

Metropolitan Transportation Authority

*Overview of New Budget Process
2003-2004 Financial Plan Update
2004 Preliminary Budgets*

July 30, 2003

July 2003 Financial Plan Presentation

Contents of Presentation

- Overview of New Budget Process
- 2003-2004 Financial Plan Update, Including 2004 Preliminary Budgets
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- Additional Initiatives

New Budget and Financial Reporting Process

- July: Issuance of Mid-Year 2003 Financial Plan and Preliminary 2004 Budget
- September: MTA Board Committees Review, Analyze and Comment on Preliminary 2004 Budget
- October: Issuance of Final Proposed 2004 Budget Together with Four-Year Financial Plan (2004 through 2007)
- December: MTA Board Adopts Final 2004 Budget
- February: Issuance of Revised Four-Year Financial Plan

New Features

- ✓ Detail and Supporting Data Published Together with Overview Material
- ✓ Budget and Financial Plan Documents Transmitted to Elected Officials
- ✓ Posting of Budget and Financial Plan Documents on MTA Website (www.mta.info) for Public Review and Comment

Preliminary Budget: MTA 2003-2004 Financial Plan in Brief

	Favorable / (Unfavorable) (\$ in millions)						2004 Prelim vs 2003 Mid-Yr
	Revised 2003 Budget ^a	Adj	2003 Mid-Year Forecast ^b	Revised 2004 Projection ^a	Adj	2004 Preliminary Budget ^b	
MTA COMBINED SUMMARY							
<u>Revenue Summary:</u>							
Farebox Revenue	\$3,171.7	(\$31.1)	\$3,140.6	\$3,405.8	(\$23.0)	\$3,382.8	\$242.2
Other Revenue	264.1	1.5	265.6	275.6	2.9	278.5	12.9
Total Operating Revenue	\$3,435.8	(\$29.6)	\$3,406.2	\$3,681.4	(\$20.1)	\$3,661.3	\$255.1
<u>Expense Summary:</u>							
Non-Reimbursable Expenses	\$6,229.6	\$9.7	\$6,219.9	\$6,433.4	(\$77.8)	\$6,511.1	(\$291.3)
General Reserve	0.0	0.0	0.0	40.0	20.0	20.0	(20.0)
MTA Debt Service (excludes B&T and Service Contract Bonds)	451.7	(3.7)	455.4	684.5	(54.1)	738.6	(283.2)
Total Operating Expenses and Debt Service	\$6,681.3	\$6.0	\$6,675.3	\$7,157.8	(\$111.9)	\$7,269.7	(\$594.5)
Net Operating Deficit Before Subsidies	(\$3,245.5)	(\$23.6)	(\$3,269.1)	(\$3,476.4)	(\$132.0)	(\$3,608.4)	(\$339.3)
Total Subsidies	\$2,541.6	\$96.7	\$2,638.3	\$2,719.1	\$68.0	\$2,787.1	\$148.8
Total Conversion to Cash Basis	\$763.7	\$21.3	\$785.0	\$685.1	(\$46.1)	\$639.0	(\$146.0)
Net Cash Balance from Previous Year	32.0	0.0	32.0	91.9	94.4	186.3	154.3
Net Cash Balance After Subsidies	\$91.9	\$94.4	\$186.3	\$19.7	(\$15.6)	\$4.1	(\$182.2)

a) As approved in March 2003.

b) As estimated in July 2003.

Preliminary Budget: Programmatic Highlights

- In 2004, a six-month pilot for City Ticket will enable intra-City riders at LIRR and Metro-North stations located within New York City to purchase tickets at a discounted \$2.50 fare.
- In the Fall of 2003, the MetroCard Balance Protection Program will be available to 30-day Unlimited Ride Pass MetroCard customers to insure against losses.
- In 2004, revenue vehicle miles are estimated to increase 2.0% on subways, 3.8% on Metro-North and 4.5% on LIRR, compared with 2002.
- NYCT investment (\$21.1million) to improve worker safety by increasing flagging personnel in subways.
- NYCT Paratransit ridership grows in 2004, resulting in increased annual costs of \$40.2 million over 2003; \$62.9 million over 2002.

