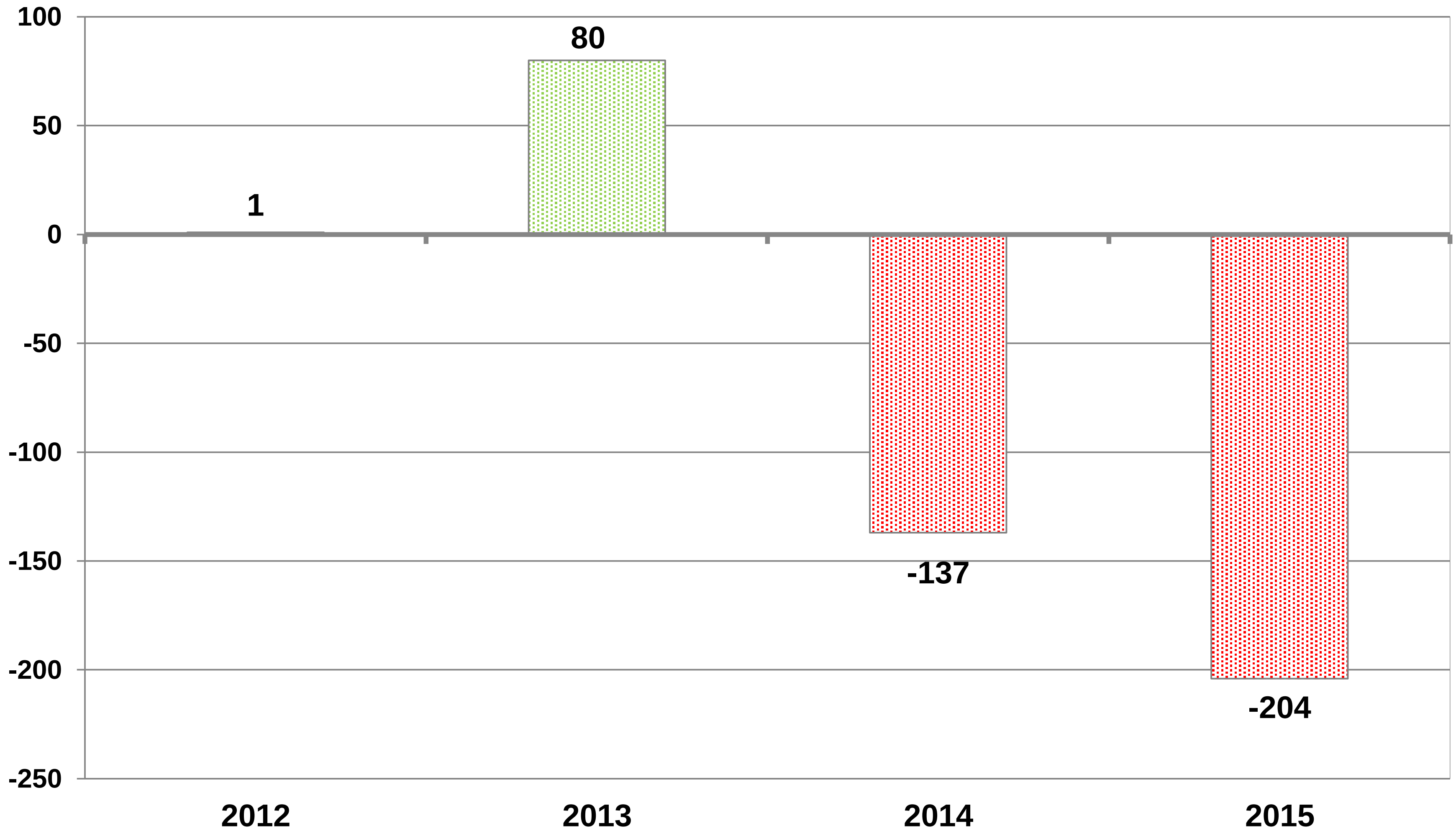
Metropolitan Transportation Authority

July Financial Plan 2013-2016

July 25, 2012

The February Plan projected near term balance and manageable out-year deficits

($ in millions)



What has changed since the February Plan?

- Lower real estate taxes
- ATU arbitration
- Higher OPEB estimates
- Higher pension costs (lower ROR)
- Higher workers' compensation costs (more claims)
- Costs of relocating MTA HQ and consolidating at 2 Broadway

