



**MTA 2020
Final Proposed Budget
November Financial Plan
2020 - 2023**

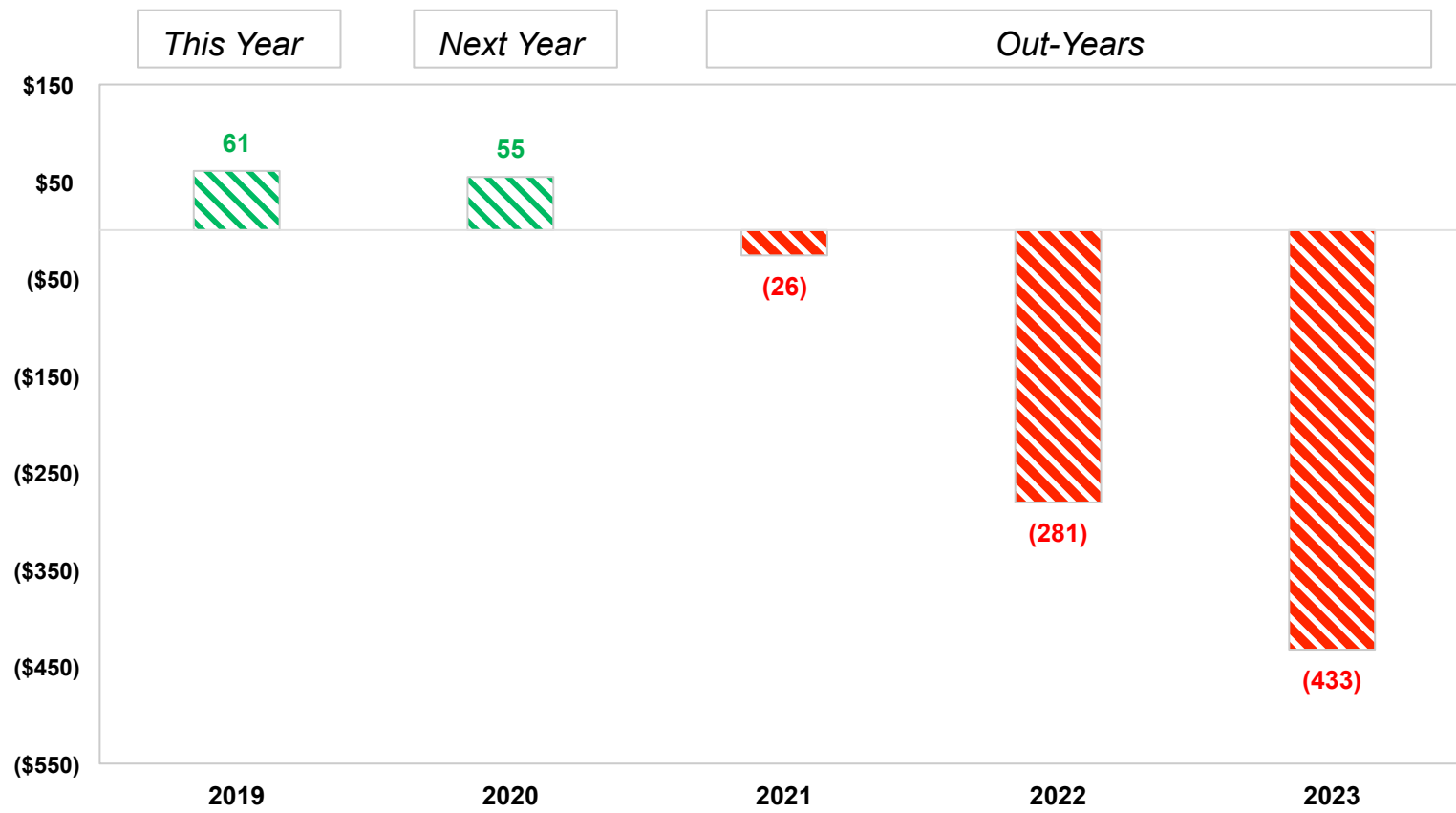
Presentation to the MTA Board

November 14, 2019



The July Financial Plan included fare/toll increases, substantial cost reduction targets and Transformation savings

(\$ in millions)





What has changed since the July Plan?

