

Metropolitan Transportation Authority

November Financial Plan 2016 – 2019

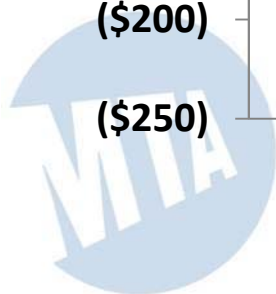
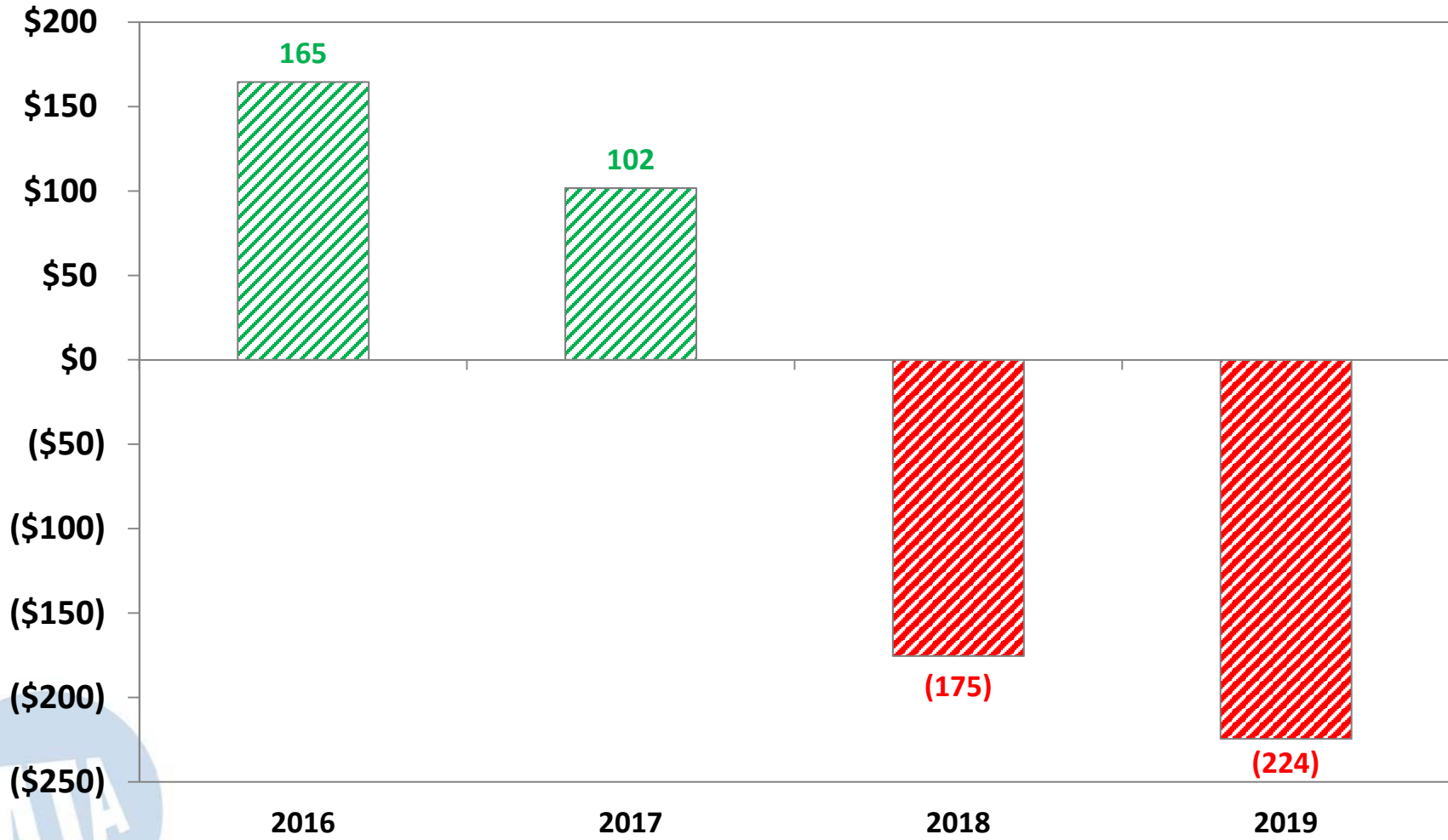
Presentation to the Board

