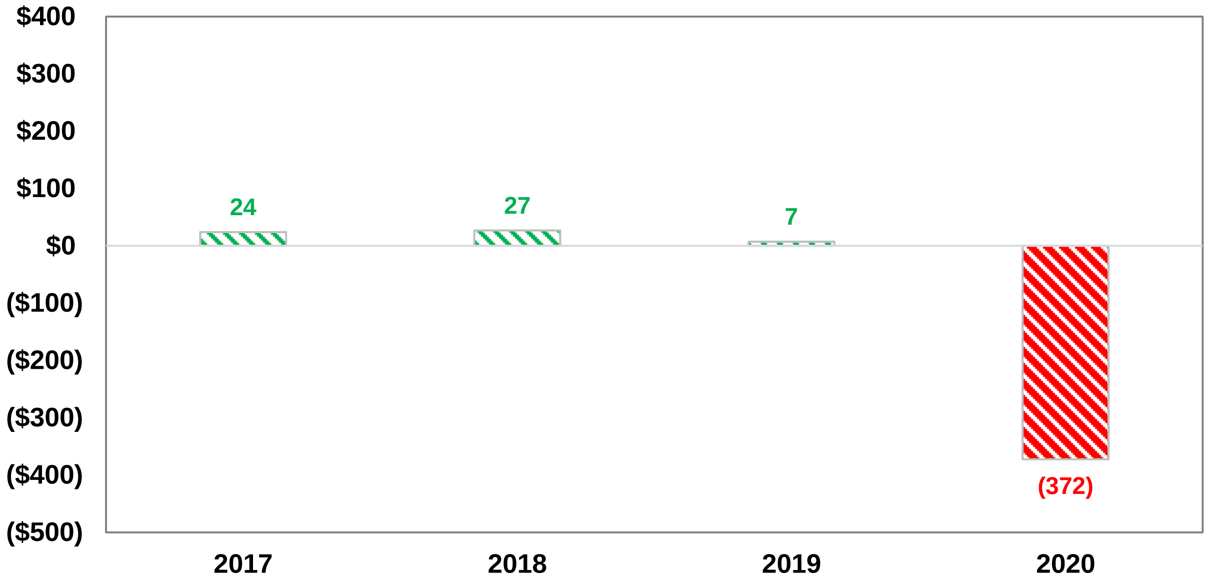
2017 July Financial Plan
2018 - 2021

Presentation to the Board
July 26, 2017

The 2017 February Plan projected breakeven cash balances through 2019 with a deficit of $372 million in 2020

($ in millions)



What has changed since the February Plan?

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

- Lower Real Estate transaction tax receipts ($792 million)
- Lower farebox/toll revenue estimates ($132 million)

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

- Lower energy costs ($183 million)
- Lower debt service ($158 million)
- Higher PMT receipts ($138 million)
- Lower insurance costs ($112 million)
- Lower health and welfare costs ($99 million)
- Additional State appropriation for capital program in 2017 – allowing PAYGO funds to be reprogrammed to operating ($65 million)

In total, re-estimates and other changes are $385 million unfavorable for the plan period

