



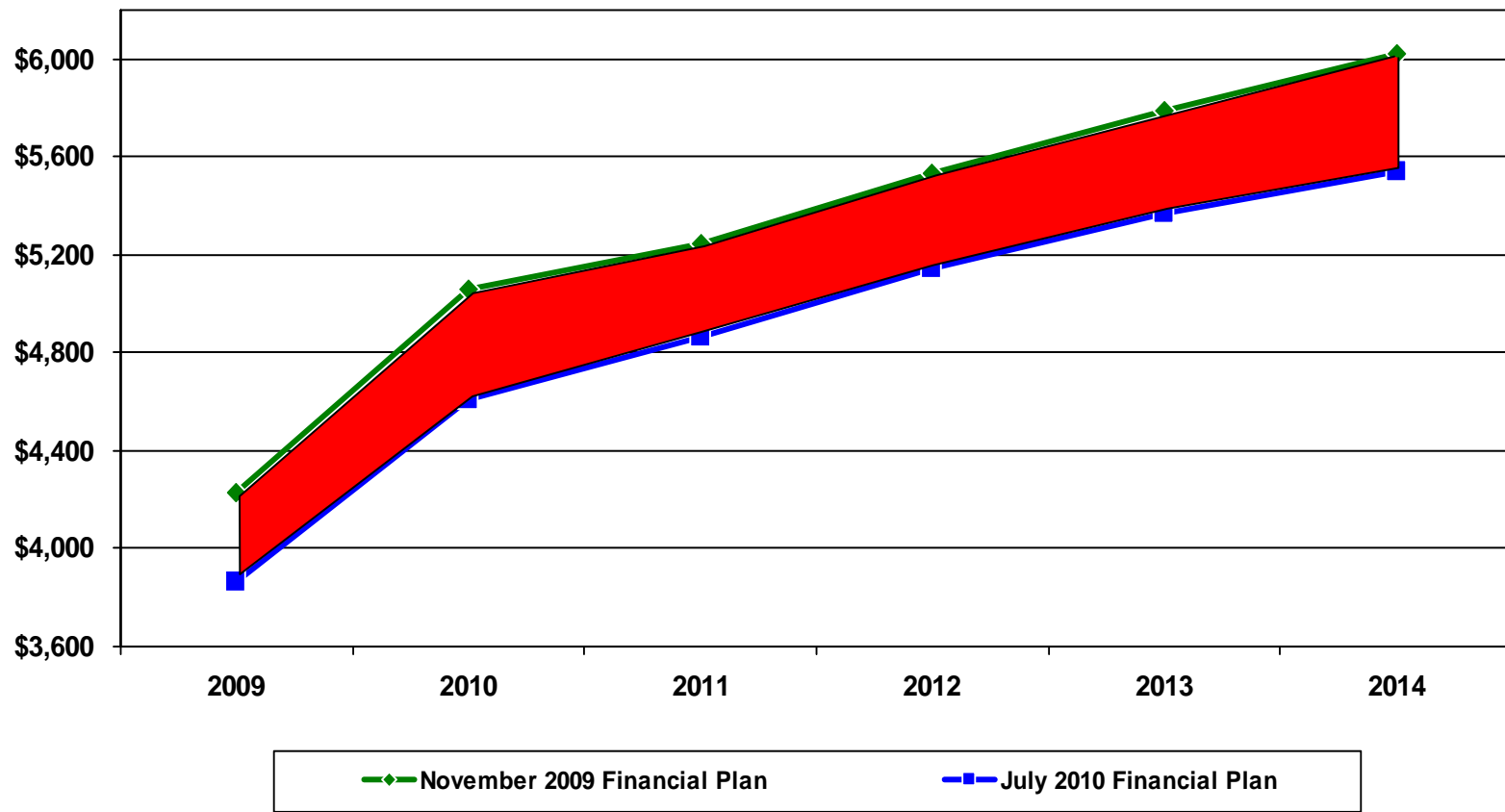
# **Metropolitan Transportation Authority**

## **July Financial Plan 2011-2014**

**July 28, 2010**

# 2010 began with an unexpected and massive shortfall in revenues

- Due to the State's economic crisis, MTA taxes and subsidies have fallen by more than \$900 million since last fall



**To put this into context, covering this \$2.5 billion shortfall over the Plan period would require a 25% fare increase**