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Preliminary Budget: Programmatic Highlights (continued)

- LIRR's fleet of new M-7 cars will increase by 364 cars; Metro-North receives its first deliveries, totaling 150 cars in 2004.
- LIRR & Metro-North's Life Cycle Maintenance Programs will commence with the diesel fleets. Metro-North plans major equipment overhauls of locomotives and some of the M-1 fleet; LIRR plans fleet modification programs to improve reliability.
- Reassessment of EZ-Pass Tag program results in 744,000 fewer tags replaced, generating \$17 million of savings in 2003 and 2004.

Preliminary Budget: Changes to Bottom Line

	Favorable/ (Unfavorable) (\$ in millions)		
	<u>2003</u>	<u>2004</u>	<u>Total</u>
Closing Cash Balance - Approved March Plan	\$91.9	\$19.7	\$19.7
Less Unspecified PEGs - Approved March Plan	0.0	(94.9)	(94.9)
Less Increased Governmental Aid - Approved March Plan	0.0	(121.3)	(121.3)
Restated Cash Balance (before PEGs) - March Plan	\$91.9	(\$196.5)	(\$196.5)
New Needs			
- Reduced Fare Revenues	(31.1)	(23.0)	(54.1)
- Increased Pension Costs	(13.6)	(36.1)	(49.7)
- MTA Transportation Bond Debt Service	2.2	(48.1)	(45.9)
- Agency Security Costs	(15.7)	(27.2)	(42.9)
- All Other	<u>(95.9)</u>	<u>(131.3)</u>	<u>(227.2)</u>
	(154.1)	(265.7)	(419.8)
Specified PEGs	127.4	209.5	336.9
Subsidies			
- Regional Mortgage Recording Tax	117.1	27.6	144.7
- MTA Bridges & Tunnels Surplus - Debt Service	(0.9)	36.0	35.2
- MTA Bridges & Tunnels Surplus (other, excluding New Needs and PEGs)	0.1	(12.8)	(12.8)
- All Other (e.g., MMTOA, PBT, CDOT)	9.0	(28.2)	(19.2)
Use of General & Special Contingency Reserves	7.5	40.0	47.5
Agency Restructuring Savings	(5.0)	(20.0)	(25.0)
Other (changes in Subsidiaries, timing, etc.)	(6.7)	(1.5)	(8.2)
Increased Governmental Assistance	0.0	121.3	121.3
Change in Prior Year Cash Balance	0.0	94.4	----
Closing Cash Balance - July Plan	\$186.3	\$4.1	\$4.1