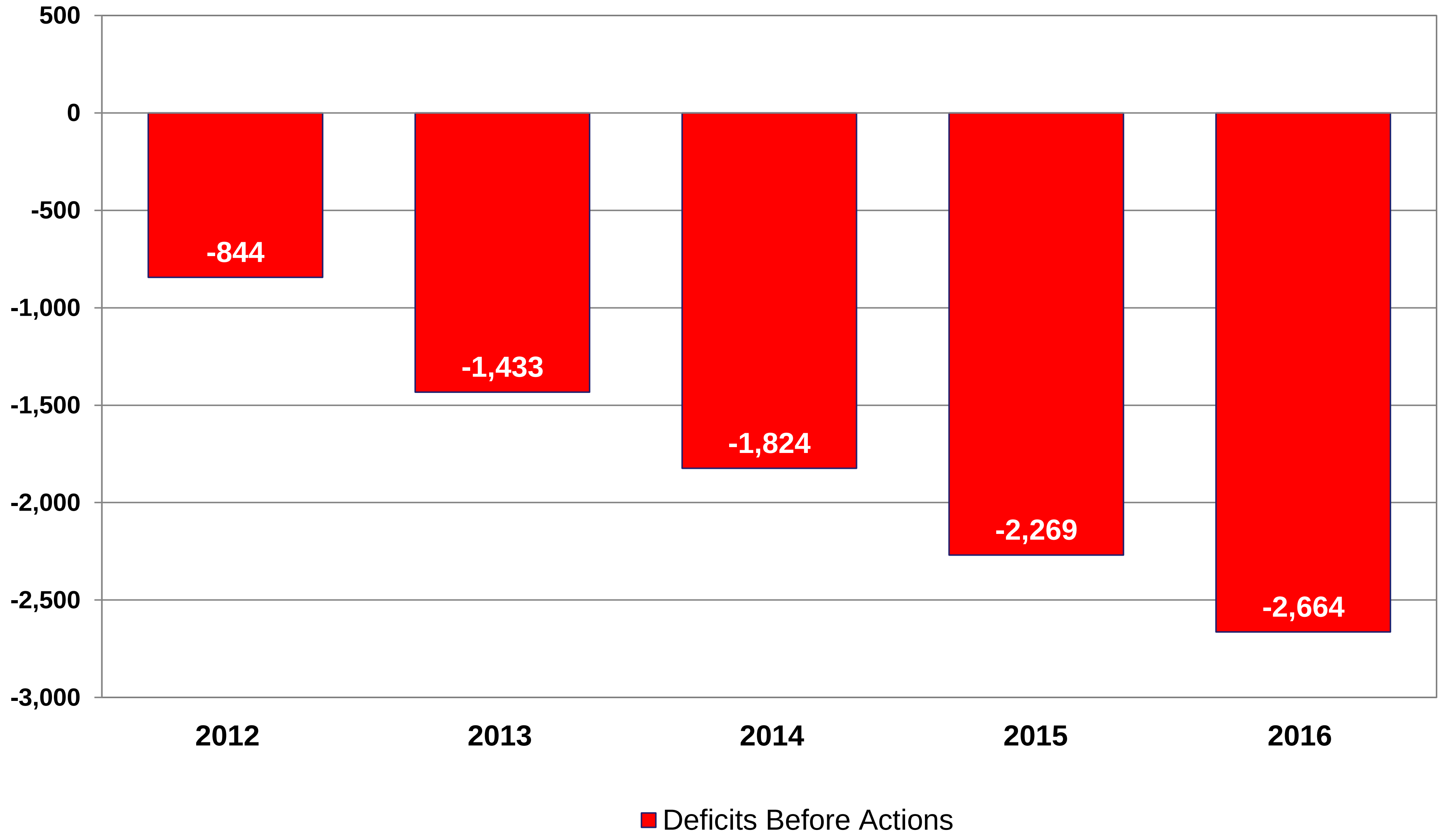
- Higher ridership revenues
- Lower energy prices
- Debt service savings
- Higher than projected favorable 2011 carry-over
- Release of portion of General Reserve

- Making investments for our customers
  - $29.5 million in service investments
  - Other improvements to address customer priorities (e.g. FASTRACK to deliver more reliable service, and cleaner and brighter stations; improved elevator/escalator maintenance; better information in more places)

The July Plan responds to the financial challenges and addresses customer priorities

- Continues to extract cost savings in the operating and capital budgets
- Increases savings targets with new initiatives
- Assumes “net zero” labor settlements
- Continues biennial fare/toll increases in 2013 and 2015
- Funds investments to solidify ridership gains and improve customer experience

The MTA faced sizable deficits requiring aggressive actions
($ in millions)



We have engaged in unprecedented cost-cutting

- **Efforts have focused on costs large and small—annual recurring savings of $686 million**
  - Eliminated administrative positions by 20% at HQ and 15% at Agencies
  - Froze non-represented wages since 2008
  - Rebid NYCT represented employee healthcare program for first time in a generation
  - Rebid all-agency dental and vision care contracts
  - Focused on reducing unnecessary overtime
  - Rationalized IT applications and standardized computer purchases
  - Reduced non-revenue fleet costs, eliminating 326 vehicles, downsizing 193 vehicles
  - Rationalized leased office space for a 15% reduction
  - Eliminated 20% of mobile devices and eliminated 1,000 computers and 1,400 printers
  - Eliminated high cost paratransit carriers, rebid contracts, increased use of taxis and livery service, and enforced eligibility guidelines