Highlights of the 2018 – 2021 July Financial Plan

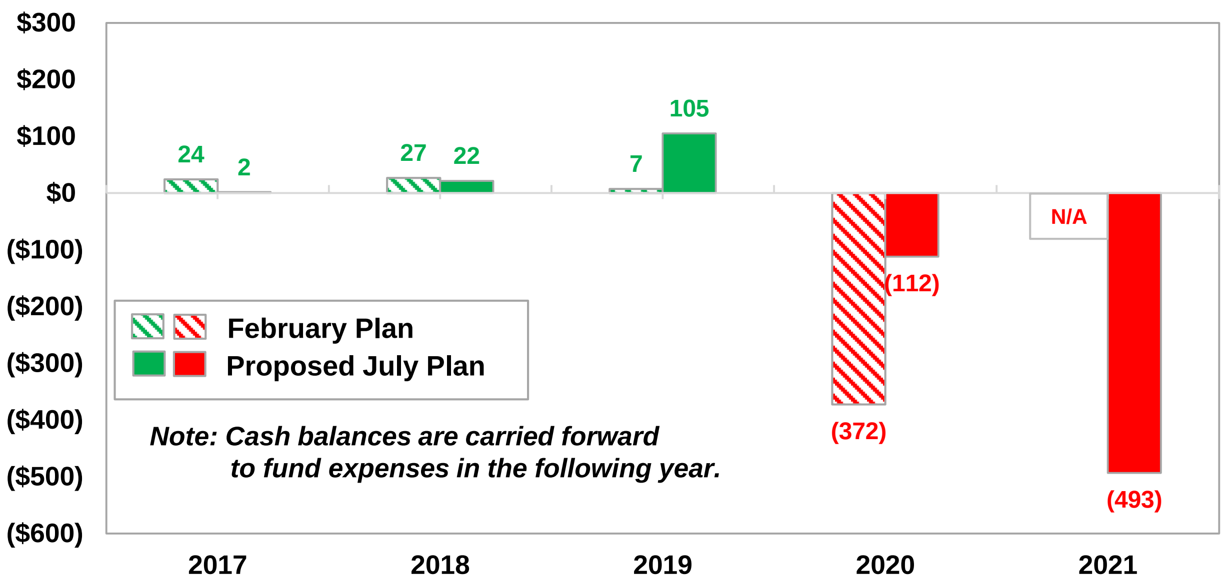
- Fare/Toll increases of 4% in 2019 and 2021, consistent with previous plans
- Initiatives to meet $387 of the $716 million of unspecified cost reductions targeted in the February Plan have been identified and have been or are being implemented
- The MTA will invest an additional $484 million in maintenance and other areas to improve operations and enhance the customer experience over the plan period
- The MTA supports additional safety and security measures, investing $90 million over the plan period
- Funds an additional $100 million in the Amended 2015-2019 Capital Program

MTA actions to address unfavorable change from the February Plan

- Increased savings targets by $150 million in 2018, increasing by $50 million a year to $300 million in 2021
  - Projected annual recurring savings to reach $2.3 billion by 2021
- Assume restoration of PMT Replacement Funds to $307 million a year ($65 million per year)
- Use funds from B & T Necessary Reconstruction Reserve Fund ($158 million) instead of PAYGO
- Reduce 2017 General Reserve ($135 million); approximately $58 million will be used to fund the Amtrak Penn Station emergency mitigation costs until reimbursement is received.
- Cease planned contributions to the GASB reserves for 2018 and the out-years ($59 million)

The plan continues to fund important investments and is balanced through 2019; the 2020 deficit is reduced, but the 2021 deficit will need to be addressed

($ in millions)



$484 million in maintenance/operations and customer experience enhancements over the plan period

NYCT ($281 million over the plan period):

- **Pilot Programs to Improve Operations and Maintenance** ($90 million over the plan period): Address track and signal delays; improve emergency crew response time; reduce station and subway crowding; utilize fleet failure performance statistics; and replace or repair failing subway car components.
- **Track Defect Reduction** ($49 million over the Plan period): Reduce backlog of repairs, stemming from newly implemented standards and classification of defects.
- **Service Support/Platform Budget Adjustments** ($21 million over the Plan period): Improve service delivery operations, training, and platform service adjustments to improve the reliability and frequency of service in response to ridership trends, operating conditions and maintenance requirements.
- **Maintain and Repair Critical Fleet Components** ($16 million over the plan period): Accelerate Scheduled Maintenance Service and Heating, Ventilation, and Air Conditioning components on NYCT subway cars.
- **Clean and Maintain Track Infrastructure** ($13 million over the plan period): Expand station track cleaning initiative - double the “Operation Track Sweep” cleaning blitz; and purchase 10 mobile track vacuums.

$484 million in maintenance/operations and customer experience enhancements over the plan period (cont'd)

***LIRR ($89 million over the Plan period)**:*

- **Clean, Maintain and Improve Infrastructure** ($30 million over the plan period): Maintain the Penn Station West End Concourse, including new LED screens and new Farley Train Hall; recommission West Side Yard Maintenance-of-Equipment Shop; and fund operating impacts of capital investments.
- **Maintain, Repair and Replace Critical Fleet Components** ($14 million over the plan period): Maintain key components supporting Positive Train Control; and maintain rolling-stock modifications schedule.

***MNR ($61 million over the Plan period)**:*

- **Overhaul Fleet, and Maintain/Repair Critical Fleet Components** ($20 million over the plan period): Overhaul 31 locomotives, built between 1994-1998, including repairs and/or replacement of engines, generators and alternators; change seats on M7 fleet; maintain M7 fleet 15-Year Reliability Centered Maintenance; and expand staffing for maintenance and repair coverage in stations and facilities.

