



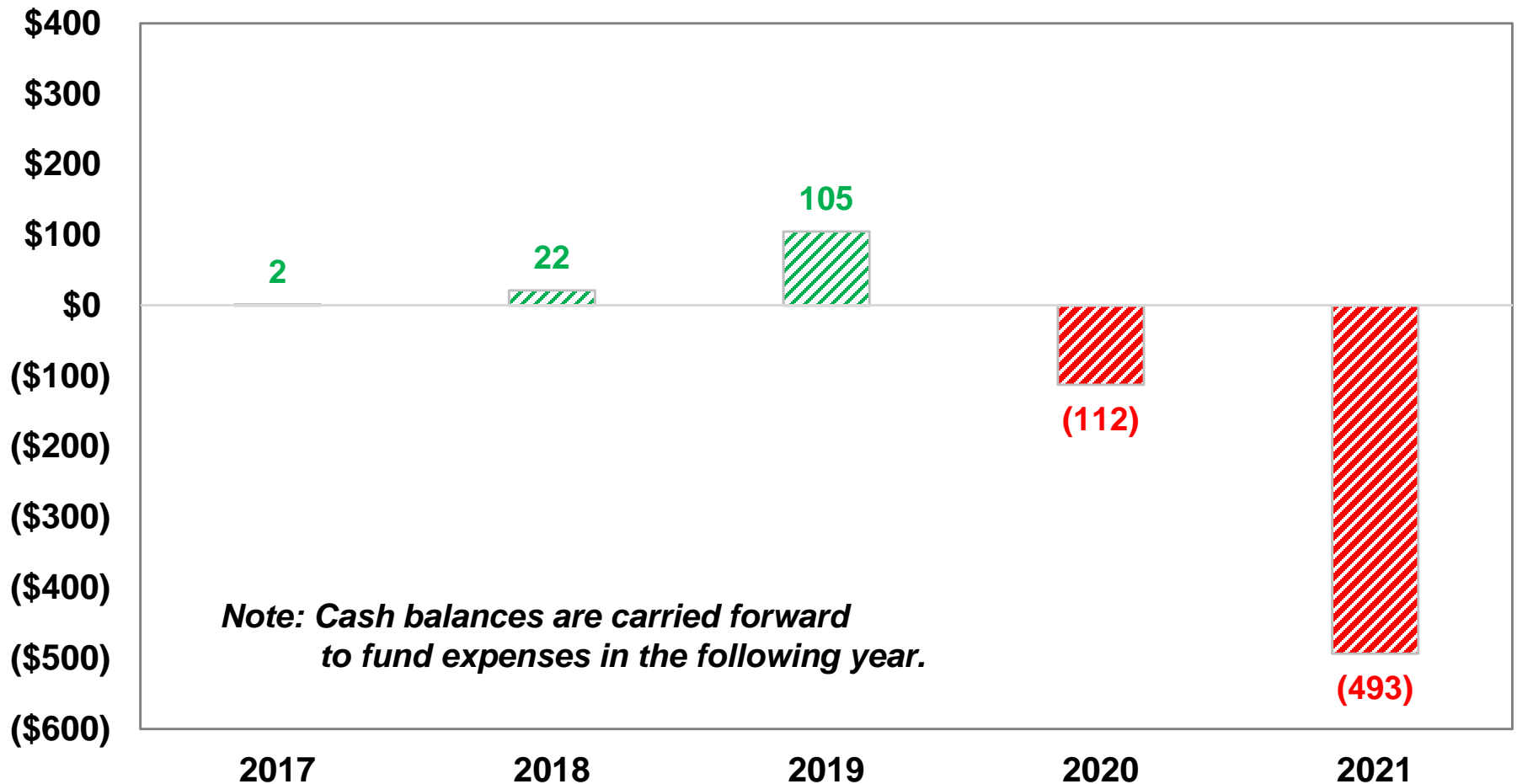
**2017 November Financial Plan
2018 - 2021**

**Presentation to the Board
November 15, 2017**



The 2017 July Plan projected breakeven/small cash balances through 2019 with gaps of \$112 million and \$493 million in 2020 and 2021

(\$ in millions)





What has changed since the July Plan?

