MTA 2019
Final Proposed Budget

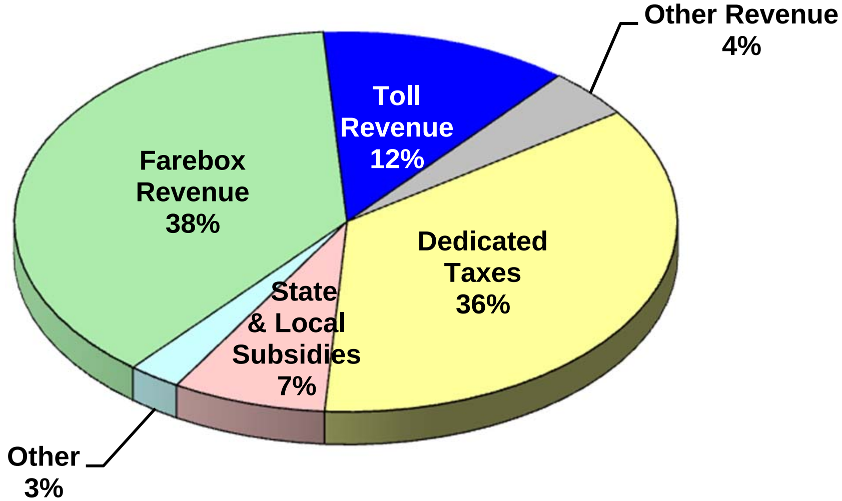
November Financial Plan
2019 - 2022

Presentation to the Board

November 15, 2018

2019 Final Proposed Budget

Where the Dollars Come From…

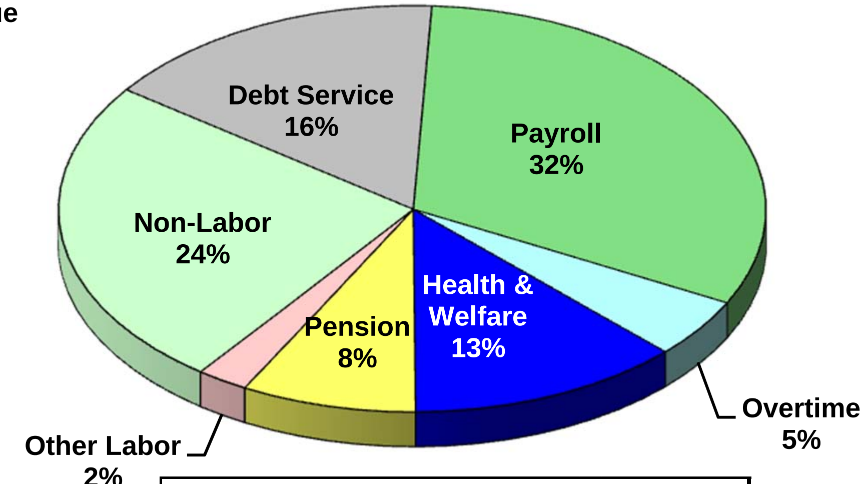


By Revenue Source
(includes fare/toll increases)
($ in millions)

Farebox Revenue	$6,322
Toll Revenue	2,045
Other Revenue	705
Dedicated Taxes	5,996
State & Local Subsidies	1,252
Other [1]	429
Total	**$16,750**

[1] *Includes cash adjustments and prior-year carryover.*

Where the Dollars Go…



By Expense Category
(includes below-the-line adjustments)
($ in millions)

Payroll	$5,392
Overtime	811
Health & Welfare	2,129
Pension	1,354
Other Labor	400
Total Labor	*$10,086*
Non-Labor	4,205
Debt Service	2,692
BTL Adjustments for Expenses	(251)
Total	**$16,732**

Need for Additional Recurring Revenue

- **MTA projected revenues have declined significantly since the July 2017 Financial Plan**