# These economic times demand a different answer

- Our response was to begin to overhaul how we do business
  - Eliminated 977 administrative positions
  - Reduced overtime
  - Negotiated better pricing with our vendors
  - Eliminated or deferred projects
  - Increased efficiency of paratransit operations
  - Managed inventory more efficiently
  - Top to bottom reorganization of MTA Bridges & Tunnels
- Difficult cuts were made:
  - Analyzed all service, and cuts were made in areas that would have the least customer impact
  - Targeted cuts in maintenance, cleaning, customer service
  - Eliminated 2,493 operating positions



# Unprecedented Management actions will help close the 2010 deficit

(\$ in millions)

## Cost Reductions

Streamlined operations	\$202	}	2010	Annual Recurring Savings
<i>Reduced Overtime</i>	26			
<i>Eliminated or deferred projects</i>	48			
<i>Managed invent/maint/clean/matl mgt more eff</i>	66			
<i>Operations Support &amp; Other</i>	62			
HQ/Agency Administrative staff reductions	74			
Wage freeze for non-represented employees	14			
Paratransit efficiencies	30			
Bus and subway service cuts	32			
Station agent layoffs	11			
Other Service Reductions	18			

**\$381 → \$525**

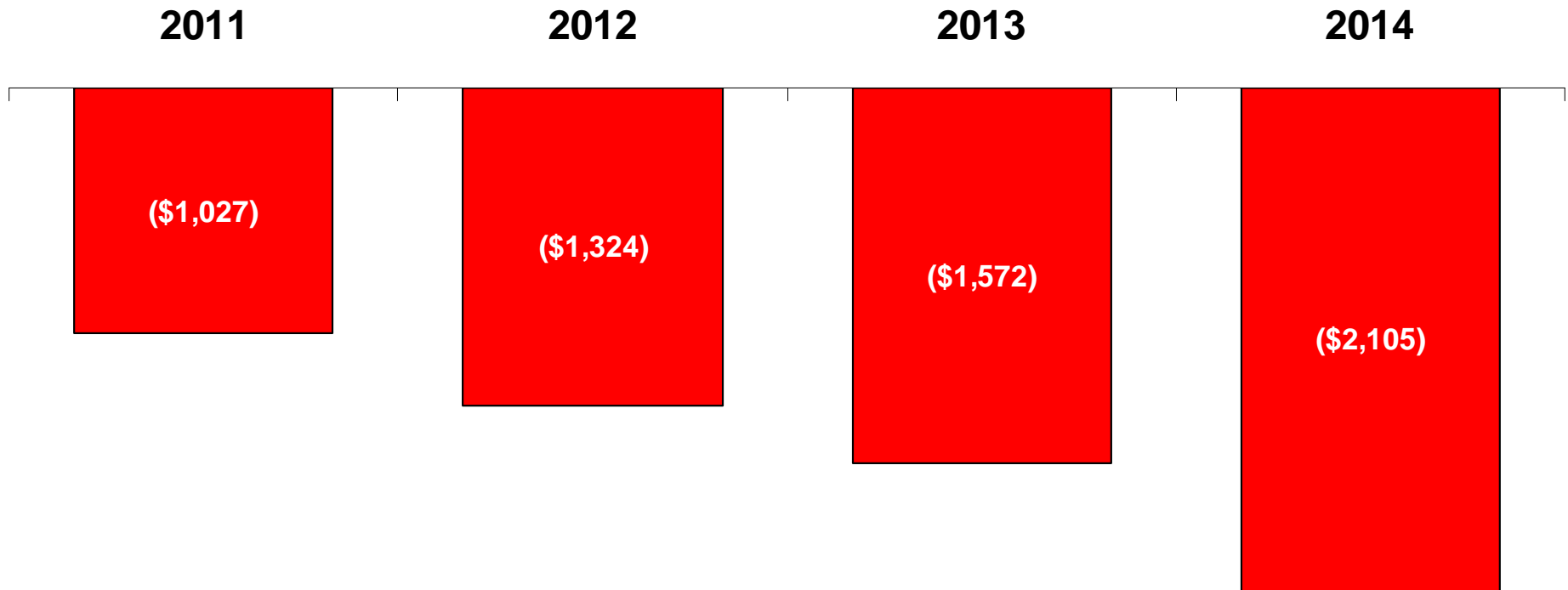
## Savings & Offsets

Increased Ridership	67
Lower expenses (e.g. energy, health & welfare)	114
Debt service savings	72
Use of reserves/prior year surplus	155
Eliminate GASB 45 Contribution	57