Preliminary Budget: New Needs – Reduced Fare Revenues

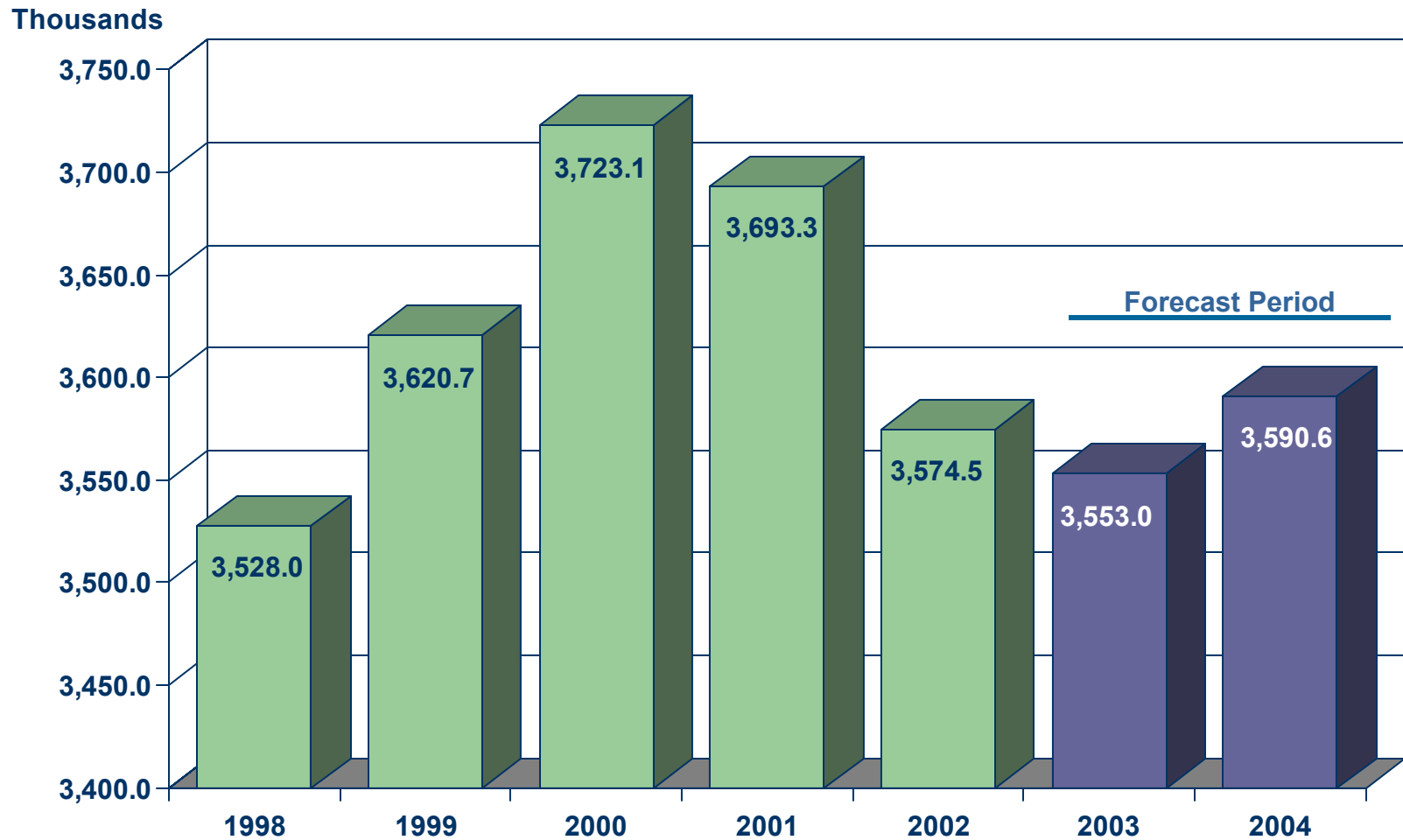
Change from Approved March Plan
Favorable / (Unfavorable)
(\$ in millions)

	<u>2003</u>	<u>2004</u>	<u>Two-Year</u> <u>Total</u>
New York City Transit	(\$27.4)	(\$31.6)	(\$59.0)
Long Island Rail Road	(9.2)	(4.1)	(13.4)
Metro-North Railroad	<u>5.6</u>	<u>12.7</u>	<u>18.3</u>
Total	(\$31.1)	(\$23.0)	(\$54.1)

Major Reasons for Change:

- Underlying economic factors
- Customers shifting to discounted media (“Bargain MetroCards”)