Changes and re-estimates worsening financial results over the plan period:

- Lower farebox/toll revenue estimates (\$281 million)
- Lower real estate transaction forecasts (\$147 million)
- Lower advertising revenue (\$143 million)
- Lower MMTOA receipts (\$80 million)

Changes and re-estimates improving financial results over the plan period:

- Lower debt service costs (\$189 million)

In total, changes and re-estimates, including the above, are \$309 million unfavorable for the plan period



Highlights of the 2018 – 2021 November Financial Plan

- MTA is implementing the Subway Action Plan (SAP), an investment of \$1.5 billion in operating expenses over the Plan period
 - Reflects the Governor's commitment to fund one-half of SAP
- Maintains the annual savings targets proposed in February and July (\$200 million in 2018, \$250 million in 2019, \$300 million in 2020 and \$350 million in 2021)
 - Identifies an additional \$84 million in savings initiatives in November (\$593 million in total savings identified including July)
- Propose fare/toll increases of 4% in 2019 and 2021, consistent with previous plans
 - Versus projected 2 year CPI inflators of 5.5% and 5.3% in 2019 and 2021, respectively
- Uses \$170 million in reserves to offset expenses
- Budget continues to be balanced through 2019; 2020 and 2021 gaps have increased to \$352 million and \$643 million, respectively



The Subway Action Plan will “jump start” improvements over the next 14 months, then maintain level of effort going forward

- **Track/Infrastructure:** Launch an emergency water management initiative; clean track between underground stations; eliminate backlog, accelerate repairs and install seamless track; increase production capacity and installation of welded rail; improve incident response; augment the number of Combined Action Teams; and increase work train availability.
- **Signals:** Expedite the modernization of 1,300 signals considered to be the most problematic.
- **Power:** Support the Power Improvement Plan led by the NYS Public Service Commission, which will ensure reliability and provide a consistent supply of power.
- **Car Equipment:** Expand overhaul capacity; sustain 24/7 repair and maintenance shifts; elevate protocol on subway door inspections and repairs; increase number of Emergency Subway Car Response Teams; upgrade subway car interiors; add subway cars and increase ridership capacity.
- **Stations:** Repaint, repair tile, service elevators and escalators, and conduct deep cleaning.
- **Safety/Communications/Other:** Reduce illegal activity in stations; launch public awareness campaign; enhance the Homeless Outreach Program; increase number of dedicated Emergency Medical Technician teams (pilot program); overhaul communication systems and launch a new integrated MTA app.



Elements of the Subway Action Plan and ongoing efforts

Subway Action Plan - Budget

All \$ in Millions

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Five-year total</u>
Operating						
<i>Track/Infrastructure</i>	\$ 29	\$ 86	\$ 83	\$ 61	\$ 61	\$ 320
<i>Signals</i>	3	14	22	14	13	66
<i>Power</i>	1	4	3	3	3	14
<i>Car Equipment</i>	25	145	96	104	104	474
<i>Stations</i>	12	89	57	53	53	264
<i>Communications/Other</i>	30	70	81	66	66	313
Total Operating Costs	\$ 100	\$ 408	\$ 342	\$ 301	\$ 300	\$ 1,451
Capital						
<i>Track/Infrastructure</i>	\$ 4	\$ 28	\$ 20	\$ -	\$ -	\$ 52
<i>Signals</i>	1	33	-	-	-	34
<i>Power</i>	56	22	-	-	-	78
<i>Car Equipment</i>	-	175	-	-	-	175
<i>Other</i>	2	7	-	-	-	9
Total Net Capital Investments	\$ 63	\$ 265	\$ 20	\$ -	\$ -	\$ 348
Overall Total	\$ 163	\$ 673	\$ 362	\$ 301	\$ 300	\$ 1,799
Total 2017 and 2018 Costs for SAP:		\$ 836				