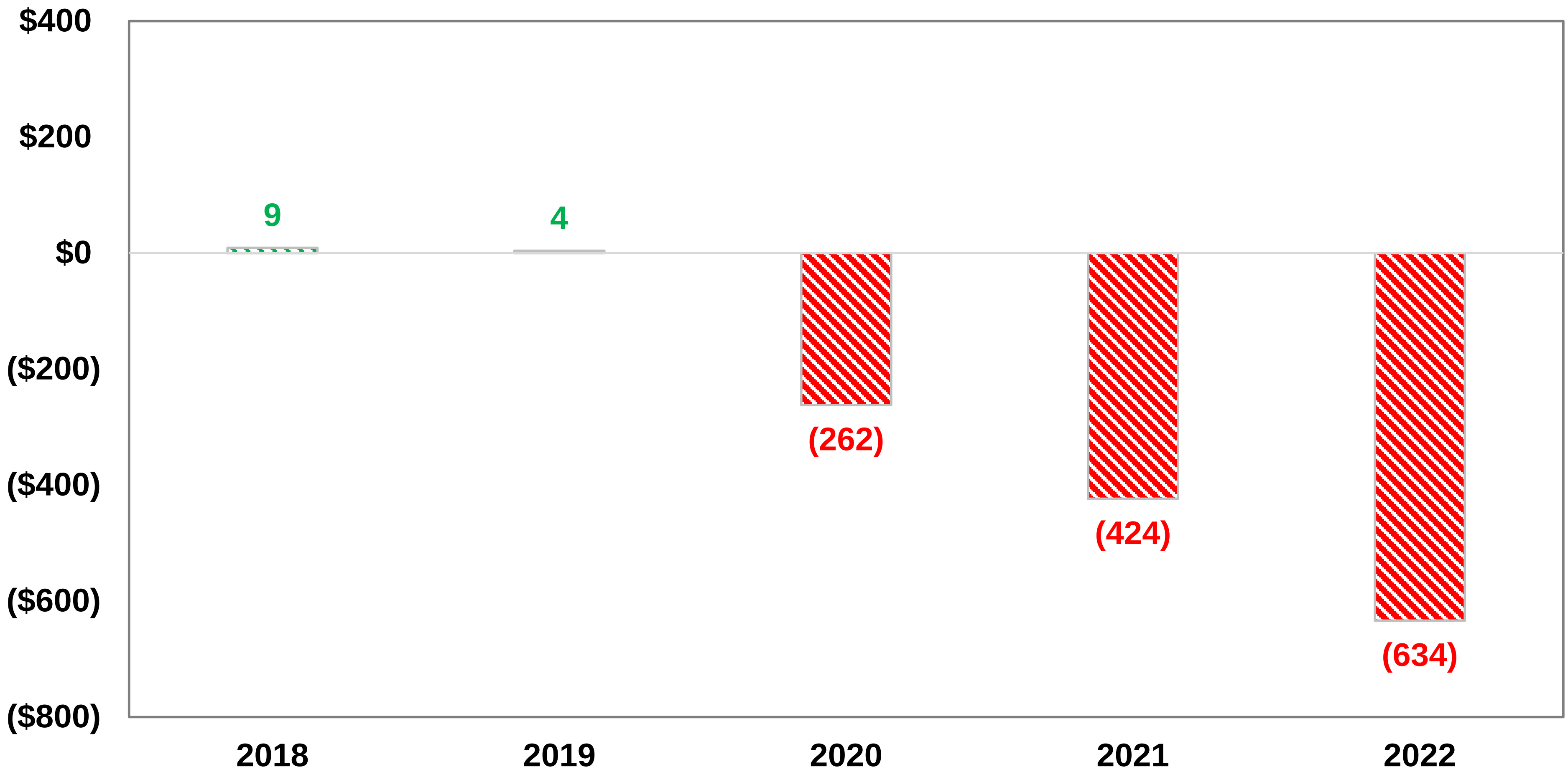
July 2017 - July 2018	2018	2019	2020	2021	2022	2018 - 2022
Fare/Toll Revenue	(135)	(121)	(106)	(102)	(124)	(588)
Dedicated Taxes	(109)	(103)	(121)	(125)	(108)	(566)
Other Operating Revenue	(50)	(66)	(59)	(32)	(68)	(275)
Total	**(294)**	**(290)**	**(286)**	**(259)**	**(300)**	**(1,429)**

July 2018 - November 2018	2018	2019	2020	2021	2022	2018 - 2022
Fare/Toll Revenue	(11)	(82)	(106)	(116)	(124)	(439)
Dedicated Taxes	26	14	(5)	(14)	(41)	(20)
Other Operating Revenue	5	40	28	22	20	115
Total	**20**	**(28)**	**(83)**	**(108)**	**(145)**	**(344)**

- **MTA is continuing its historic cost-cutting effort:**
  - By the end of 2018, $2.0 billion in annually recurring cost reductions/containment will be achieved
  - An additional $348 million is targeted to be achieved by the end of 2022
  - Additional savings initiatives are becoming more difficult to achieve
- **2018 and 2019 budgets will be balanced using “one-shots”**
- **Out-year deficits have increased significantly**
- **Without additional recurring revenue in the near term, options will be service reductions, reductions in force and/or additional fare/toll increases**

The July Financial Plan included large out-year deficits, even with fare/toll increases and substantial cost reduction proposals

($ in millions)



What has changed since the July Plan?

