Metropolitan Transportation Authority

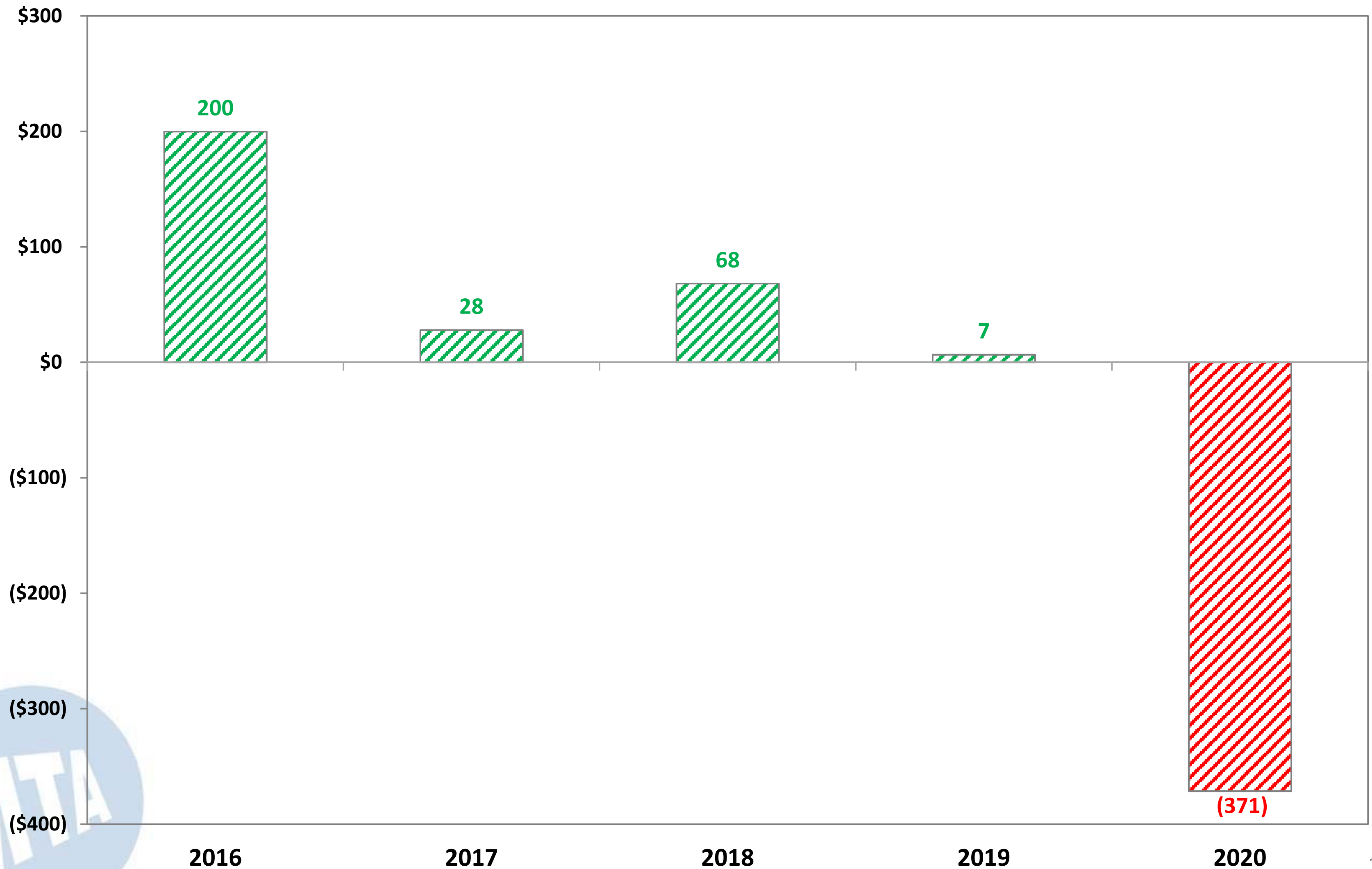
November Financial Plan 2017 – 2020

Presentation to the Board

November 16, 2016

The July Plan projected breakeven cash balances through 2019 with a deficit of $371 million in 2020

($ in millions)



The July Plan was based on the three key, inter-related elements in all of our Financial Plans

