



# **2018 July Financial Plan 2019 - 2022**

**Presentation to the Board**

**July 25, 2018**



## **As stated in the November and February Plans, the MTA requires new sources of sustainable revenue for operations and capital**

The July Plan includes significant additional investments to address maintenance and operational requirements.

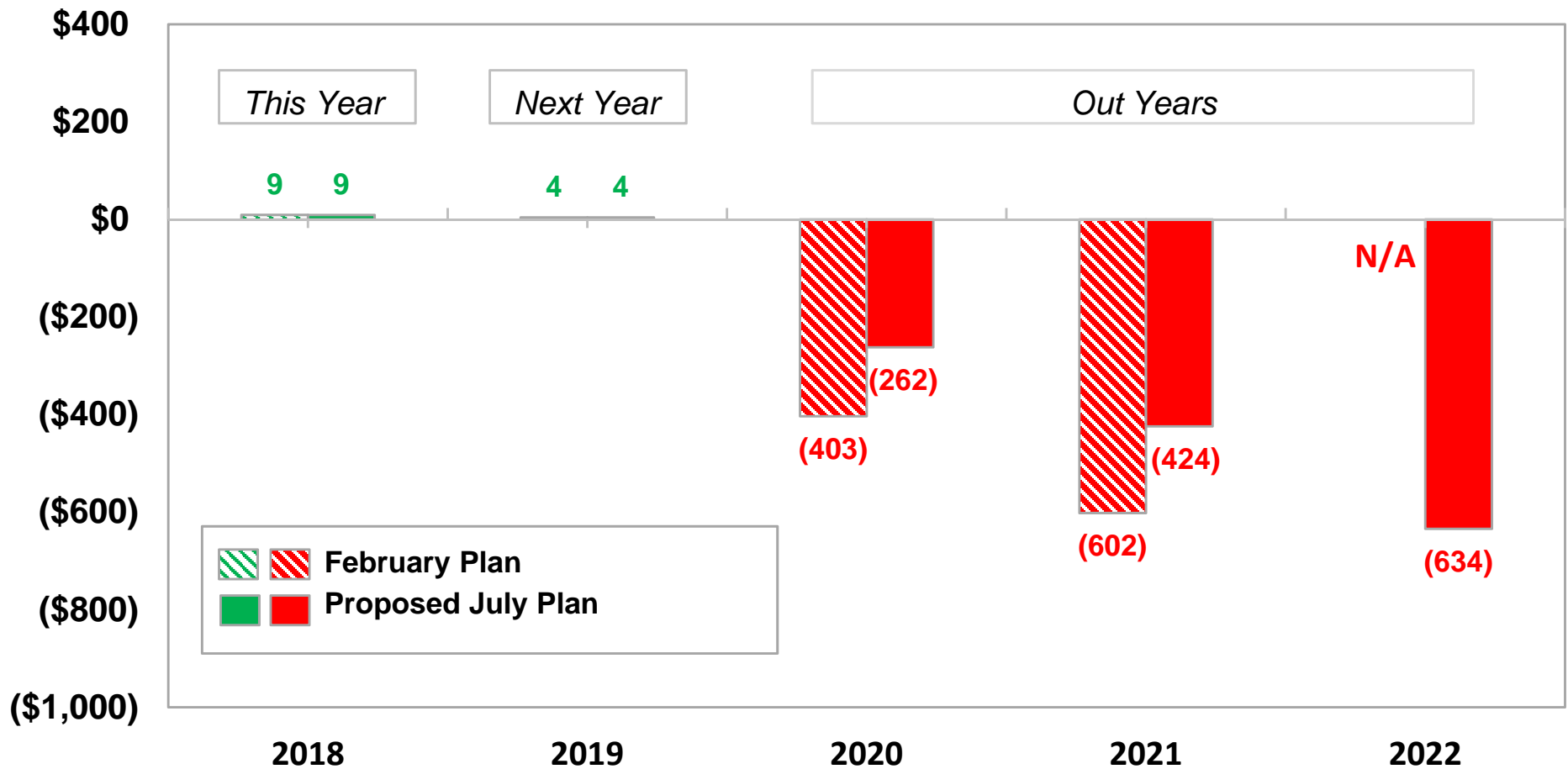
The July Plan continues to project significant out-year deficits, even with:

- Projected biennial fare and toll increases that net 4% in 2019 and 2021 (2% annual increases);
- Increased savings targets; and
- Favorable re-estimates.



