

Good morning, everyone. Welcome to the MTA's October Board meeting.

At the start of this meeting I would like to acknowledge Jamie Vitiello, our colleague from Dutchess County. As you know, he stepped-down from the Board last week. I want to thank him for his dedicated service to the MTA.

Jamie was always a refreshing and independent voice on this Board. He will be missed.

In front of you today is the report issued two weeks ago by New York State Comptroller Tom DiNapoli. The report is simply entitled **"FINANCIAL OUTLOOK FOR THE METROPOLITAN TRANSPORTATION AUTHORITY"**.

Obviously, the report examines our financial situation. I want to thank the Comptroller for his report – as well as the report's primary author, Deputy Comptroller Ken Bleiwas, for an honest and straight-forward analysis of the facts.

The source of all of the data in the report is directly from the MTA. See the footnotes. This is data that we have previously provided to the Board and to the public. It is data that is readily available on our website.

In the press release connected with the Comptroller's report, the headline simply reads: **"MTA FACES ITS GREATEST CHALLENGE IN DECADES."**

I couldn't agree more.

As you can imagine, Tom is being much more diplomatic than me.

If I was writing the headline, it would be **"THE MTA'S OPERATING BUDGET OUTLOOK IS ABYSMAL AND THE SOURCE OF FUNDING OF FUTURE CAPITAL PLANS IS TBD."**

The Comptroller's analysis concisely portrays our dual challenges with the operating budget and with future capital plans.

As MTA CFO Bob Foran stated when he presented the Financial Plan update at our July meeting, the MTA has a challenging operating budget future with significant future projected deficits.

Bob noted, and the Comptroller acknowledged, that we have a significant revenue issue. Much of the problem is attributable to the level of current economic activity that has resulted in lower than expected dedicated real estate-related taxes.

We are also seeing a decline in ridership, especially on the weekends and late evenings, when we are purposely shutting down significant portions of the system to perform much-needed, backlogged repairs and maintenance. Unfortunately, these system closures will continue into the future, and will probably be expanded, as we move from stabilizing the system to modernizing it. In fact, the proposed 2019 budget that you will see next month actually forecasts a continuation of the decline in ridership.

So, let me at least offer one piece of good news: Next month, at the November Board Meeting, Bob will present a proposed 2019 Budget that will be balanced.

The 2019 proposed budget will be balanced because it includes a fare and toll increase in the 2nd quarter and a continuation of the MTA's unprecedented cost-cutting -- our

re-engineering for the purpose of being more efficient and effective.

The bad news is the projections for 2020, 2021 and 2022 show significant deficits. Consistent with the Comptroller's report (which is based on July data), Bob's presentation next month will show a continuation of revenue shortfalls and that the MTA's fiscal future is challenged.

As Board members, as fiduciaries, we have a statutory obligation, a legal requirement, to have a balanced operating budget.

And while you will be presented with the 2019 balanced budget proposal at the November meeting, we need to start ASAP dealing with the projected out-year deficits.

It has been my experience that solving any out-year budget gap is an equation that involves (1) increasing revenues **and** (2) decreasing expenses.

The equation is pretty simple - - the implementation is inextricably difficult.

Let's start on the revenue side. We have essentially two options.

Our best option is securing new and additional revenue sources from our partners in government. I will discuss this in a few minutes after I finish describing the components of my out-year deficit reduction equation.

The other revenue option is implementing additional fare and toll increases, above and beyond those which we have already been projected.

Let me be clear: Additional fare and toll increases is not a road that I want to go down.

On the expense side, we have been reducing and cutting costs out of the MTA and its operating agencies for nearly a decade, and we will not stop demanding that our

managers lift every stone to identify new cost-saving measures.

Specifically, we have implemented a hiring freeze for all non-essential employees.

We will continue to reengineer our businesses to streamline operations for both efficiency and effectiveness.