- Biennial fare and toll revenue yield increases of 4% in 2017 and 2019 (2% annual increases)
- Increased annually recurring savings targets (increasing from $1.6 billion in 2016 to approximately $2 billion in 2020)
- Increased funding for the Capital Program
  - $566 million in debt service savings to provide additional funding
  - $200 million in acceleration of Committed to Capital Contribution by three years saving $39 million in debt service over the plan period
- The plan also provided for $464 million of additional investments over the plan period
  - Improved Customer Experience ($195 million)
  - Maintenance and Operations ($145 million)
  - Service and Service Support ($78 million)
  - Safety and Security Initiatives ($46 million)

What has changed since the July Plan?

- Changes and re-estimates improving financial results during the plan period:
  - Lower debt service expenses ($294 million)
    - Timing of bond issuances/lower than projected rates ($128 million)
    - Refunding savings ($116 million)
    - Assumed favorable borrowing rates ($26 million)
    - Variable rate savings ($24 million)
  - Lower electricity forecasts ($122 million)
  - Higher passenger and toll revenue forecasts ($64 million)
  - Higher Payroll Mobility Tax and MTA Aid ($61 million)
  - Lower health & welfare forecasts ($46 million)
- Changes and re-estimates worsening financial results during the plan period:
  - Lower Real Estate Transaction tax receipt estimates ($83 million)

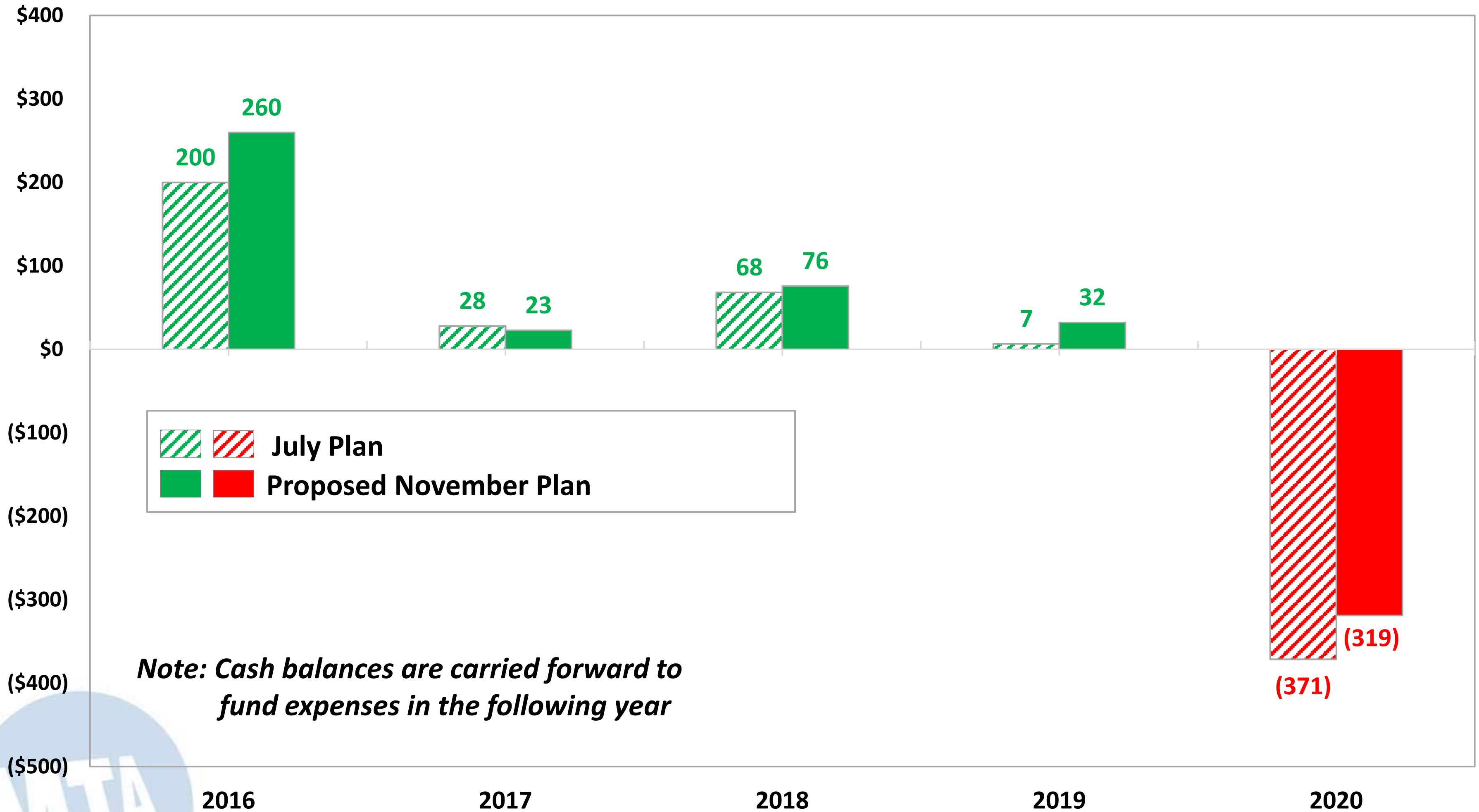
In total, re-estimates and other changes are $507 million favorable through 2020

