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

($ in millions)

Note: Cash balances are carried forward to fund expenses in the following year
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)
    o Delayed issuance; timing, not real ($419 million)
    o Savings from Hudson Yards lease securitization ($152 million)
    o Realized interest rate savings ($133 million)
    o 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)

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

### Bar Chart

- Prior Targets – Identified Savings
- Prior Targets – Unidentified Savings
- New Targets – Unidentified Savings
- Total Savings

### Table

<table>
<thead>
<tr>
<th>Year</th>
<th>Prior Targets</th>
<th>Procurement</th>
<th>Paratransit</th>
<th>Retiree Prescription</th>
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<td>2016</td>
<td>$1,561</td>
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<td>2020</td>
<td>$1,945</td>
<td>$102</td>
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Projected annual recurring savings approach $2 billion by 2020

($ in millions)

Note: Solid lines reflect achieved savings
Dashed lines reflect projected savings.
The Plan funds important investments; continued fiscal discipline will be required to address out year deficit
($ in millions)

<table>
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<tr>
<th>Year</th>
<th>February Plan</th>
<th>Proposed July Plan</th>
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<tbody>
<tr>
<td>2016</td>
<td>121</td>
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<td>2020</td>
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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)

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

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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