



# **Metropolitan Transportation Authority**

## **November Financial Plan 2011-2014**

**November 17, 2010**

# July Financial Plan, while not without risks, provided a reasonable financial roadmap

(\$ in millions)



Cash Balances  
 (Deficits)

# July Plan closed the 2010 deficit, balanced the 2011 budget and began to address the out-year deficits

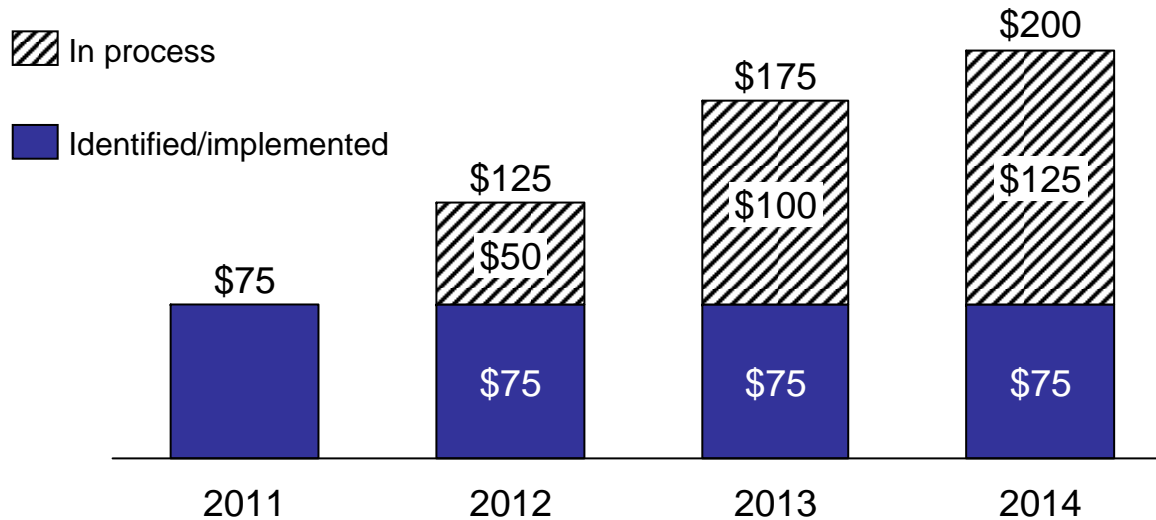
- ***Five key elements of the Plan***
  - No budget-driven service cuts
  - Continued focus on cost cutting to achieve \$750 million of recurring savings by 2014.
    - \$525 million of recurring savings implemented this year
    - \$200+ million of new efficiency savings
  - Work with Labor to achieve \$200 million in “net zero” savings
  - Implementation of agreed-upon fare/toll increases
  - Continued receipt of dedicated taxes and subsidies
- ***These elements are being carried forward in the November Plan***

## July Plan 2011 savings are on track

- Actions implemented in 2010 will achieve more than \$525 million in annual recurring savings in 2011, including
  - \$100 million in administrative overhead
  - \$66 million in unnecessary overtime
  - \$14 million by extending a two-year management wage freeze
  - \$25 million from top-to-bottom overhaul of B&T
  - \$22 million by renegotiating contracts with vendors
  - \$80 million from more efficient paratransit operations
  - \$93 million from carefully cutting some transit services