$484 million in maintenance/operations and customer experience enhancements over the plan period (cont'd)

MNR (cont'd)

- **Acquire, Repair and Maintain Infrastructure** ($24 million over the plan period): Expand Harmon Maintenance-of-Way Facility by acquiring adjacent Metro-Enviro property; improve grade crossings; support reliability-centered maintenance of assets in the Highbridge District; renovate GCT restrooms; replace the Haverstraw dock; augment homeless outreach service at 108 outlying stations; increase resources for geometry car machinists; and upgrade Harmon Yard lighting.

MTA Bus ($24 million over the Plan period)*:*

- **Training and Maintain, Repair and Replace Critical Fleet Components** ($20 million over the plan period): fund bus operator training float to ensure adequate coverage and components critical to safeguarding the reliability of over-age fleet (in excess of 12 years in service).

B&T ($23 million over the plan period)*:*

- **Support for the New York Crossings Project:** Implement a fixed and mobile License Plate Recognition (LPR) system to enforce toll violation collection and Open-Road Tolling marketing; and Hurricane Sandy restoration work.

$484 million in maintenance/operations and customer experience enhancements over the plan period (cont'd)

***SIR ($2 million over the Plan period)**:*

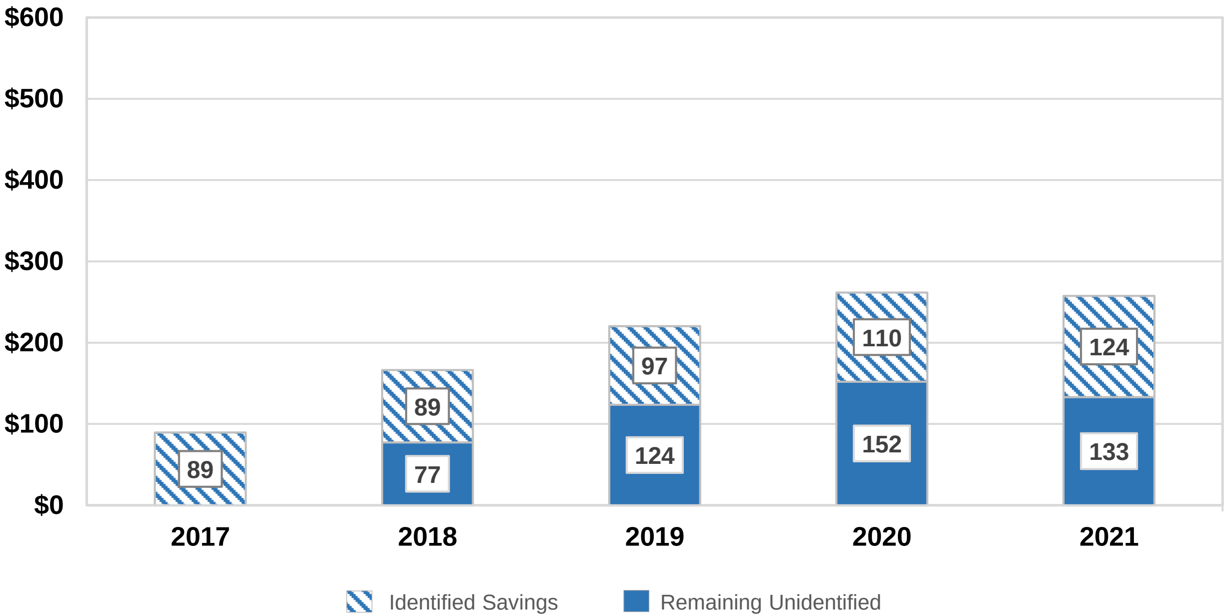
- **Clean, Maintain and Improve Infrastructure** ($2 million over the plan period)**:** Replace railroad ties on SIR substructure.

$90 million in safety and security investments over the plan period

- ***MTAHQ:*** Support high priority safety and security needs, including employee sleep apnea testing, the MTA PD Radio project and establishment of a steady replacement cycle for police vehicles.
- ***NYCT and MTA Bus:*** Implement new and existing bus safety initiatives, including the installation of on-board bus cameras and the Pedestrian Turn Warning (PTW) system and the Collision Warning System (CWS). Ensure effective and efficient security of properties.
- ***MNR:*** Remotely monitor bridges prone to being struck by vehicles; perform mobile drug testing for Maintenance of Way employees and Obstructive Sleep Apnea testing on conductors and other safety sensitive titles; and support video on-board camera program.
- ***LIRR:*** Support video on-board camera program; increase random drug testing among safety sensitive positions.

