Metropolitan Transportation Authority

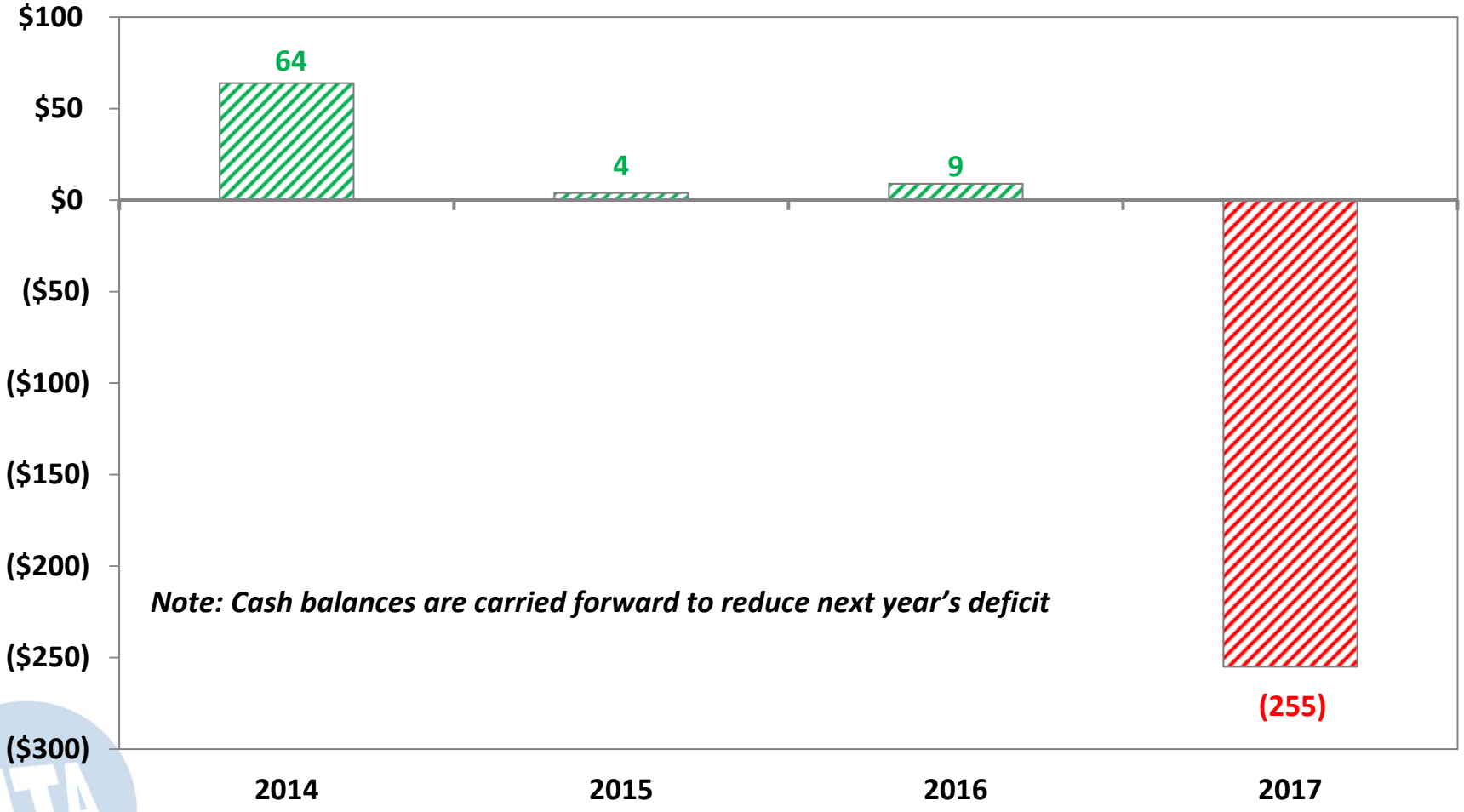
July Financial Plan 2015 – 2018

Presentation to the Board

July 28, 2014

The February Plan projected small cash balances in 2014 to 2016 and a $255 million deficit in 2017

($ in millions)



The February Plan was based on five key, inter-related elements

- Three years of "net zero" labor settlements for all MTA unions
- Annually recurring cost savings ($1.1 billion in 2014 increasing to $1.5 billion by 2017)
- Projected fare/toll increases of 4% in 2015 and 2017
- No further legislative erosion of PMT revenue
- $370 million of annual PAYGO capital beginning in 2015 as a "down payment" on the 2015 – 2019 Capital Program