- **Day to day management required to maintain and enhance savings**

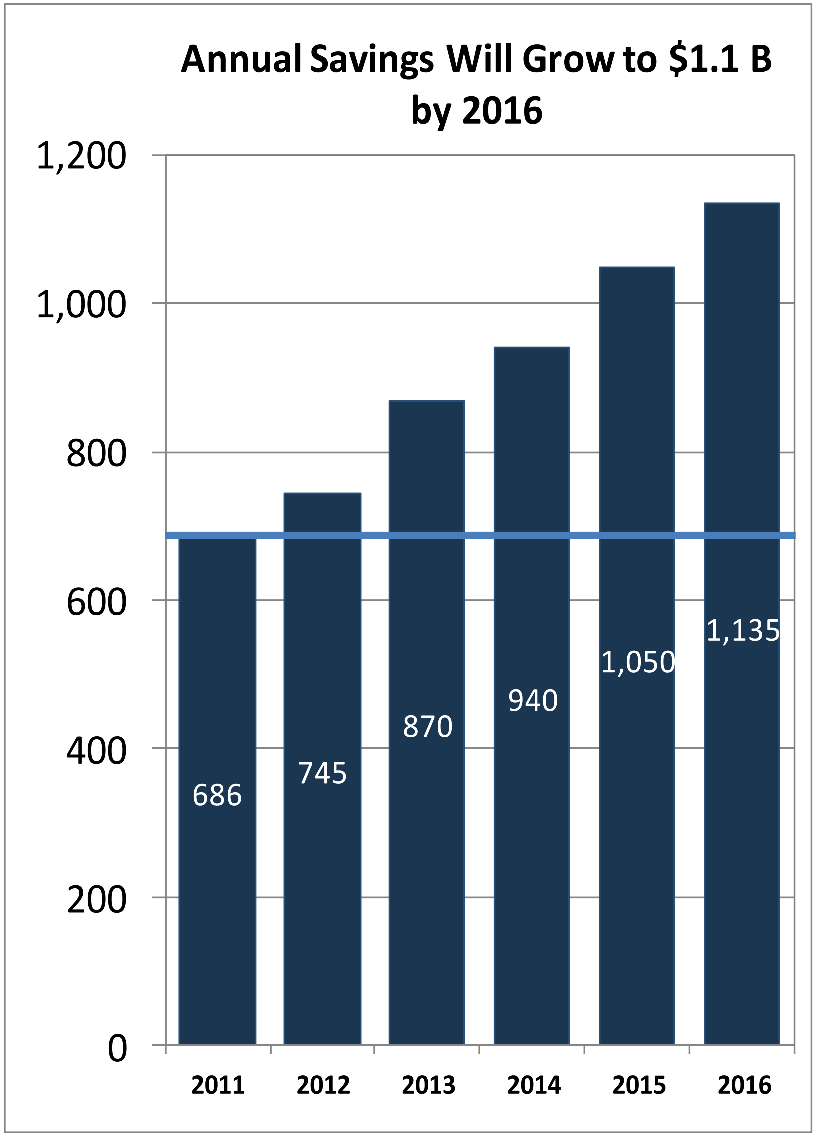
We are raising savings targets with new initiatives that yield savings in 2013 and beyond

- Increasing focus on paratransit operations saving over $230 million by 2016
  - Zero fare initiative will encourage the use of accessible buses and subways
  - Expanding use of taxi and car service
  - Enhancing the ability to tailor service for conditional eligibility customers

- Reducing fare evasion on buses, saving $22 million annually

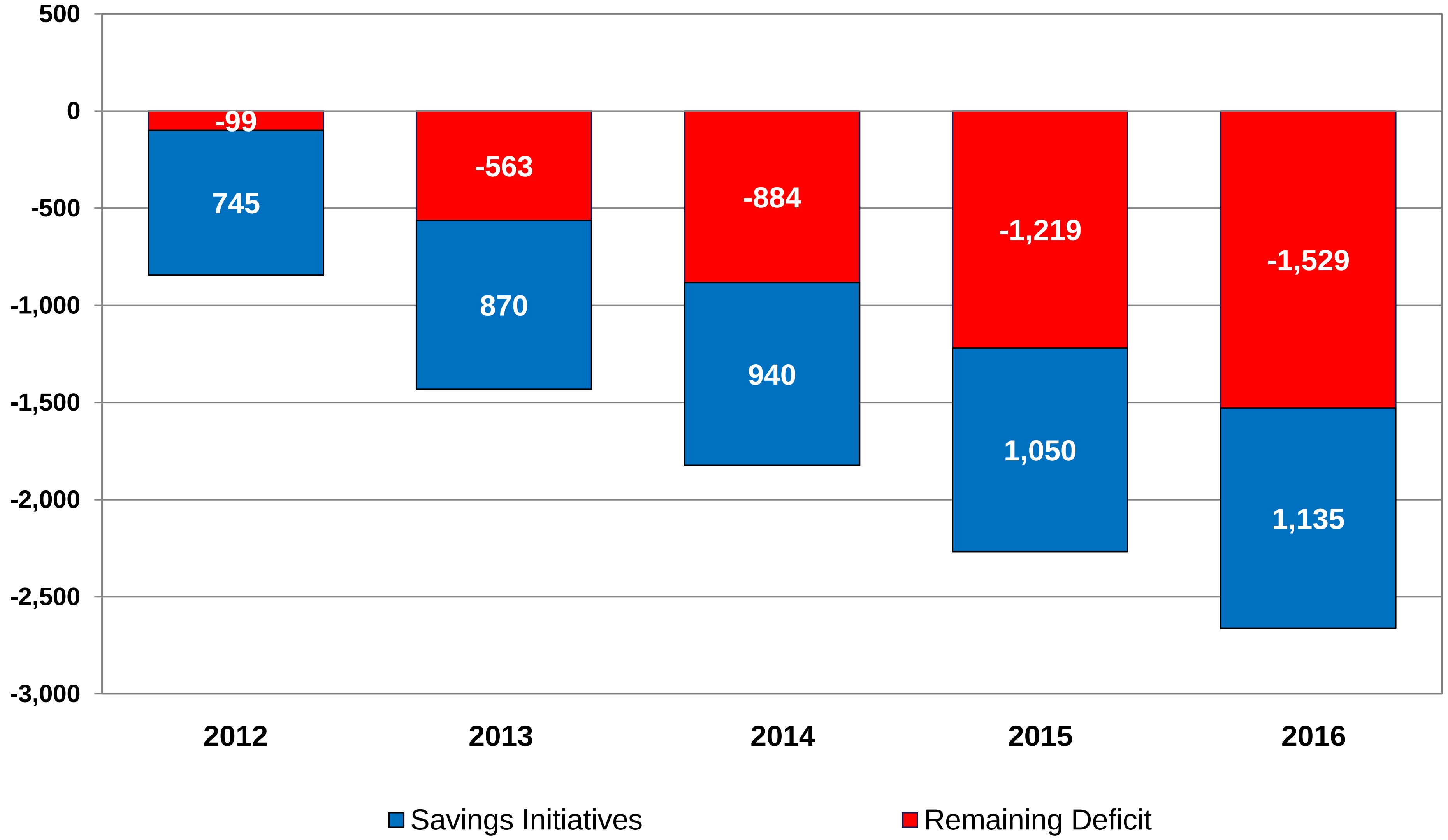
- Expanding credit card fraud controls to railroads, saving $4 million annually

