



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.

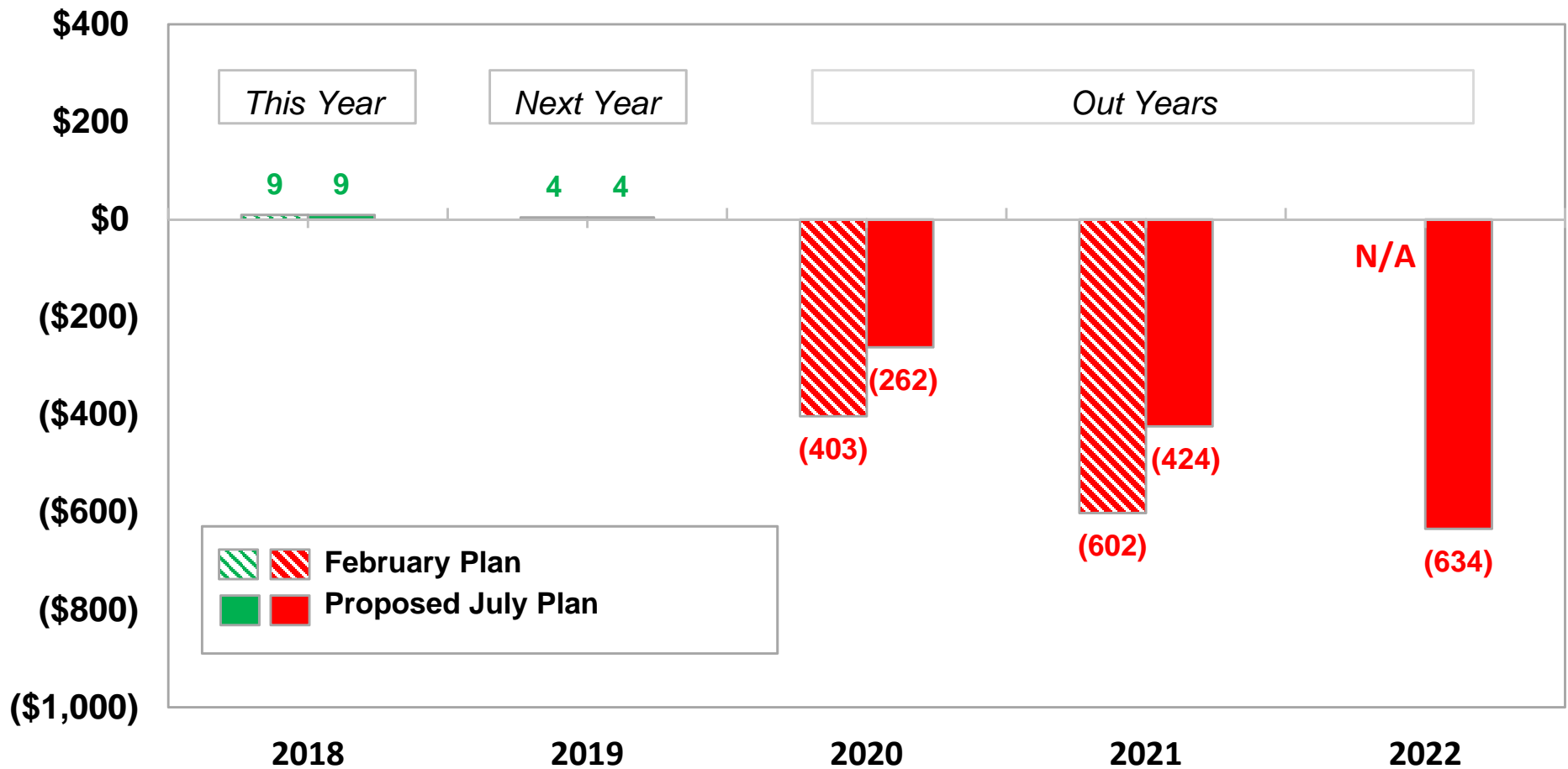
The July Plan continues to project significant out-year deficits, even with:

- 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)

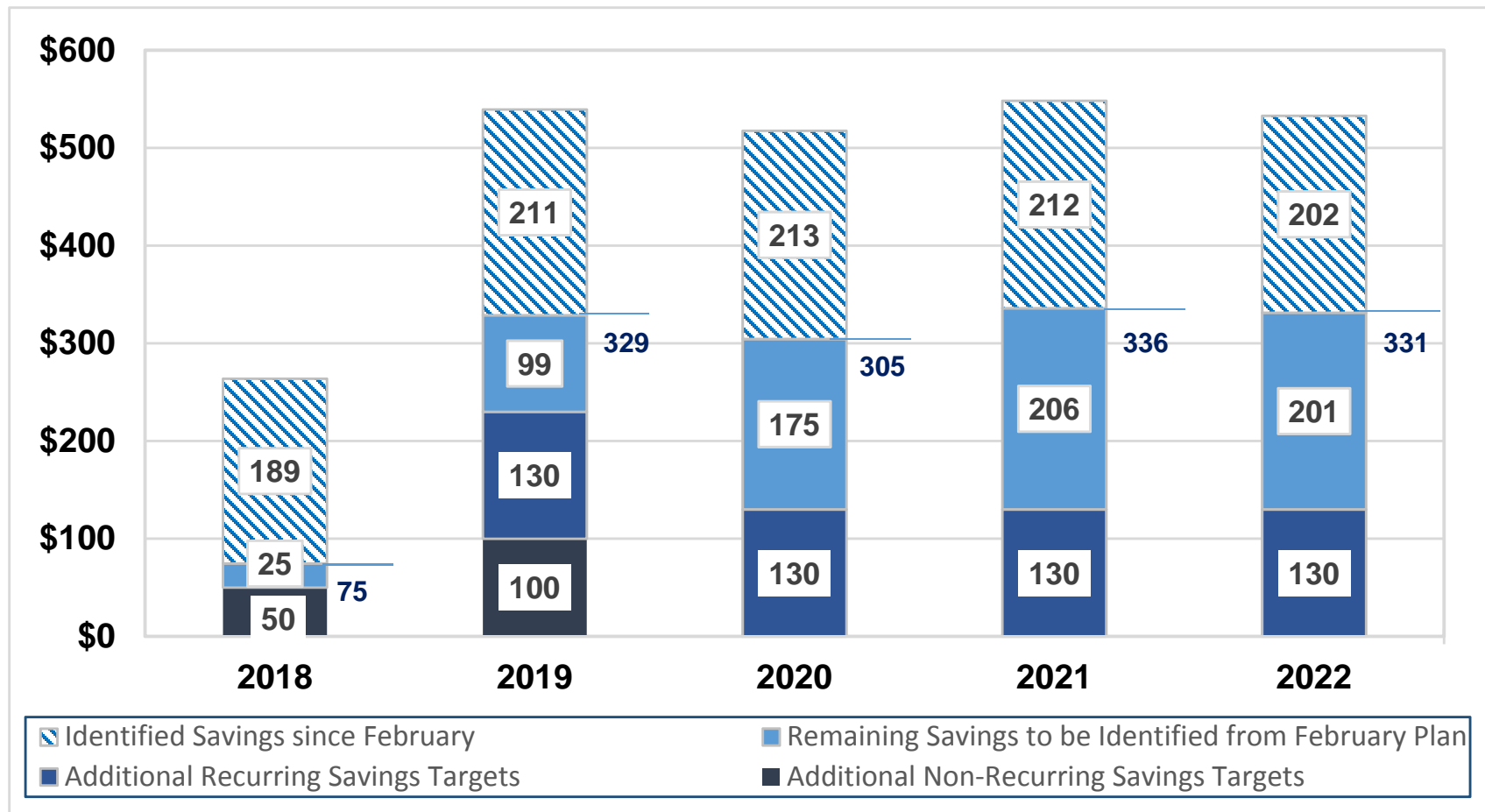
Implement, Maintain and Replace Critical IT Systems:

- 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

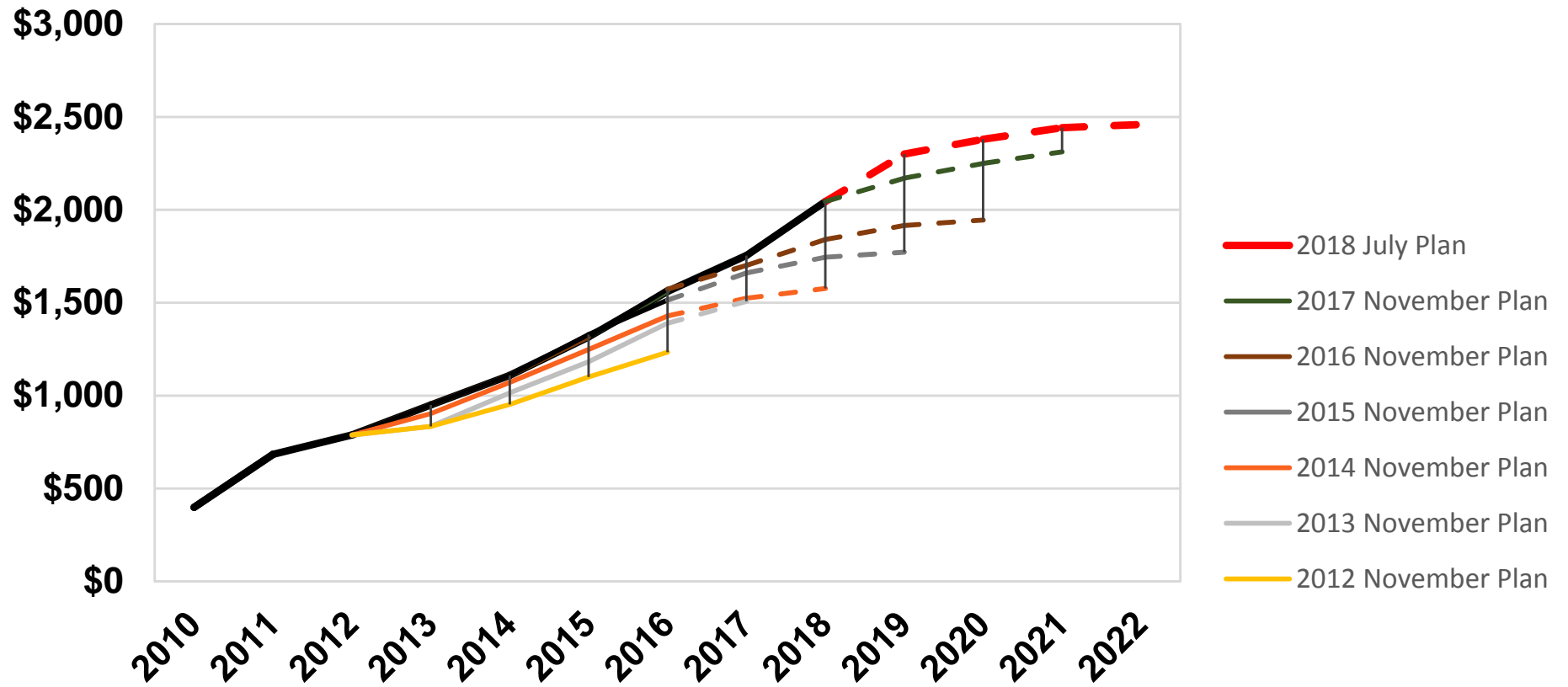
(\$ in millions)





We continue to raise and achieve annual recurring savings targets

(\$ in millions)