(2019-2023 Plan period cumulative impact)

- *Changes and re-estimates improving financial results:*
 - Higher farebox revenues due to increased ridership (\$253 million)
 - Higher real estate transaction taxes (\$203 million)
 - Additional administrative vacancy control savings (2019 only) (\$28 million)
- *Changes and re-estimates worsening financial results:*
 - Higher NYCT and MTA Bus wage adjustments (\$207 million)
 - Changes in rates for energy, health & welfare, and pensions (\$145 million)
 - Lower Payroll Mobility Tax receipt forecasts (\$144 million)
 - Higher NYCT public liability and workers compensation (\$108 million)
 - Higher paratransit service expenses (\$41 million)
 - Lower toll revenue (\$24 million)

In total, these re-estimates, as well as other changes, are unfavorable by \$467 million.



Proposed Actions continued from the July Plan (2019-2023 Plan period)

- No budget-driven service cuts.
- Implement Transformation Plan to streamline MTA internal processes.
- Maintain improvements from the Subway Action Plan, which are funded from Phase 1 of Congestion Pricing/For-Hire-Vehicle fees (\$300M annual ongoing cost).
- Maintain assumption for biennial fare and toll increases of 4% in 2021 and 2023 (versus projected two-year CPI inflators of 4.8% and 4.9% in 2021 and 2023, respectively).



New Actions/Adjustments reflected in the November Plan (2019-2023 Plan period cumulative impact)

- Assume renegotiation with NYC for “an equitable sharing” of Paratransit costs **(\$361 million)**
- Additional savings from eliminating vacant Administrative positions **(\$329 million)**
- Cost avoidance achieved from fiscal constraints on “controllable” overtime **(\$176 million)**
- Reduction in 2020 Committed to Capital Contribution (PAYGO) **(\$30 million)**
- MTA funding and State reimbursement of debt service, subject to appropriation, on \$7.3 billion in 2015-2019 Commitments (no net financial impact)
- Re-estimate BRPs **(\$317 million)**
- Additional TBTA debt service 2020-2024 Capital Program **(\$184 million)**
- Replace, upgrade or extend useful life of critical components on MNR and MTA Bus fleet, and additional right-of-way and station maintenance at the LIRR **(\$100 million)**



Additional Actions/Adjustments reflected in the November Plan (2019-2023 Plan period)

- Assume a conservative reduction in the loss of farebox revenue from Fare Evasion mitigation efforts (\$200 million)
- Reimbursement from Manhattan DA for fare evasion costs (\$40 million)
- Augment MTA Police Department (MTA PD) by 500 New Police Officers in support of safety and security of our customers and employees (\$249 million)
- Technology enhancements by fortifying operational technology networks and increasing risk management activities and controls (\$199 million)



Assume Renegotiation of the Paratransit Contract with the City to provide for equitable sharing of the net deficit

- Since signing the agreement with the City in 1993, NYCT has assumed what had previously been the City's responsibility for providing paratransit service.
- Registrants, ridership and net operating deficits (operating expenses net of farebox revenue and tax subsidy) have significantly increased since 1993.
- Net operating deficit has risen from \$10.9 million in 1994 to \$548.5 million in 2019.
- The agreement provides that the City will pay 33% of the "net operating expense" (aka net operating deficit) limited to no more than a 20% increase from the amount the City paid in the prior year.
- Based on the net operating deficit projected for 2019 (\$548.5 million), the City will pay only \$176.4 million, leaving NYCT to pay the remaining balance of \$371.9 million, which is 2x as much as the City's share.
- Propose the City and NYCT renegotiate the terms of the Paratransit Service agreement to provide a more equitable sharing of costs.
- A 50/50 split would reduce NYCT's cost by more than \$100 million a year.
- In many jurisdictions across New York, the locality covers the full amount of paratransit costs, including Nassau, Suffolk and Westchester Counties.