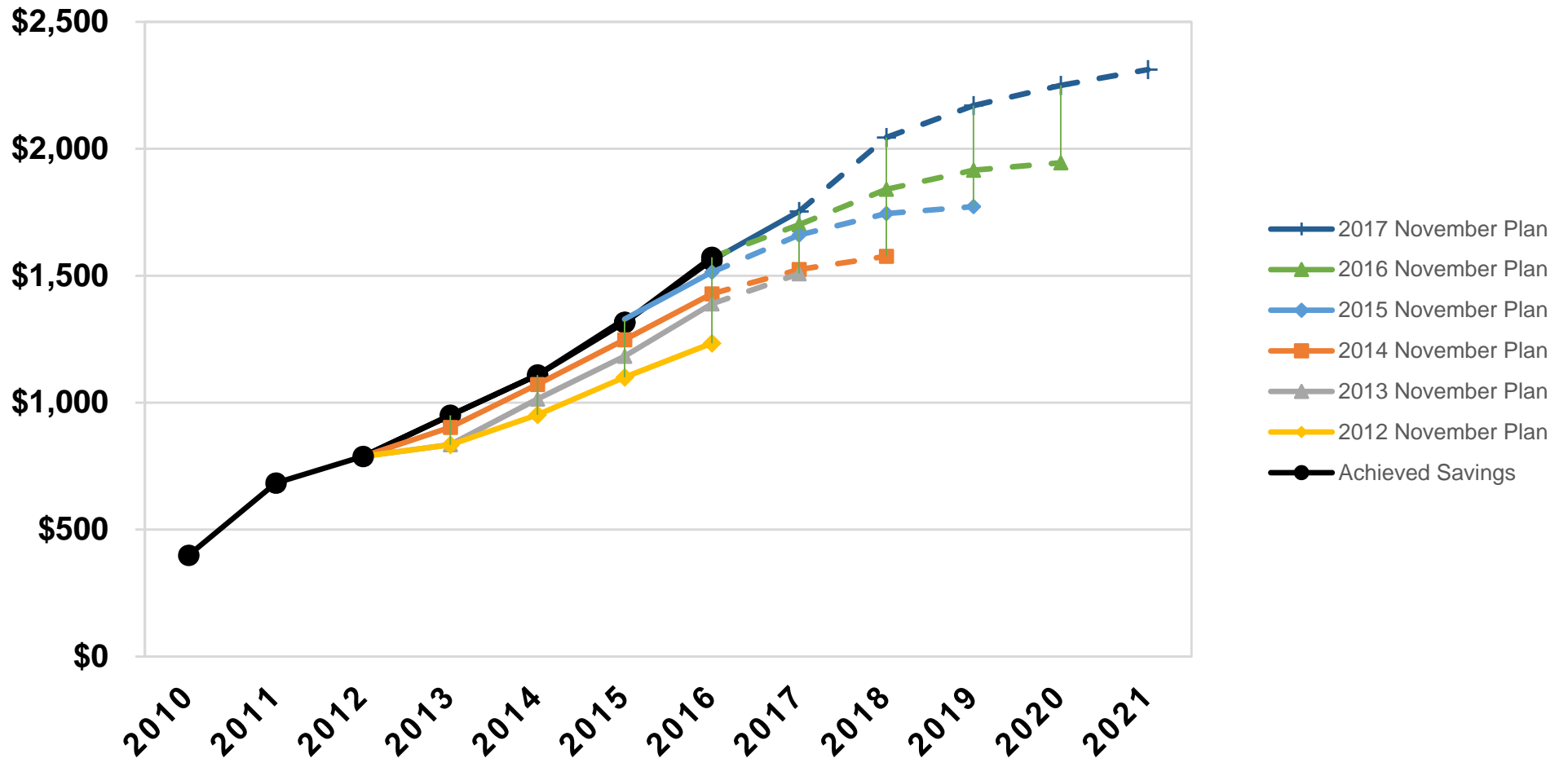
Implementing the full SAP will require Board action