Highlights of the 2017 - 2020 November Plan

- Fare and toll increases of 4% in 2017 and 2019. The 2017 increase is being changed from a 4% yield to a 4% price increase, saving customers $94 million over the plan period
- $229 million of the $756 million unspecified expense reduction target in the July Plan have been identified
- Retains $566 million in debt service savings to support the capital program
- Accelerating an additional $80 million in Committed to Capital Contribution by four years, saving $20 million in debt service over the plan period
- 2016 General Reserve of $145 million will be used to reduce the unfunded liability of the LIRR Additional Pension Plan, saving $16 million per year starting in 2018
- This plan provides for an additional $395 million investments over the plan period:
  - Maintenance and Operations ($163 million)
  - Customer Experience ($160 million, mainly $149 million for Open Road Tolling)
  - Service and Service Support ($72 million)
- Financial Plan is balanced through 2019 with a 2020 deficit reduced to $319 million

The Plan funds important investments and continues to address out year deficit

($ in millions)



The November Plan includes service and customer experience investments from prior plans

Expansion Projects

- Second Avenue Subway operating costs (in service date December 2016)
- #7 Extension (in service date September 2015)
- Fulton Street Transit Center (in service date November 2014)
- East Side Access (projected in service date December 2022)

Operating support for capital and other projects

- NYCT station enhancement program (31 Stations)
- Installation and maintenance of real-time information display signs and USB ports
- Maintenance of B Division Countdown Clocks (year-end 2018)
- Automated Passenger Counters on buses
- Wi-Fi access in all NYCT underground stations (year-end 2016) and MTA buses
- Upgrade MNR retail facilities
- Lease 10 electric buses (Zero Emission Initiative pilot)
- Expand MNR homeless outreach at outlying stations and MTA PD at City terminals

The MTA is investing an additional $163 million in Maintenance and Operations in the November Plan

Major Investments and highlights include:

- **Scheduled Maintenance Systems Reforecast** ($30 million): 288 additional NYCT subway cars are scheduled for a 14-year overhaul.
- **Lifecycle Asset Maintenance Plan** ($30 million in 2020 to kick off program): The LIRR will assess current M7 fleet systems and maintenance plans, and establish funding for components critical to safeguarding the reliability of fleet.
- **Upgrade to All-Weather Tires** ($27 million): NYCT and MTA Bus will replace rear tires on revenue fleet buses with all-weather tires, decreasing mileage on front and middle tires and use of chains.
- **Bus Shop Engine Rebuild** ($15 million): Replace diesel engines reaching seven to eight year bus life at NYCT.
- **System-Wide Right-of-Way Clean-Up Efforts** ($10 million): MNR will dedicate maintenance gangs to handle waste in a prioritized fashion and establish a cyclical clean-up program.

This Plan captures further Customer Experience programs

Additional investments proposed for the November Plan include:

- **Open Road Tolling** ($149 million): Augment existing and adopt next generation tolling system technology, collecting tolls solely through E-ZPass and by mail.

- **24/7 Social Media** ($9 million): Significantly enhance ability to inform and interact with customers in timelier and comprehensive fashion.