Preliminary Budget: New York City Employment

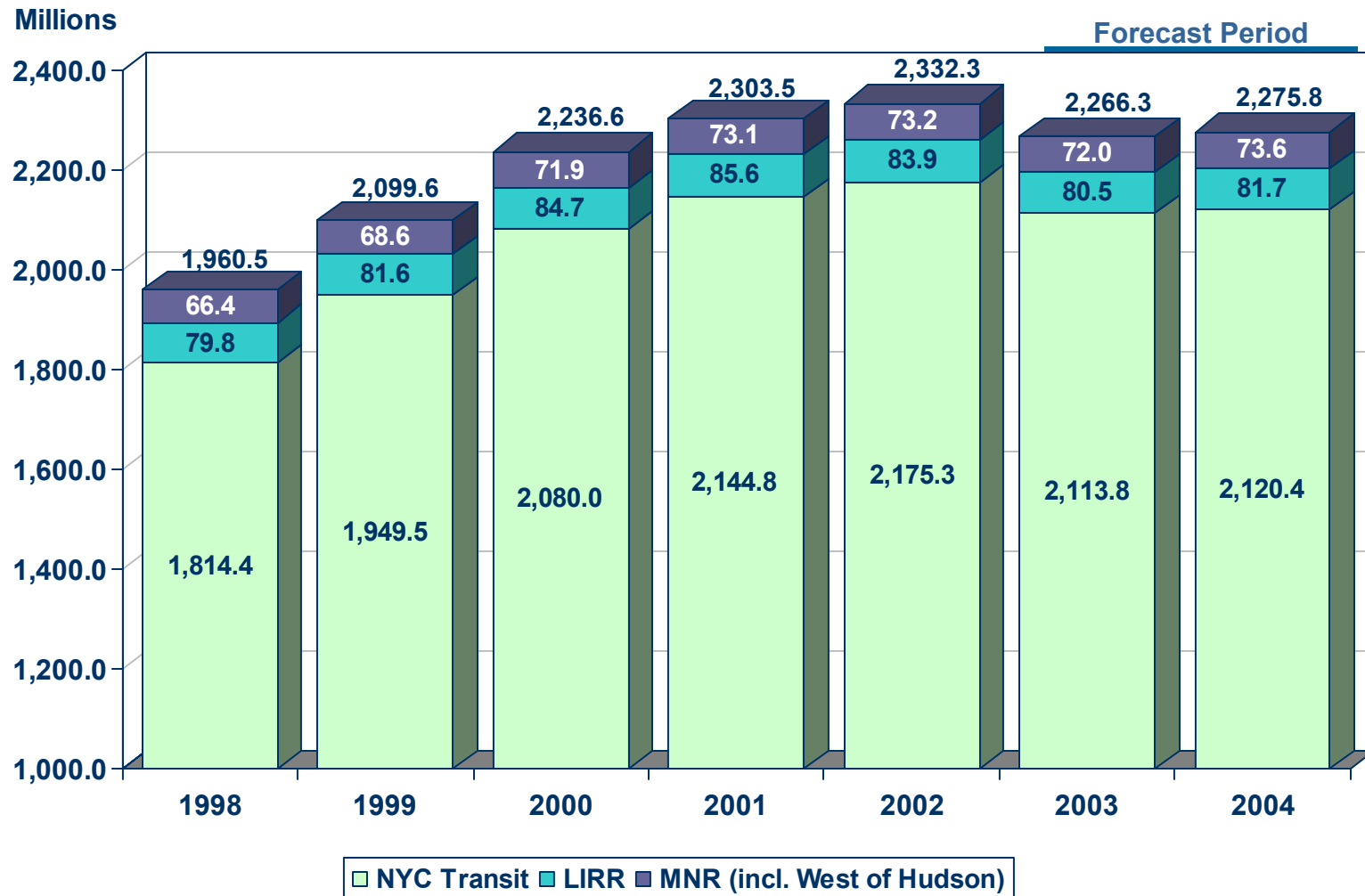


Preliminary Budget: Methodology for Projecting Employment

Regional employment forecasts provided by Global Insight were six months old at the time the MTA Financial Plan was updated, so MTA developed forecasts based on the following methodology:

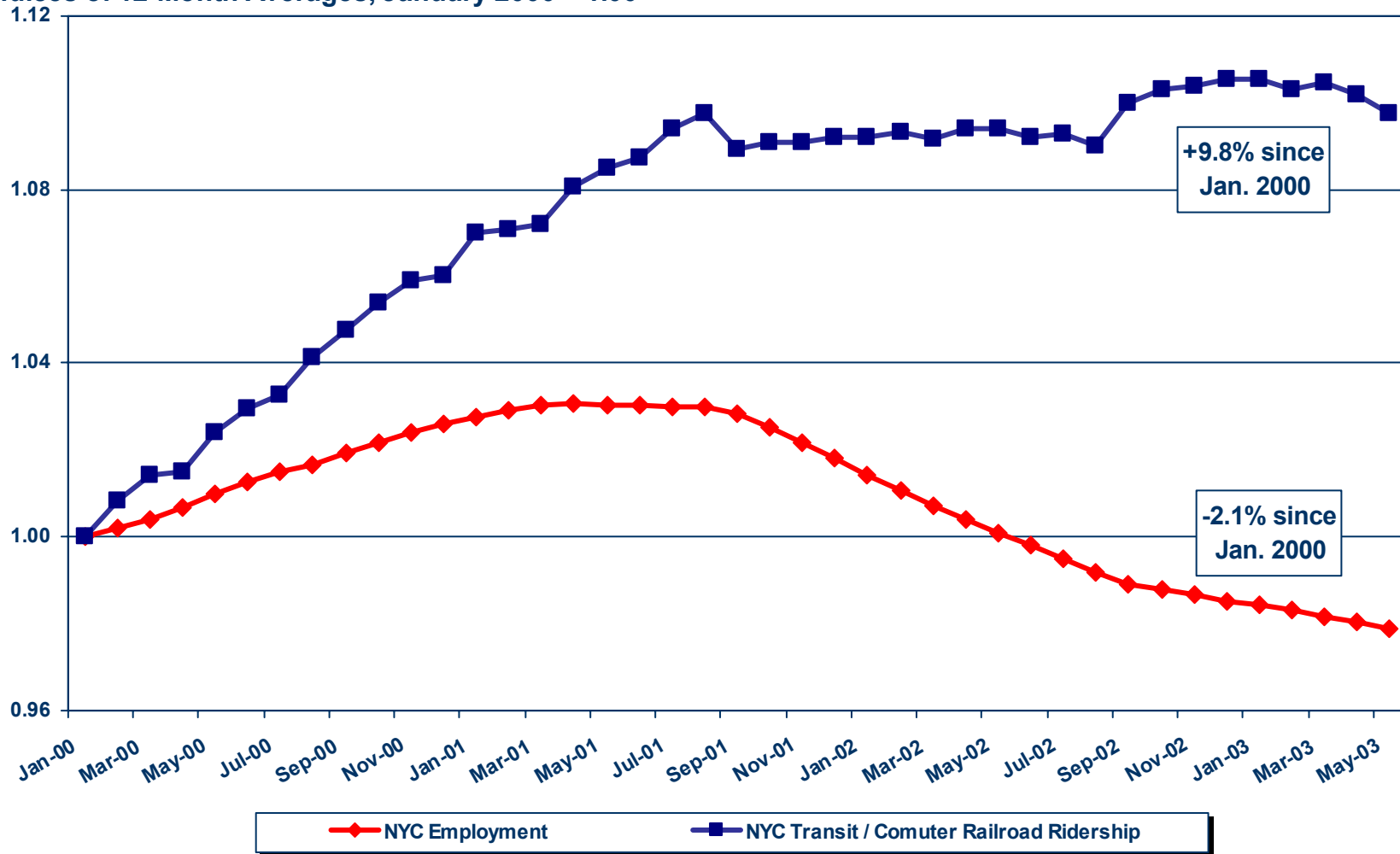
- Actual employment data, by sector, through March 2003 were obtained.
- The rates of change for each employment sector during the second quarter of 2003 were assumed to be consistent with the rate of change from the first quarter.
- The rate of change for each employment sector in the second half of 2003 was assumed to be the annual sector rate projected by Global Insight.
- The 2004 Global Insight sector rates of change were then applied to the MTA-estimated 2003 sector employment levels in order to estimate 2004 employment.

Preliminary Budget: Annual NYCT / Commuter Railroad Ridership



Preliminary Budget: NYCT / CR Ridership vs. Employment

Indices of 12-Month Averages, January 2000 = 1.00



Preliminary Budget: New Needs – Pension Costs

	Favorable / (Unfavorable) (\$ in millions)		<u>Two-Year</u> <u>Total</u>
	<u>2003</u>	<u>2004</u>	
New York City Transit	(\$4.0)	(\$25.6)	(\$29.6)
Long Island Rail Road	(8.0)	(6.2)	(14.2)
Metro-North Railroad	(0.4)	(3.6)	(4.0)
Bridges and Tunnels	0.4	0.9	1.2
MTA Headquarters	<u>(1.5)</u>	<u>(1.5)</u>	<u>(3.0)</u>
Total	(\$13.6)	(\$36.1)	(\$49.7)

Major Reasons for Change:

- Stock market performance
- In some cases, underlying demographic assumptions

Preliminary Budget: New Needs – Other

Significant other new needs include:

- **New York City Transit**
 - Flagging requirements (\$21.1 million)
 - MetroCard Vending Machine maintenance and servicing (\$9.5 million)
 - Increased electric power costs for subway service increases (\$6.0 million)
 - Restoration of Manhattan Bridge service (\$2.5 million)
- **Commuter Railroads**
 - LIRR capital program reassessment reduces reimbursement (\$19.7 million)
 - LIRR fleet improvements to enhance safety and reliability (\$6.6 million)
 - Metro-North locomotive, M-1 and M-3 overhauls/rehabilitations (\$6.3 million)
 - Expedited implementation of Metro-North's financial system (\$6.1 million)

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Preliminary Budget: New Needs – Other (continued)

- Bridges and Tunnels
 - Major Maintenance projects: roadway and joint repairs, building repairs (\$5.4 million)
- MTA Headquarters
 - MTA Capital Construction Company working capital (\$4.5 million)

Preliminary Budget: Specified PEGs by Agency

	Total Amount (\$ in millions)			Percent of PEG Program Total
	<u>2003</u>	<u>2004</u>	<u>2-Year Total</u>	<u>Total</u>
New York City Transit	\$41.3	\$88.0	\$129.3	38.4%
Long Island Rail Road	31.9	43.5	75.4	22.4%
Metro-North Railroad	31.8	23.5	55.3	16.4%
Bridges and Tunnels	17.3	51.6	68.9	20.5%
Long Island Bus	3.5	1.0	4.5	1.3%
Staten Island Railway	0.0	0.2	0.2	0.1%
MTA Headquarters	<u>1.6</u>	<u>1.7</u>	<u>3.3</u>	<u>1.0%</u>
Total	\$127.4	\$209.5	\$336.9	100.0%

Note: PEGs reflect greater efficiencies or other savings not adversely affecting service.

Preliminary Budget: Specified PEGs by Category

	Total Amount (\$ in millions)			Percent of PEG Program Total
	<u>2003</u>	<u>2004</u>	<u>2-Year Total</u>	<u>Total</u>
Administration	\$73.9	\$100.8	\$174.7	51.9%
Customer Convenience and Amenities	4.4	22.4	26.8	7.9%
Service	3.5	11.5	15.0	4.5%
Maintenance Efficiencies	28.2	44.2	72.3	21.5%
Revenue	15.5	26.4	42.0	12.5%
Other	<u>1.9</u>	<u>4.2</u>	<u>6.1</u>	<u>1.8%</u>
Total	\$127.4	\$209.5	\$336.9	100.0%

Note: PEGs reflect greater efficiencies or other savings not adversely affecting service.

