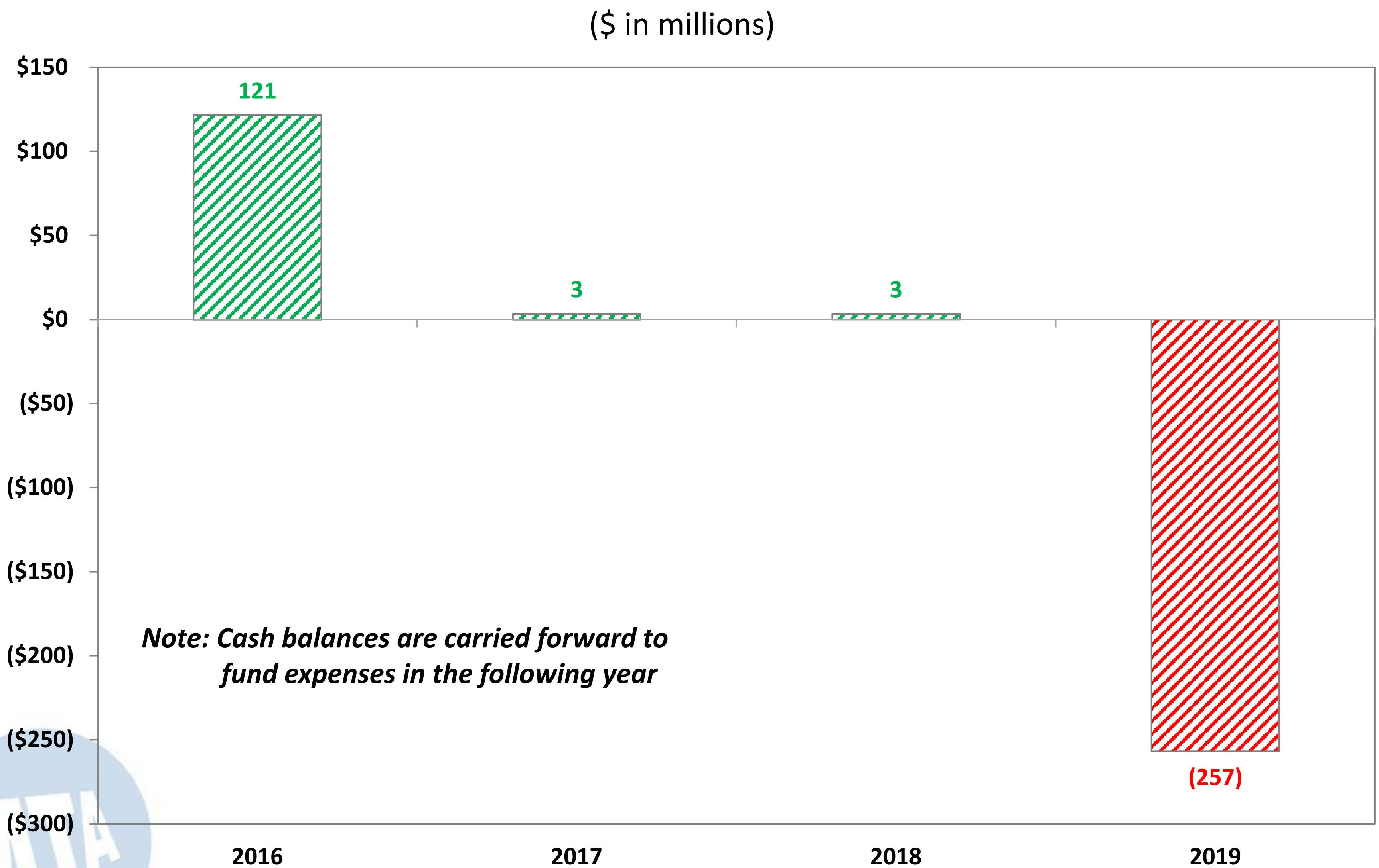
Metropolitan Transportation Authority

July Financial Plan 2017 – 2020

Presentation to the Board

July 27, 2016

The February Plan projected breakeven cash balances in 2017 and 2018 with a deficit of $257 million in 2019