- The 2018 operating costs will be reflected in the proposed 2018 budget
- All capital costs will be presented in a proposed amendment to the 2015-2019 Capital Plan
- The proposed 2018 budget and 2015-2019 Capital Program Amendment will be presented to the Board for approval in December



Annually recurring savings targets are more aggressive and will be harder to achieve

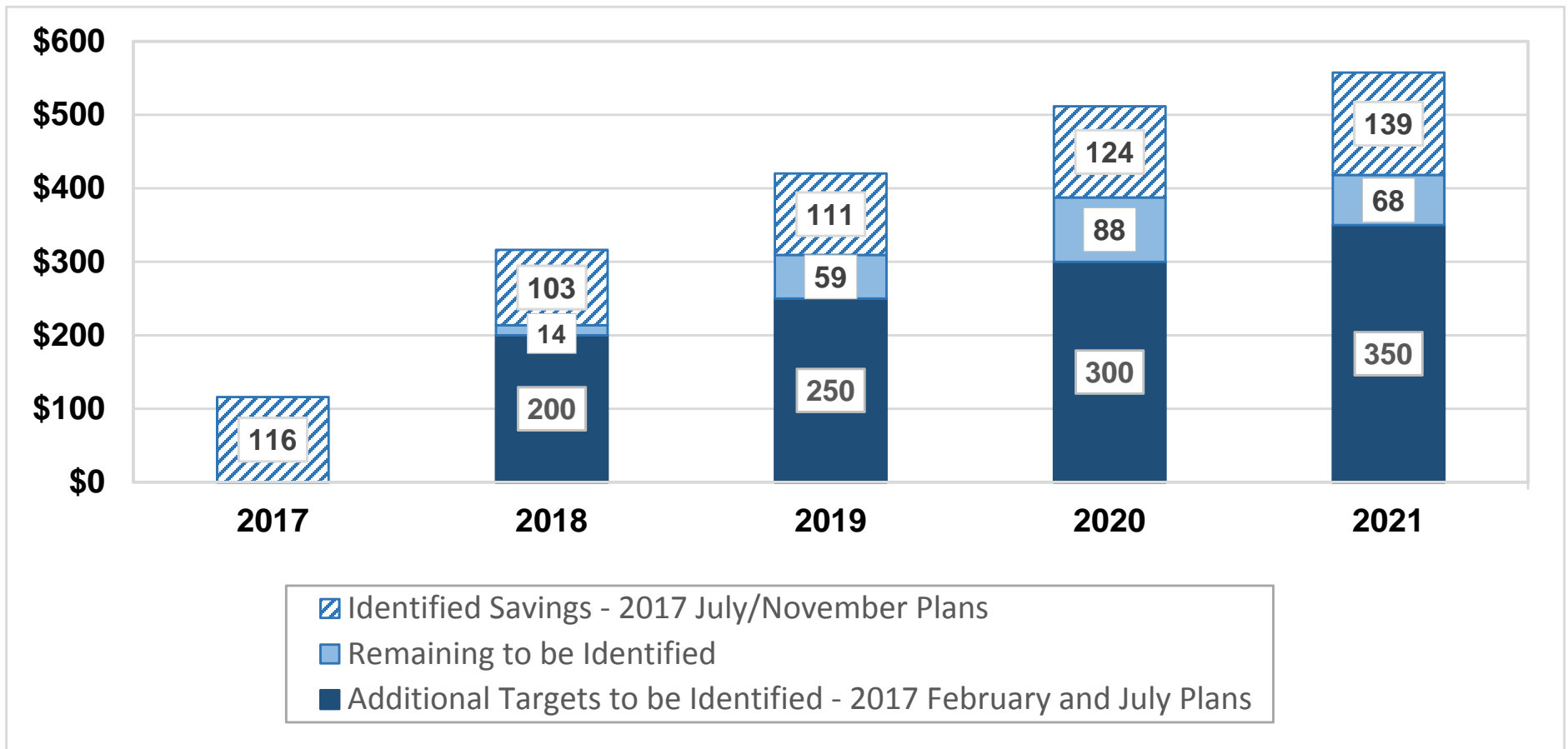
(\$ in millions)