- Procuring goods and services on-line with E-procurement: 6 procurements so far with 6 more in process
  - Custodial services: $775 thousand over 3 years or 8%
  - Office supplies: $811 thousand per year, 17% savings
  - Computer equipment: $3 million lower than OGS pricing over 2 years



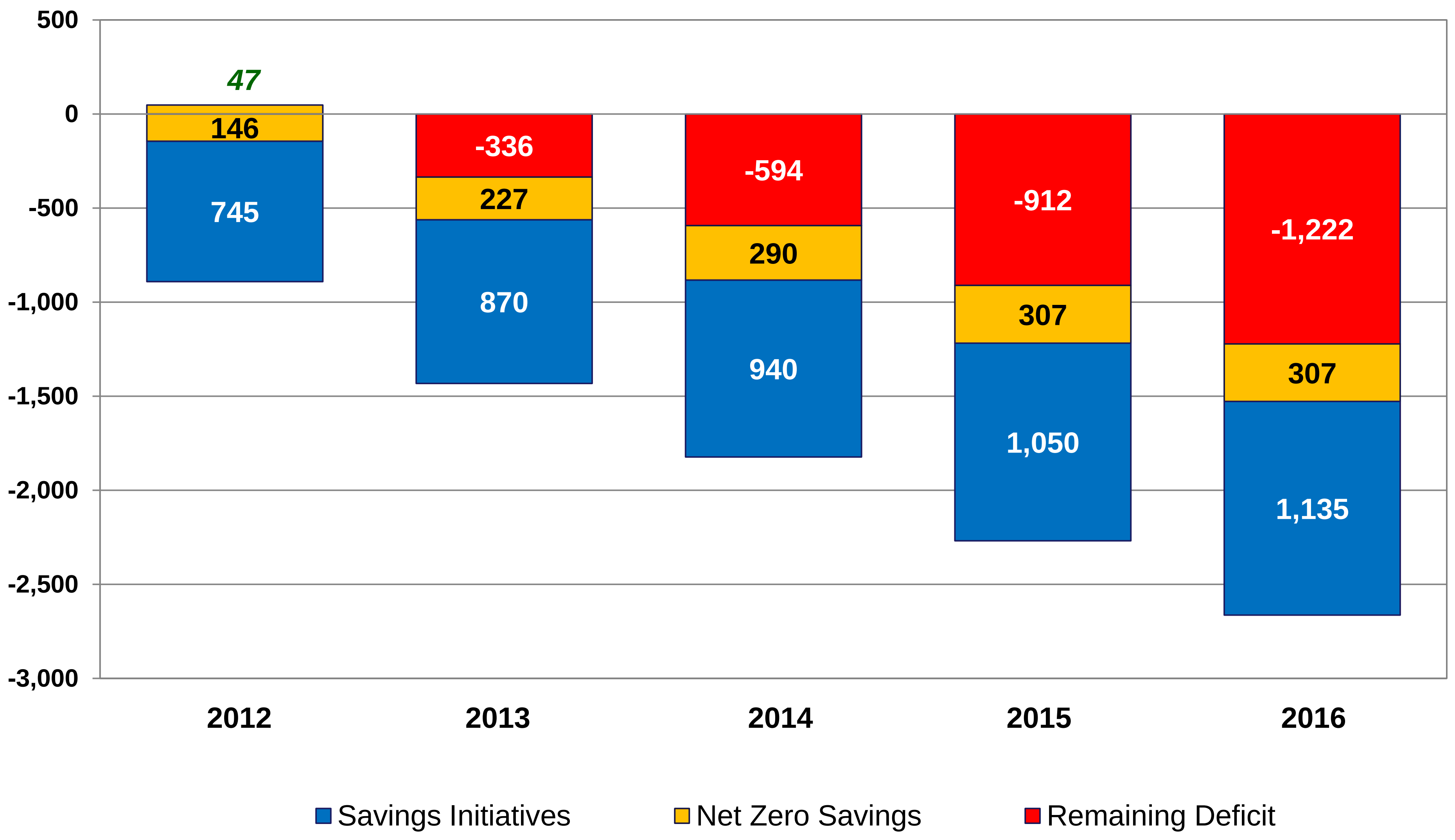
Recurring savings will help close the deficits