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

- Biennial fare and toll revenue increases of 4% in 2017 and 2019 (2% annual increases)
- Increased annually recurring savings targets (increasing from $1.6 billion in 2016 to $1.8 billion in 2019)
- Increased funding for the Capital Program
  - PAYGO contributions of $125 million annually
  - An additional "one-shot" of $75 million
  - Resulting in $2.4 billion of additional funding capacity
- *The plan also provided for Additional Investments in:*
  - Service, Service Quality and Service Support ($278 million through 2019)
  - Maintenance and Operations ($434 million through 2019)
  - Information Technology ($184 million through 2019)
  - Enterprise Asset Management Program ($157 million through 2019), and
- *Investment of half of the 2015 General Reserve ($70 million) to reduce the LIRR Additional Pension Plan unfunded liability*

What has changed since the February Plan?

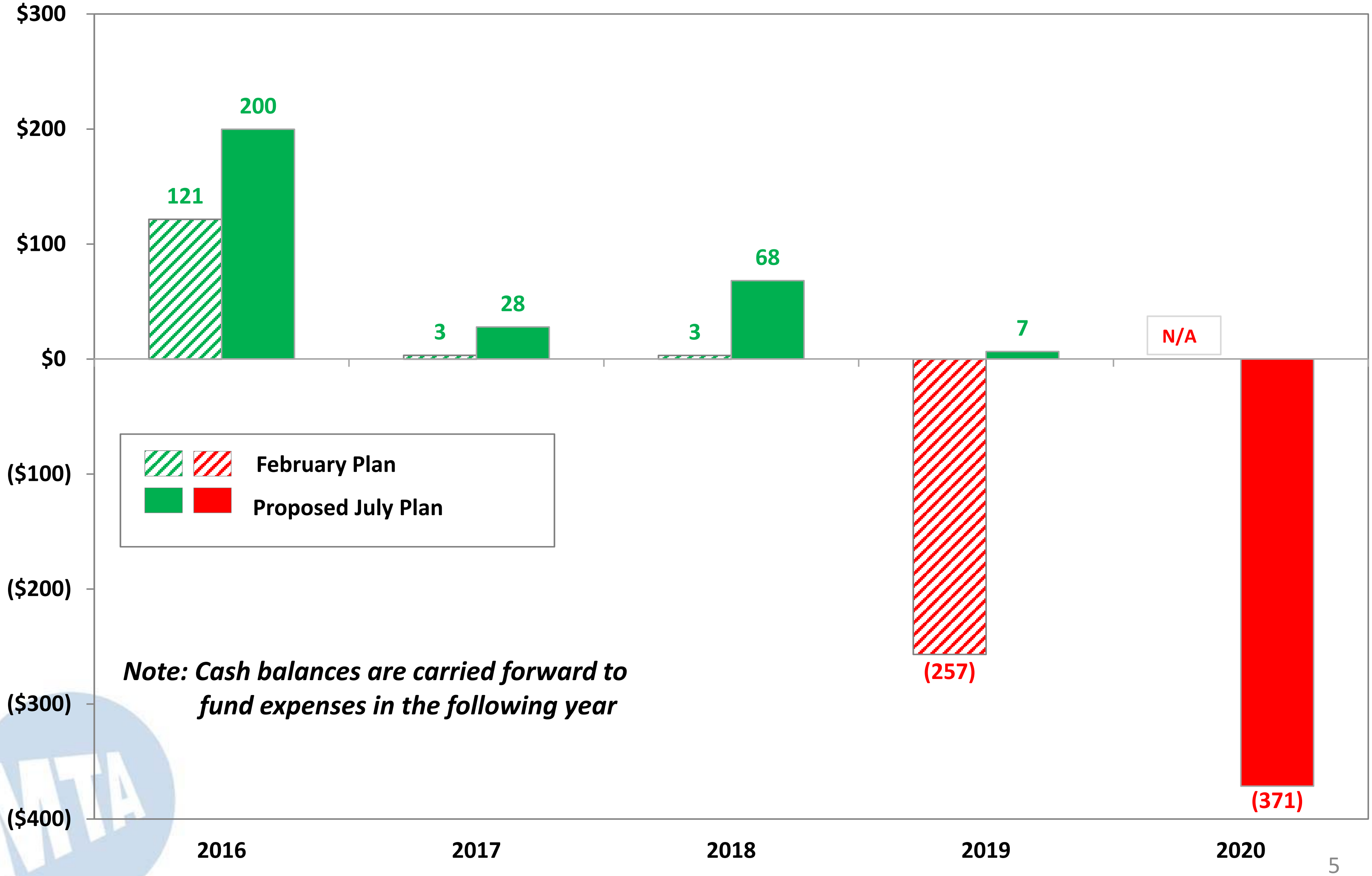
- 2015 – 2019 Capital Program was approved by CPRB
- Changes and re-estimates improving financial results over the plan period:
  - Better than forecasted 2015 results
  - Lower debt service expenses ($801 million)
    - Delayed issuance; timing, not real ($419 million)
    - Savings from Hudson Yards lease securitization ($152 million)
    - Realized interest rate savings ($133 million)
    - Lower projected interest rates ($98 million)
  - Lower energy forecasts ($303 million)
  - Higher toll revenue ($166 million)
  - Higher other operating revenue ($123 million)
- Changes and re-estimates worsening financial results over the plan period:
  - Higher health & welfare/fringe benefit expenses ($430 million)
  - Higher pension estimates ($345 million)
  - Lower farebox revenue ($182 million)
- In total, re-estimates and other changes are $690 million favorable through 2019