\$593 million in savings have been implemented or identified in July and November Plans

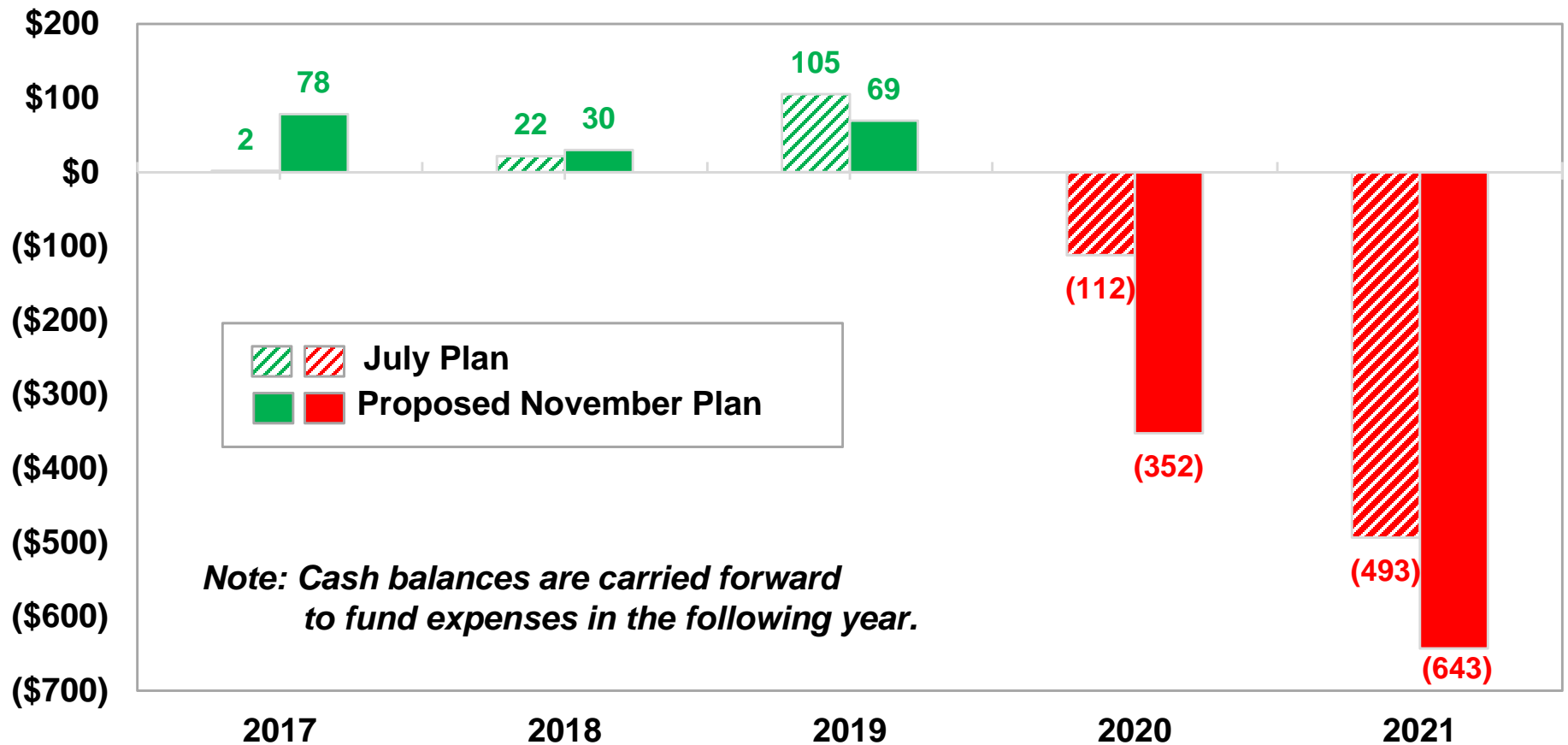
(\$ in millions)