Re-estimates are over the plan period (2018 – 2022):

- Changes and re-estimates improving financial results :
  - Lower debt service costs ($194 million)
  - Lower energy costs ($101 million)
  - Higher real estate subsidy projections ($65 million)
  - Higher toll revenue projections ($46 million)
- Changes and re-estimates worsening financial results:
  - Lower passenger revenue projections ($485 million).
  - Higher paratransit service contracts ($321 million)
  - Higher workers compensation payments ($125 million)
  - Higher overtime expenses ($100 million)

In total, these re-estimates, along with other changes, are $819 million unfavorable for the plan period

Highlights of the November Plan

- Proposed biennial fare and 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)
- Nearly $1.9 billion in recurring savings have been identified/ implemented since the February Plan
- Maintains major investments from prior plans, including maintenance of the Subway Action Plan funded from Phase 1 of Congestion Pricing/FHV fees
- Investments in Maintenance and Operations of $216 million over the plan period
- Plan is balanced through 2019 using "one-shots," and the deficits for 2020, 2021 and 2022 have increased to $510 million, $816 million and $991 million, respectively

Additional Maintenance and Operations
($216 million over the Plan period)

NYCT:

- **Upgrade Fleet**: replace all HVAC refrigerant to meet new environmental regulations; overhaul HVAC and door systems on the R142 fleet; and conduct scheduled maintenance system upgrades.

MNR:

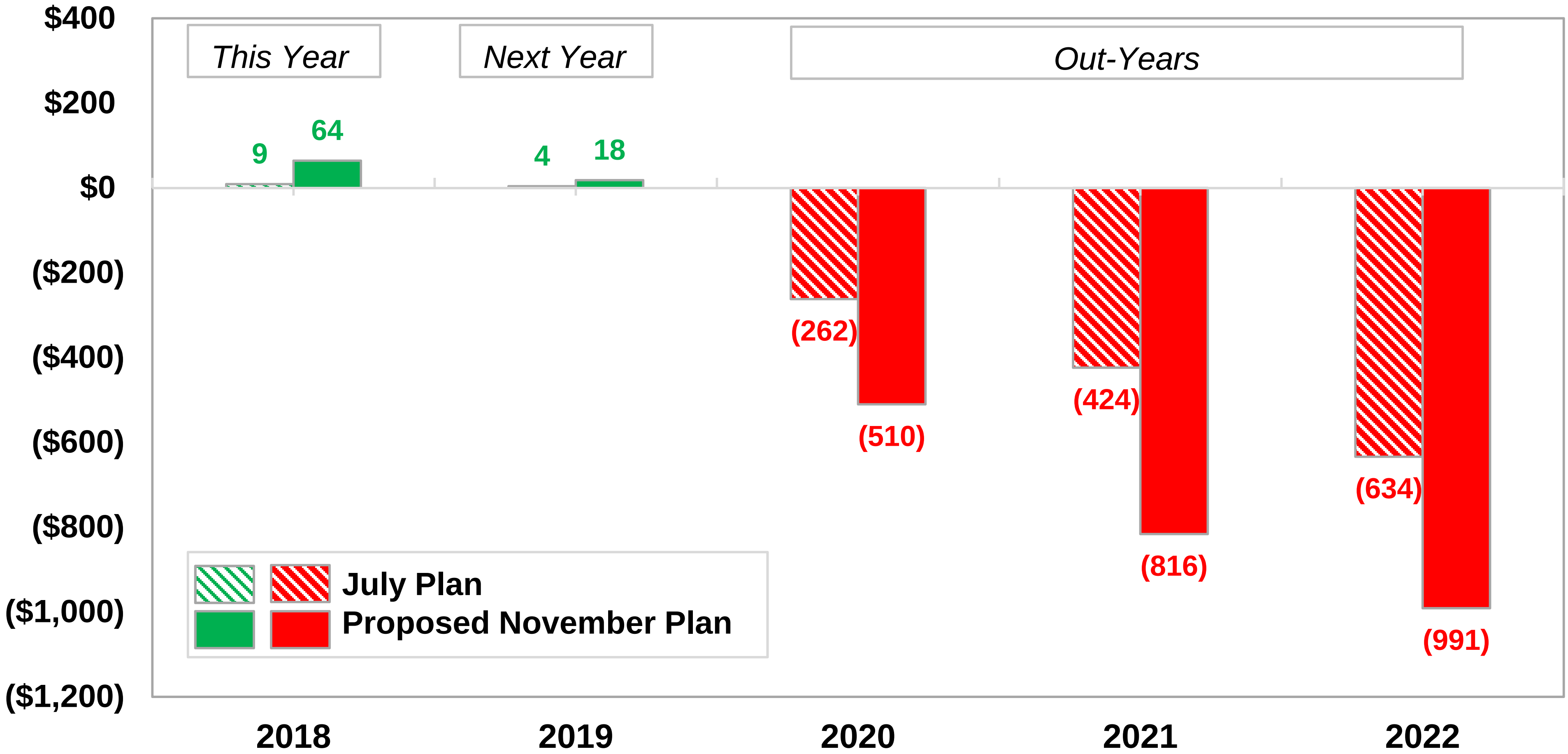
- **Repair Infrastructure and Maintain Equipment:** install roof services at GCT to ensure safe access to restricted areas and keep exhaust ducts and other building systems in a state of good repair; update stations cleaning dry-water line system; and augment resources to support diesel fleet maintenance.
- **Rockland County Bus Service:** extend indefinitely weekend bus service between Rockland County and the Hudson and Harlem lines in Westchester County.