November 18, 2015



The July Plan projected favorable cash balances through 2017 with deficits of \$175 million and \$224 million in 2018 and 2019

(\$ in millions)



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

- Biennial fare and toll revenue increases of 4% in 2017 and 2019 (2% annual increases)
 - Annualized increases of \$311 million and \$328 million, respectively
- Increasing annual cost reduction targets (\$1.5 billion in 2016 increasing to almost \$1.8 billion by 2019)
- Increased support for the Capital Program
 - PAYGO Contributions of \$125 million annually beginning in 2015
 - An additional “one-shot” of \$75 million
 - \$2.4 billion of additional funding capacity

The July Plan also funded:

- Service, service quality and service support investments totaling \$183 million over the plan period
- Increased operational, maintenance and enterprise asset management (EAM) investments of \$287 million over the plan period



What has changed since the July Plan?

- Changes and other re-estimates improving financial results:
 - Higher Real Estate Transaction tax receipts
 - Higher Toll revenue
 - Lower Energy costs
 - Lower Debt Service costs
- Changes and other re-estimates worsening financial results:
 - Lower PBT forecasts
 - Lower MTA Aid forecasts
 - Lower Farebox Revenue forecasts
- In total, re-estimates and other changes are \$447 million favorable through 2019



Highlights of the November Plan

- Projected fare and toll increases continue to be held to 4% in 2017 and 2019 (2% annual increase)
- Additional Service and Service Quality investments of \$95 million over the plan period
- Additional Maintenance and Operations investments of \$147 million over the plan period
- Additional EAM funding of \$157 million over the plan period
- Increases annually recurring savings targets in the July Plan by \$25 million per year beginning in 2017 for an additional \$100 million in 2019
- Accelerates \$300 million of PAYGO funding by 3 years, deferring scheduled debt issuances
 - Results in debt service savings of \$18 million per year from 2016 through 2018
- Invests the 2015 General Reserve of \$140 million to reduce the LIRR Additional Pension liability
 - Resulting in savings of approximately \$14 million per year starting in 2017
 - The funded ratio of the LIRR Additional Pension Plan will increase to 56% (up from 24% in 2013)
- Financial Plan is now balanced through 2018 with the 2019 deficit reduced to \$182 million



The November Plan maintains the \$183 million in service/service quality investments proposed in July and adds another \$95 million

The July Plan proposed investments to mitigate subway delays, expand Select Bus Service, address Platform budget guidelines, as well as improve on-time performance and customer service.

Additional investments proposed for the November Plan include:

- **Platform Budget Service Adjustments** (\$38 million over the plan period): NYCT and MTA Bus will increase platform service adjustments to improve the reliability and frequency of service in response to ridership trends, operating conditions and maintenance requirements.
- **Select Bus Service (Bus Rapid Transit)** (\$13 million over the plan period): NYCT intends to expand Select Bus Service, improve bus performance and service reliability, and reduce bus travel time.
- **E-ZPass Customer Service Center-AET Expansion** (\$26 million over the plan period): B&T will pilot the All-Electronic Toll program to the Rockaway crossings.



The November Plan invests an additional \$147 million in maintenance and operations

- **Second Avenue Subway – Operating Budget Impact** (\$35 million over the plan period): NYCT re-evaluated maintenance needs in the Station and Power divisions given its larger footprint;
- **Structure and Third Rail Defect Reduction** (\$42 million over the plan period): NYCT will increase resources to reduce defects and backlogs;
- **M-7 Reliability Centered Maintenance** (\$21 million over the plan period): LIRR will replace threshold plates experiencing an unusual rate of corrosion



The November Plan reflects approximately \$43 million annually of additional operating funding for Enterprise Asset Management (EAM)

MTA is working to overhaul its entire asset management system in line with new federal requirements and international best practices. A recently completed “gap assessment” analysis has redefined our investment priorities.