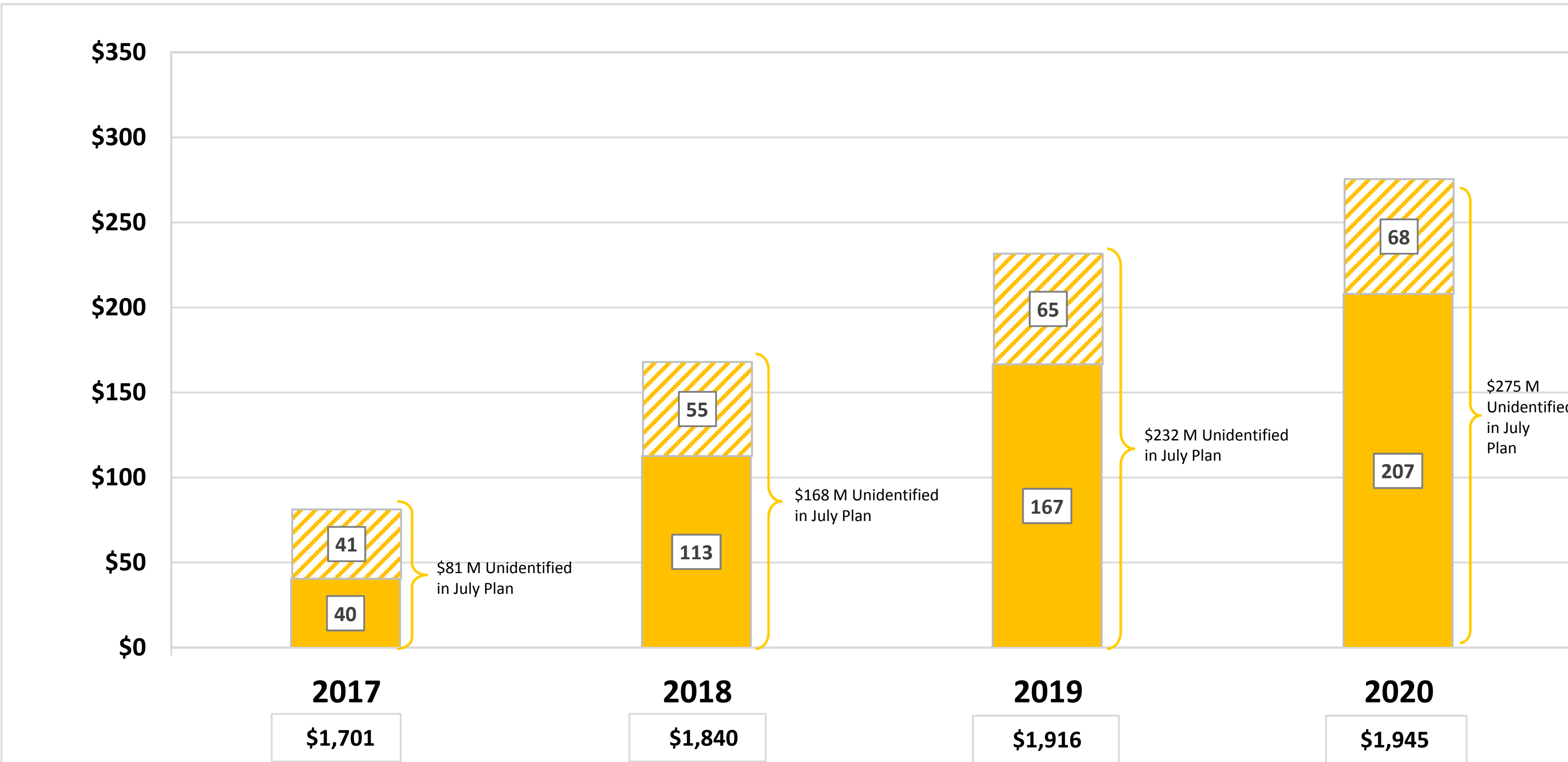
The MTA invests an additional $72 million in Service and Service Support over the plan period

Proposed investments include:

- **Platform Budget Service Adjustments** ($71 million):
  - NYCT and MTA Bus will improve the reliability and frequency of service in response to ridership trends, operating conditions and maintenance requirements, including schedule changes that will improve service on nine of MTA Bus' underperforming routes.
  - Permanently reopen the New South Ferry station in mid-year 2017.
- **Rockland County Bus Service** ($1 million): MNR will enhance Saturday and commence Sunday Tappan Zee express bus service between Rockland County and the Hudson and Harlem lines in Westchester County.