**The plan funds important investments and is balanced through 2019;
the 2020 and 2021 gaps will need to be addressed;
new revenue sources will be required for operations and capital**

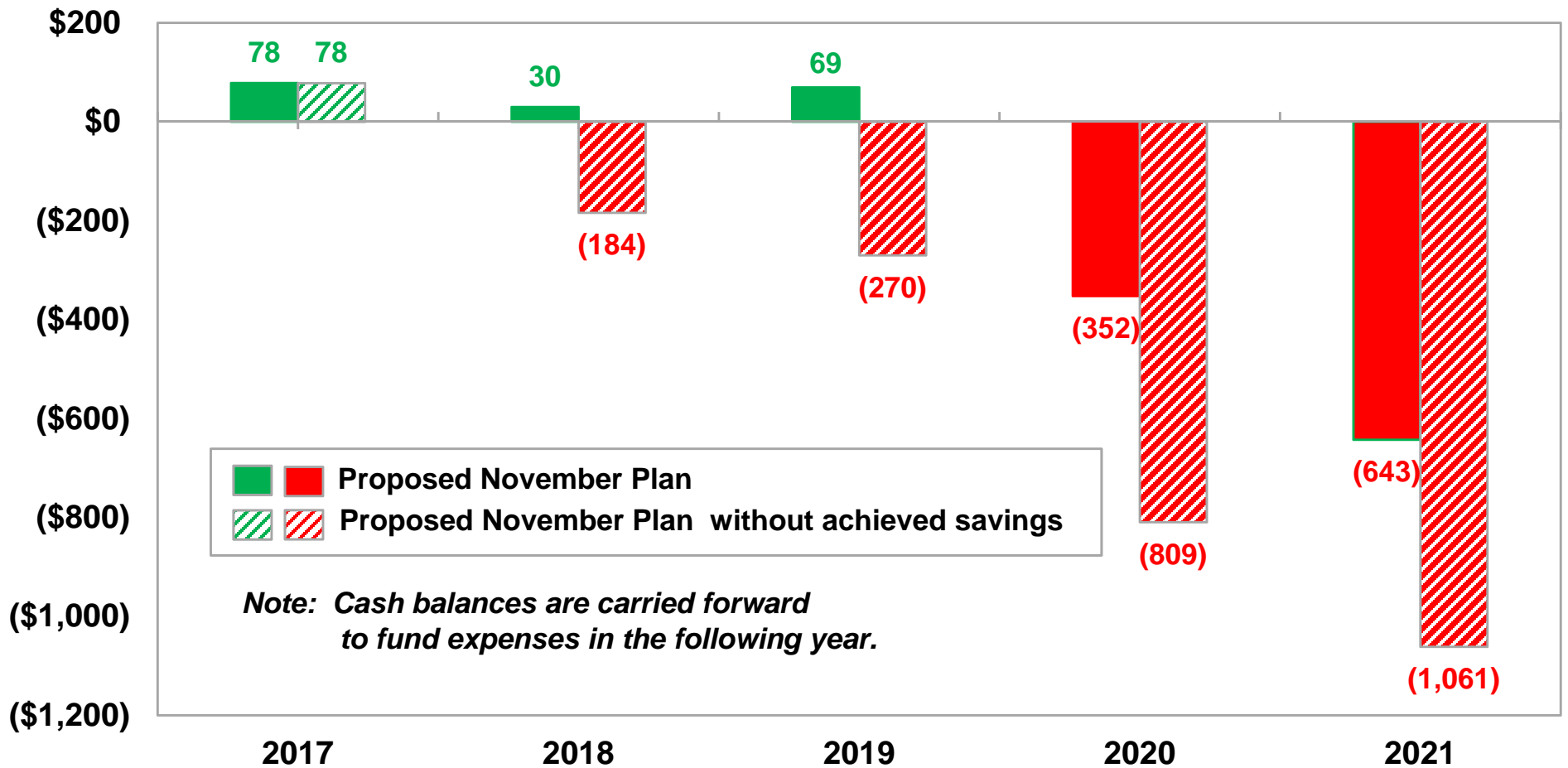
(\$ in millions)