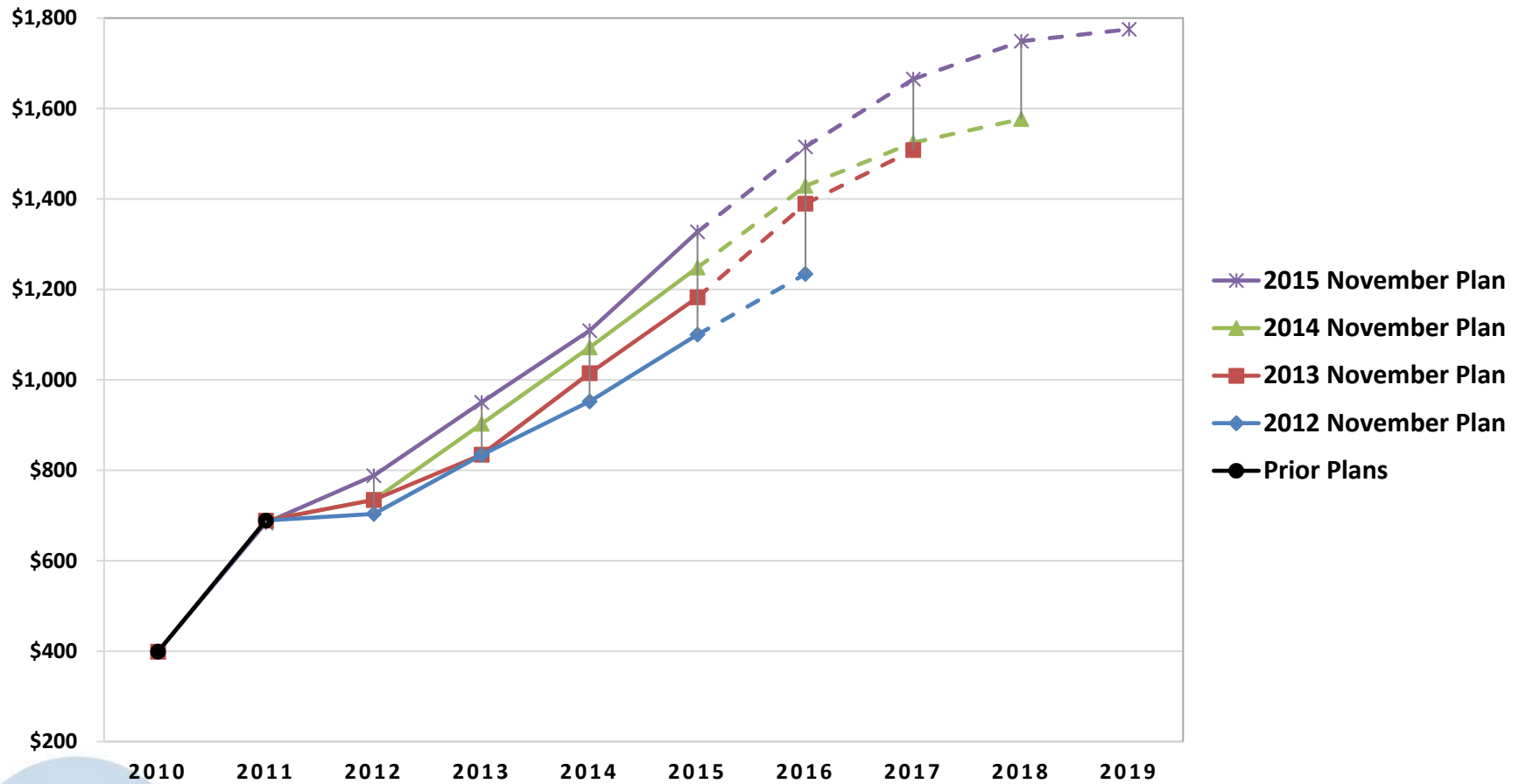
EAM will:

- Upgrade and integrate systems to capture full asset life-cycle costs, including costs for acquisition, operating and maintenance, renewal and rehabilitation, and disposal;
- Standardize asset management policies, plans and processes across Agencies;
- Systematize the documentation of asset condition, criticality and risk assessment, and develop proactive maintenance and outage practices;
- Improve work order management, reduce incidents, failures and defects;
- Streamline material management and facilitate better integration of capital and maintenance activities; and
- Develop organizational proficiencies, culture principles, and skill-sets necessary to sustain asset management as business as usual.