Implementing the Transformation Plan

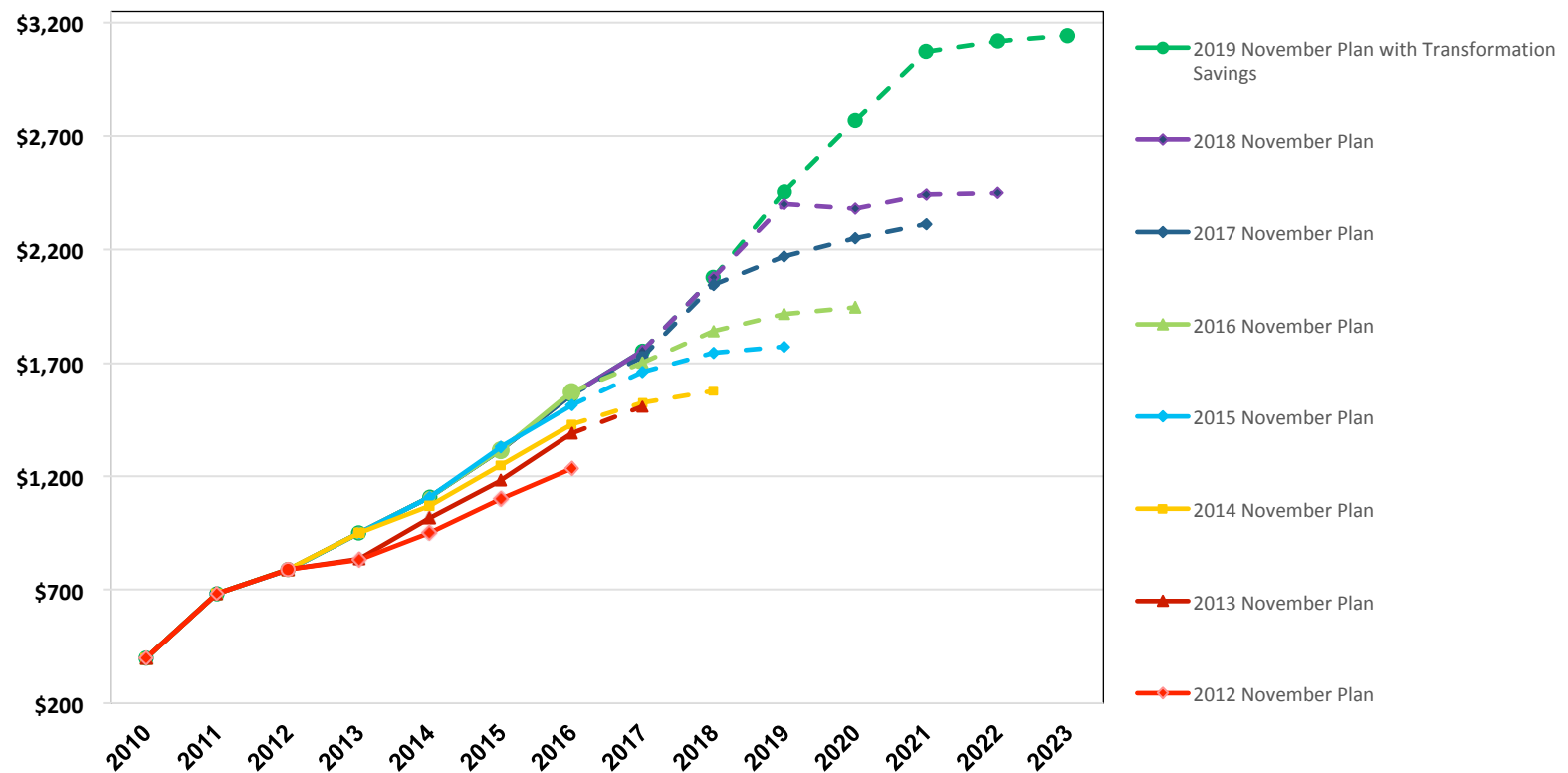
The MTA is fundamentally changing the way we do business to deliver to New Yorkers the modern, efficient system they deserve. We're committed to continuing the forward progress and raising the bar on performance. This historic transformation includes the centralization of all operating support functions and focuses the MTA on core service delivery.

- The Chief Transformation Officer (CTO), Anthony McCord, will lead the transformation of the MTA. The CTO will report directly to the MTA Board.
- Through the Transformation Request for Proposals (RFP), outside experts will assist with the top-to-bottom restructuring of the MTA, re-engineering all major business processes, and implementing the “transformation roadmap.”
- The Transformation Management Office (TMO) will support the CTO with managing the outside experts and the Transformation effort, to ensure the changes are delivered effectively and successfully.
- As previously disclosed, the AlixPartners report recommends the reduction of up to 2,700 primarily administrative positions, with a focus on attrition, among other options.
- Transformation net savings over the Plan period are estimated at \$1.6 billion.