# The Plan funds critical investments and is balanced through 2019, but new revenue sources are required to address out-year gaps

(\$ in millions)





## **The February Plan reflected significant changes from last year**

- Reductions in real estate taxes (approx. \$200m per year)
- Reductions in farebox revenue (approx. \$100m per year)
- Reduced MMTOA funding (averaging over \$130m per year)
- A “phase-in” of the Subway Action Plan (SAP) to match available funding
- Debt Service savings including the drawdown on cash balances in lieu of issuing bonds
- “One-Shot” drawdowns of the 2017 General Reserve (\$155m) and GASB Fund (\$149m)



## What has changed since the February Plan?

- Agencies have met their recurring budget reduction target (with a modest shortfall in 2018).
- Re-estimates mostly wash out over the 2018-2019 period, and are somewhat favorable in the out-years:
  - Changes and re-estimates improving results over the Plan period:
    - Higher MMTOA and PBT receipt projections (\$141 million)
    - Higher toll revenue projections (\$138 million)
    - Lower energy costs (\$137 million)
    - Lower pension expenses (\$75 million)
    - Higher real estate subsidy projections (\$74 million)
  - Changes and re-estimates worsening results over the Plan period:
    - Lower passenger revenue projections (\$376 million)

In total, changes and re-estimates, including the above, are \$239 million favorable for the Plan period.

- The 2018-2019 NYS Budget committed both the State and City to equally cover the costs of the 2017-2018 Subway Action Plan (SAP), enabling the SAP to be restored to its originally intended \$836 million level.
- State legislation also established a surcharge on For-Hire Vehicle trips, beginning in 2019:
  - \$300 million annually will be used to maintain the level of effort started with the Subway Action Plan
  - \$50 million is earmarked for outer borough transportation projects
  - Remaining monies from the surcharge will be distributed to the MTA



## Highlights of the 2019 – 2022 July Financial Plan

- Additional investments of \$1.5 billion made to improve Agency operations, including targeted investments made to address Agency-specific concerns in a more comprehensive manner through:
  - NYCT Subway Action Plan (fully funded)
  - NYCT Bus Plan
  - LIRR Forward
  - MNR Way Ahead
  - MTA Bus Plan
- Proposed fare/toll increases of net 4% in 2019 and 2021, consistent with previous plans (versus projected 2-year CPI inflators of 5.3% and 4.7% in 2019 and 2021, respectively)
- Approximately \$1 billion in savings targets have been identified/implemented through 2022
  - \$706 million unidentified savings remain from prior Financial Plans
  - Additional targets of \$50 million in 2018, \$230 million in 2019 and \$130 million thereafter
- Drawdown 50% of General Reserve in 2018 (\$80 million)
- Cash balances are break-even through 2019; deficits for 2020 and 2021 are lower than those in the February Plan; projected deficit for 2022 is \$634 million



## **\$1 billion investment in additional “action plans” over the plan period \***

- Fully funds the **Subway Action Plan (SAP)** to \$836 million through 2018 (and maintains the level of effort at \$300 million per year going forward).
- **The LIRR “Forward”** (\$132 million over the Plan years): upgrade switches and 370 track circuits; install high visibility safety delineators at 296 grade crossings; clear 180 miles of overgrown vegetation along the right-of-way; install 60 snow switches, 14 third-rail heaters, 80 utility poles and countdown clocks; replace key M7 door components; and augment station and car cleaning.
- **“Bus Plans”** at NYCT and MTA Bus (\$52 million over the Plan years): redesign bus network and maps; pilot an increase in off-peak service frequency; increase bus lanes and enforcement cameras; upgrade security and technology; and evaluate feasibility of transitioning to zero-emissions fleet.
- **MNR “Way Ahead”** (\$56 million over the Plan years): install energy storage system between Chappaqua and Mount Kisco; replace/repair Upper Harlem transmission poles; install Help Point kiosks; augment security camera surveillance and countdown clocks; and replace center-door fleet seats and vestibule floors.

\* Excludes NYCT “Fast Forward” initiative – requires additional funding



## **Additional Maintenance and Operations Investments (\$208 million over the Plan period)**

### ***NYCT:***

- **Modify weather-related operations:** Appropriate resources based on a five-year average of weather-related overtime to improve response to weather conditions
- **Improve Service Delivery Operations:** Improve the reliability and frequency of service in response to ridership trends, operating conditions and maintenance requirements.

