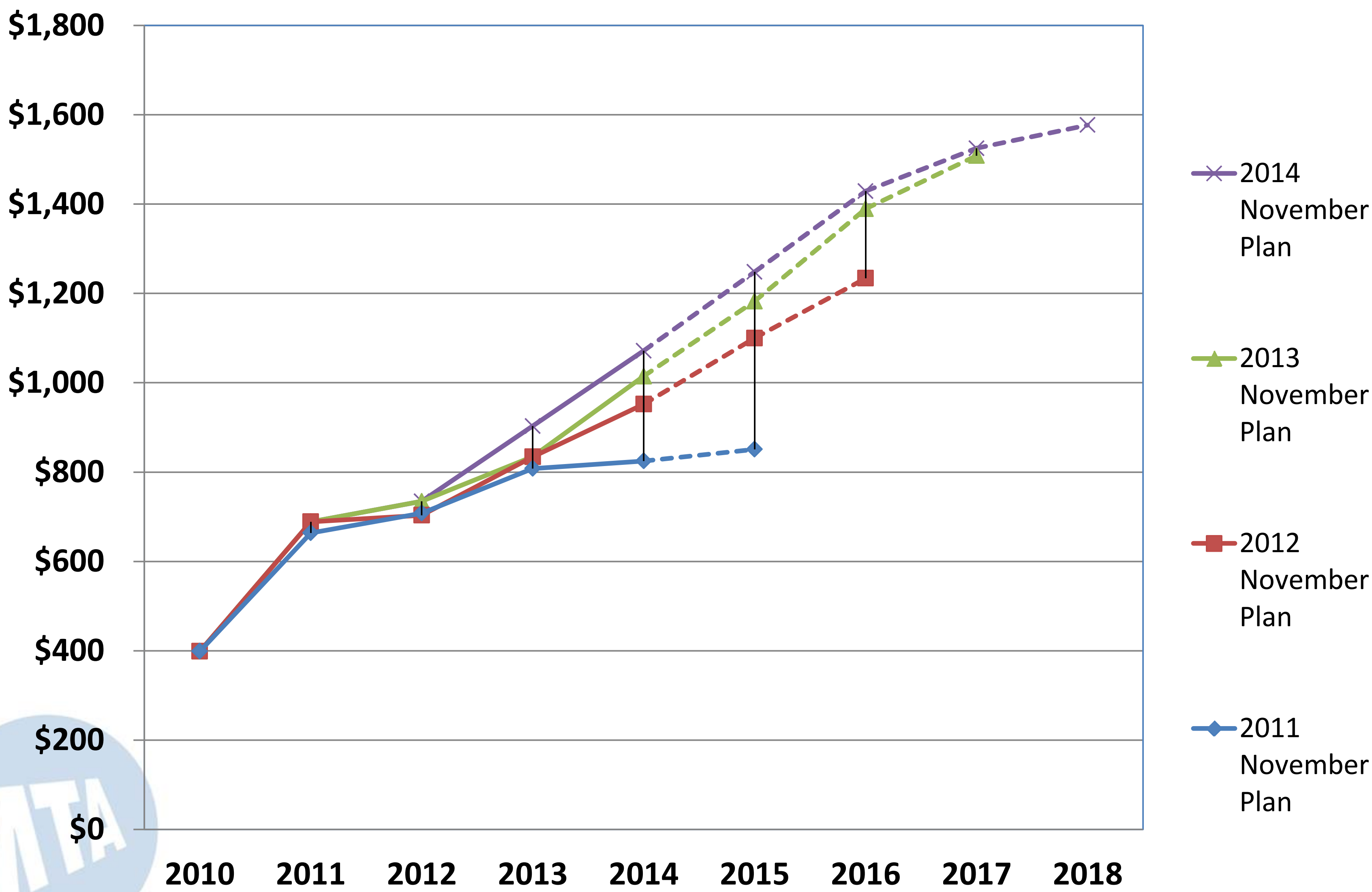
- Re-estimates and other changes increasing financial results
  - Higher Fare/Toll projections
  - Higher Real Estate Transaction Tax receipts
  - Lower energy expense forecasts
  - Higher Petroleum Business Tax (PBT) revenue
- Re-estimates and other changes reducing financial results
  - Lower MTA Aid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