As we stated at that time, failure to achieve the first two elements, or any significant decrease in the PMT or any other taxes/subsidies, will require an increase in fares/tolls or a decrease in funds committed to PAYGO capital

While we are on track to achieve the annually recurring savings targets, based on recent labor settlements and agreements, 3 "net zero" labor settlements are unachievable

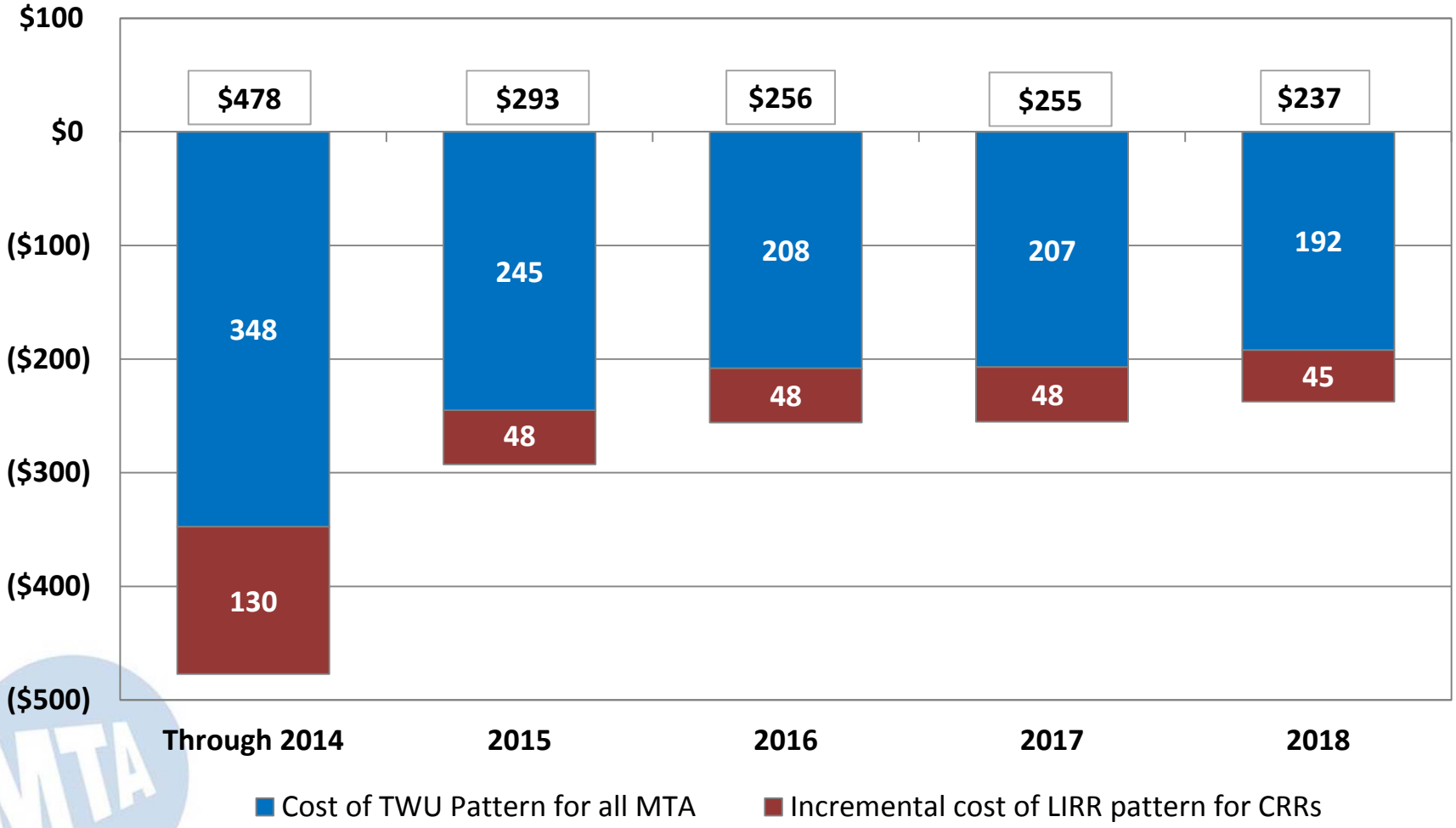
What else has changed since the February Plan?