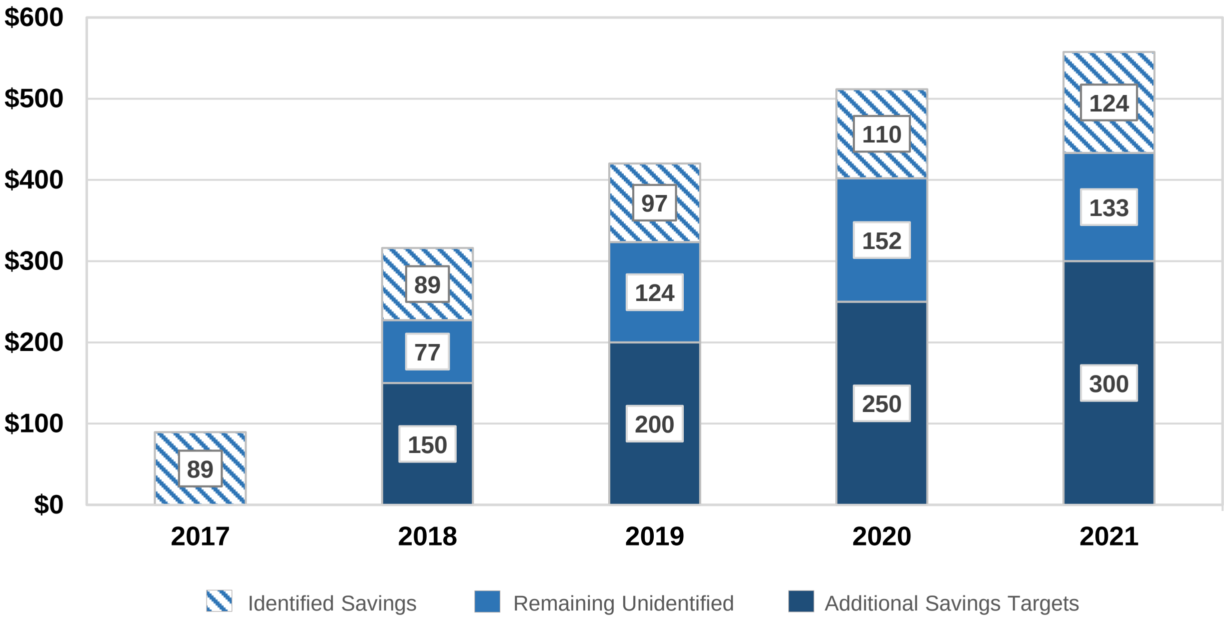
$387 million in savings have been implemented or identified from the total of $716 million in savings targets in the February Plan

($ in millions)



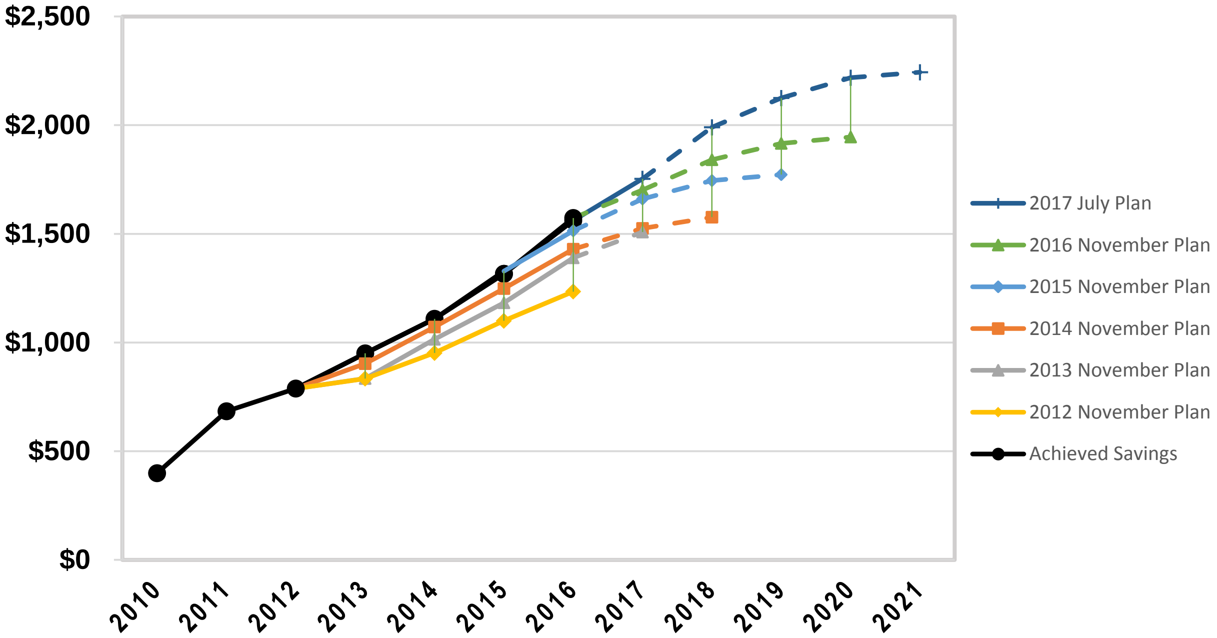
An increase in savings targets is required to address deficits, adding to the remaining unidentified targets