LIRR/MNR:

- **Weather Emergencies**: Increase support based on a five-year average of weather-related operational coverage requirements.

The November Financial Plan projects significant increases in out-year deficits

($ in millions)



MTA is using "one-shots" to balance the budgets for 2018 and 2019

2018:

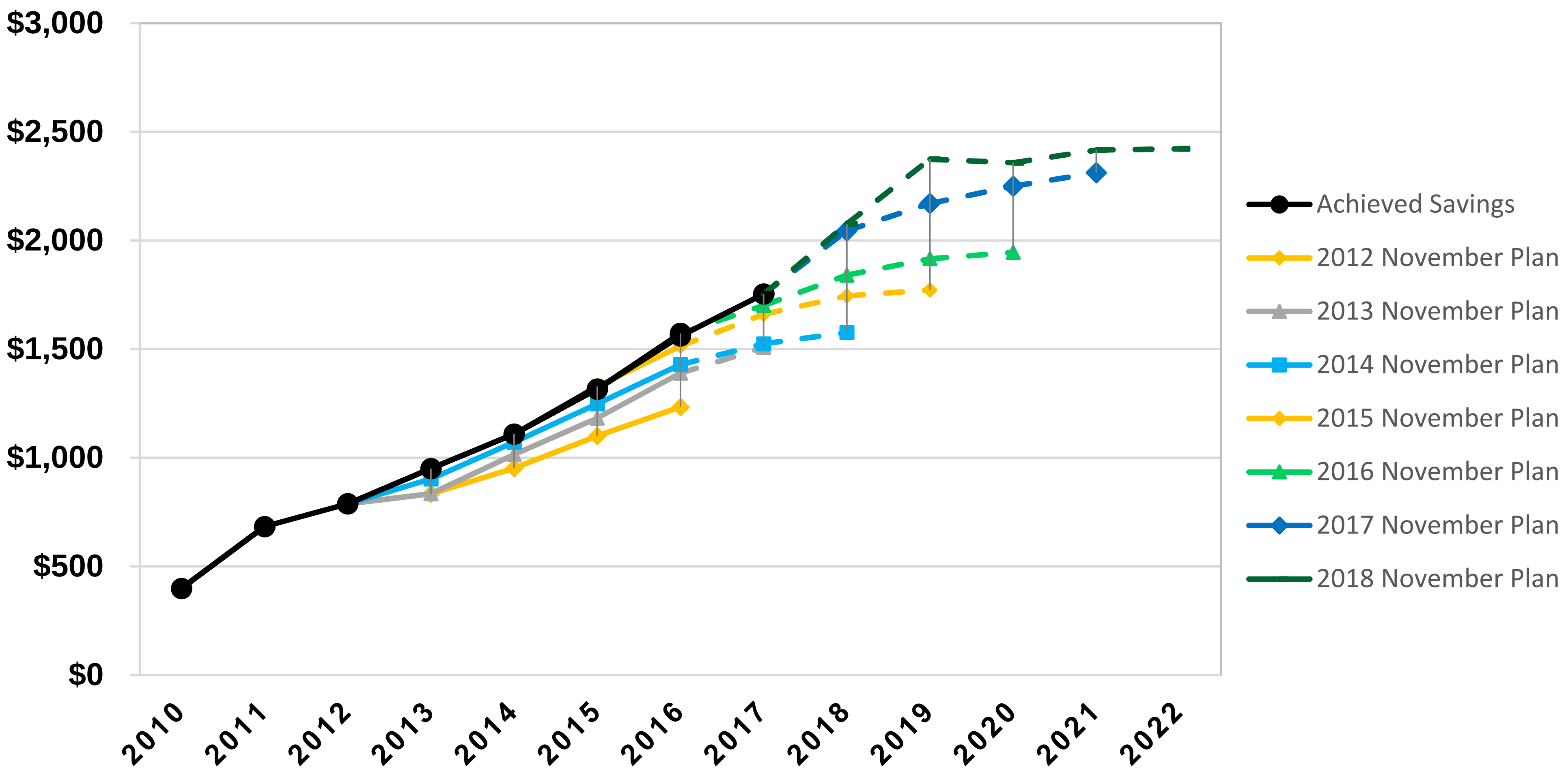
- Drawdown of the General Reserve ($80 million in July / $80 million in November)
- Reduced Committed to Capital to offset PMT reduction ($65 million)
- Freeze on filling all non-essential vacancies ($54 million)
- Other restrictions on non-essential spending, including travel, memberships, and non-revenue vehicle purchases ($46 million)
- 2017 favorable year-end balance ($27 million)
- Inventory drawdowns ($7 million)