Initiatives have been identified to address $229 million of prior savings targets

($ in millions)



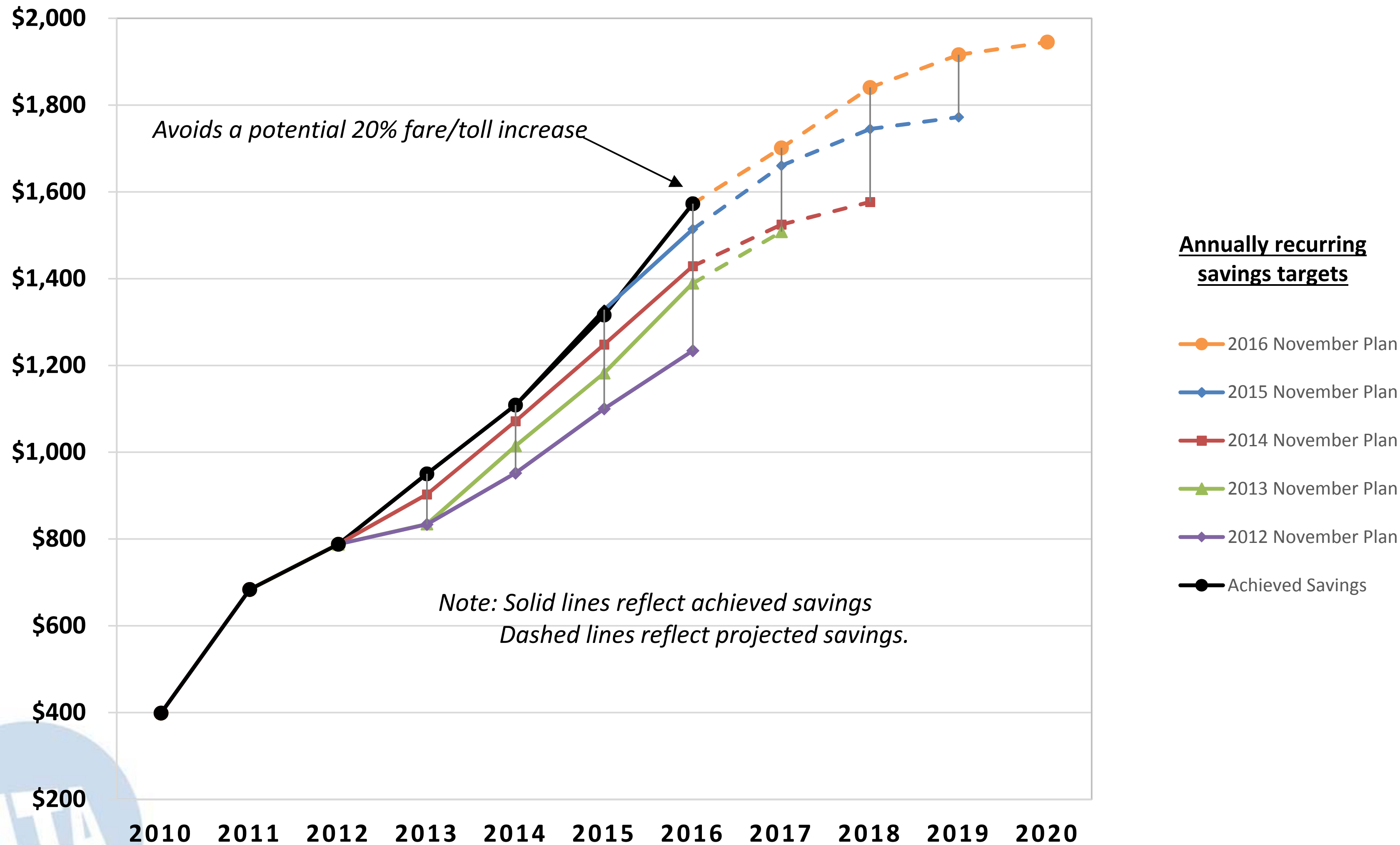
Prior Targets - Identified Savings ($229 million)