Highlights of the 2017 - 2020 July Plan

- Projected fare and toll increases continue to be held at 4% in 2017 and 2019 (2% annual increases)
- Initiatives to meet 73% of the $535 million of cost reductions targeted in the February Plan have been identified and have been or are being implemented
- Savings targets are being increased by an incremental $50 million per year
  - $50 million in 2017, growing to $200 million in 2020
  - Total annual savings are approximately $2 billion in 2020
- $566 million of debt service savings provide additional funding for project costs not in the currently approved program
  - Example: engineering and Federal FFGA matching funds for Second Avenue Subway
- $200 million of PAYGO funding accelerated by three years, saving $39 million in debt service
- Additional investments over the plan period in
  - Improved Customer Experience - $195 million
  - Maintenance and Operations - $145 million
  - Service and Service Support - $78 million
  - Safety and Security Initiatives - $46 million
- Financial Plan is balanced through 2019 with a 2020 deficit of $371 million

The Plan funds important investments; continued fiscal discipline will be required to address out year deficit

($ in millions)



The July Plan funds $195 million to Improve the Customer Experience over the plan period

Support of capital program funded projects:

- NYCT station enhancement program (31 Stations)
- Installation and maintenance of real-time information display signs and USB ports on 600 existing subway cars and buses
- Maintenance of B Division Countdown Clocks (year-end 2018)
- Automated Passenger Counters on buses
- Ushers to support customers during construction of Farley-Moynihan Station

Operating support for other projects:

- 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)
- Launch an intensive two-week cleaning program for all station tracks throughout the system
- MNR and MTA PD expansion of homeless outreach at outlying stations

The MTA is investing an additional $145 million in Maintenance and Operations over the plan period

Major Investments and highlights include:

- **Fleet Overhaul/Shop Plans/Fleet Maintenance** ($114 million)
  - NYCT will overhaul bus fleet scheduled for four and eight-year cycles beginning in 2019
  - Maintenance of new R179 subway cars
  - MTA Bus to repair/replace major engine components
  - The LIRR to repair and replace M7 and C3 seat covers
  - MNR to utilize in-house resources to perform diesel fleet repairs
  - B&T to expand toll system maintenance to accommodate growth in AET and ORT initiatives
  - SIR to make necessary shop improvements

- **Structural and Track Maintenance** ($24 million)
  - LIRR to maintain West Side Yard Overbuild
  - MNR to make structural repairs to its diesel shops
  - SIR to provide improvements to the New Dorp Station

- **Safety** ($5 million)
  - NYCT and MTA Bus compliance with EPA mandated underground storage tank testing
  - SIR fueling tank repair

The MTA is investing an additional $78 million in Service and Service Support over the plan period

Proposed investments include:

- **New Service** ($36 million)
  - MTA Bus will implement SBS on key routes: Q70, Q52/53, Q25, Q113
  - LIRR will provide year-round Greenport weekend service on the North Fork and add trains timed to connect with Fire Island ferries during the peak summer season
- **Platform Service Adjustments** ($21 million)
  - NYCT and MTA Bus will continue to adjust Platform Service to meet demand
  - LIRR will increase consist lengths on select trains to meet ridership demands
- **Service Support** ($21 million)
  - NYCT will expand its Platform Controllers program (originated in 2015)
  - B&T will increase funding to meet increased demand on Customer Service Center operations