More than half a billion dollars in recurring savings will be achieved with continued focus and hard work

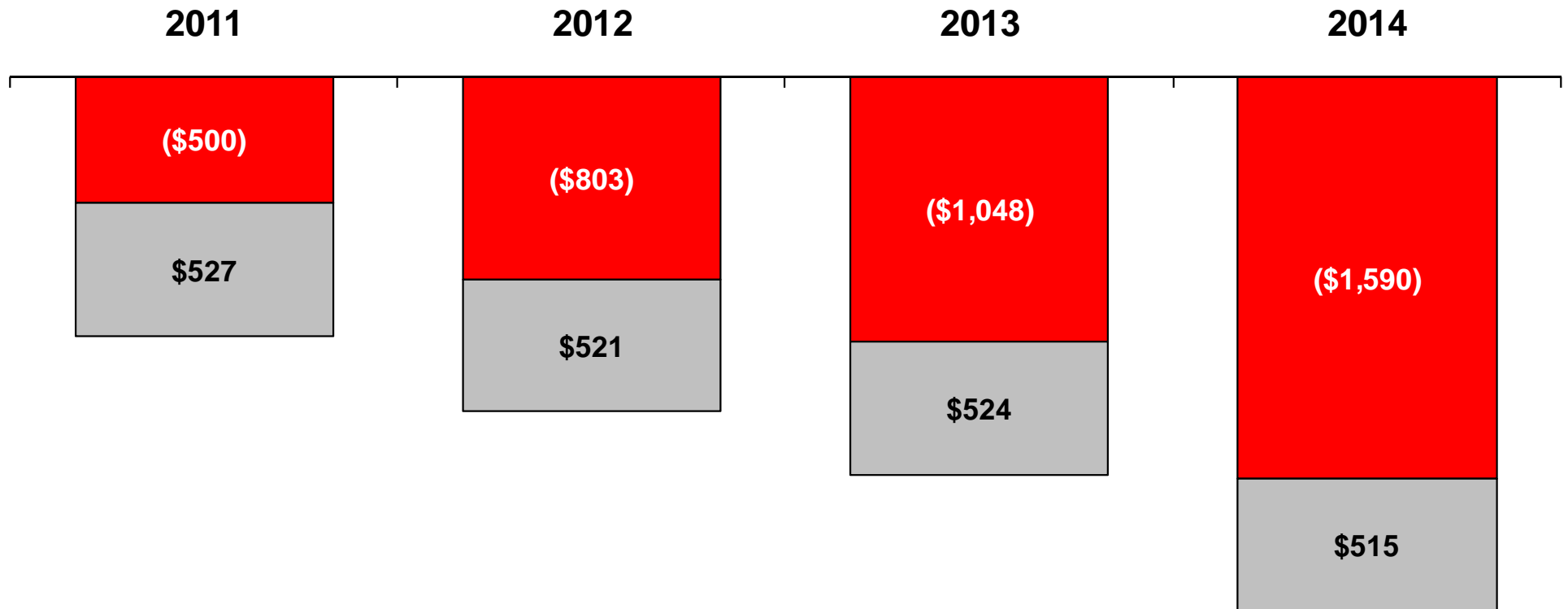
# July 2011 Financial Plan Deficits Before Actions

(\$ in millions)