If savings targets are not achieved, gaps will occur earlier and be larger

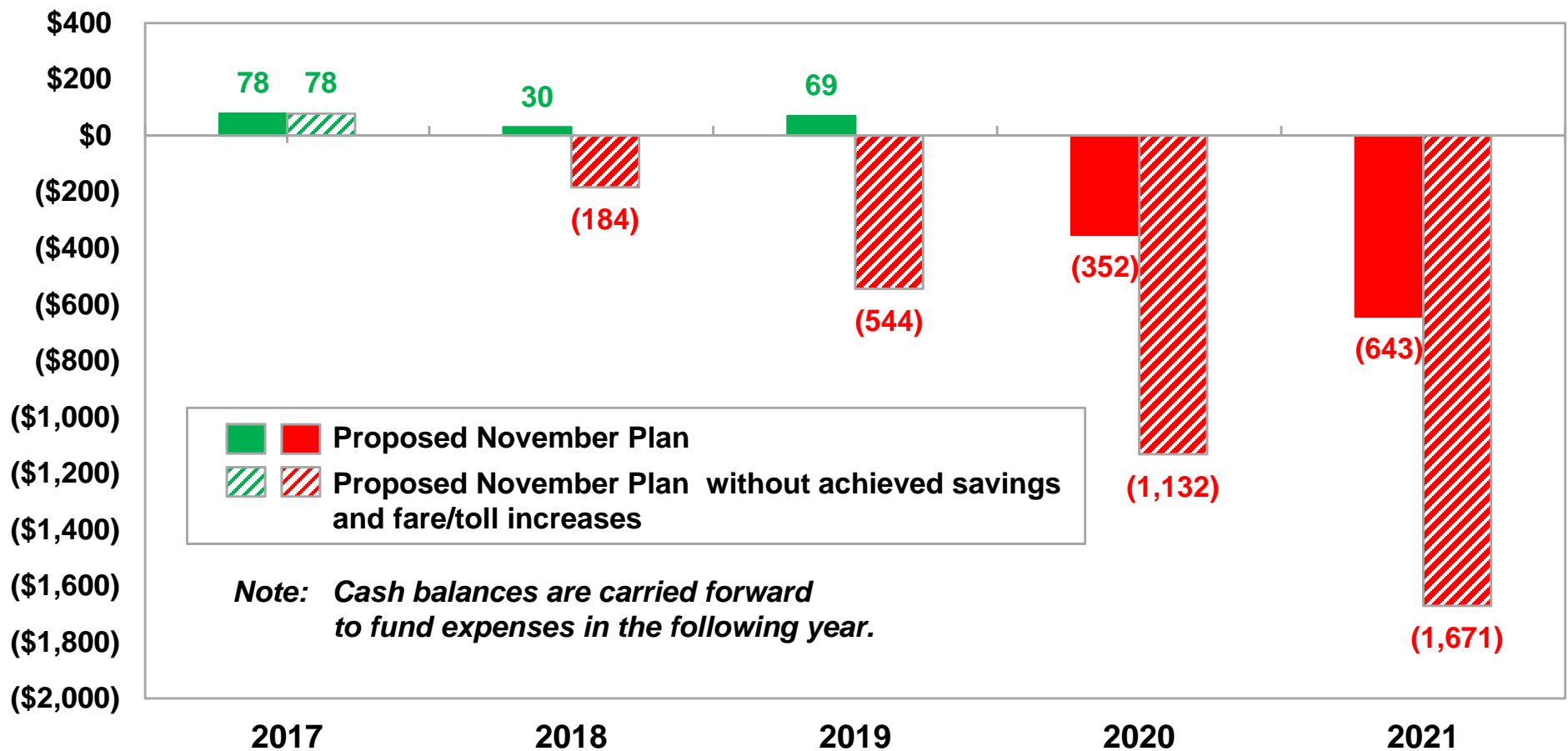
(\$ in millions)