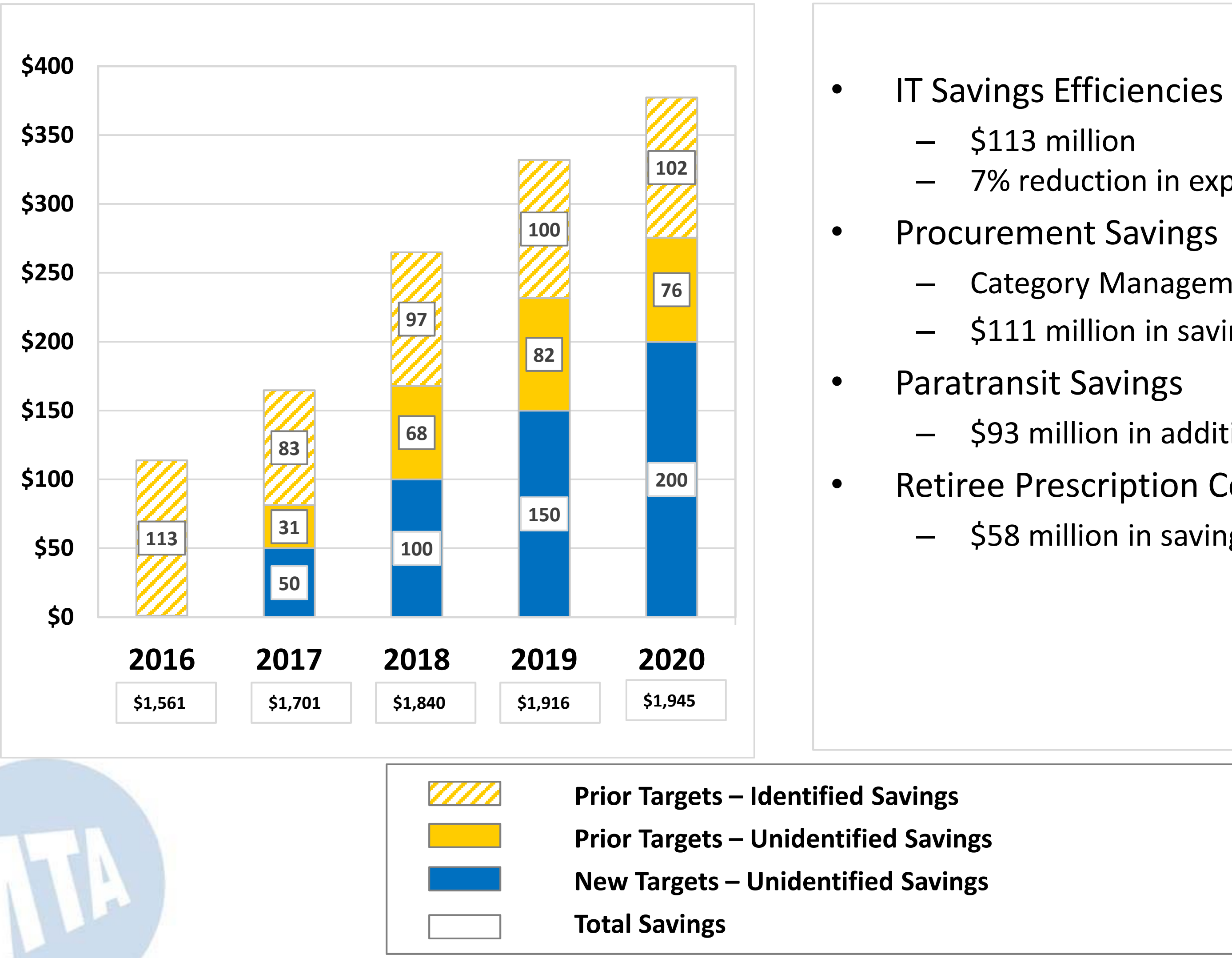
The MTA is investing an additional $46 million in Safety and Security Initiatives over the plan period

Key initiatives include:

- "Don't Block the Box" grade crossing initiative
- Support for on-bus vehicle cameras, GPS technology and wireless communications
- Support and staffing for "Help Point" intercoms
- Purchase of wheel impact load detectors
- Increase fire safety coverage at Jamaica Station
- Expand security camera installation and oversight
- New MTA Police facility in Bethpage, Long Island
- B&T Security Operations Center in Long Island City

Initiatives have been identified to address $495 million of prior savings targets; looming deficits require an increase in targets

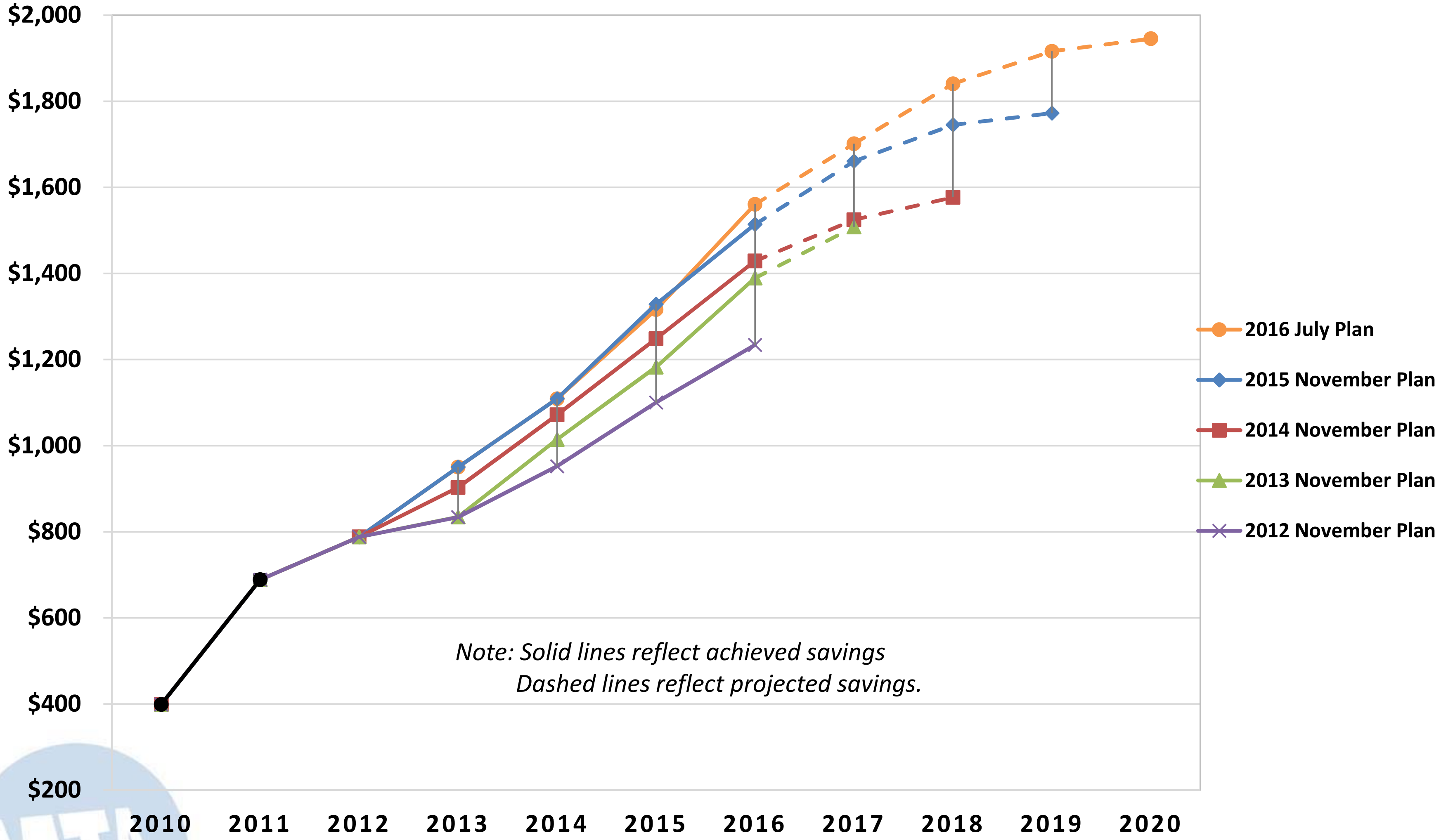
($ in millions)