### ***LIRR:***

- **Maintain, Repair and Replace Critical Fleet Components:** Advance implementation of the Lifecycle Asset Maintenance Plan, investing in elements of the M7 fleet propulsion systems; installation of positive train control on M3 fleet; maintain rolling-stock modifications schedule; and other operational requirements.

### ***MNR:***

- **Repair and Maintain Infrastructure:** support FRA mandated testing and service protection requirements; establish a provision to address post-storm tree removal needs; rehabilitation at Brewster maintenance yard; and other miscellaneous operating needs.

### ***MTAHQ:***

- **Increase policing and homeless outreach support by MTAHQ Police**
- **Gowanus Expressway HOV maintenance cost increases**





## **IT New Needs in Support of Operations (\$183 million over the Plan period)**

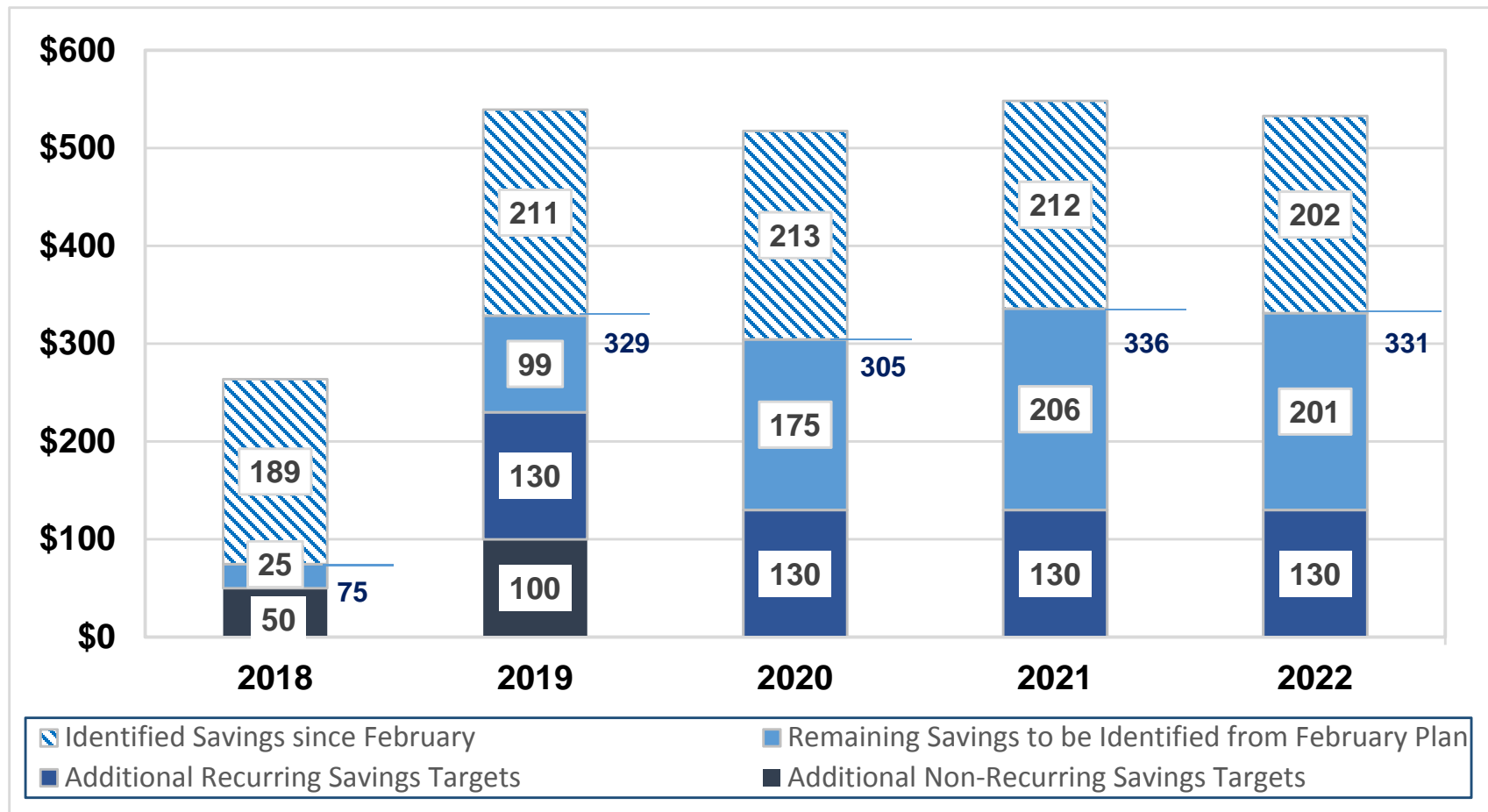
### **Implement, Maintain and Replace Critical IT Systems:**