2019:

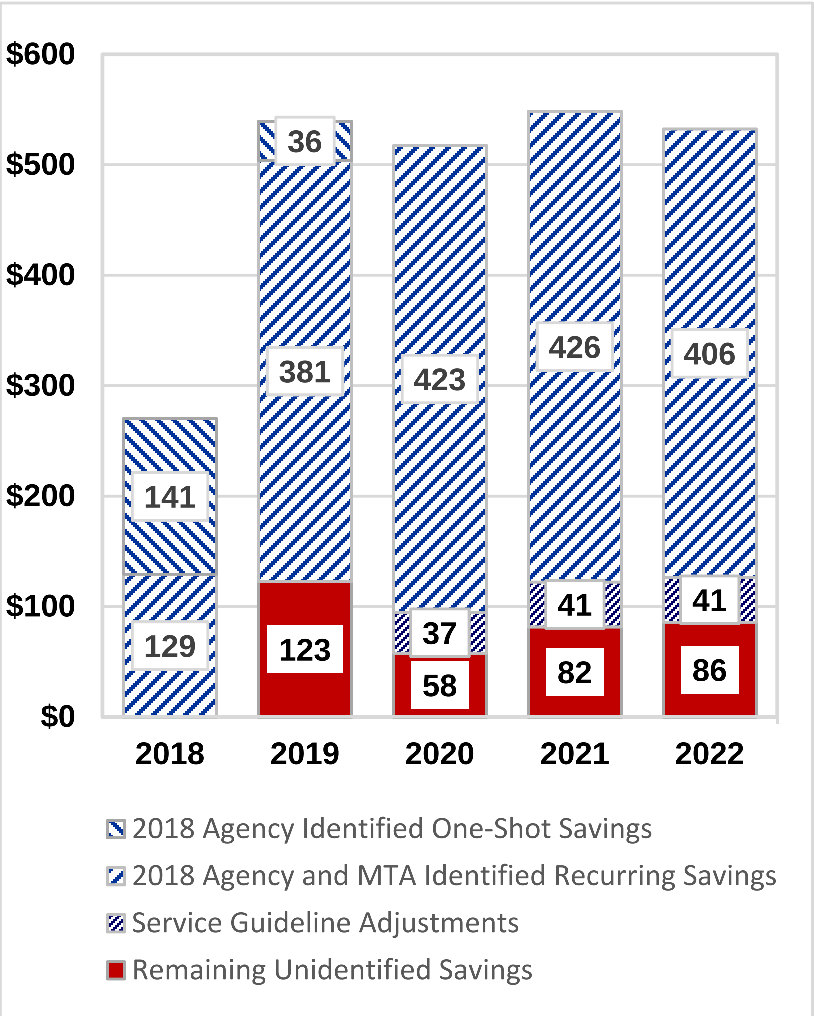
- Continue non-essential spending restrictions, including the filling of non-essential vacancies ($115 million)
- 2018 favorable year-end balance ($64 million)
- Reduction of excess Fuel Hedge collateral ($40 million)

We continue to raise and achieve annual recurring savings targets

($ in millions)