# New MTA Efficiencies initiatives are on track

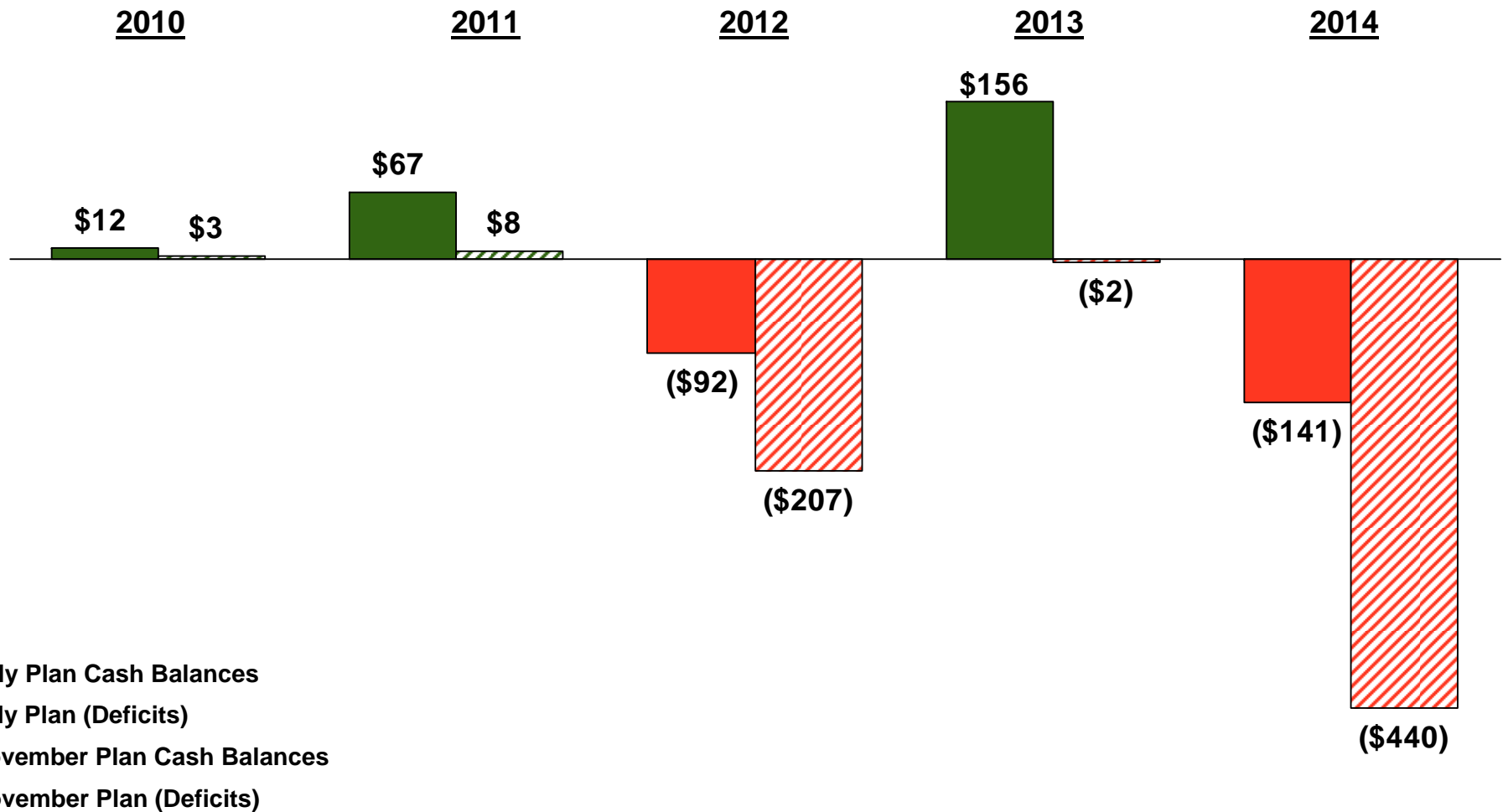
- Recurring savings targets and status



- 2011 target areas
  - \$33 million--NYCT healthcare rebid
  - \$20 million--Strategic sourcing
  - \$15 million--Communications/IT consolidations
  - \$7 million-- Inventory management

# New pension assumption increases out-year deficits

(\$ in millions)





**November Financial Plan 2011 - 2014**  
**MTA Consolidated Statement of Operations**  
**Non-Reimbursable**  
(\$ in millions)