- Replace equipment that enables LIRR and MNR staff to securely access IT systems and files remotely.
- Establish an MTA-wide application to support efficient administration of Workers Compensation claims processing.
- Re-estimates on multiple IT initiatives, including Transit Wireless Lease.
- Replacement and additional iPads for NYCT and MTA Bus Dispatchers using the BusTrek mobile application to manage bus service.
- Provide resiliency for New Fare Payment System Data Centers (all Agencies) and support MTA-wide Cyber Security and Threat Intelligence Operations.



## Approximately \$1 billion in savings have been identified since the February Plan

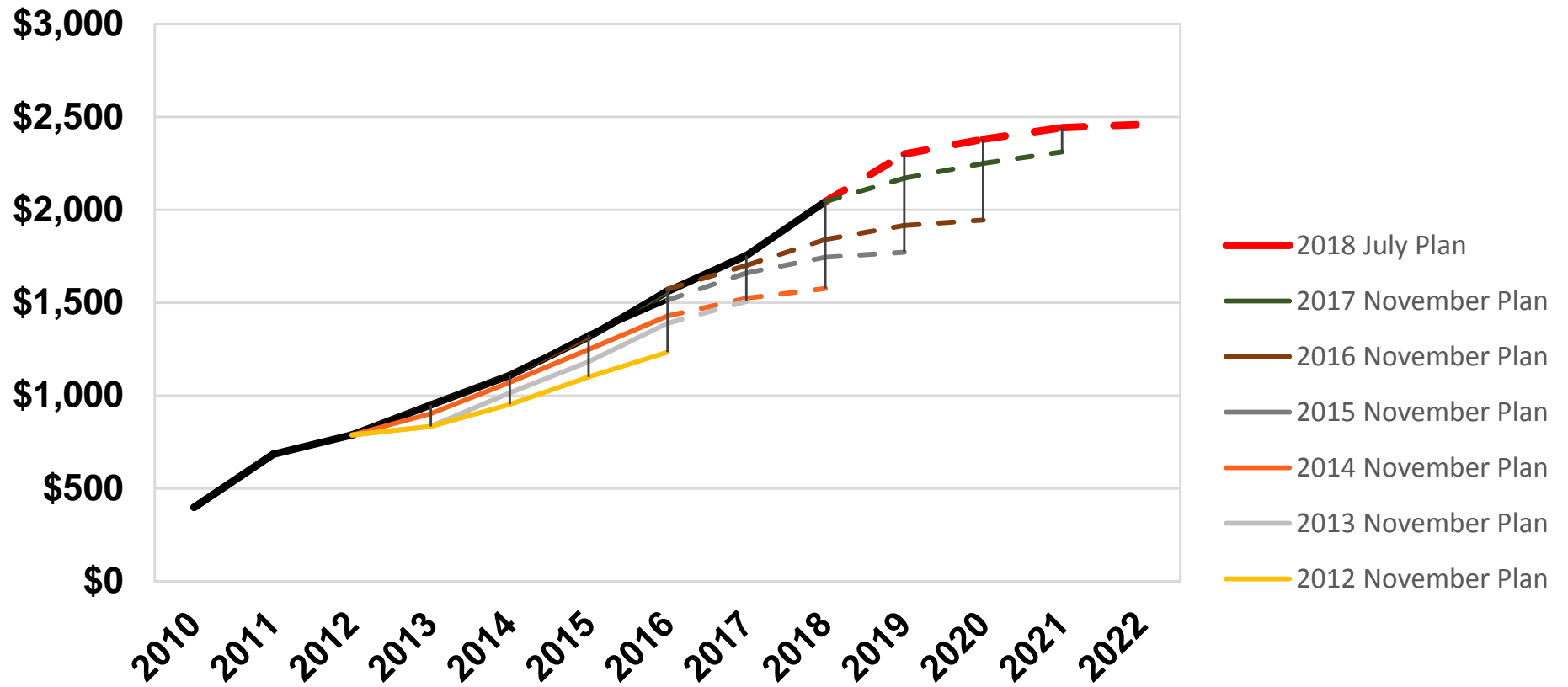
(\$ in millions)