If savings targets are not achieved and fare and toll increases are not implemented, projected gaps increase significantly

(\$ in millions)





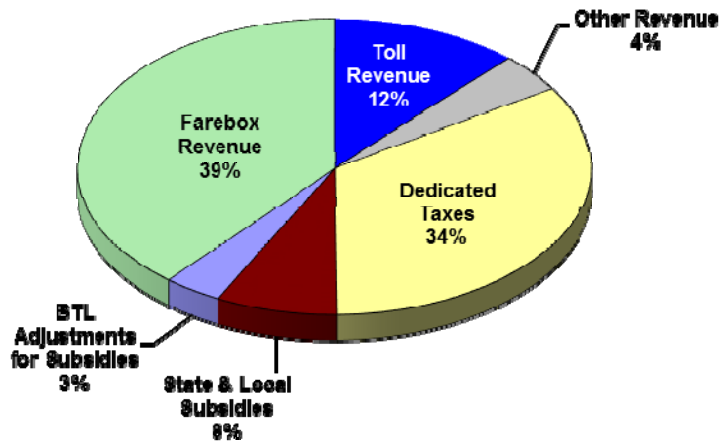
Challenges going forward

- Secure full funding for the Subway Action Plan
- Secure new sustainable funding for operations and capital
- Implement biennial fare and toll increases of 4% in 2019 and 2021 (2% annual increases)
- Achieve cost reduction targets
- Enhance customer experience and fund continued investments in maintenance and operations
- Respond to general economic conditions (e.g., declining real estate revenues)
- Respond to potentially higher interest rates than forecast



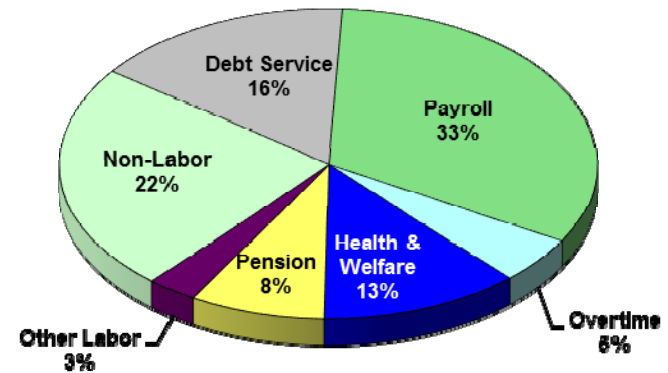
MTA 2018 Final Proposed Budget

Where the Dollars Come From...



By Revenue Source (\$ in millions)	
Farebox Revenue	\$6,277
Toll Revenue	1,923
Other Revenue	685
Dedicated Taxes	5,434
State & Local Subsidies	1,224
BTL Adjustments for Subsidies	593
Total	\$16,137

Where the Dollars Go...



By Expense Category includes below-the-line adjustments (\$ in millions)	
Payroll	\$5,360
Overtime	829
Health & Welfare	2,002
Pension	1,351
Other Labor	492
Non-Labor	3,935
Debt Service	2,604
BTL Adjustments for Expenses	(387)
Total	\$16,186