# Recurring savings will help close the deficit

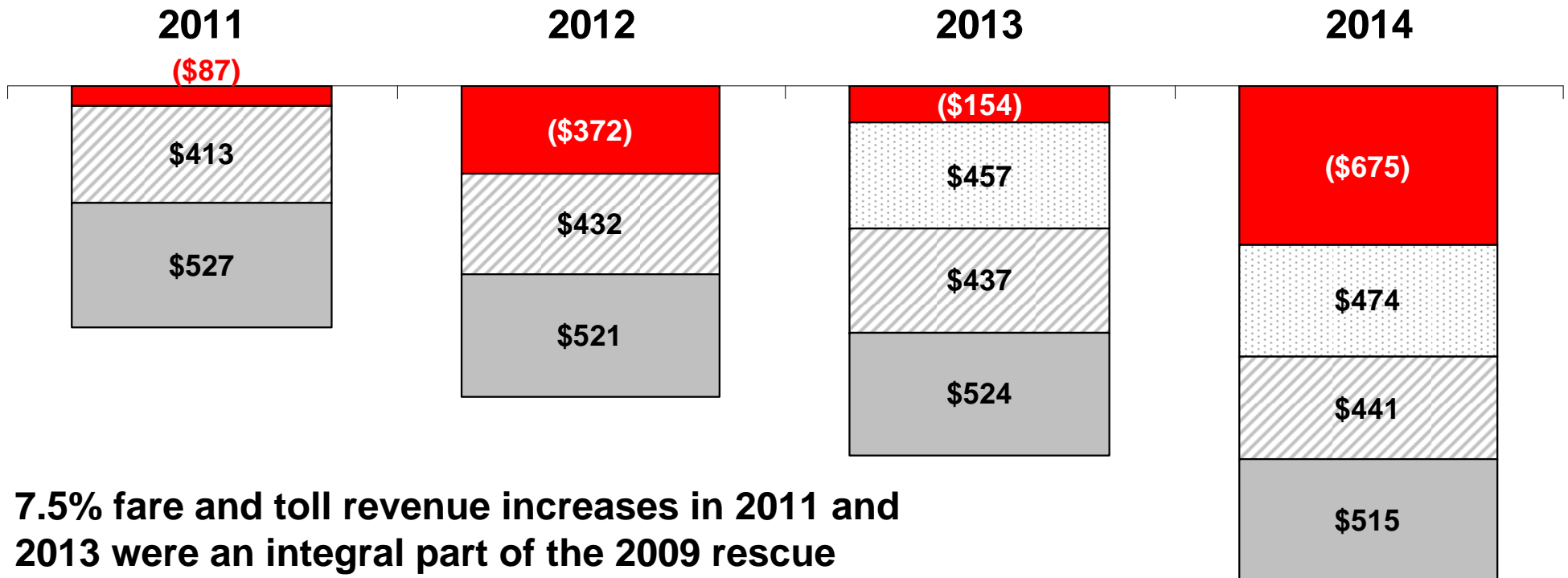
(\$ in millions)



- Remaining Gap
- Recurring 2010 Initiatives

# Even with planned fare/toll increases, deficits totaling \$1.3 billion remain

(\$ in millions)



7.5% fare and toll revenue increases in 2011 and 2013 were an integral part of the 2009 rescue plan

- Remaining Gap
- Fare & Toll Yield 2013
- Fare & Toll Yield 2011
- Recurring 2010 Initiatives

# Financial Plan Challenge

- Given the remaining deficits, can we hold the line at the planned 7.5% increase in fare/toll revenues?
- If the answer is yes,
  - Can we do it without further cutting service?
  - Can we do it without sacrificing service quality?
- We must, because holding the line on fares while compromising service would be a hollow victory.

# Why hold to 7.5% revenue increase?

- The Governor and Legislature agreed that fares and tolls were a key part of the Ravitch Commission financial package to finance the MTA
  - 7.5% increase in fare and toll revenue in 2011 and 2013
  - This deal also included other aspects critical to the MTA
    - New Payroll Mobility Tax, DMV fees and taxicab surcharge
    - Funding for first two years of 2010-14 Capital Program
  
- With most people's wages not increasing in this economy, it is important to limit the financial burden to our customers
  - To achieve 7.5% increase in revenue, actual ticket prices – MetroCards, commuter rail tickets and tolls – will need to go up by 8-10% due to typical fall-off in ridership after fare increases

# What does it take to hold to 7.5%?

- Holding the line at the planned level is only possible if:
  - We continue to overhaul the way the MTA does business
  - We work with labor to increase productivity and efficiency

# Continue to overhaul our business

- The actions taken to close this year's gap are a start, but we have to work hard to ensure that these changes stick and the savings recur each year.
- We will also continue looking for ways to do business differently, including new initiatives:
  - Consolidate communications functions
  - Rationalize IT
  - Smarter procurement
  - Review inventory/materials management practices to reduce inventory
  - Benchmark performance to identify opportunities to change and be more efficient
  - These initiatives will generate additional savings of \$75 million in 2011, growing to \$200 million in 2014
- Between the actions taken to date and the new initiatives, recurring annual savings grow from \$600 million in 2011 to \$725 million in 2014.