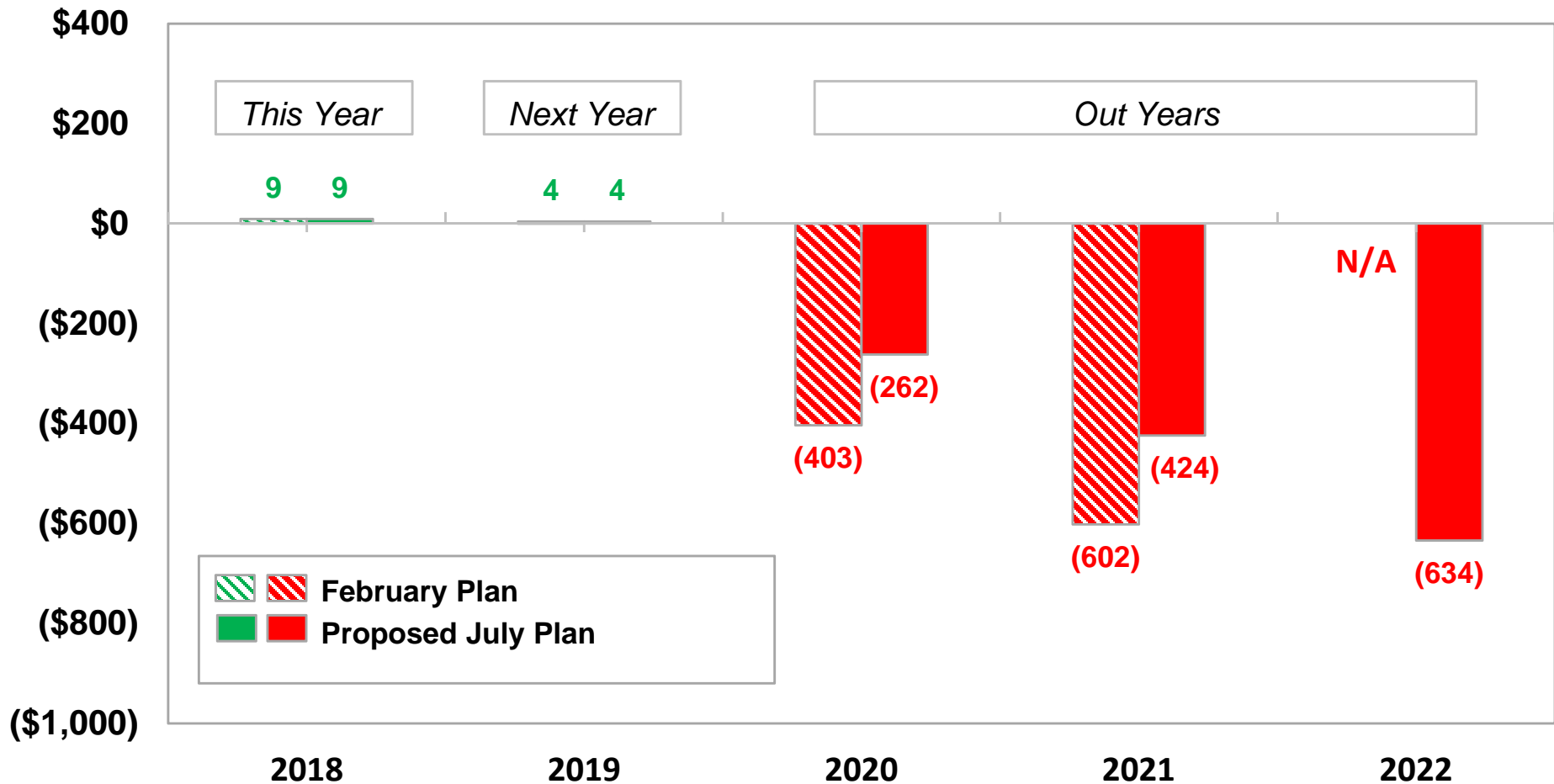


Identified/Implemented initiatives are represented with a solid line.
Projected savings targets are represented with a dashed line.