We have a track record of identifying and achieving annually recurring savings targets and continue to work towards additional savings

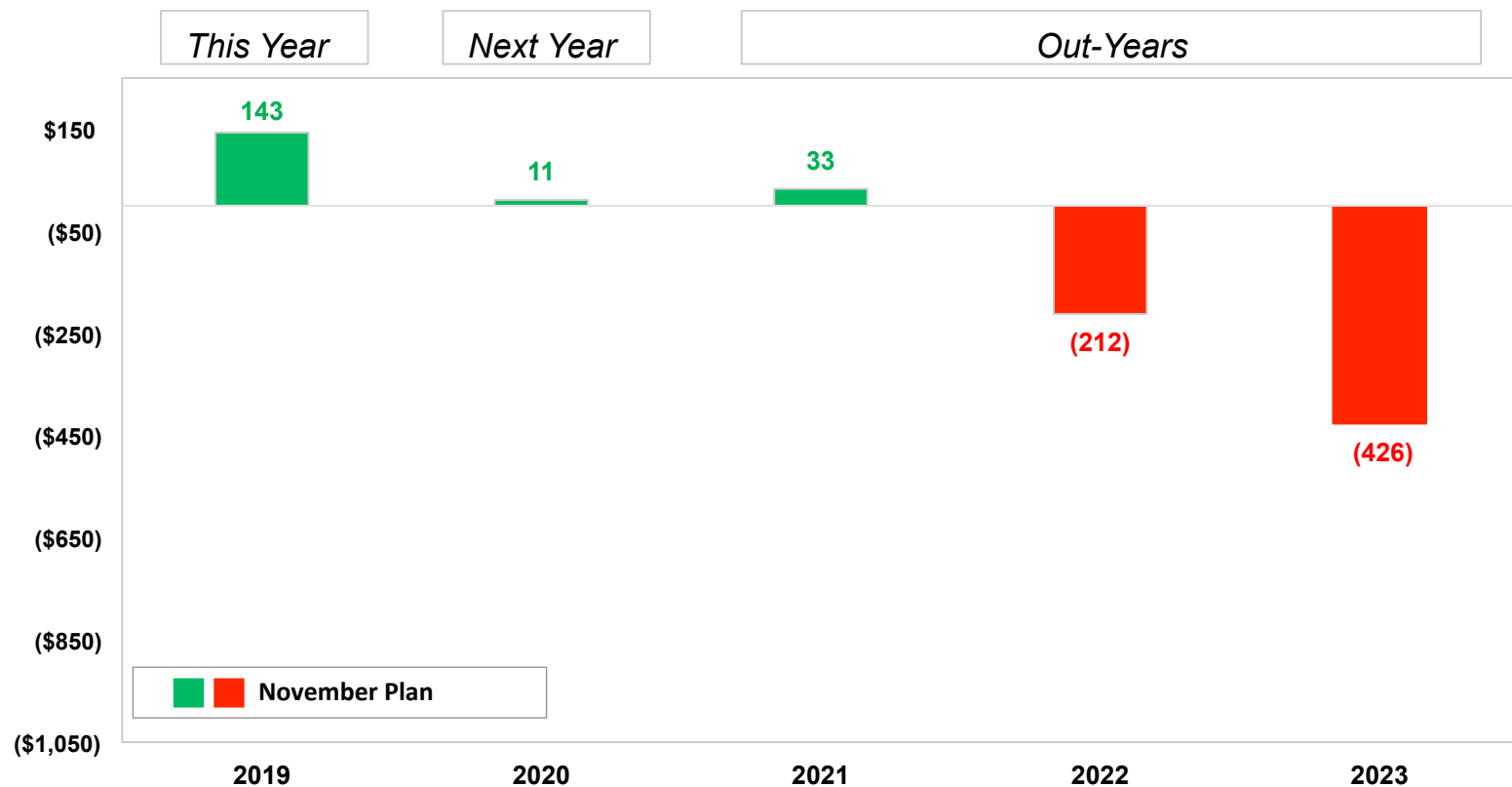
(\$ in millions)





Significant deficits still remain in the November Financial Plan after fare/toll increases, substantial cost reductions and Transformation savings