# Working with Labor to Achieve Savings

- Wage and benefit costs represent 2/3 of MTA operating expenses
  - Working with labor is critical to achieve savings
  - In the current environment, we cannot afford raises without offsetting savings to pay for them
- A net zero approach to wage increases could be achieved through collectively bargained:
  - Work rule changes
  - Increases in productivity
  - Contributions to benefit costs
- Net wage costs held flat for two years for all employees
  - Financial Plan assumes annual CPI-based wage increases thereafter
- Financial Plan savings grow from \$38 million in 2011 to \$203 million in 2014

# Bus Operations in Nassau County

- MTA operates Nassau County's bus system but the County owns all assets and is responsible for funding operations
- In 2010, Nassau County is underpaying its obligation by \$26 million
  - This cost has fallen on the MTA's shoulders
  - Since 2000, the MTA has absorbed \$140 million
- Given the economic climate, the MTA can no longer afford to subsidize Nassau County's funding responsibility
  - Financial Plan assumes Nassau County resumes full funding of LI Bus operations



**July Financial Plan 2011 - 2014**  
**MTA Consolidated Statement of Operations**  
**Non-Reimbursable**  
(\$ in millions)

<b>Non-Reimbursable</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>			
	<b>Actual</b>	<b>Mid-Year Forecast</b>	<b>Preliminary Budget</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenue</b>						
Fare & Toll Revenue	\$5,683	\$5,998	\$6,096	\$6,217	\$6,290	\$6,361
Other Revenue	461	504	524	553	584	619
<b>Total Operating Revenue</b>	<b>\$6,144</b>	<b>\$6,501</b>	<b>\$6,620</b>	<b>\$6,770</b>	<b>\$6,874</b>	<b>\$6,980</b>
<b>Operating Expenses</b>						
Labor	\$6,914	\$6,864	\$7,100	\$7,391	\$7,689	\$8,030
Non-Labor	2,598	2,719	2,786	2,963	3,174	3,410
General Reserve	0	50	100	100	100	100
Depreciation/OPEB/Environmental Remediation	3,083	3,457	3,609	3,766	3,910	4,053
<b>Total Operating Expenses</b>	<b>\$12,594</b>	<b>\$13,090</b>	<b>\$13,595</b>	<b>\$14,220</b>	<b>\$14,873</b>	<b>\$15,593</b>
<b>Net Operating Deficit Before Subsidies and Debt Service</b>	<b>(\$6,451)</b>	<b>(\$6,589)</b>	<b>(\$6,974)</b>	<b>(\$7,450)</b>	<b>(\$7,999)</b>	<b>(\$8,613)</b>
Dedicated Taxes and State/Local Subsidies	4,137	4,937	5,169	5,467	5,716	5,895
Debt Service	(1,404)	(1,841)	(2,052)	(2,204)	(2,376)	(2,555)
<b>Net Deficit After Subsidies and Debt Service</b>	<b>(\$3,718)</b>	<b>(\$3,493)</b>	<b>(\$3,857)</b>	<b>(\$4,187)</b>	<b>(\$4,659)</b>	<b>(\$5,273)</b>
Conversion to Cash Basis: Depreciation/OPEB/Env Remediation	\$3,083	\$3,457	\$3,609	\$3,766	\$3,910	\$4,053
Conversion to Cash Basis: GASB Account	(54)	(57)	(57)	(60)	(63)	(66)
Conversion to Cash Basis: All Other	556	(108)	(195)	(322)	(236)	(305)
<b>CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER</b>	<b>(\$133)</b>	<b>(\$200)</b>	<b>(\$500)</b>	<b>(\$803)</b>	<b>(\$1,048)</b>	<b>(\$1,590)</b>
Fare/Toll Yields on 1/1/11: 7.5%	0	0	413	432	437	441
Fare/Toll Yields on 1/1/13: 7.5%	0	0	0	0	457	474
<b>CASH BALANCE AFTER FARE INCREASE</b>	<b>(133)</b>	<b>(200)</b>	<b>(87)</b>	<b>(372)</b>	<b>(154)</b>	<b>(675)</b>
New MTA Efficiencies	0	0	75	125	175	200
Net-Zero Labor Initiative	0	11	38	129	194	203
Non-Represented Wage Freeze	0	14	14	15	15	15
Additional Overtime Reductions	0	0	19	19	19	19
Metrocard Green Fee and Cost Savings	0	0	0	20	20	20
Repayment of Loan to Capital Financing Fund	0	0	0	(100)	(100)	(100)
Eliminate MTA Funding of Long Island Bus Deficit	0	0	27	26	22	24
Eliminate 2010 GASB 45 Contribution	0	57	0	0	0	0
B&T Holdback	0	0	(31)	(20)	(35)	(2)
<b>PRIOR-YEAR CARRY-OVER</b>	<b>263</b>	<b>130</b>	<b>12</b>	<b>67</b>	<b>0</b>	<b>156</b>
<b>NET CASH BALANCE</b>	<b>\$130</b>	<b>\$12</b>	<b>\$67</b>	<b>(\$92)</b>	<b>\$156</b>	<b>(\$141)</b>