Prior Targets - Unidentified Savings ($527 million)

Total Savings

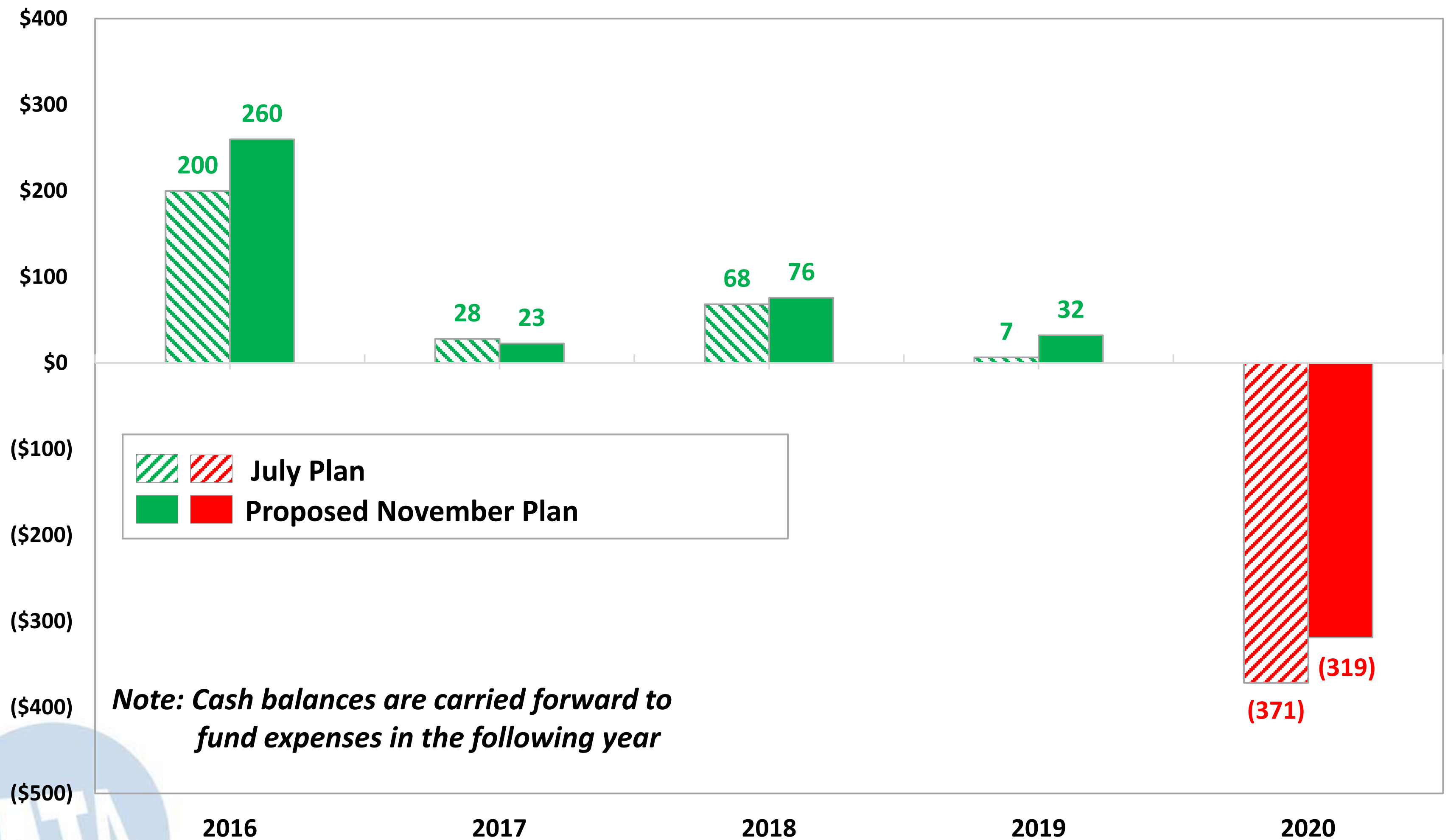
Annually recurring savings are expected to reach $1.6 billion by end of 2016; absent these savings, an additional 20% fare/toll increase would have been required

($ in millions)