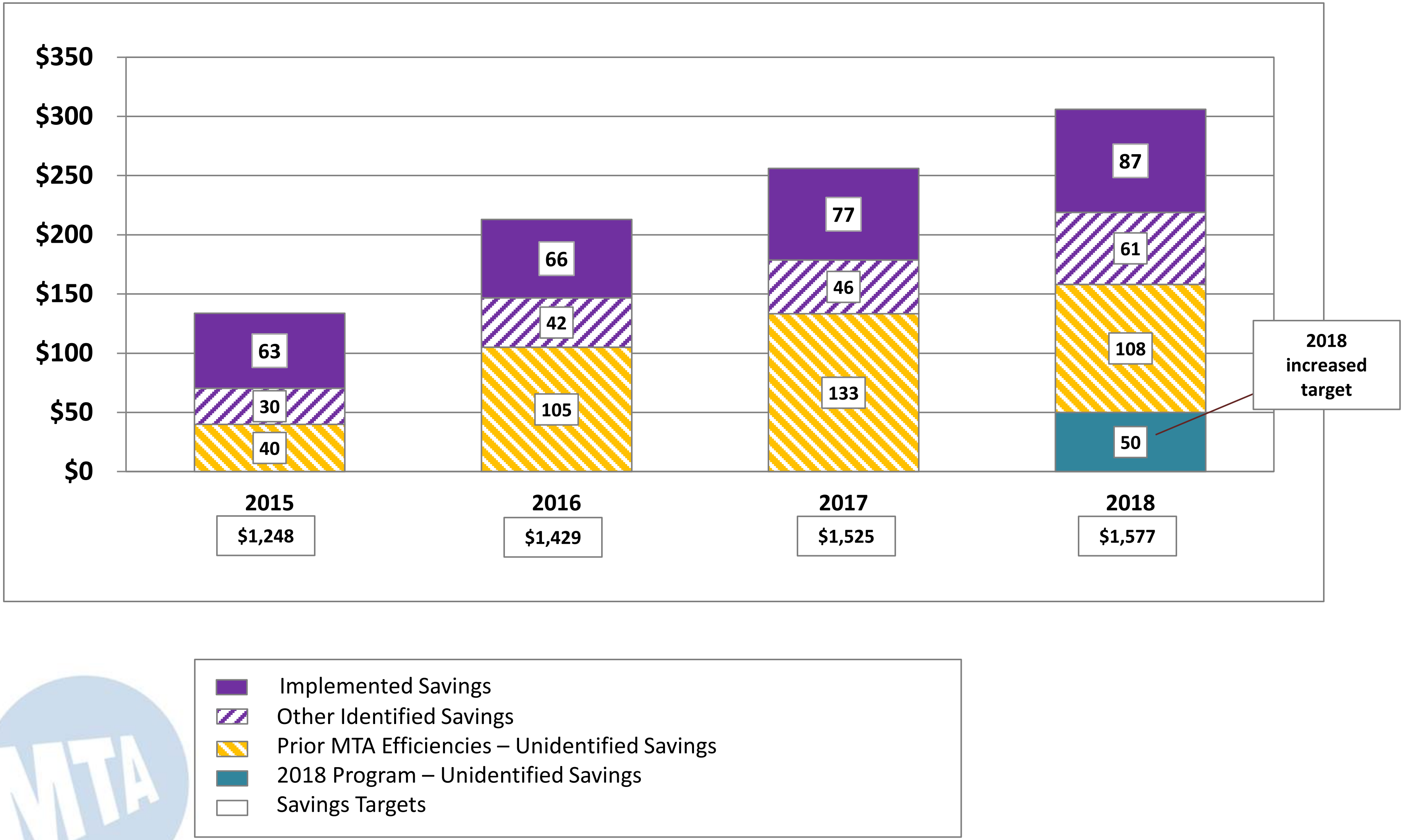
We continue to increase our annually recurring savings targets