# 2010 Projected Headcount

	<u>Positions</u>
November Plan Baseline Positions	69,762
Streamlined Operations	885
Reduced Overtime	
Eliminated or Deferred Projects	
Managed Invent/Maint/Clean/Matl Mgt More Efficient	
Operations Support & Other	
HQ/Agency Administrative Staff Reductions	977
Bus and Subway Service Cuts	699
Station Agent Layoffs	450
Other Service Reductions	109
Reductions Identified in 2009	350
Total Reductions:	<u>3,470</u>
July Financial Plan Positions	66,292

# Risks to the Financial Plan

- State Financial Crisis
  - Plan is built on the assumption that all resources collected on behalf of the MTA are paid to the MTA
- Economic Uncertainty
  - Economy remains tenuous and the MTA has limited financial reserves
- Labor Settlements
- Long-Term Vulnerabilities
  - Working capital
  - \$500 million capital loan
  - Retiree healthcare costs (OPEBs)

# Conclusion: Is the Challenge Achievable?

- Holding to 7.5% increase in fare/toll revenue is hard...
  - Requires continued focus on management cost-cutting
  - Wage and benefit costs must be stabilized
  - Many risks to the plan
- ...And a hollow victory if we can't maintain service quality
- Although the July Plan is preliminary, sticking to 7.5% is important and is achievable if the assumptions hold and the risks are avoided – particularly the loss of additional tax receipts



# Fare Policy Proposal

# Fare Policy Objectives

- Achieve necessary increase in revenues from fares/tolls
- Maintain ridership and mobility through fare policy
- Improve equity in the fare structure
  - Reduce largest discounts
  - Minimize increase on ticket types relied on by lower income riders
- Make it more efficient to sell and collect fares
  - For every \$1 we collect in fares, it costs \$.15 to sell and collect it
  - Fare policy can help lower costs and increase revenue collected
  - Simplify options and retire ineffective discounts



# Transit Fare Policy Proposal

- Only 14% of trips are made using the base fare, which is held at \$2.25
  - Base fare more likely to be used by low income riders.
- Achieve increase in fare revenue from Bonus Pay-Per-Ride trips by changing bonus amount to 7%.
  - Bonus Pay-Ride is used for 36% of bus and subway trips
  - Preserves discount when you buy multiple trips.

<b>Fare Cards</b>	<b>Current Fare</b>	<b>Proposed Fare</b>
<b>Base Fare</b>	<b>\$2.25</b>	<b>\$2.25</b>
<b>Bonus PPR Fare</b>	15% bonus w \$8 purchase <b>\$1.96</b>	7% bonus w \$10 purchase <b>\$2.10</b>
<b>Express Bus</b>	<b>\$5.50</b>	<b>\$5.50</b>
<b>Bonus Express Bus</b>	<b>\$4.78</b>	<b>\$5.14</b>



# Transit Fare Policy Proposal

- Time based passes offer the greatest discount, with discount varying depending on the number of trips taken.
  - Average number of trips per pass is 59 trips on a 30-day pass and 16 trips on a 7-day pass.
  - 32% of trips are taken with a 30-day pass and 15% are taken with a 7-day pass.
- Proposal presents two possible options for consideration. Only one of these options will be adopted by the Board and made available to customers.
  - Seek public input on choice between a capped option or unlimited options