## We continue to raise and achieve annual recurring savings targets

(\$ in millions)

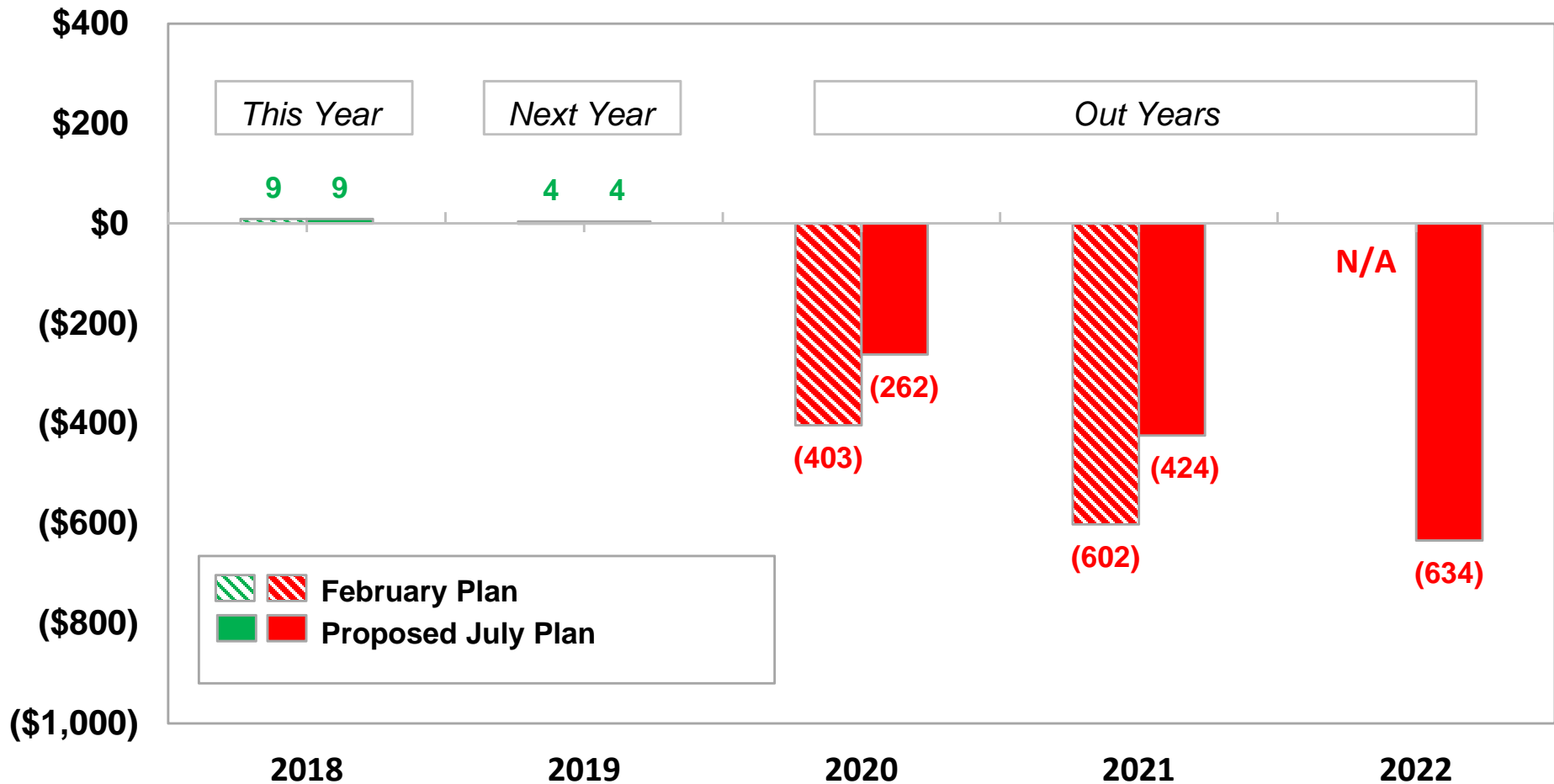


Identified/Implemented initiatives are represented with a solid line.  
Projected savings targets are represented with a dashed line.