- Favorable re-estimates and other changes
  - Lower health and welfare /OPEB current payment estimates
  - Lower debt service
  - Favorable energy re-estimates in 2015 – 2017
  - Lower pension re-estimates
  - Higher passenger/toll revenues and other revenue
  - Higher paratransit savings
  - Higher real estate receipts in 2014, nearly offset by lower projections in 2015 – 2017
  - Delayed impact of East Side Access on operating expenses
  - Reduced 2013 spending that increased carryover balance
- Unfavorable re-estimates and other changes
  - Lower PMT receipts
  - Higher overtime re-estimates
  - Higher safety investments
  - Additional operational and maintenance needs
  - Additional service investments and customer enhancements

- Re-estimates and other changes are ***$635 million net favorable*** through 2017
- ***However***, actual and assumed labor settlements with TWU Local 100 and other unions and potential settlements with CRR unions will ***increase labor costs by a minimum of $1.28 billion*** through 2017
- Bottom line is ***$645 million net unfavorable*** through 2017
- ***Reallocation of existing resources is required to offset higher labor costs to avoid raising fares/tolls more than projected and to minimize hit on PAYGO capital***

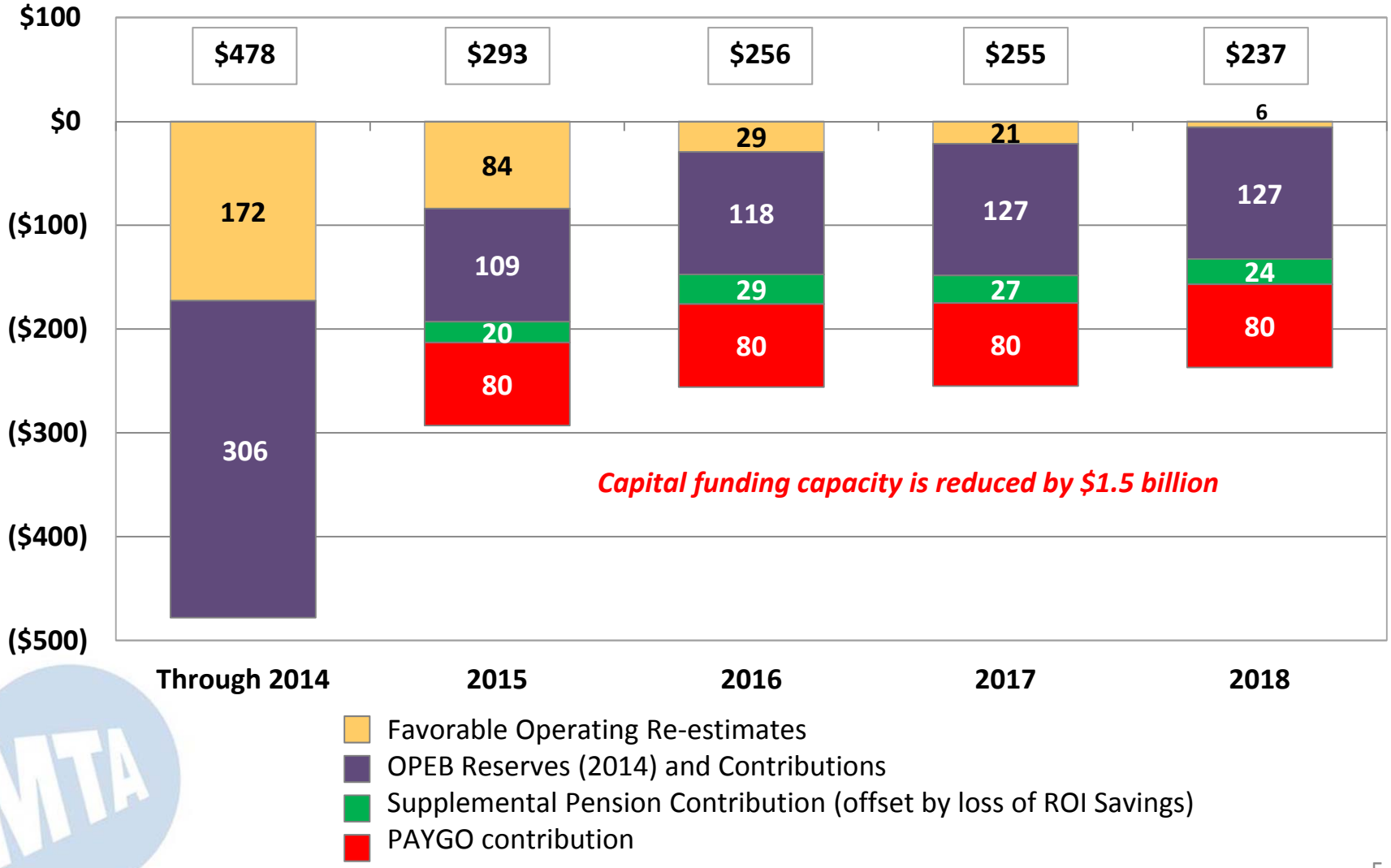
Assuming Transit Unions follow the TWU Local 100 pattern and Commuter Unions follow the LIRR Union Coalition pattern, incremental labor costs during the Plan Period increase $478 million in 2014 and an average of $260 million a year