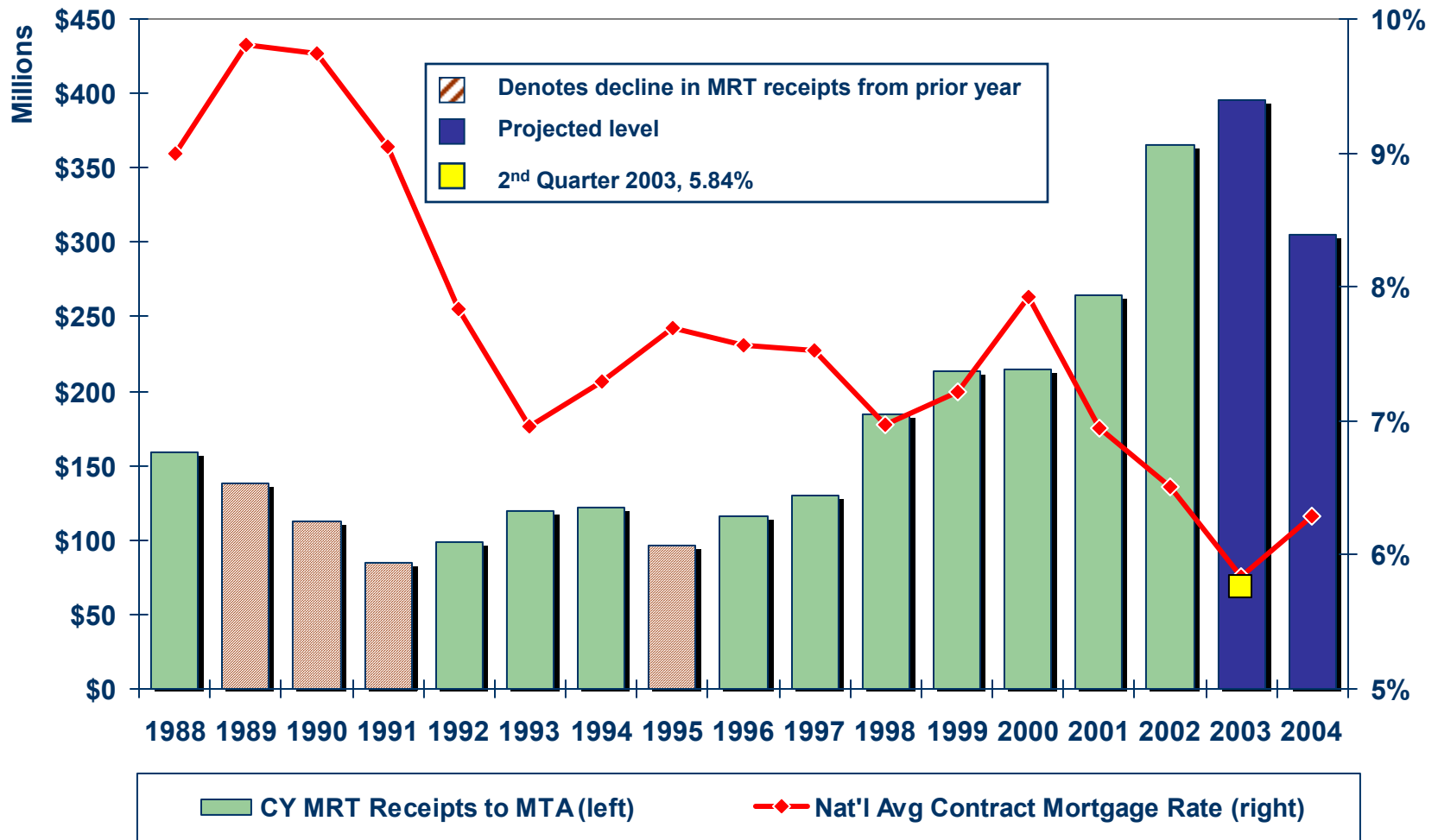
Preliminary Budget: Major PEGs By Agency

	(\$ in millions) <u>Two-Year Total</u>
New York City Transit	
Administrative reductions agency-wide	\$49.0
Reassessment of car equipment maintenance production activities	14.4
Subways reorganization	12.1
Cleaner savings	5.3
Long Island Rail Road	
Improved fleet reliability reduces maintenance costs	\$12.2
Rescheduled information systems initiatives	4.1
Life-cycle maintenance production schedule for M-1's and M-3's	3.0
Metro-North Railroad	
Connecticut fare increase	\$21.3
Payroll savings (e.g., vacancies, fringe savings)	7.4
New Jersey Transit delay in Secaucus Transfer opening	2.7
Bridges and Tunnels	
Increased traffic	\$19.4
Reduction in anticipated E-ZPass tag replacement	17.0
MTA Headquarters	
Personnel savings, non-represented personnel	\$3.3