($ in millions)



“Net-zero” labor settlements will further reduce the deficits

($ in millions)



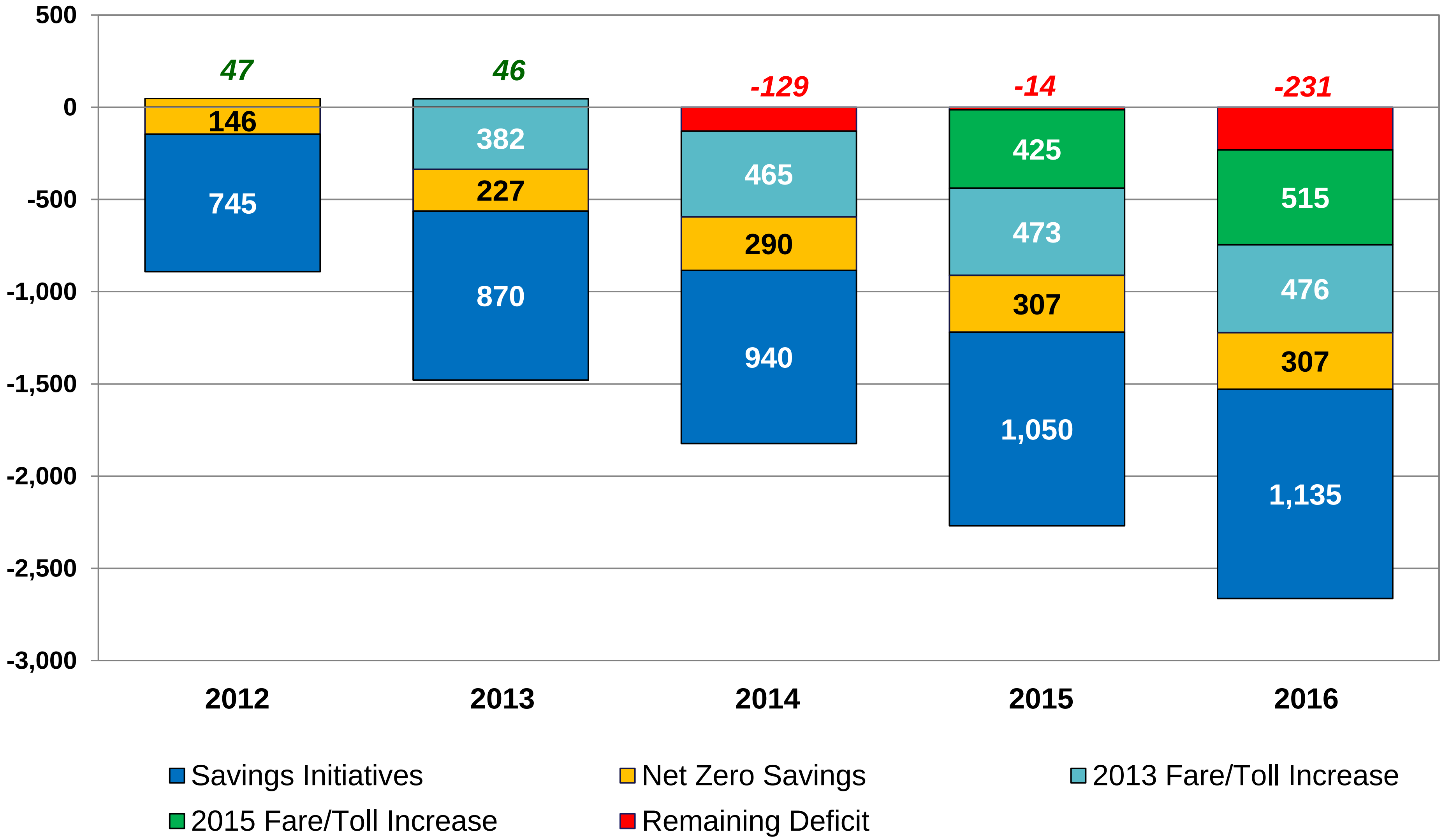
We continue to project biennial fare/toll increases

- Revenues from fare/toll increases assumed in Financial Plan
  - 2013: annualized increase of $450 million
  - 2015: annualized increase of $500 million

- Implementation process
  - July: Board authorization to begin process
  - November: Public Hearings
  - December: Approval of 2013 budget, including fare/toll changes
  - March 2013: Implementation of new fares/tolls