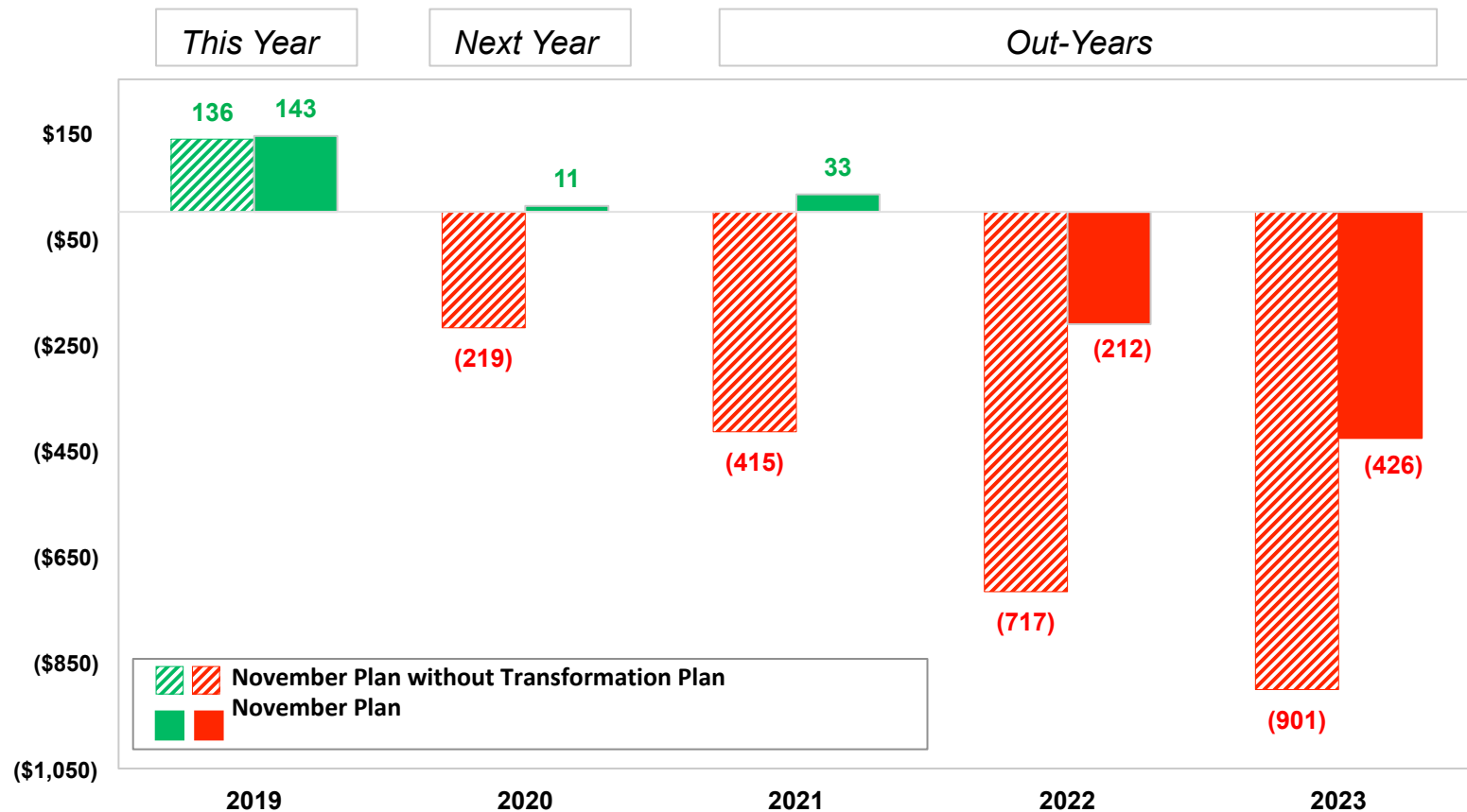
(\$ in millions)





Deficits in the November Financial Plan become unmanageable without the Transformation Plan

(\$ in millions)





Significant Risks to the November Financial Plan

- Achieving revised Alix/Transformation savings targets assumed in the Plan
- Achieving BRP Savings
- Renegotiating the paratransit contract with the City to achieve equitable cost sharing
- Reducing fare evasion revenue loss
- Maintaining fiscal control over “controllable” overtime
- Negotiating affordable labor contracts
- Revenue, pension investment, debt service, operating and capital expense implications of local, regional, national, and/or international economic dislocations/downturns