- IT Savings Efficiencies
  - $113 million
  - 7% reduction in expenses and positions
- Procurement Savings
  - Category Management (Contract Efficiencies)
  - $111 million in savings
- Paratransit Savings
  - $93 million in additional savings
- Retiree Prescription Costs
  - $58 million in savings

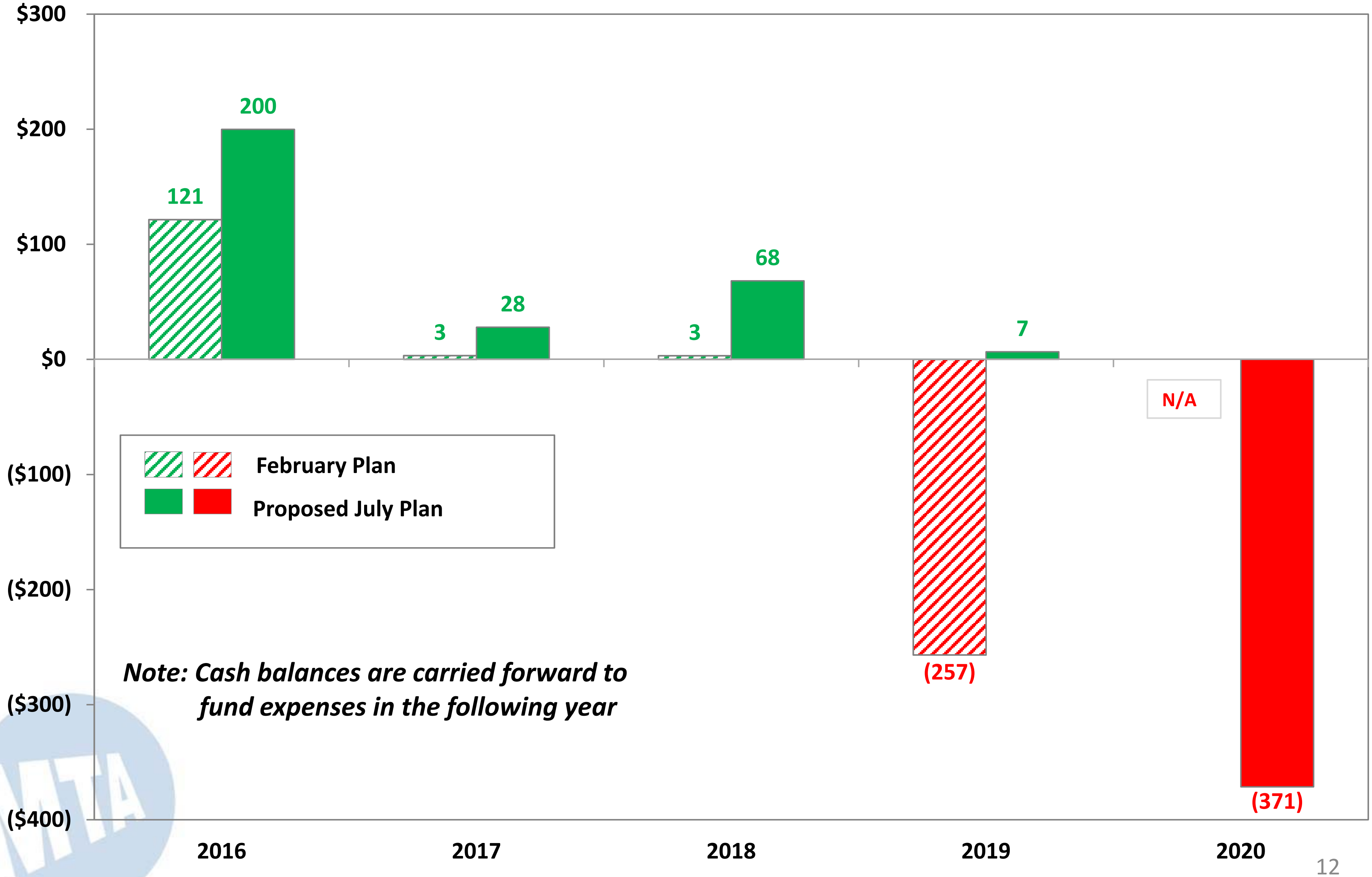
Projected annual recurring savings approach $2 billion by 2020