In 2018, Agencies Identified $2.1 billion in BRP Savings, including “one-shots,” but still fall short of targets



Savings Target Compliance

Achieved or Identified / (Unidentified)

($ in millions)

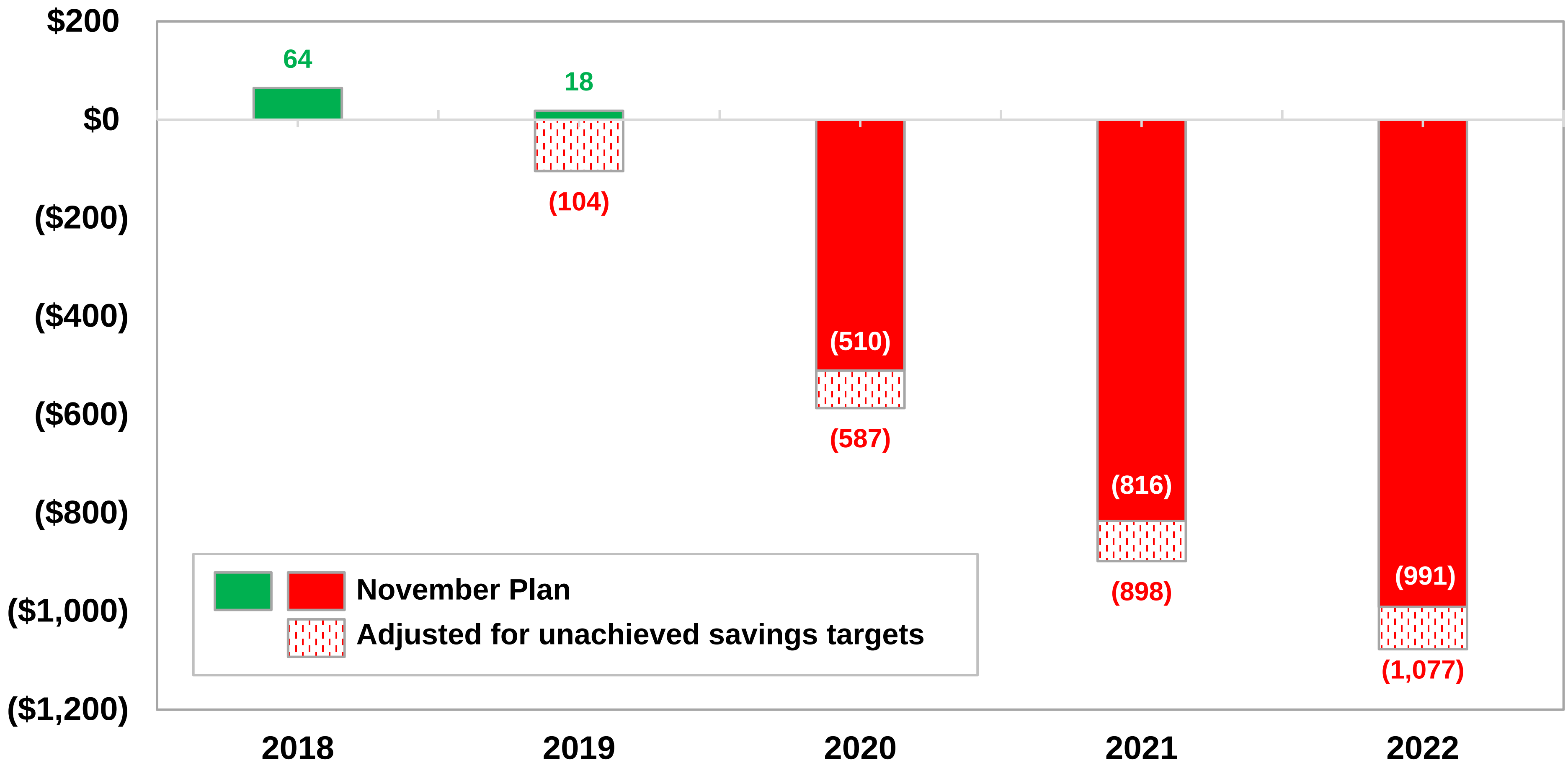
	2018	2019	2020	2021	2022	5-Year Total
Total Savings Targets	**($264)**	**($539)**	**($518)**	**($548)**	**($532)**	**($2,402)**
One-Shots	*141*	*36*	*-*	*-*	*-*	*177*
Recurring Savings	*129*	*381*	*423*	*426*	*406*	*1,765*
Service Guideline Adjustments	*-*	*-*	*37*	*41*	*41*	*118*
Total Identified Savings	**$270**	**$417**	**$460**	**$467**	**$447**	**$2,060**
Remaining Targets	**$0**	**($123)**	**($58)**	**($82)**	**($86)**	**($348)**