With large gaps remaining, new revenue sources are required

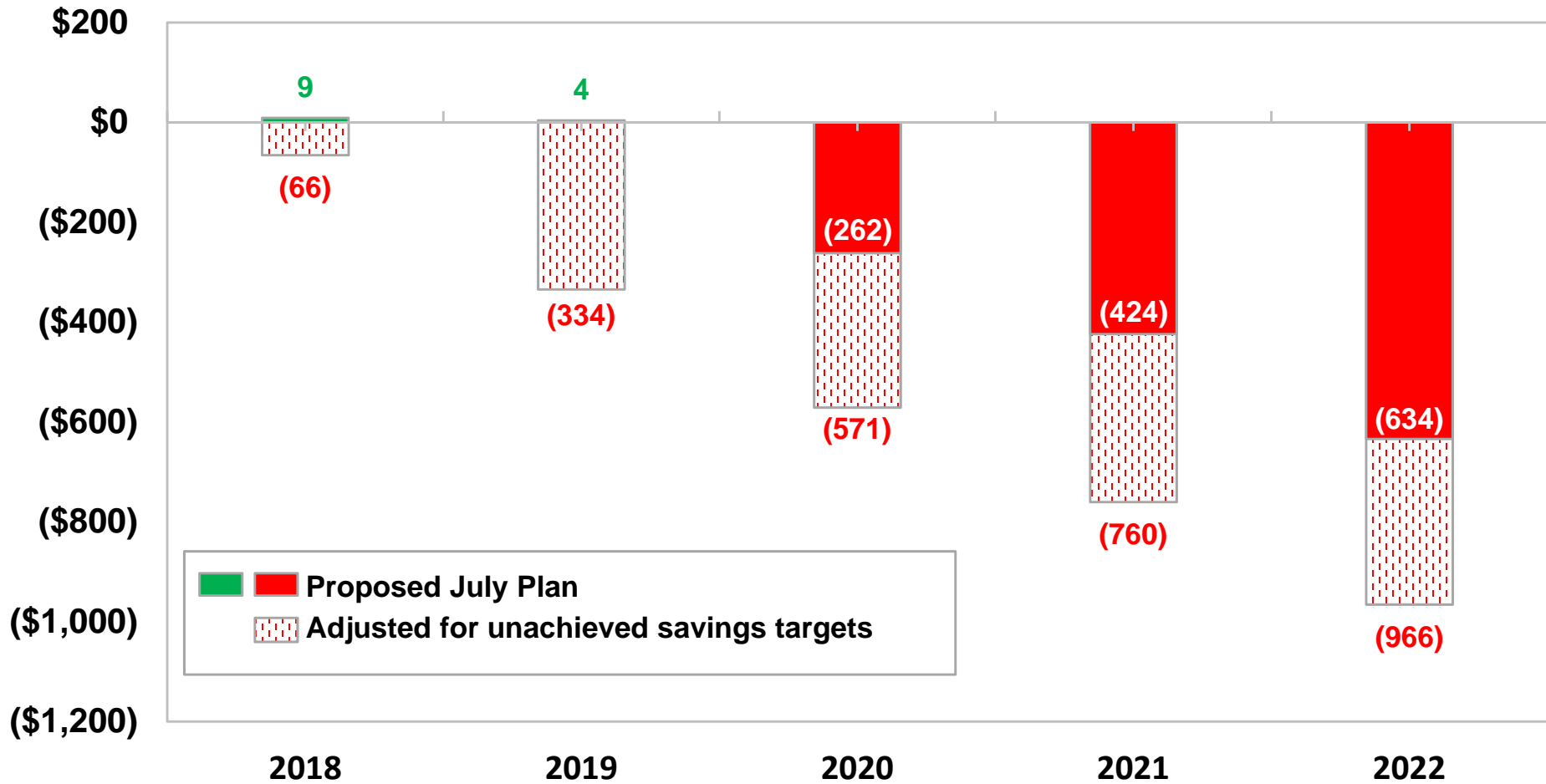
(\$ in millions)