| <b>Non-Reimbursable</b>  | <u>2010</u>       | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      | <u>2014</u>      |
|--|-------------------|------------------|------------------|------------------|------------------|
| <b>Revenue</b>   |                   |                  |                  |                  |                  |
| Fare & Toll Revenue  | \$5,989           | \$6,071          | \$6,184          | \$6,255          | \$6,324          |
| Other Revenue  | 499               | 523              | 549              | 581              | 617              |
| <b>Total Operating Revenue</b>                                 | <b>\$6,488</b>    | <b>\$6,594</b>   | <b>\$6,733</b>   | <b>\$6,836</b>   | <b>\$6,941</b>   |
| <b>Operating Expenses</b>                                      |                   |                  |                  |                  |                  |
| Labor  | \$6,921           | \$7,136          | \$7,442          | \$7,756          | \$8,112          |
| Non-Labor  | 2,680             | 2,797            | 2,965            | 3,176            | 3,401            |
| General Reserve  | 0                 | 100              | 100              | 100              | 100              |
| Depreciation/OPEB/Environmental Remediation                    | 3,246             | 3,401            | 3,509            | 3,621            | 3,725            |
| <b>Total Operating Expenses</b>                                | <b>\$12,848</b>   | <b>\$13,434</b>  | <b>\$14,017</b>  | <b>\$14,653</b>  | <b>\$15,338</b>  |
| <b>Net Operating Deficit Before Subsidies and Debt Service</b> | <b>(\$6,360)</b>  | <b>(\$6,840)</b> | <b>(\$7,285)</b> | <b>(\$7,817)</b> | <b>(\$8,397)</b> |
| Dedicated Taxes and State/Local Subsidies                      | 4,908             | 5,239            | 5,533            | 5,787            | 6,030            |
| Debt Service   | (1,756)           | (2,043)          | (2,215)          | (2,392)          | (2,583)          |
| <b>Net Deficit After Subsidies and Debt Service</b>            | <b>(\$3,207)</b>  | <b>(\$3,644)</b> | <b>(\$3,966)</b> | <b>(\$4,421)</b> | <b>(\$4,950)</b> |
| Conversion to Cash Basis: Depreciation/OPEB/Env Remediation    | \$3,246           | \$3,401          | \$3,509          | \$3,621          | \$3,725          |
| Conversion to Cash Basis: GASB Account                         | (65)              | (47)             | (60)             | (63)             | (66)             |
| Conversion to Cash Basis: All Other                            | (23)              | (225)            | (287)            | (212)            | (282)            |
| <b>CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER</b>               | <b>(\$50)</b>     | <b>(\$516)</b>   | <b>(\$803)</b>   | <b>(\$1,075)</b> | <b>(\$1,573)</b> |
| <b>Plan Adjustments</b>  |                   |                  |                  |                  |                  |
| Fare/Toll Yields on 1/1/11: 7.5%                               | \$0               | \$411            | \$429            | \$434            | \$438            |
| Fare/Toll Yields on 1/1/13: 7.5%                               | 0                 | 0                | 0                | 454              | 470              |
| New MTA Efficiencies   | 0                 | 75               | 125              | 175              | 200              |
| Net-Zero Labor Initiative                                      | 10                | 32               | 112              | 199              | 220              |
| Non-Represented Wage Freeze                                    | 12                | 13               | 14               | 14               | 15               |
| Metrocard Green Fee and Cost Savings                           | 0                 | 0                | 20               | 20               | 20               |
| Repayment of Loan to Capital Financing Fund                    | 0                 | 0                | (100)            | (100)            | (100)            |
| Eliminate MTA Funding of Long Island Bus Deficit               | 0                 | 24               | 27               | 22               | 23               |
| Pension Rate of Return   | 0                 | (34)             | (139)            | (145)            | (154)            |
| Energy Hedges  | (100)             | 0                | 100              | 0                | 0                |
| <b>TOTAL ADJUSTMENTS</b>                                       | <b>(\$77)</b>     | <b>\$521</b>     | <b>\$588</b>     | <b>\$1,073</b>   | <b>\$1,133</b>   |
| <b>PRIOR-YEAR CARRY-OVER</b>                                   | <b><u>130</u></b> | <b><u>3</u></b>  | <b><u>8</u></b>  | <b><u>0</u></b>  | <b><u>0</u></b>  |
| <b>NET CASH BALANCE</b>  | <b>\$3</b>        | <b>\$8</b>       | <b>(\$207)</b>   | <b>(\$2)</b>     | <b>(\$440)</b>   |

# Continuing risks to the Financial Plan

- State Financial Crisis
  - Plan is built on the assumption that all resources collected on behalf of the MTA are paid to the MTA
- Economic Uncertainty
  - Current forecasts reflects current economic weakness
  - Economy remains tenuous and the MTA has limited financial reserves
- Labor Settlements/Success of Net-Zero Labor Initiative
  - 2011 savings reflect expired RR contracts
  - 2012 and beyond savings depend on achieving net zeros upon expiration of TWU contract in 2012
- Long-Term Vulnerabilities
  - Working capital
  - Pensions
  - Employee and retiree healthcare costs
  - Debt service