Fare Cards	Current Fare	Proposal Options		
<b>30-day Pass</b> Fare at 55 trips Fare at 90 trips Fare at 110 trips	<b>Unlimited</b> <u><b>\$89.00</b></u> \$1.62 \$ .99 \$ .81	<b>Capped at 90 trips</b> <u><b>\$99.00</b></u> \$1.80 \$1.10 N/A	or	<b>Unlimited</b> <u><b>\$104.00</b></u> \$1.89 \$1.16 \$ .95
<b>7-day Pass</b> Fare at 15 trips Fare at 22 trips Fare at 30 trips	<b>Unlimited</b> <u><b>\$27.00</b></u> \$1.80 \$1.23 \$ .90	<b>Capped at 22 trips</b> <u><b>\$28.00</b></u> \$1.87 \$1.27 N/A	or	<b>Unlimited</b> <u><b>\$29.00</b></u> \$1.93 \$1.32 \$.97

# Implications of Transit Fare Proposal

- Proposed changes to the fare structure support mobility, minimize ridership loss and promote equity
  - Changes to time-based passes still provide significant discounts to heaviest users to minimize ridership loss.
  - Higher increase on 30-day makes it possible to hold the base fare and limit increase on 7-day pass
    - Both are relied on by lower-income riders who are more sensitive to fare, which also reduces ridership loss
    - The median household income for the base fare is \$36,000, the 7-day is \$38,000 and the 30 day is \$63,000

# Improve Efficiency of Fare Collection

- MTA prints 170 million MetroCards each year, many of which wind up as litter in the system, at an annual cost of nearly \$13 million
  - Nearly 850 million cards have been produced in the past five years
- **Challenge:** Use fare policy to encourage riders to refill MetroCards, providing a savings to the operating budget and reducing waste
- **Solution:** Institute \$1 charge for new MetroCards bought in the subway system, where it is just as easy to refill a card as get a new one.
  - This is a charge no one has to pay
    - Everyone has a MetroCard in hand, which can be refilled in the system at no cost
    - If the card has expired, the machine will offer to load any remaining value on a new card at no cost
    - Passes can be reloaded without cost
    - And the charge will not apply to:
      - Out of system vendor sales
      - Elderly/disabled
      - Transit benefit organization customers
      - Commuter railroad combination monthly joint ticket pass users
      - Stolen cards
      - Cash on buses
  - Similar fee of \$.25 is proposed for the Single Ride Ticket in the subway to discourage shifting to this non-reusable, token-like instrument

# Simplify Fare Collection Options

- Eliminate Underused Passes
  - 1-day pass used for only 0.8% of trips
    - Elimination cuts down on illegal scammers
  - 14-day pass used for only 2.1% of trips
    - Changes in 7-day and 30-day passes close gap in per-ride cost and eliminate need for 14-day pass

# Railroad Fare Policy Proposal

- Average ticket increases range from 7.6% to 9.4% (depending on ticket type and zone)
- Several changes proposed to improve the cost-effectiveness of fare collection to help limit these increases.
  - **Challenge:** Mail & Ride and WebTicket transactions cost 7 times more than transactions at Ticket Vending Machines (TVMs).
  - **Solution:** Maintain the convenience of Mail & Ride and WebTicket while encouraging use of less expensive TVMs.
    - Eliminate discounts for WebTicket and Mail & Ride
    - Reduce discount on the Mail&Ride Joint monthly railroad/MetroCard
  - **Challenge:** The railroads increase their risk of uncollected fares by allowing tickets to be used for many months after purchase and by handling a number of on-board transactions. The cost of refunds is not included in the current ticket prices.
  - **Solution:** Shorten ticket validity periods to reduce the risk of uncollected fares
    - One-way ticket reduced to 7 days (from 6 months)
    - 10-trip validity reduced to 90 days (from 1 year)
  - **Solution:** Round the cost of the on-board transactions up to the nearest dollar to encourage customers to purchase tickets for the correct zone or time period before getting on the train and to speed up on-board transactions.
  - **Solution:** Institute a fee to cover the cost of processing refunds

# Bridges & Tunnels Proposal

- Proposed Tolls
  - Cash increases for cars
    - \$.50 at majors and Henry Hudson
    - \$.25 at minors
  - E-ZPass for cars increases by 10% to achieve necessary revenue increase.
  - Resident discount programs increase proportionally.

# Proposed Process and Timing

- Board Authorization of Fare Hearings – July 28th
- Fare Hearings – Mid-September
- Board Action – Early October
- Implementation – January 1, 2011