Bottom line: We have cut costs dramatically, but as Commissioner Zuckerman often says, you eventually reach a point of diminishing returns with this approach, and we are fast-approaching that point.

Because after you cut out all the fat, you start to cut muscle, then bone.

And when that happens, it results in service reductions.

And again, I want to be clear: This is not an acceptable option.

This is what happened in 2009 when both significant service cuts and an extraordinary fare increase was approved by the then MTA Board.

I don't want us to be in a position where our only options are service reductions and/or additional fare and toll increases.

In fact - for the sake of millions of New Yorkers and our economy - those are the last things we want to do.

But unless we get a sustainable new source of revenue, we will have no other options to balance our budget after 2019.

There is recognition from our partners in government that the MTA needs new sources of revenue for both our operating and capital budgets.

Last year, with the adoption of the state budget, the Governor and Legislature acknowledged this by creating a Metropolitan Transportation Sustainability Advisory

workgroup which was charged, among other things, with making recommendations for "sustainable funding for public transportation needs".

This workgroup is focusing on the overall funding needs of the MTA, as well as options for sources of additional funding for the MTA. This workgroup is not just about congestion pricing.

The workgroup includes representatives appointed by the State Assembly, the State Senate, the Governor, the NYC Mayor, City DOT, State DOT and the MTA. The MTA is represented by Vice Chair Ferrer.

The legislatively-created workgroup is an absolute recognition that the MTA is facing its next fiscal crisis for both the operating and capital budgets.

I am aware that before we can credibly appeal for billions of dollars of public funding we must continue to advance our reform agenda. You heard at Monday's committee meetings about progress being made at NYC Transit with the Subway Action Plan and the Save Safe Seconds Program. Our customers may not feel these improvements yet, but they soon will. As Andy has said, much more work remains to be done and we will need substantial resources to achieve success.

Additionally, late last year I created Board-directed Task Forces focused on construction cost and procurement, chaired by Scott Rechler and Chuck Moerdler, respectively. The construction task force working with Janno Lieber and his team has reduced the number of approvals and time required for processing change orders, reduced time to pay vendors who have submitted required documentation and shortened and rationalized timelines. A multi-agency team is working to extend that approach across all of the operating agencies.

The procurement task force working with Pat Foye and Steve Plochochi has taken weeks

out of the procurement process and is on track to eliminate approximately 150 days from the procurement process for NYC Transit service contracts. That work too will be extended across Transit and all of the MTA agencies.

We will keep you and the public and our partners in government posted as we advance these reform agenda initiatives.

Following today's Board meeting, we will embark on a process to solve this crisis, and your involvement will be a critically important part of our success.

We will hold Board briefings before our next meeting in November, when Bob will present the 2019 operating budget proposal.

Following our meeting in November there will be more Board briefings.

In December, you will only be required to vote to adopt the 2019 operating budget.

But we have to start implementing strategies to enhance and expand our revenues from our partners in government to deal with the projected out-year budget deficits.

We need the additional sources for both the operating and capital budgets.

We need the funding to enhance our level of service delivery, as well as to begin the modernization of our network.

Over the past year, this Board has had many spirited debates about our priorities as an organization.

I have always encouraged the debate (as painful as it has been at times) because I believe that the discussion - - the dialogue - - results in a better product.

But to be successful here, we're going to need to band together

- to jointly and uniformly advocate for the MTA with our partners in government including the Federal Government;
- to secure multiple sources of additional, recurring revenue to address our out-year operating deficits and future capital plan funding needs. I say multiple sources of new additional revenue because Congestion Pricing, even fully developed and completely implemented Congestion Pricing, will not be enough.

So let me end where I started by thanking the State Comptroller for his report.

Again, the DiNapoli analysis concisely portrays the MTA's current fiscal condition as bleak.

It is, I hope, the impetus for the clarion call to action.

If you haven't read Tom's report, please do so. If you have read the Comptroller's report, please consider reading it again.

Don't let it scare you; let it motivate you to act.

Thank you.