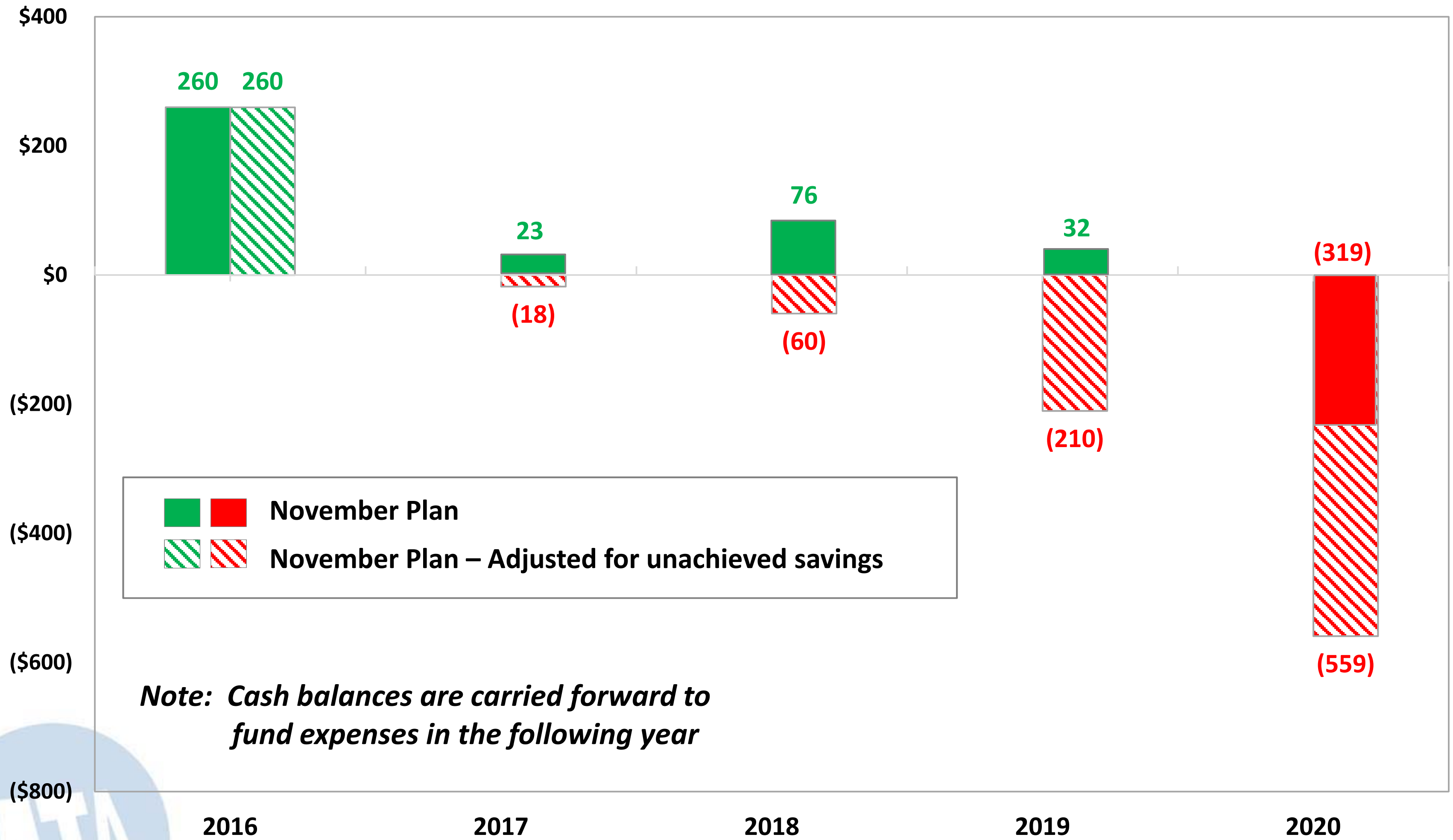
The Plan funds important investments and continues to address out year deficit

($ in millions)