# With large gaps remaining, new revenue sources are required

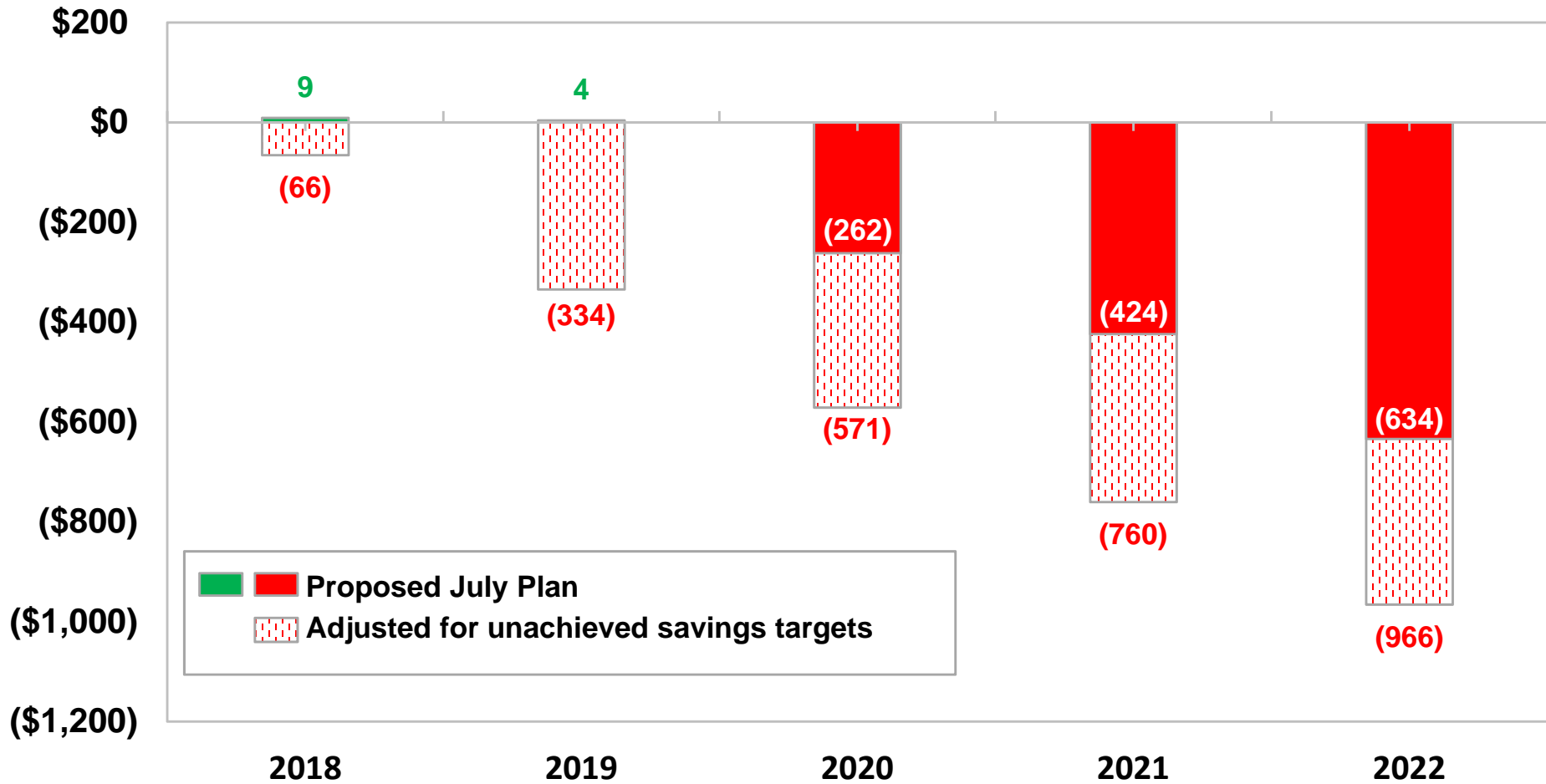
(\$ in millions)