($ in millions)



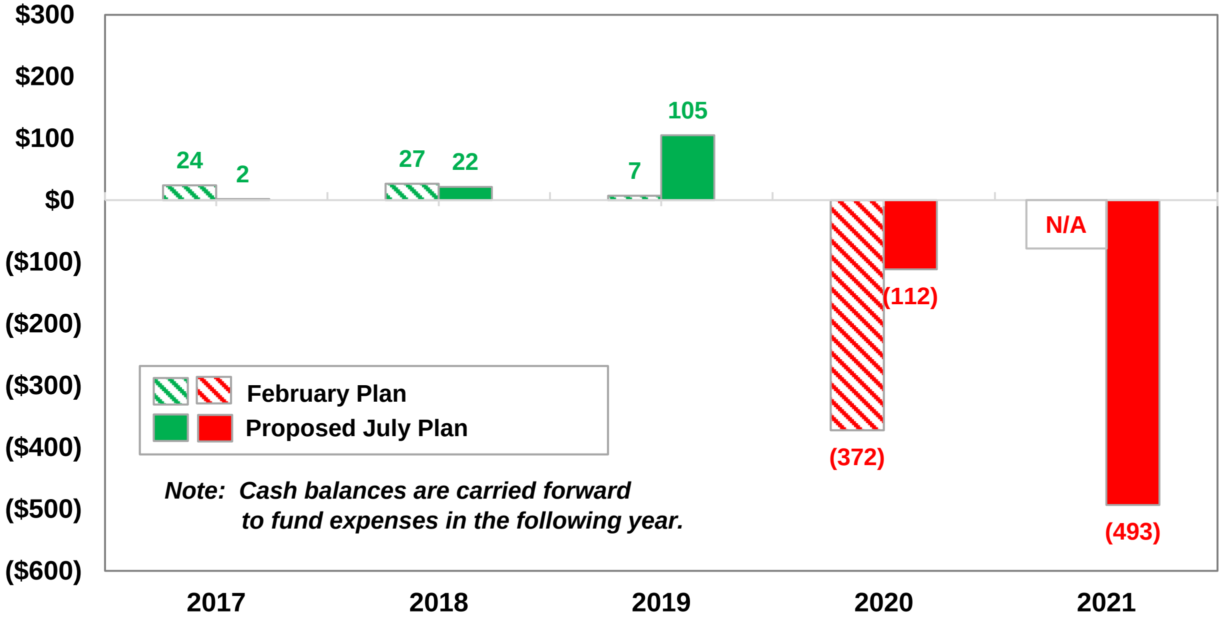
Annually recurring savings are projected to reach $2.3 billion by 2021

($ in millions)