Service Guidelines

- Bus and Subway service guidelines, which have been reviewed and approved by the MTA Board, are used to maintain an appropriate level of service based upon actual ridership on a route.
  - Minimize occurrences when buses or trains are either overcrowded or underutilized.
  - Provide an objective standard of maximum loads for different times of day.
    - Average ridership is measured in 30-minute intervals for peak service and 1-hour intervals for off-peak service.
    - Ridership counts reflect total riders, both paid and unpaid.
- Following these guidelines, NYCT is proposing service guideline adjustments beginning in 2020 that result in savings of $41 million annually, with reductions of $10 million for subway service and $31 million for bus service.

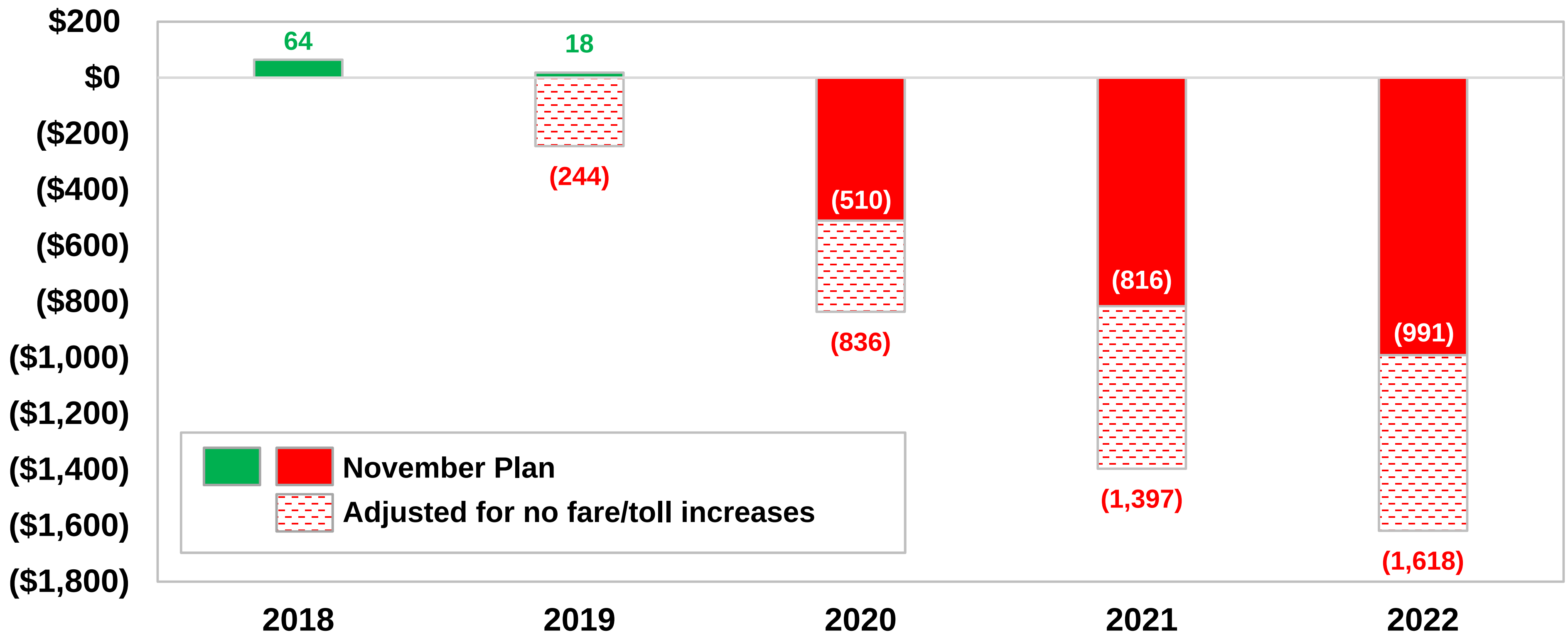
If remaining savings targets are not achieved, deficits will occur earlier and be larger

($ in millions)



If fare and toll increases are not enacted, deficits will increase significantly

($ in millions)



A one-year delay in the implementation of the proposed fare/toll increase would reduce revenues by approximately $325 million every two years