($ in millions)

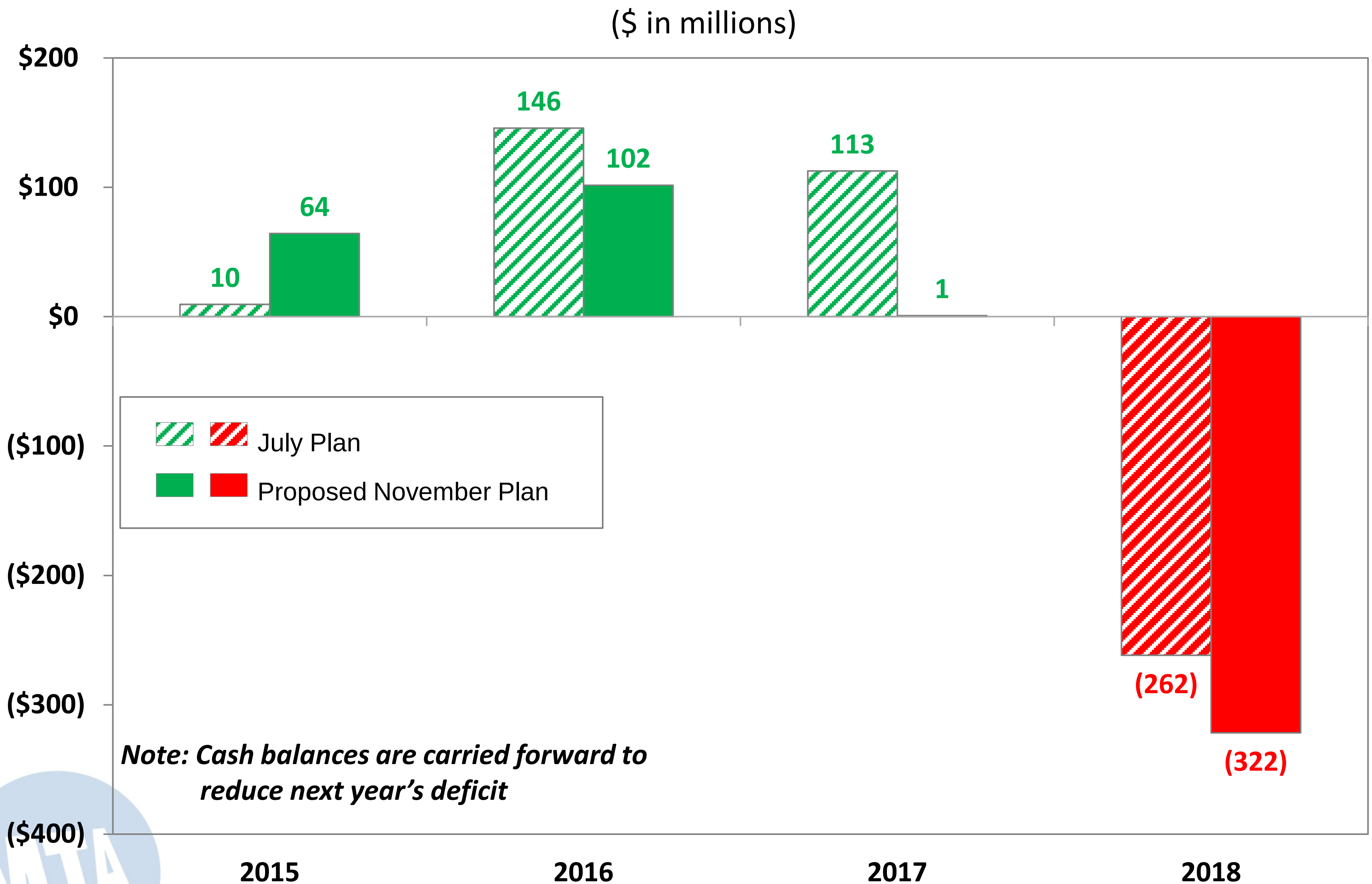


More savings have been targeted and identified since last November

($ in millions)



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



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