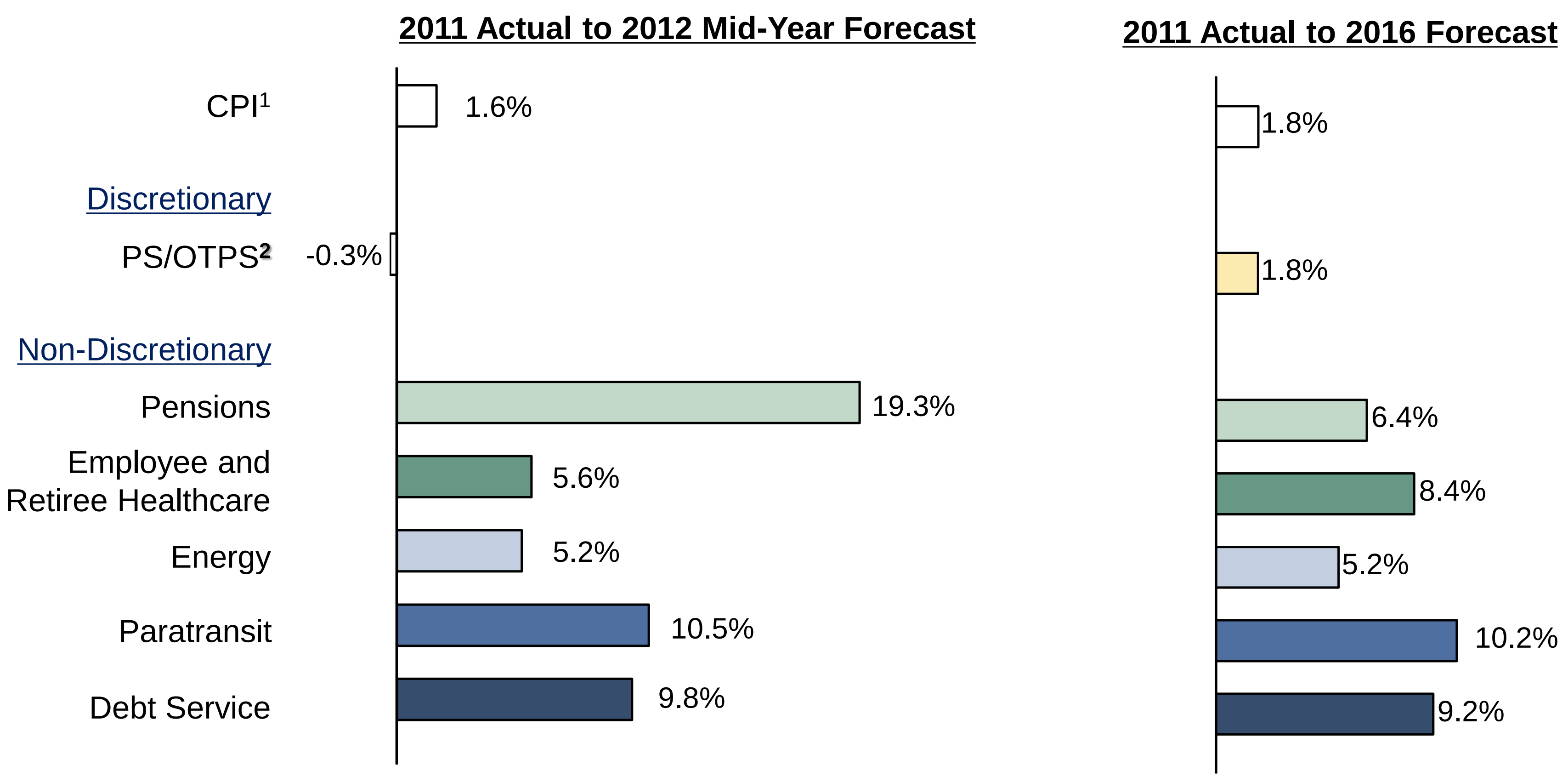
But even with planned fare/toll increases, deficits totaling $374 million remain

($ in millions)



Non-discretionary expenses are growing faster than inflation and discretionary expenses

Compounded Annual Growth Rate (CAGR)



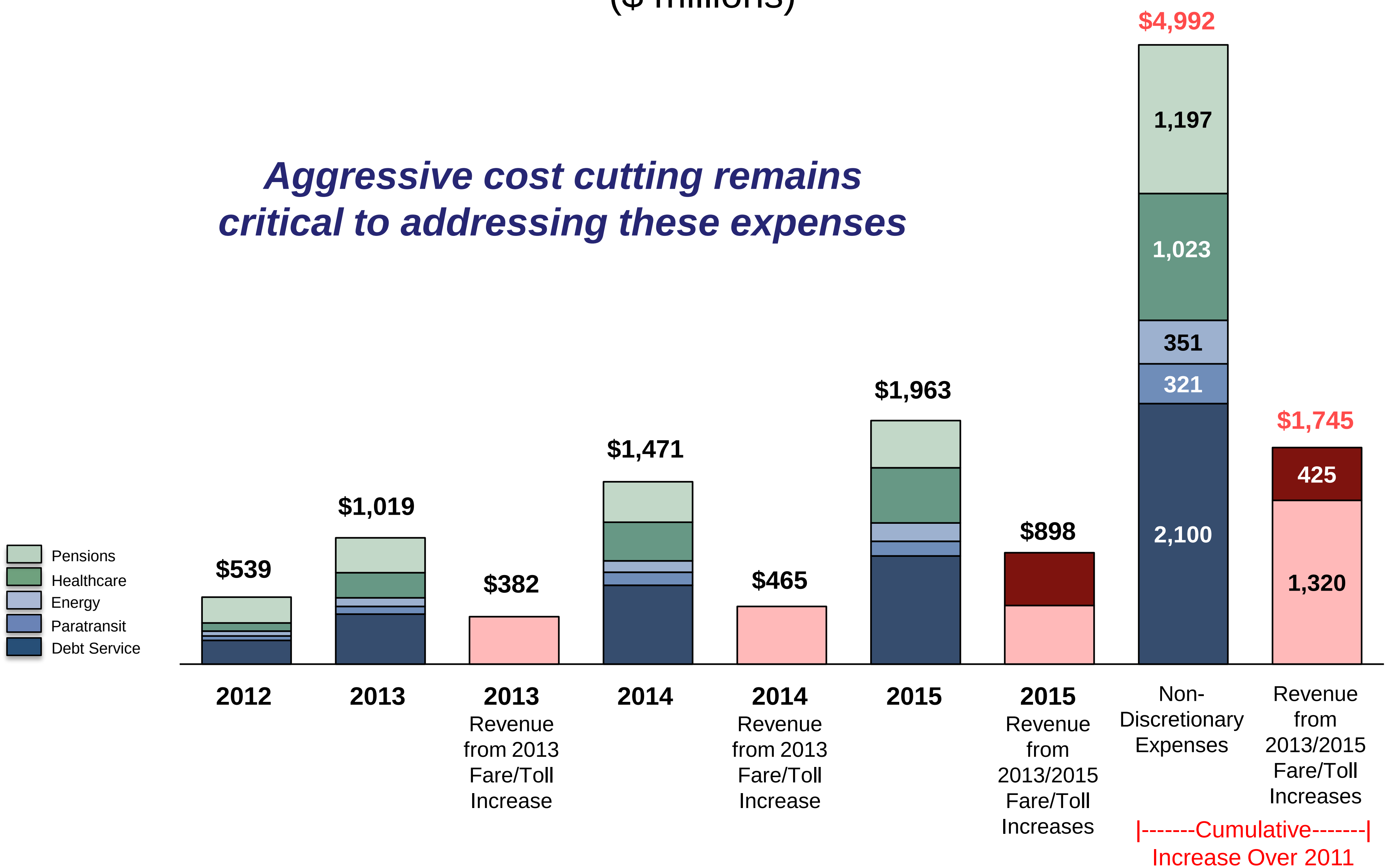
[1] Bureau of Labor Statistics and Global Insight