($ in millions)



The Plan funds important investments; continued fiscal discipline will be required to address out year deficit

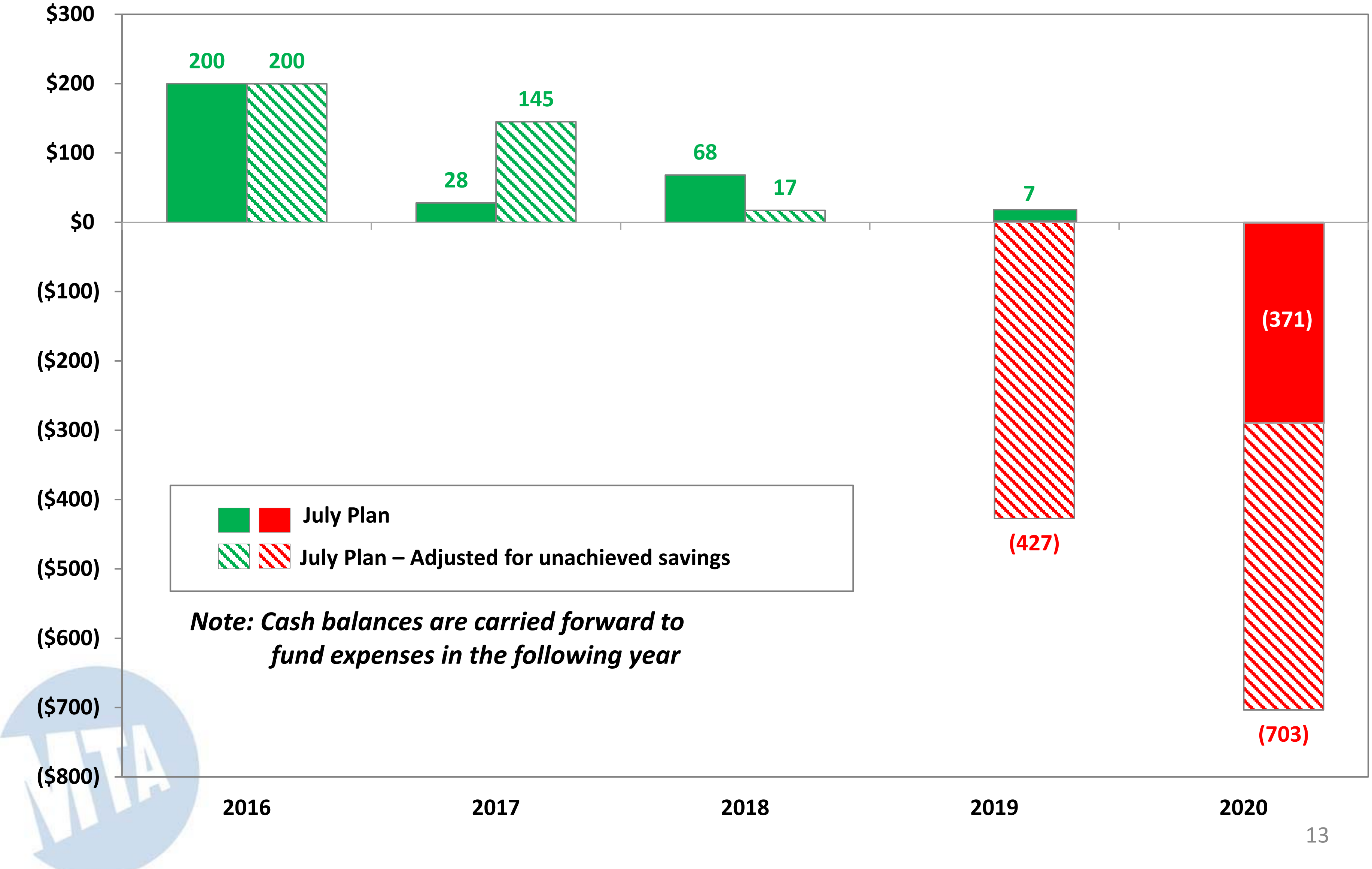
($ in millions)