($ in millions)



Reallocating resources to fund the higher labor costs avoids the need to raise fares/tolls above current projections, but *requires long-term trade-offs*

($ in millions)



Highlights of the July Plan

- Funds TWU Local 100 and LIRR Union Coalition pattern settlements from:
  - Favorable re-estimates
  - OPEB reserves and eliminating contributions through 2017
  - Eliminating supplemental LIRR pension contributions
  - Reducing PAYGO
- Maintains projected fare/toll revenue increases in 2015 and 2017 of 4% (2% annual increase)
- Provides PAYGO capital contributions for the 2015 – 2019 Capital Program at a reduced level of approximately $290 million beginning in 2015
  - $2.3 billion of PAYGO over expected eight-year expenditure period, or
  - $5.4 billion in funding capacity if PAYGO funds are used for debt service
- Invests $363 million in safety improvements over the Plan Period
- Invests $125 million in new operational and maintenance needs over the Plan Period
- Adds $20 million in additional annual service and service quality investments
  - In addition to $5 million in annual service guideline adjustments
- Continues annually recurring cost savings ($1.3 billion in 2015, increasing to over $1.5 billion in 2017)
- Eliminates the projected deficit in year 2017 and reduces the 2018 deficit to $262M

Proposed Areas of MTA Safety Investments (not funded from the capital program)

MTA will be making safety investments based on: new mandates; recommendations by governmental bodies; compliance with existing laws, policies and procedures; and, new MTA initiatives such as those supporting the "Vision Zero" initiative. Investments will be taking place in the following areas:

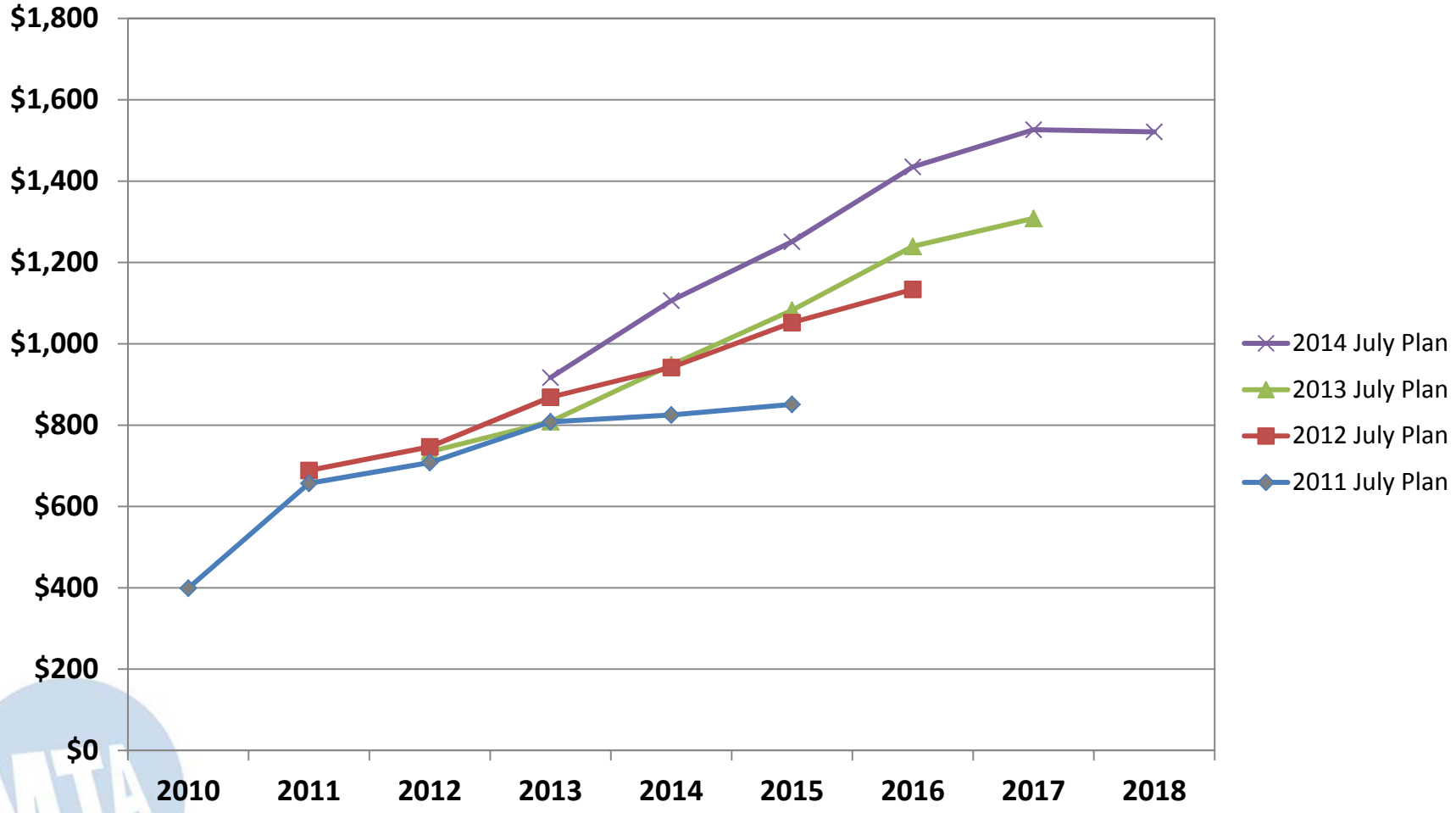
- **Customer/Employee Safety** ($40 million per year) - Promote and adhere to a culture of safety with customers and employees via improved work practices and investments in technology and equipment, including the use of audio/visual cameras on commuter rail rolling stock
- **Track** ($17 million per year) **-** More frequent track inspections and repairs
- **Signals** ($8 million per year) - Upgrades and repairs to signals and signal systems
- **Training** ($6 million per year) - Enhancement of employee training
- **Positive Train Control** ($6 million per year) - Positive Train Control on LIRR and MNR
- **IT/Communications** ($3 million per year) - Enhance safety systems and communications with customers and employees
- **Right-of-Way** ($4 million per year) - More aggressive inspection and maintenance on the right-of-way

Highlights of Agency-Proposed 2014 Service and Service Quality Investments

- **New York City Transit** ($13.5 million net annualized) – To improve response times and reduce service delays, permanently establish four Combined Action Teams (CAT) in Manhattan for MOW issues and establish 4-person rapid-response signal teams along the Lexington Avenue corridor; expand J line weekend service; additional bus connections to SI Ferry; additional Bus service to Gateway II Mall; new Select Bus Service (SBS)
- **Long Island Rail Road** ($3.4 million net annualized) – Restore bi-hourly weekend service on the West Hempstead branch; extend hourly weekend service between Babylon and Patchogue to year-round; extend seasonal weekend service to Montauk by ten weeks; restore one weekend round-trip on the Oyster Bay branch; increase capacity on Ronkonkoma, Port Washington, Hempstead, Huntington and Babylon lines; improve signage at Penn Station and outlying stations
- **Metro-North Railroad** ($1.0 million net annualized) - Add a new midday train from Hoboken to Middletown; one year pilot program to reduce daily parking fee from $2.75 to $1.25 f per 16 hours and annual permit from $235 to $20 at all MNR West of Hudson stations
- **Staten Island Railway** ($2.0 million net annualized) - Install arrival clocks at 17 stations; and additional connections with SI Ferry