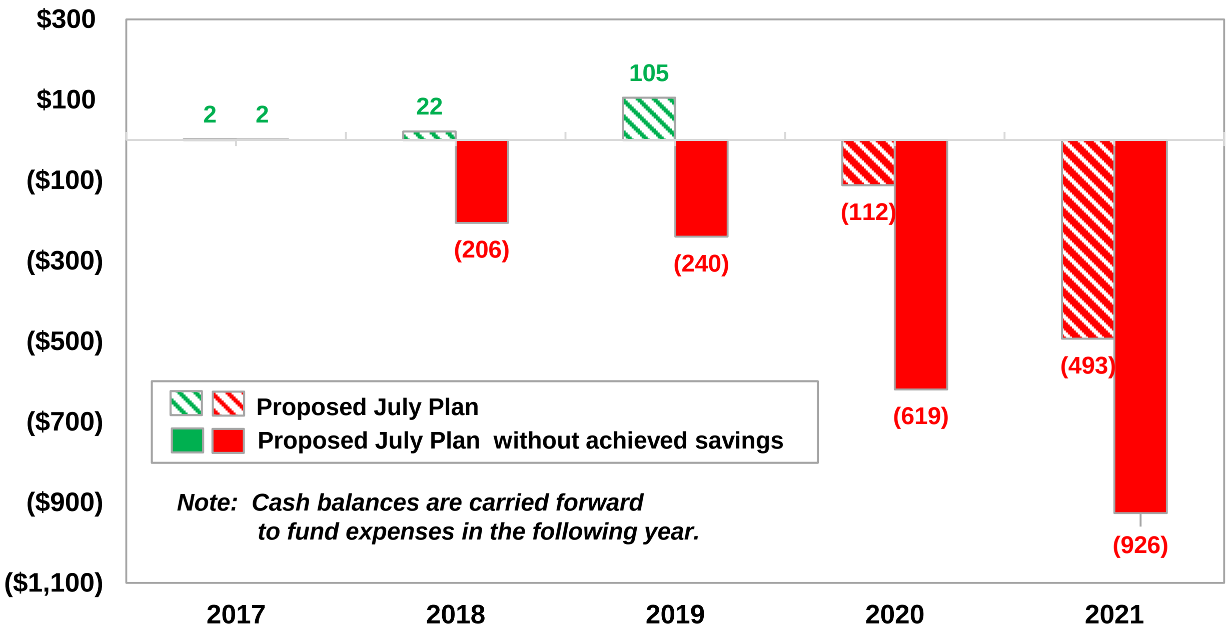
The plan continues to fund important investments and address out-year deficits

($ in millions)



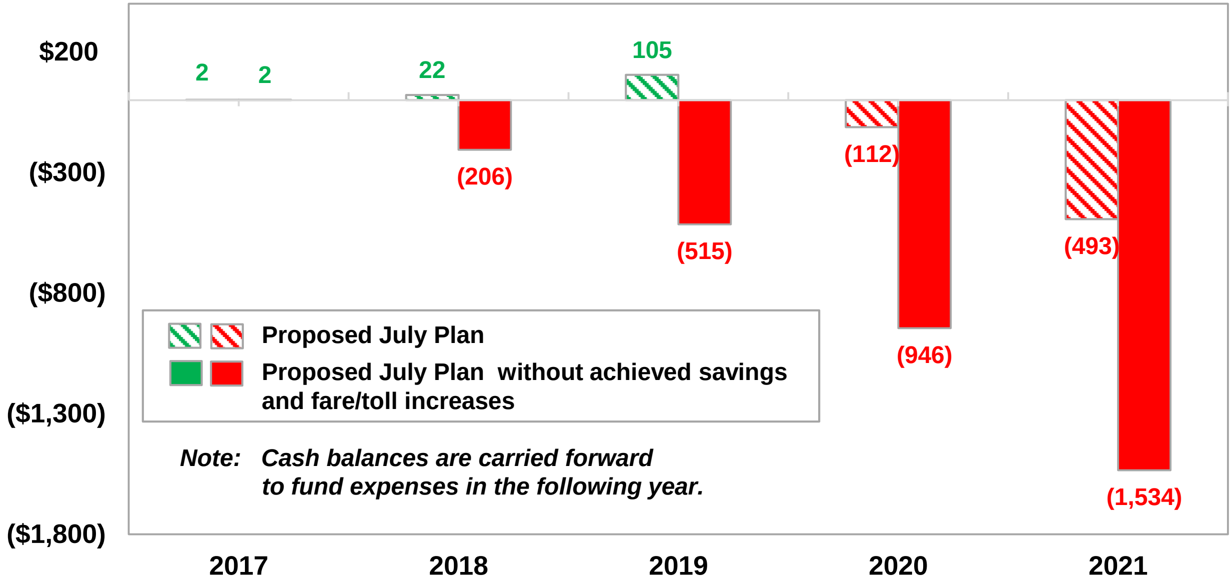
However, if we don't achieve our savings targets, deficits will occur earlier and be larger

($ in millions)



If savings targets are not achieved and inflation-tracking fares and tolls are not implemented, our situation becomes untenable

($ in millions)



Challenges going forward

- Biennial fare and toll increases of 4% in 2019 and 2021 (2% annual increases)
- Efficiencies/consolidations to achieve recurring cost savings
- Enhance customer experience and fund increased investments in maintenance and operations
- General economic conditions (e.g., declining real estate revenues)
- Possibility of interest rates higher than forecast
- Discipline to use non-recurring revenues and/or favorable budget variances to reduce unfunded liabilities (*e.g.,* OPEB, pensions) or fund capital