We continue to increase our annually recurring savings targets

(\$ in millions)

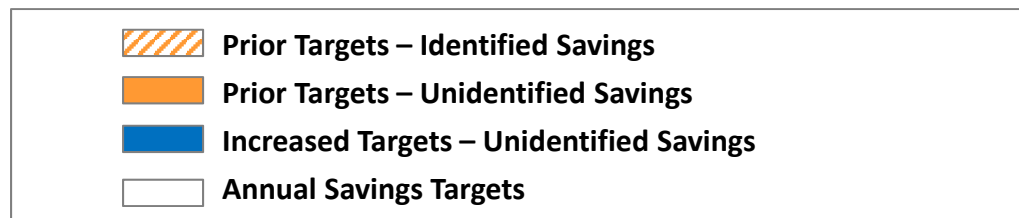
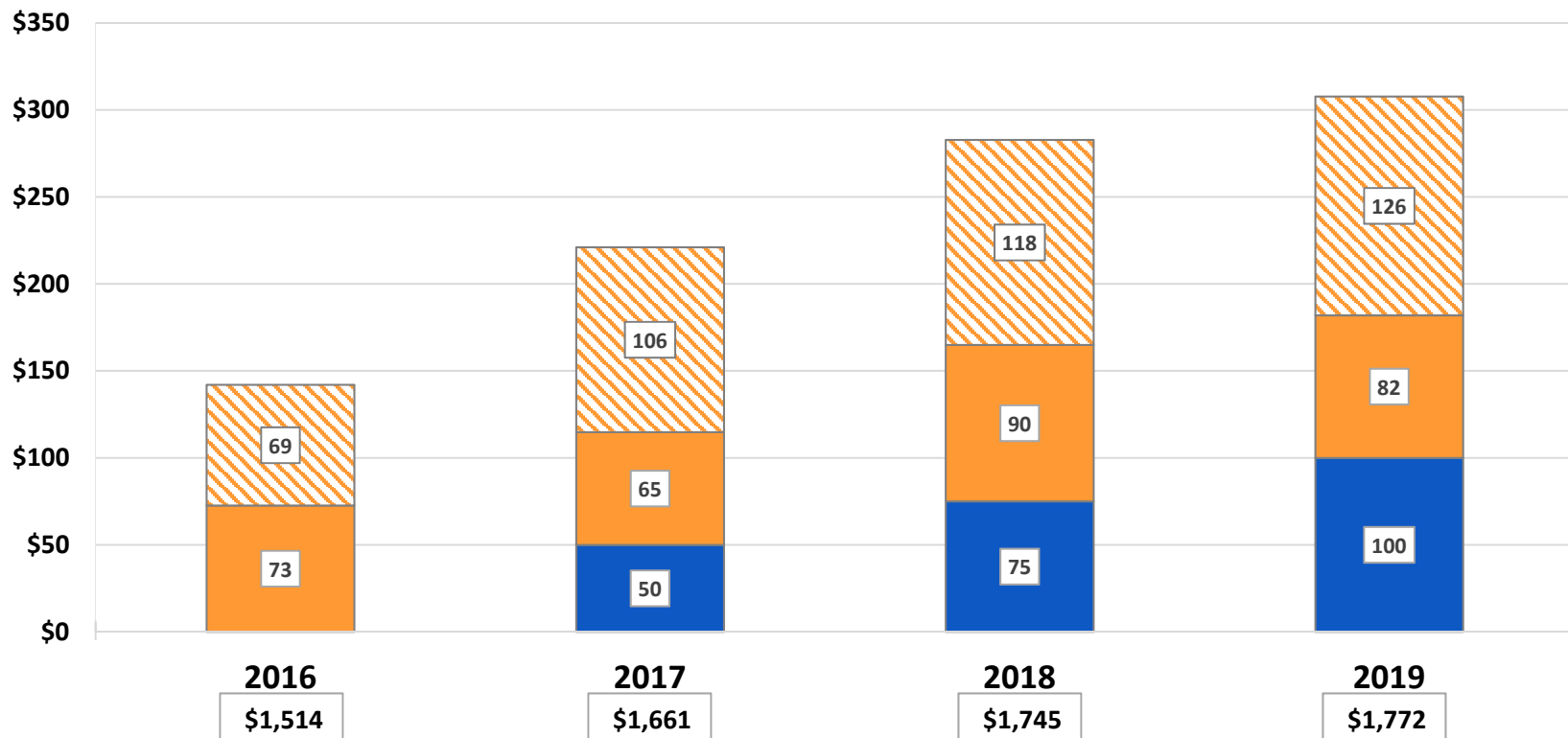


Note: Dashed lines reflect projections. Savings captured in the November Plan include those first identified in July.