Note: Cash balances are carried forward to fund expenses in the following year

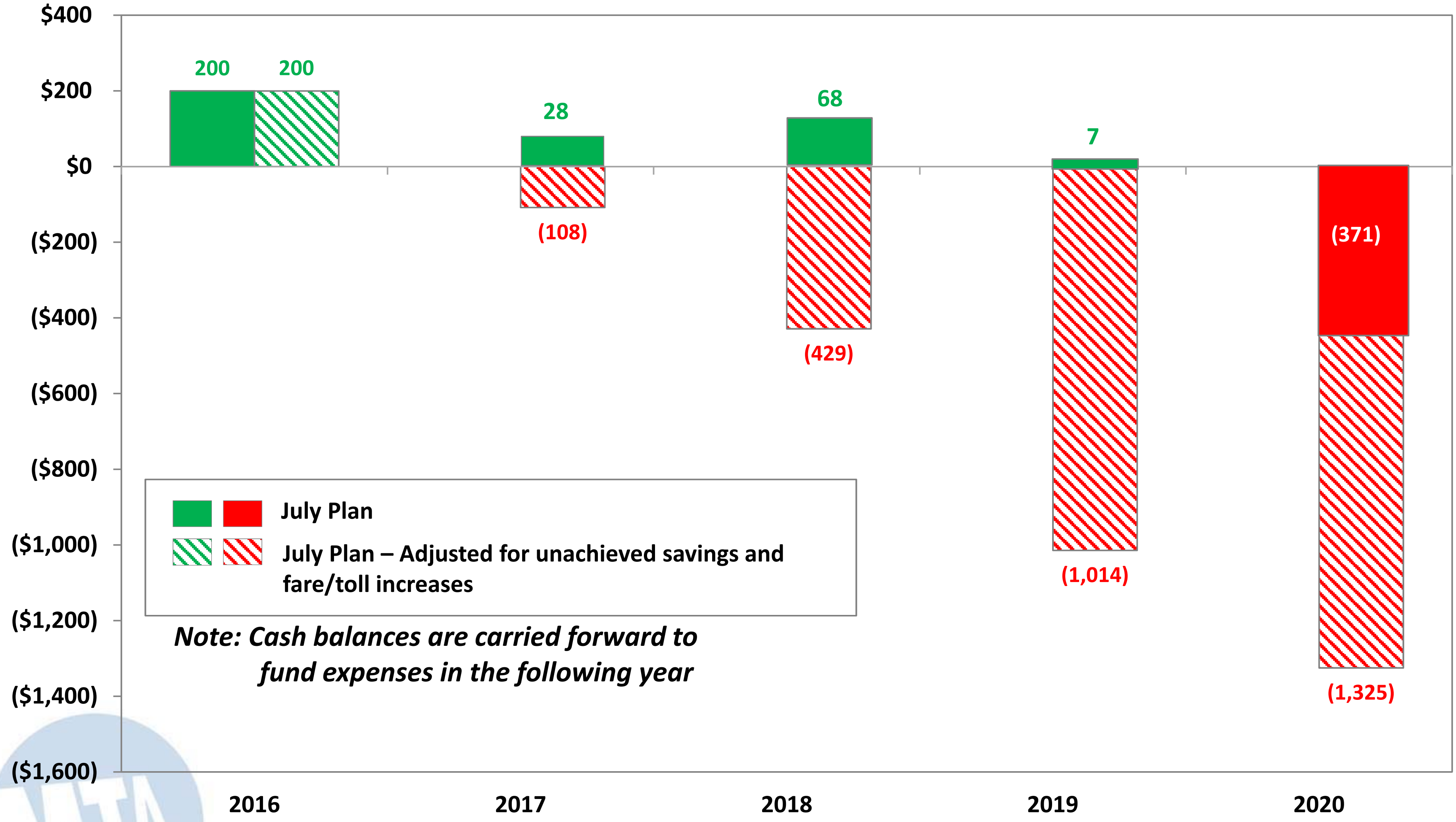
If savings targets are not achieved, deficits will occur earlier and be larger

($ in millions)



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

($ in millions)



Challenges going forward

- Biennial fare and toll revenue 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”)
- Open Road Tolling (“ORT”)
- Loss of taxi surcharge revenue due to app-based livery
- Possibility of interest rates higher than forecast
- General economic conditions
- Discipline to use non-recurring revenues and/or favorable budget variances to reduce unfunded liabilities (*e.g.,* OPEB, pensions) or fund capital