[2] The growth between 2011 and 2012 was impacted by the partial realization of “net zero” savings.
2016 Personnel Services (PS) expenses incorporate the entire “net zero” savings assumption.
Other Than Personnel Services (OTPS) includes expenses associated with claims, maintenance and other operating contracts, professional services contracts, materials and supplies, and other business expenses. Insurance and other expense adjustments are excluded.

Fare and toll increases are only 35% of non-discretionary expense increases

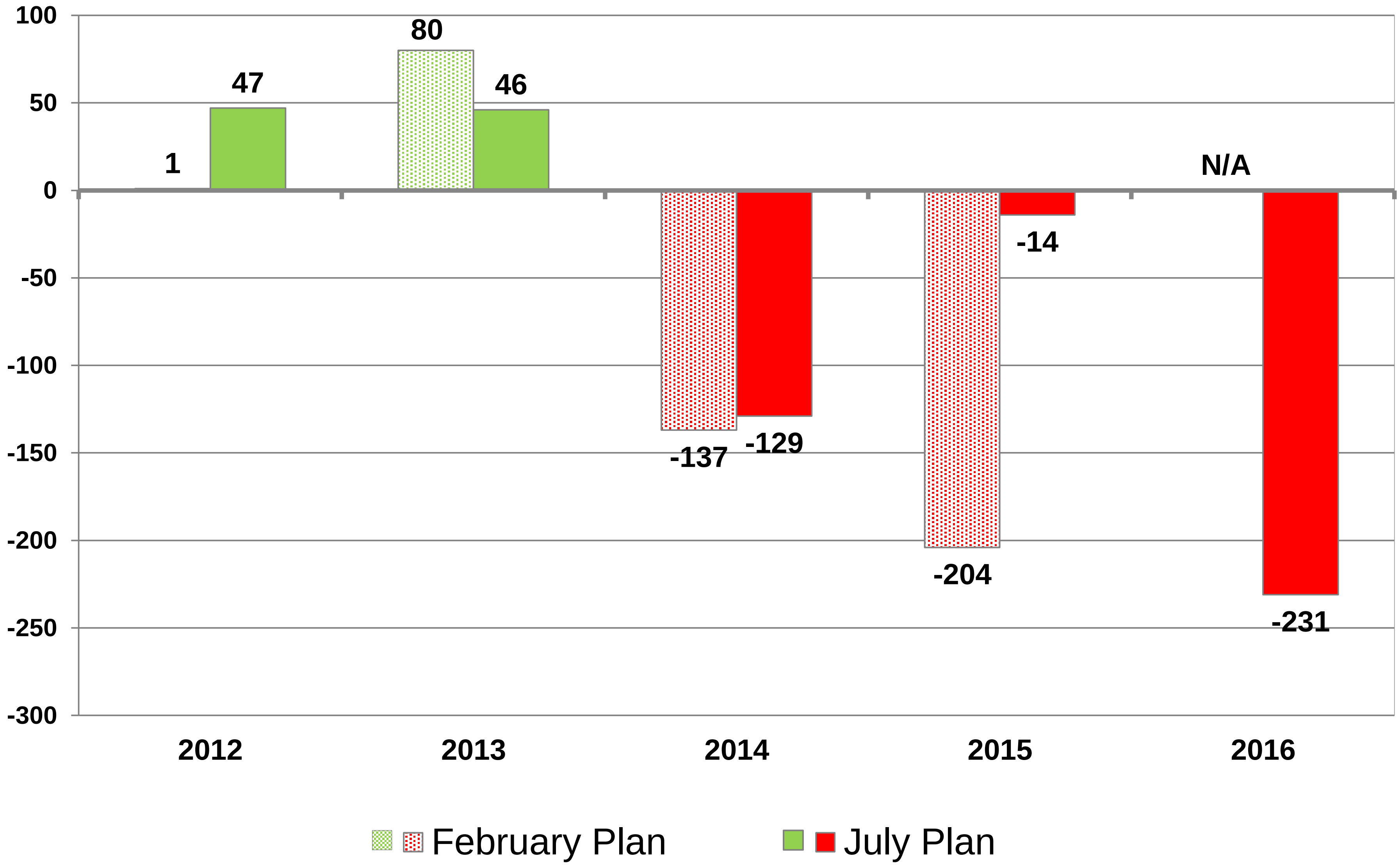
($ millions)