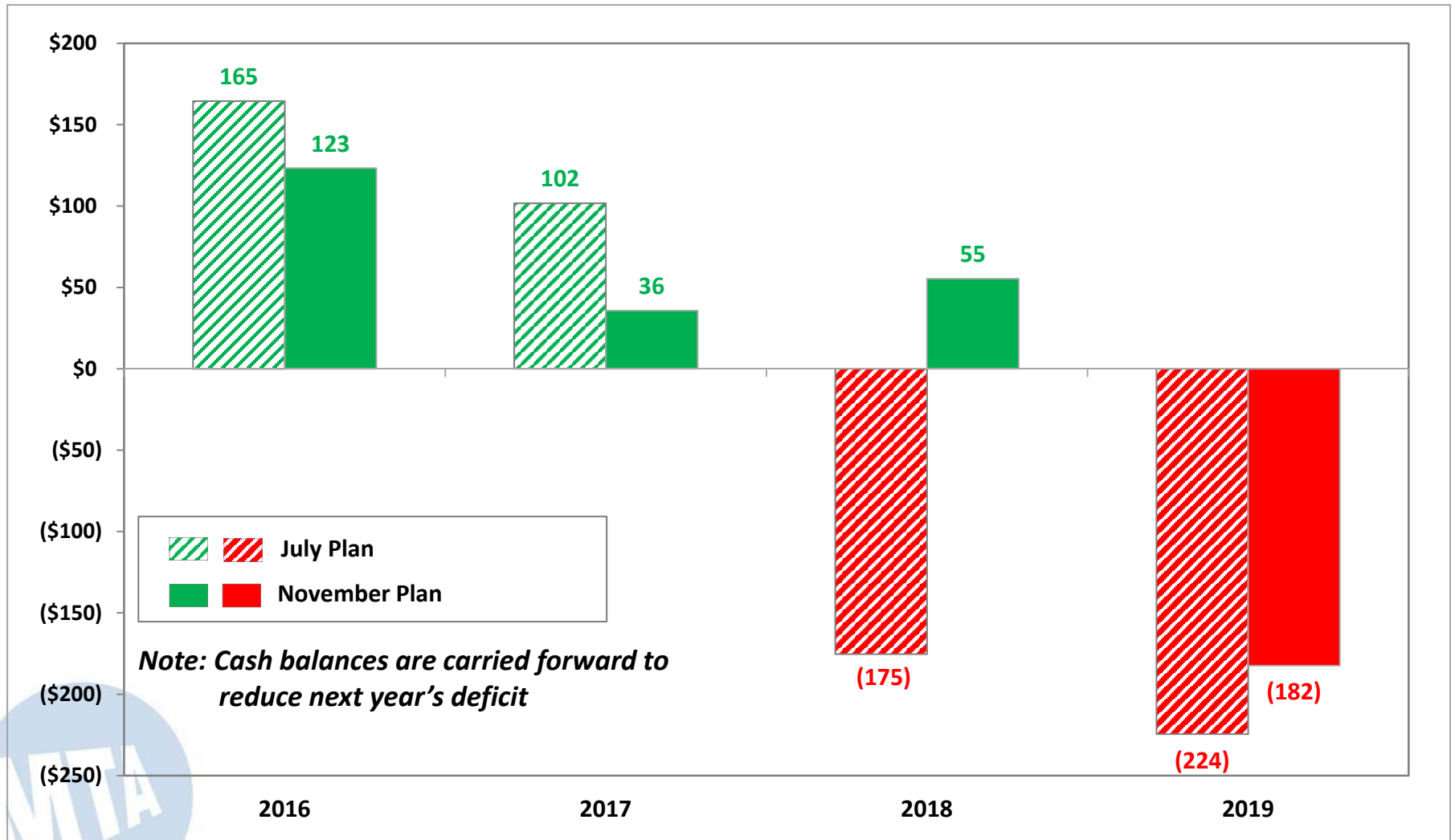
Since last November, savings initiatives have been identified and continue to be implemented

(\$ in millions)