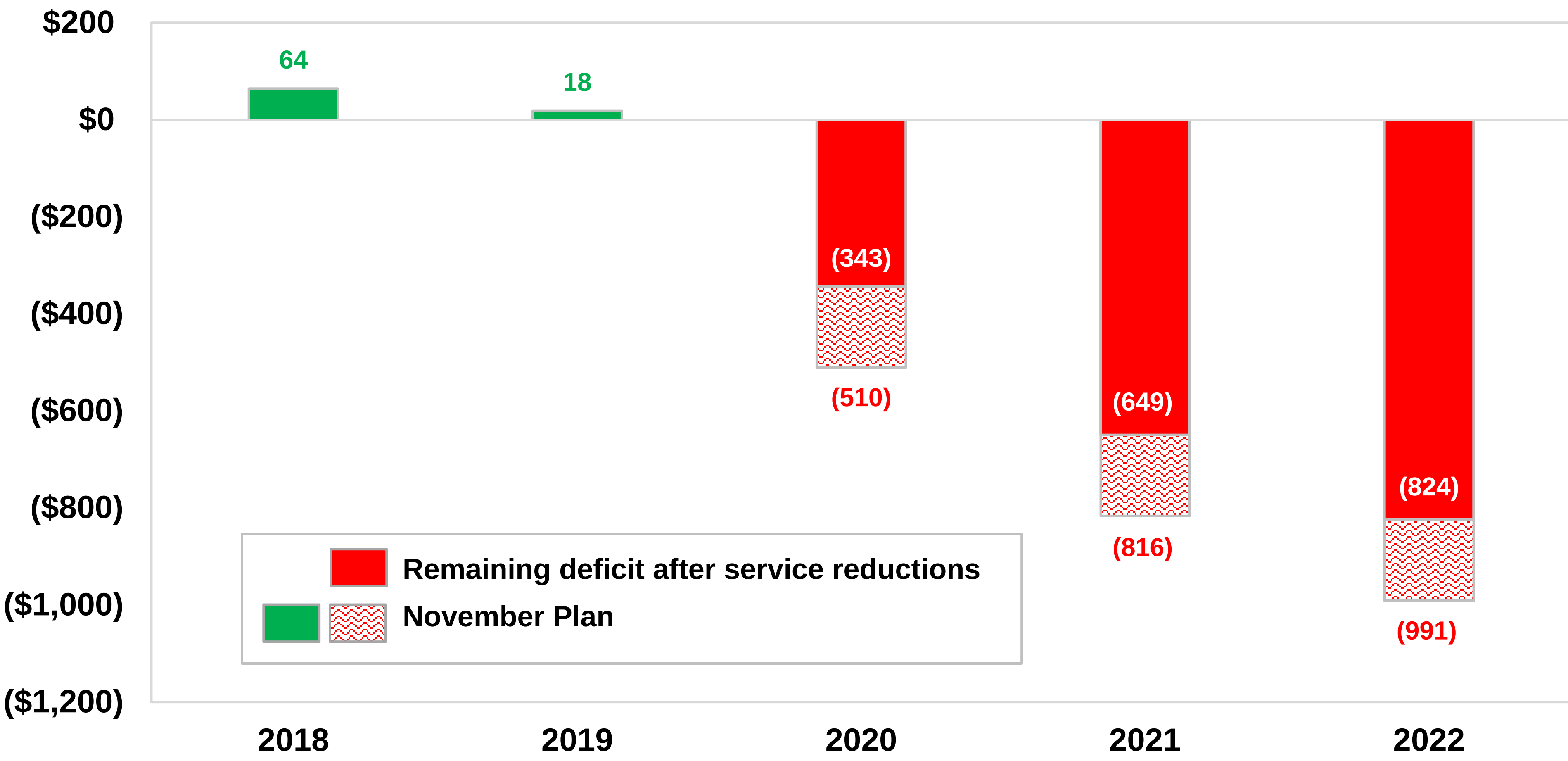
Addressing the deficits

Without additional recurring revenues, the MTA would need to consider significant service reductions, reductions in force and/or additional fare/toll increases.

- Potential service reductions:
  - Moderate service reductions ($36 million per year)
  - Significant service reductions (additional $51 million per year)
  - Severe service reductions (additional $80 million per year)
  - Service reductions would only partially offset the deficits, requiring additional fare/toll increases of 12%
- Without significant service reductions, additional fare/toll increases of 15%

Implementation of draconian service reductions would have a relatively small impact on the deficit

($ in millions)



Additional recurring revenues will be required to address the deficit

($ in millions)