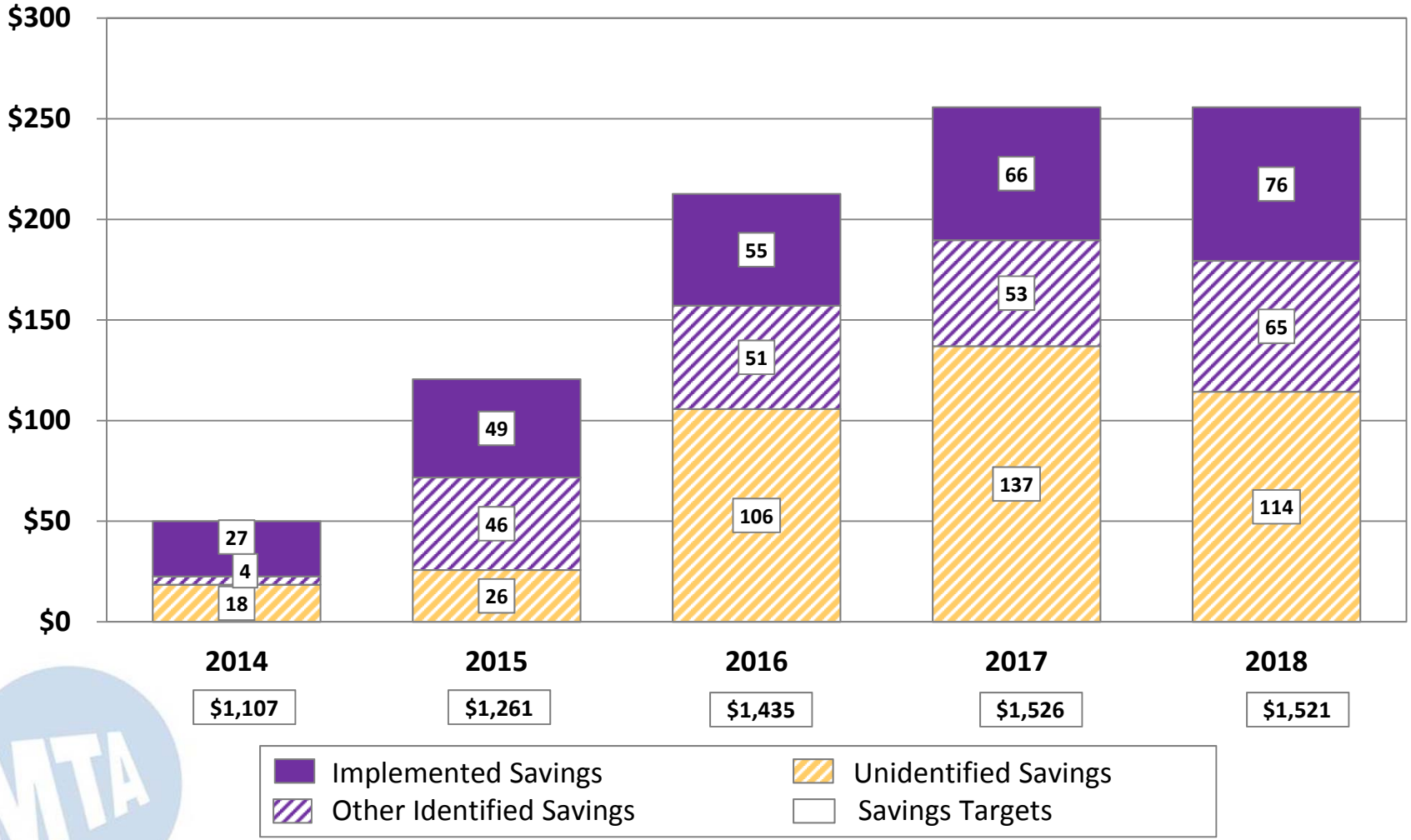
Achieving annually recurring savings targets is key to reducing pressure on future fares/tolls and PAYGO capital

($ in millions)