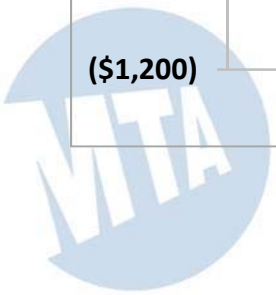
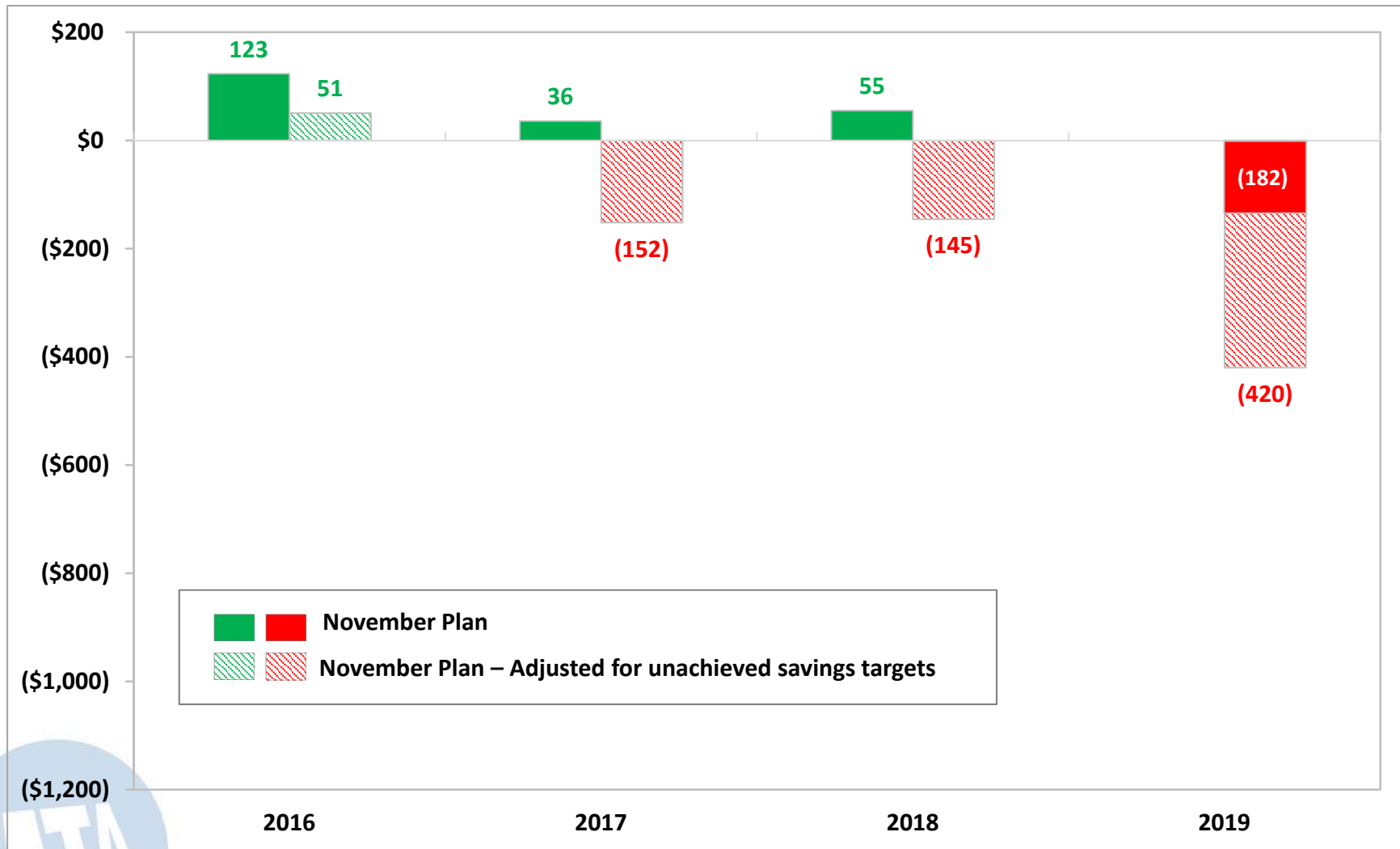
Even with additional, necessary investments, the deficit is eliminated in 2018 and reduced in 2019

(\$ in millions)