Preliminary Budget: Subsidies – Mortgage Recording Tax

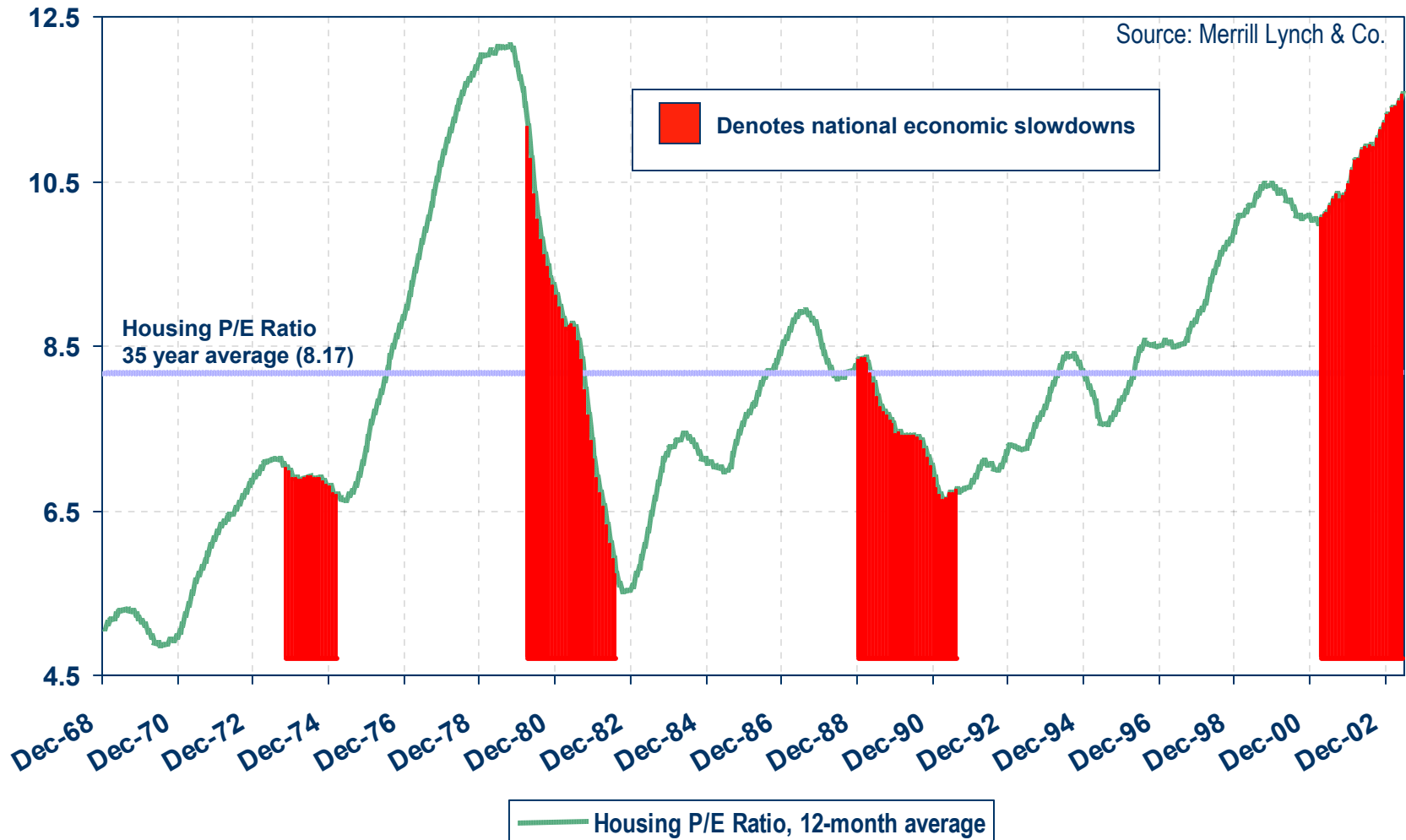
- Highly Volatile, Difficult to Predict
- Recent Developments Require Prudence

Preliminary Budget: Regional Mortgage Recording Tax



Preliminary Budget: National Housing P/E Ratio

Housing P/E = (# existing 1-family home sales) x (median price, existing 1-family homes) / (total personal disposable income)



Preliminary Budget: Use of Reserves

	(\$ in millions)		
	Two-Year Totals		
	Commuter		
	<u>Transit</u>	<u>Railroads</u>	<u>Total</u>
Reserves - Approved March Plan			
General Reserve	\$25.0	\$15.0	\$40.0
Special Reserve	0.0	27.5	27.5
Used in July Plan	<u>(5.0)</u>	<u>(42.5)</u>	<u>(47.5)</u>
Reserves - July Plan	\$20.0	\$0.0	\$20.0

Next Steps

- MTA Board to Review Preliminary 2004 Budget
- Solicit Public Comments at Committee and Board Meetings as well as Via E-Mail (www.mta.info)
- Receive Input from Elected Officials

Additional Initiatives

- Beginning in Fall 2003, Issue Quarterly Financial Statements Reviewed by Outside Auditors
 - ✓ Currently, only audited annual statements are issued in April for preceding year.
- Beginning in 2004, Provide Financial Plan Allocations that can be Compared with the Quarterly Actuals
 - ✓ Currently, only annual plan vs. actual comparisons are provided. Monthly comparisons are provided for agency budgets only.

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