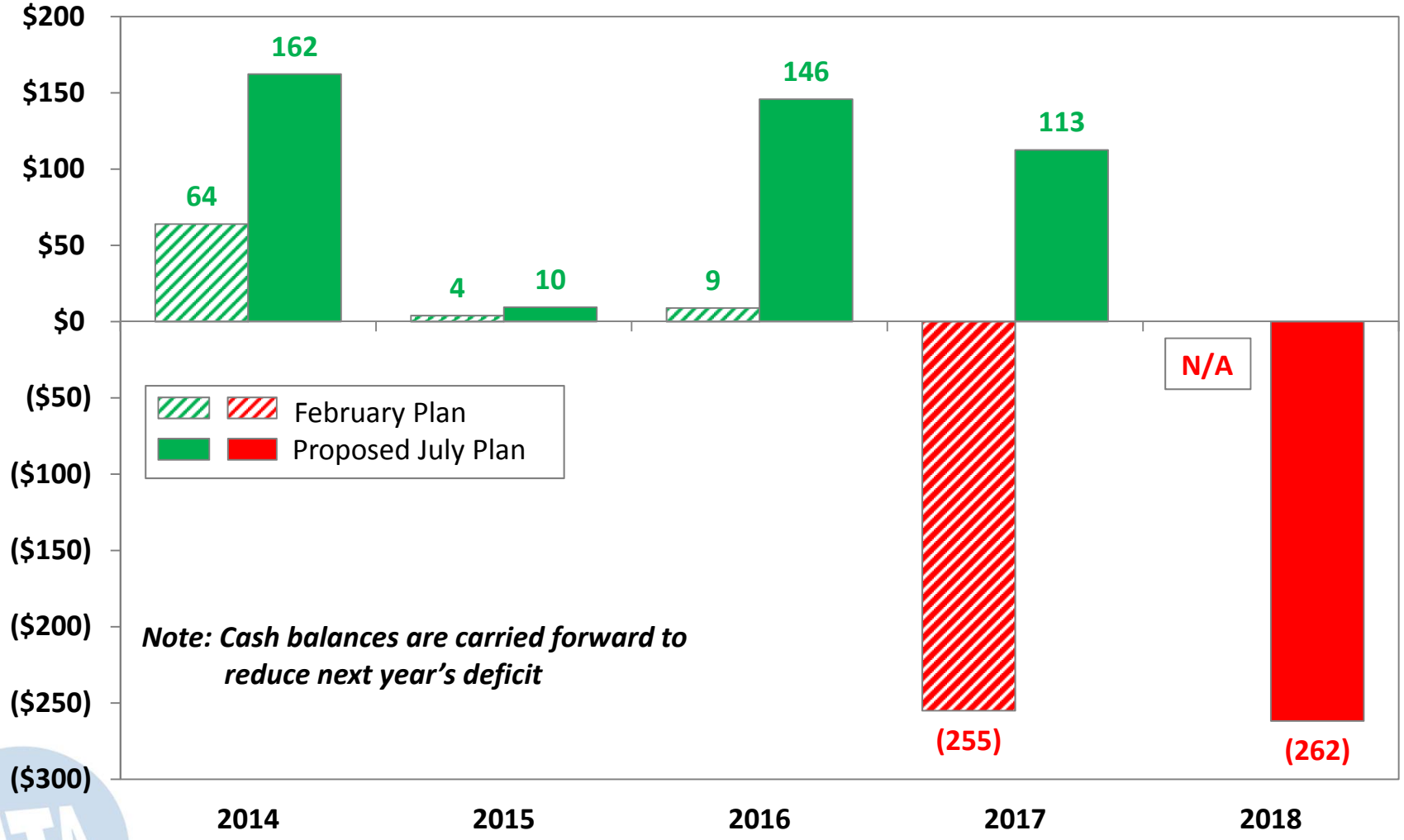
More targeted savings have been identified since the November Plan

($ in millions)



2014 February Plan vs. Proposed July Plan

($ in millions)



What is our strategy going forward?

- Continue to pursue efficiencies/consolidations to maximize annually recurring cost savings; we must remain focused on existing cost control to avoid "backsliding"
- While funding higher labor cost caused us to temporarily divert some of our resources away from our strategy to address long-term costs and liabilities, we remain committed to this objective
  - Although the July Plan suspends OPEB contributions through 2017, contributions are resumed in 2018, albeit at a much lower level
  - Should finances improve, we intend to increase funding to the extent practicable
- Use non-recurring revenues, favorable budget variances and unused general reserve funds to reduce long-term unfunded liabilities—OPEBs, LIRR Additional Pension Plan or as PAYGO
  - Simply put, this strategy converts favorable "one- shots" into recurring savings
- Reinvest debt service savings in PAYGO capital