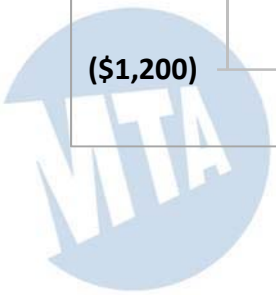
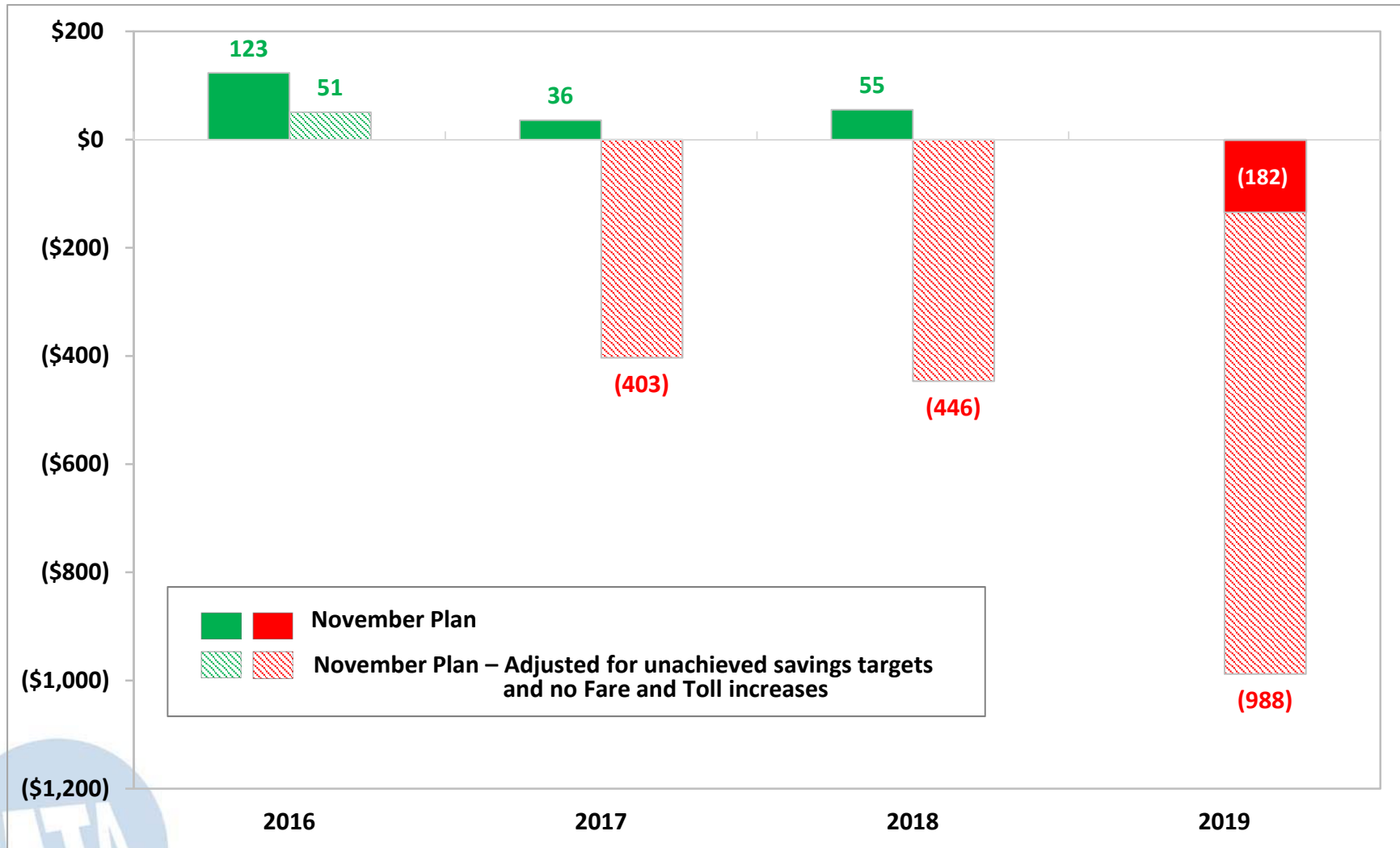
However, if the unidentified savings targets are not achieved, the deficits will be earlier and larger

(\$ in millions)



Without biennial fare and toll increases of 4% in 2017 and 2019, our financial situation worsens dramatically

(\$ in millions)



Issues going forward

- Biennial Fare and Toll increases approximating inflation
- Efficiencies/consolidations to maximize annually recurring cost savings
- Funding arrangements for 2015 – 2019 Capital Program
- Chronic / looming costs:
 - Workers' compensation
 - Claims
 - Overtime
 - “Cadillac tax” on future health benefits
- Loss of taxi surcharge revenues due to app-based livery (Uber/Lyft)
- Discipline to use non-recurring revenues, favorable budget variances, excess resources to reduce unfunded liabilities such as OPEBs and pensions and/or fund PAYGO
- Possibility of interest rates higher than forecast