Aggressive cost cutting remains critical to addressing these expenses



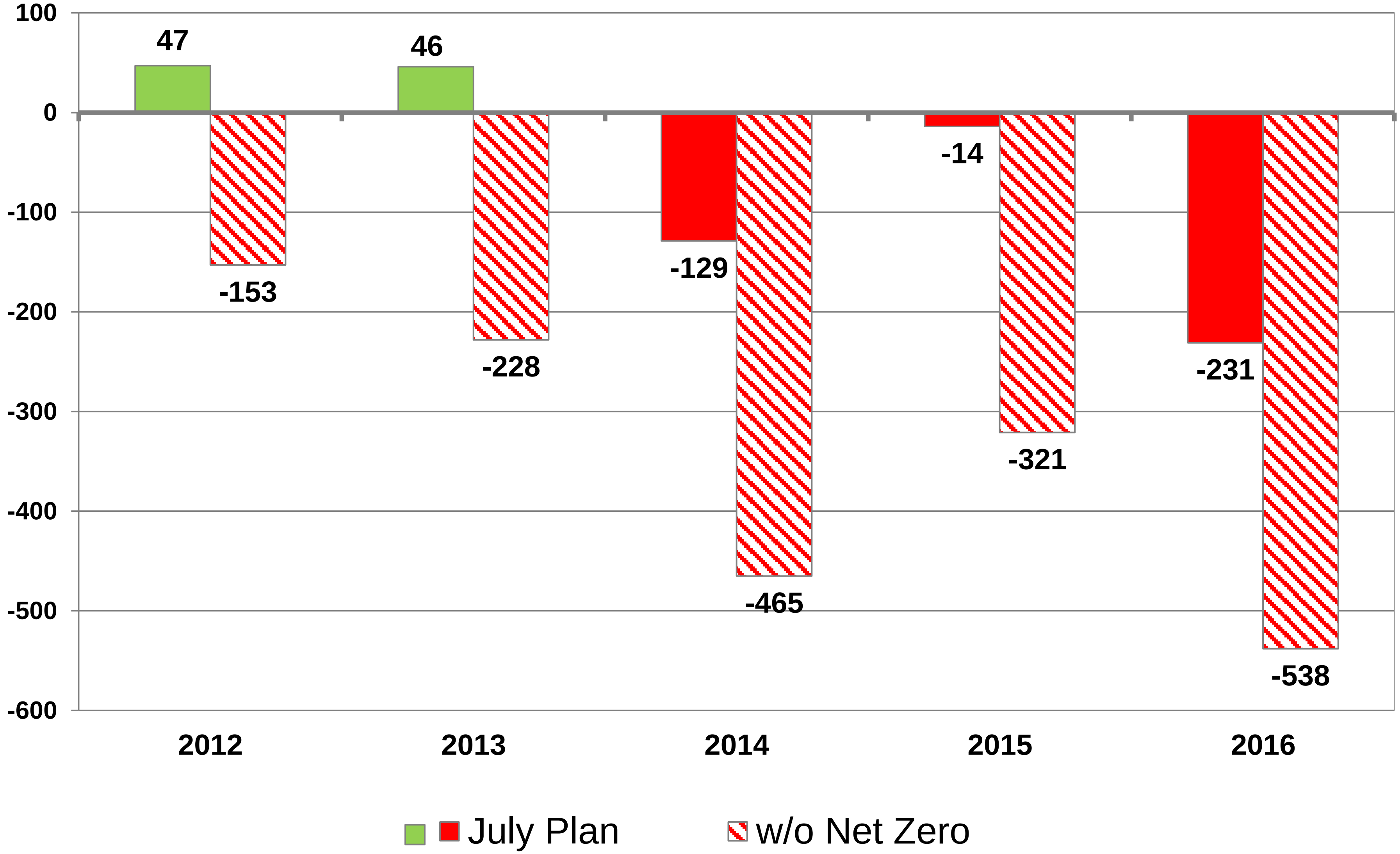
July Plan continues to address out year deficits

($ in millions)



Without 3-year "net-zero" labor agreements, large deficits reappear

($ in millions)



We are making progress, but our finances are fragile and significant risks remain

- Continued focus on cost reduction
- Success of “net-zero” labor settlements
- Continued receipt of dedicated taxes and subsidies
- Economic uncertainty
  - Economy remains weak
  - MTA has limited financial reserves
- Long-term vulnerabilities
  - Employee and retiree healthcare costs
  - Pensions