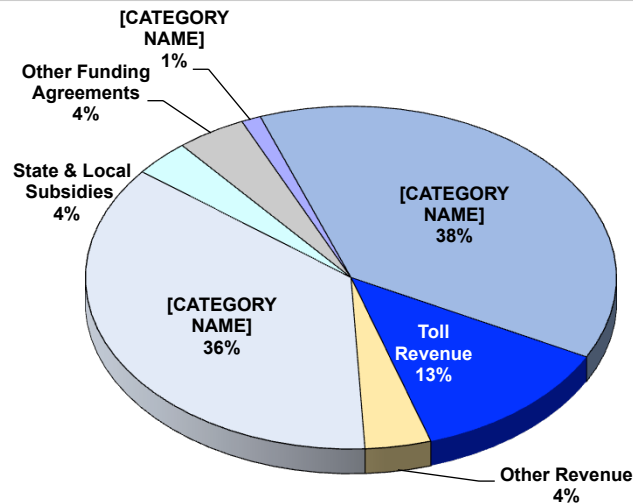


APPENDIX



2020 Final Proposed Budget

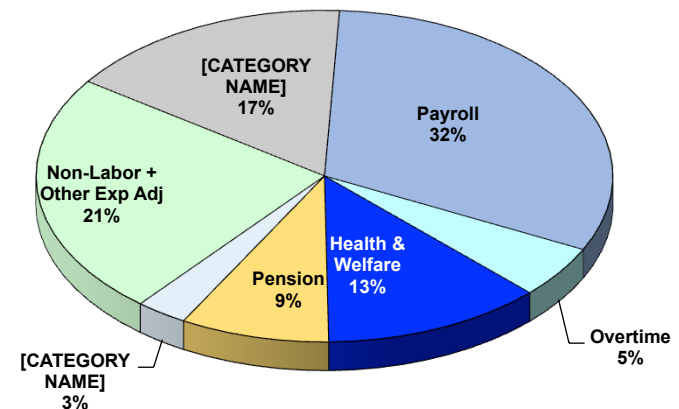
Where the Dollars Come From...



By Revenue Source (includes fare/toll increases) (\$ in millions)	
Farebox Revenue	\$6,486
Toll Revenue	2,118
Other Revenue	682
Taxes	6,182
State and Local & Other	613
Other Funding Agreements	718
Other 1	203
Total	\$17,002

¹ Includes cash adjustments and prior-year carryover.

Where the Dollars Go...



By Expense Category (includes below-the-line adjustments) (\$ in millions)	
Payroll	\$5,525
Overtime	896
Health & Welfare	2,171
Pension	1,467
Other Labor	509
Total Labor	\$10,568
Non-Labor + Other Exp Adj.	4,156
Debt Service	2,843
BTL Adjustments for Expenses ²	(577)
Total	\$16,991

² The below-the-line adjustments are grouped in the Non-Labor category.



METROPOLITAN TRANSPORTATION AUTHORITY

November Financial Plan 2020-2023

MTA Consolidated Statement Of Operations By Category (\$ in millions)

(\$ in millions)

Non-Reimbursable			Final			
	Actual	November	Proposed			
	2018	Forecast	Budget	2021	2022	2023
<u>Operating Revenues</u>						
Farebox Revenue	\$6,155	\$6,346	\$6,436	\$6,427	\$6,439	\$6,448
Toll Revenue	1,976	2,078	2,118	2,126	2,125	2,127
Other Revenue	643	689	682	708	724	739
Total Operating Revenue	\$8,774	\$9,113	\$9,237	\$9,261	\$9,288	\$9,314
Total Subsidies	\$7,177	\$7,286	\$7,454	\$7,637	\$7,887	\$8,067
Total Revenues + Subsidies	\$15,951	\$16,399	\$16,691	\$16,898	\$17,175	\$17,381
<u>Operating Expenses</u>						
Labor Expenses	\$9,799	\$10,211	\$10,568	\$10,893	\$11,198	\$11,471
Non-Labor Expenses	3,611	3,805	3,901	3,909	3,945	4,045
Other	129	158	86	41	28	29
General Reserve	0	165	170	175	180	185
Total Operating Expenses	\$13,539	\$14,339	\$14,725	\$15,019	\$15,352	\$15,730
Debt Service Expenses	\$2,541	\$2,664	\$2,837	\$3,140	\$3,457	\$3,848
Total Expenses + Debt Service	\$16,079	\$17,003	\$17,561	\$18,158	\$18,808	\$19,578
Conversion to Cash Basis	379	302	60	136	122	170
Baseline Net Cash Balance Before B-T-L Adjustments	\$251	(\$301)	(\$811)	(\$1,125)	(\$1,511)	(\$2,027)
Total Below-the-Line Adjustments	\$0	\$73	\$679	\$1,146	\$1,266	\$1,601
Prior Year Carryover	121	372	143	11	33	-
NET CASH BALANCE	\$372	\$143	\$11	\$33	(\$212)	(\$426)