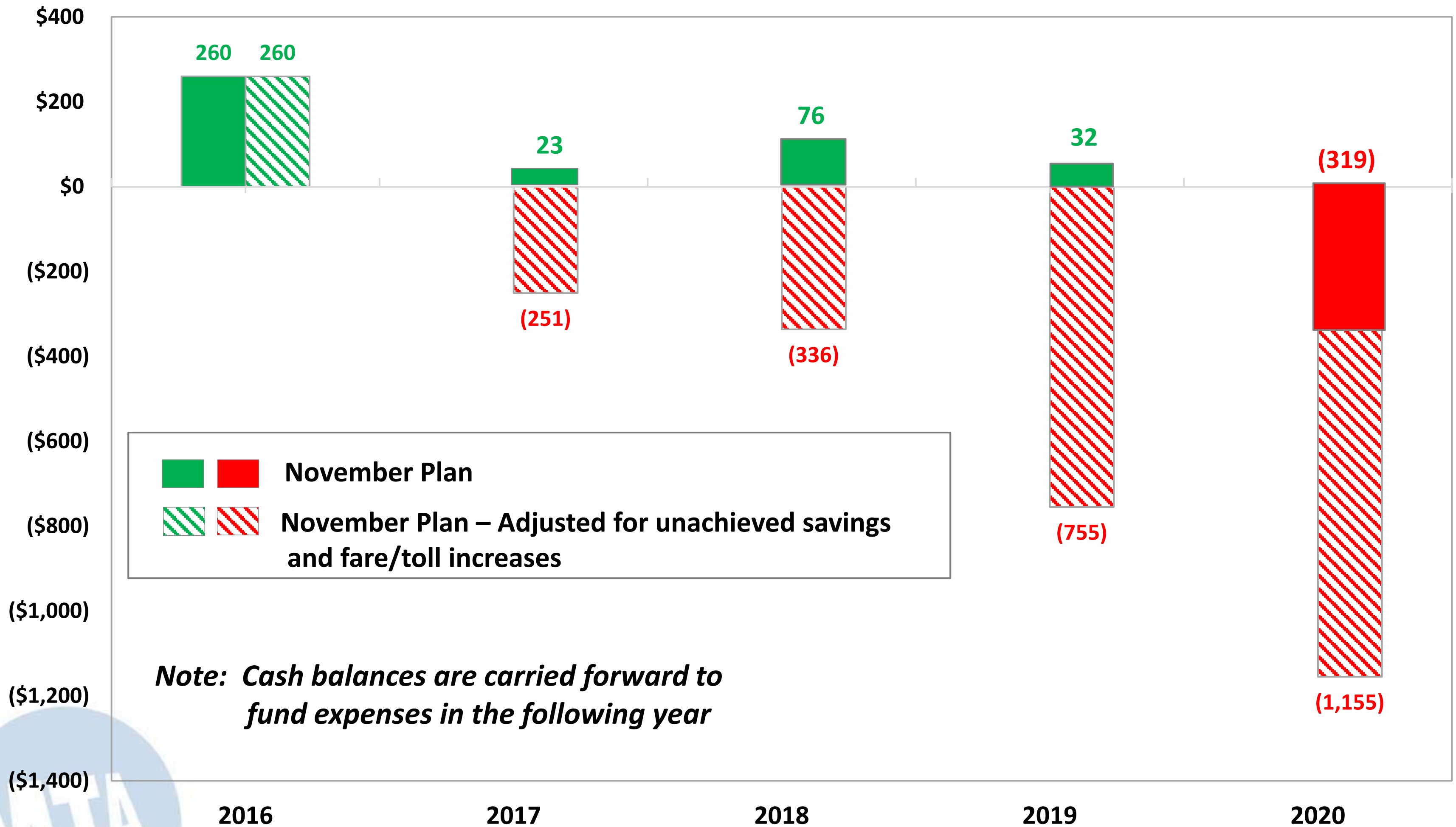
If savings targets are not achieved, deficits will occur earlier and be larger

($ in millions)



If savings targets are not achieved and projected fare/toll increases are not implemented, our financial situation becomes untenable

($ in millions)



Challenges going forward

- Biennial fare and toll increases of 4% in 2017 and 2019 (2% annual increases)
- Efficiencies/consolidations to achieve recurring cost savings
- Expiring labor contracts
- Chronic / looming costs:
  - Workers' compensation
  - Claims
  - Health care (including "Cadillac tax")
- General economic conditions
- 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