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

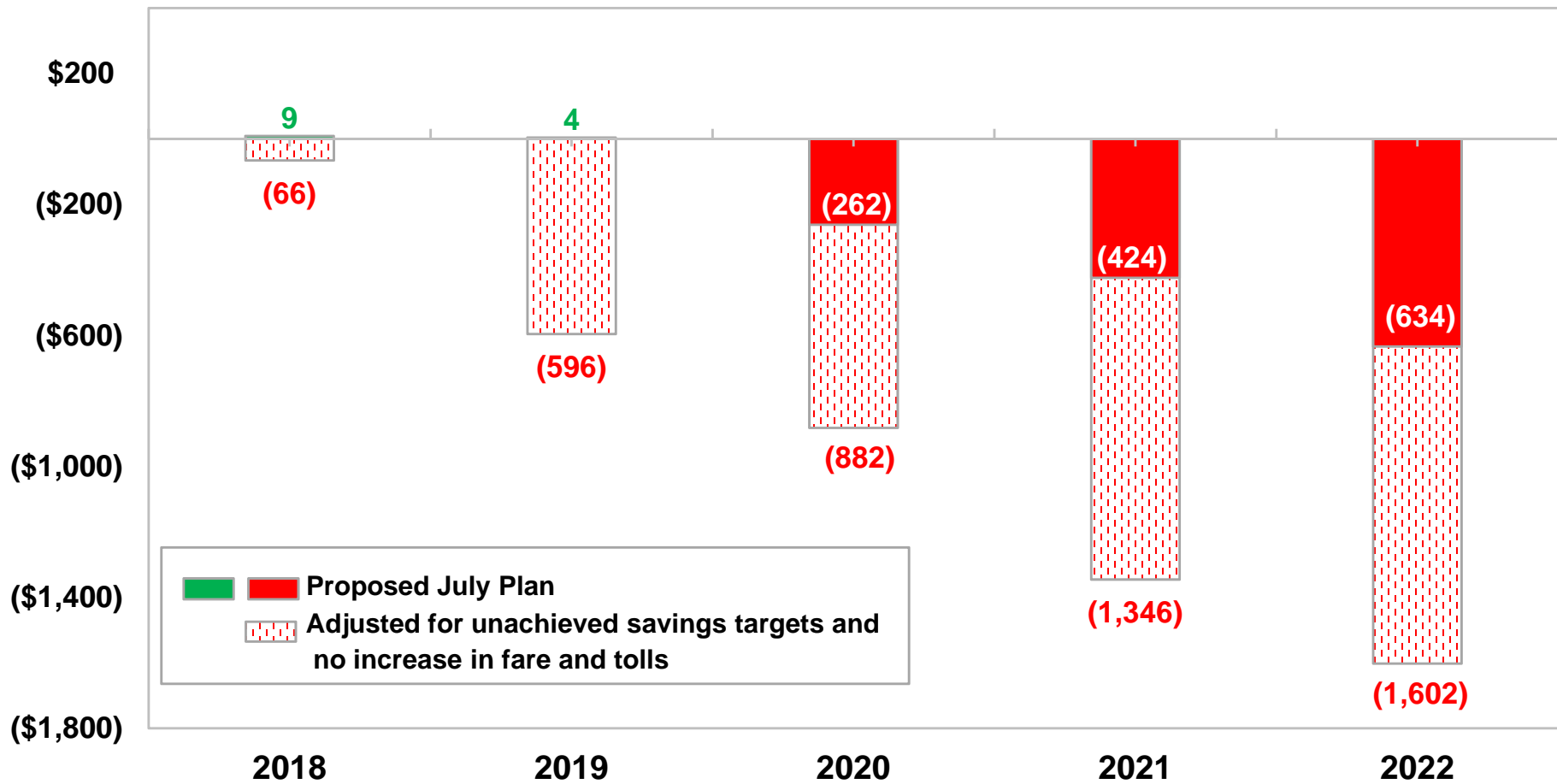
(\$ in millions)





# If savings targets are not achieved, and fare and toll increases are not implemented, projected gaps increase significantly

(\$ in millions)





## Imperatives and challenges

- Secure new sustainable revenues, *and*
- Implement biennial fare and toll increases that net to 4% in 2019 and 2021 (2% annual increases), *and*
- Achieve increased cost reduction targets, *and*
- Increase investments to address reliability and service, *and*
- Respond to developing economic environment