



**2018 Adopted Budget
February Financial Plan
2018 - 2021**

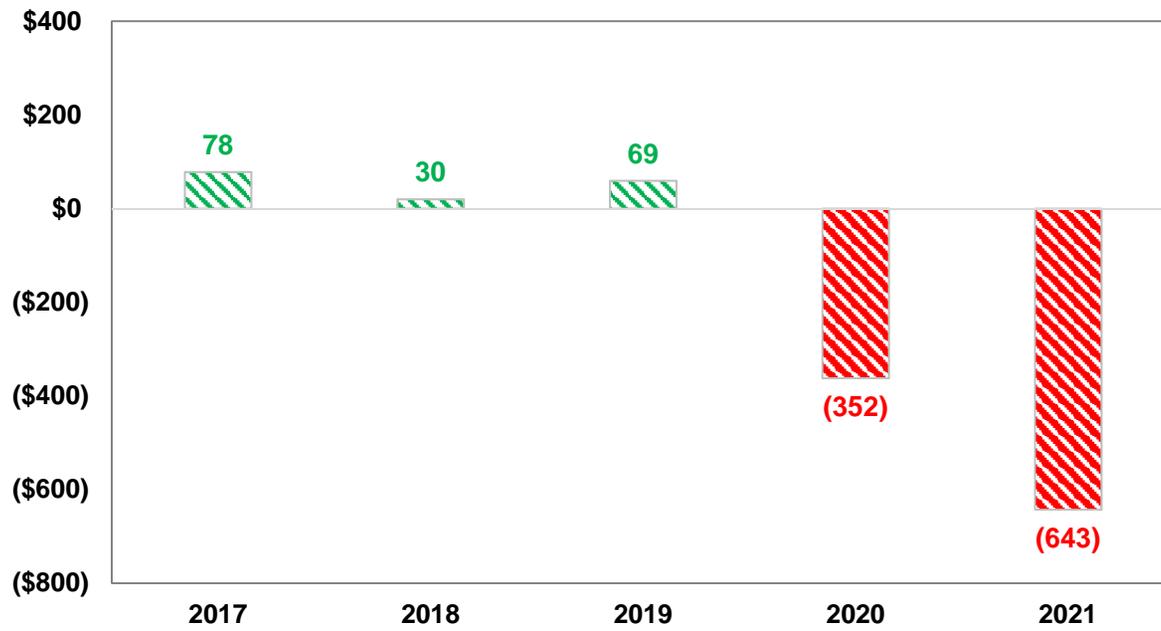
Presentation to the Finance Committee

February 20, 2018



**The 2017 November Plan projected small cash balances through 2019
with gaps of \$352 million and \$643 million in 2020 and 2021**

(\$ in millions)





Important assumptions underlying the November Financial Plan

- Plan reflects \$1.14 billion in lower real estate revenues since the 2017 Adopted Budget, an average annual decline of \$229 million.
- Forecast includes projected 4% fare and toll increases in 2019 and 2021 (each approximately \$325 million, annualized).
- Annual recurring cost savings targets increase from \$214 million in 2018 to \$418 million in 2021.



What has changed since the December Budget Adoption?

- The NYS 2018-2019 Executive Budget was released:
 - MMTOA funding is \$1.687 billion; while \$19 million higher than last year, it is \$61 million lower than the November Plan estimate. Out-year projections are approximately \$135 million lower per year reflecting lower economic activity.
 - The \$65 million restoration of PMT Replacement funding assumed in the July and November Plans was not included in the Executive Budget.
 - NYS DOB has, however, expressed the intention to provide \$65 million in additional capital funding this year, allowing MTA to re-program \$65 million of PAYGO to operating needs.
 - NYS DOB has given no commitment to the restoration of funds beyond 2018, but the MTA will continue to press this issue and this Plan assumes the full restoration of PMT Replacement funding for 2019 and beyond.
 - Subway Action Plan (SAP) funding committed to by Governor is included (details on following slide).
- The City of New York's 2019 Preliminary Budget does not include funding for the SAP.
- Debt service savings of \$161 million over the Plan period attributable to advance refunding transactions in December.
- B&T generated a 2017 surplus that was \$28 million higher than forecast.
- \$1.7 billion of capital cash balances will be drawn down in lieu of additional bonding in 2018 to generate \$252 million in debt service savings over the Plan period.
- Other Plan changes consist of minor technical adjustments within the Agencies.



Subway Action Plan (SAP)

- The Board-approved Budget in December assumed the full funding of the SAP. It further stated:
 - “Recommended changes to the scope of the SAP in the February Plan [will] be made to match available funding, as well as authorization to make corresponding changes to the Budget.”
- The NYS 2018-2019 Executive Budget includes \$254 million in funding intended to cover half of operating expenses and \$174 million to cover half of the capital funding of the original SAP.
- As requested by the Board, alternative expense reallocations to fund elements of the SAP were presented to the Board in January. Alternatives included extensive service cuts for which no support for such has been received.
- With no additional funding from New York City, the MTA is recommending implementing the SAP proposal presented in the December Board briefings to match available funding from the State.
- The major elements of the recommended plan are captured on the following slide.
 - Prioritizes the elements of the SAP most critical to reducing incidents and delays, and improving service reliability.
 - Principal change is delaying the hiring of additional workers.



**February Plan phases-in the
Subway Action Plan to match available funding**
(\$ in millions)

	November SAP <u>2017-2018</u> <u>Total</u>	February SAP <u>2017-2018</u> <u>Total</u>	<u>Change</u>
Subway Action Plan Expenses :			
Track/Infrastructure	133.9	132.5	1.3
Signals	32.0	24.3	7.7
Power	8.4	4.4	3.9
Car Equipment	169.6	45.8	123.9
Stations	111.5	16.8	94.7
Customer Communications	52.8	32.6	20.2
Total Operating Expenses	508.2	256.4	251.7
<i>Continuous Welded Rail</i>	32.4	31.9	0.5
<i>Signal Modernization</i>	34.0	34.0	-
<i>Power Reliability Improvements</i>	77.9	51.8	26.1
<i>Car Conversion Projects</i>	175.0	-	175.0
<i>Equipment Purchase</i>	8.5	4.3	4.2
Total Capital Expenses	327.8	122.0	205.8
TOTAL Operating + Capital	836.0	378.4	457.6



Highlights of the phased-in SAP

- **Track/Infrastructure** - The plan maintains major improvements to track including the installation of continuous welded rail, removal of fire-hazardous litter, and repairs of P2 defects, to reduce incidents delaying passenger trips. Funds full scope of vendor drain clearing project, resolving high impact water conditions. Extends completion of internal initiative to seal leaks and clean grates through 2019.
- **Signals & Power** - Signal and power repairs remain a critical priority of the Plan and are fully funded. Power reliability initiative has been greatly expanded but at lower cost due to funding from Con Edison. Dedicated signal teams will continue to expedite repair programs to address the most problematic signals. Improved scheduling will increase productivity during night shutdowns.
- **Car Equipment** - Potential benefits are limited given cars account for just 5% of train delays. Continues targeted reliability campaigns and starts accelerated SMS cycle in 2019. Amenities installation folded into regular SMS program.
- **Stations/Customer Service** – Maintains goals for improved elevator & escalator availability and for improved elevator cleanliness. Utilize existing Station staff and customer service personnel to provide wayfinding assistance more efficiently.



New sources of funding are necessary to reduce out-year deficits

(\$ in millions)