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

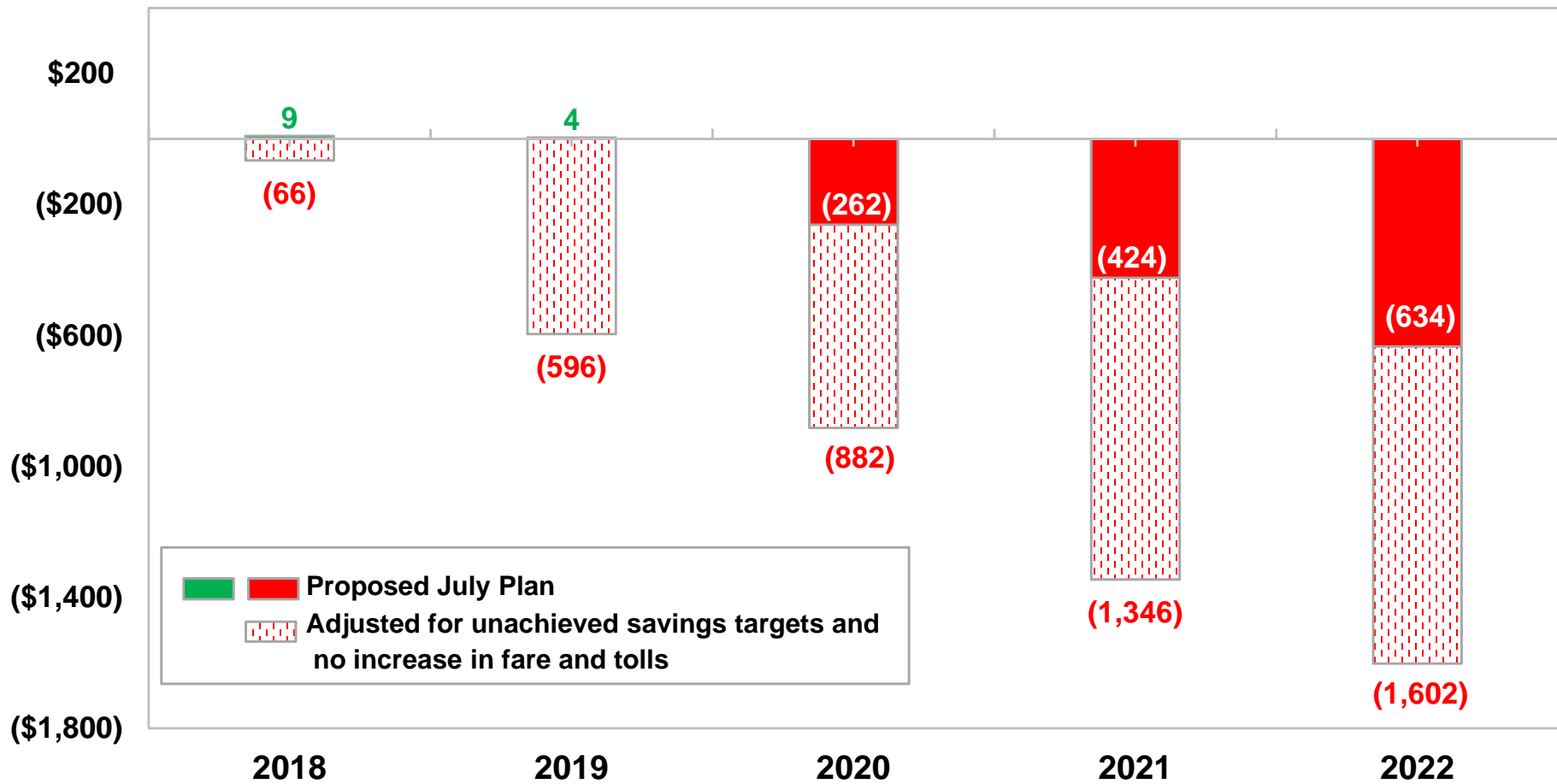
(\$ in millions)





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