MTA 2021 Preliminary Budget

July Financial Plan 2021 – 2024

Presentation to the MTA Board

July 22, 2020

While the February Plan projected surpluses in 2020 and 2021, COVID-19 has and is expected to further severely impact MTA finances

	2020	2021	2-Year Total
2020 Adopted Budget			
Total Operating Expenses + Debt Service	$17.12 B	$17.41 B	$34.53 B
McKinsey COVID-19 Analysis *			
Fare and Toll Revenue	$(5.30) B	$(3.90) B	$(9.20) B
Subsidies	(1.70) B	(1.90) B	(3.60) B
Additional Expenses	(0.75) B	(0.75) B	(1.50) B
Total COVID-19 Loss	$(7.75) B	$(6.55) B	$(14.30) B
Percent of Total Budget	-45.3%	-37.6%	-41.4%
Federal CARES Act	$4.00 B	$0.00 B	$4.00 B
Remaining Budget Loss	$(3.75) B	$(6.55) B	$(10.30) B
Percent of Total Budget	-21.9%	-37.6%	-29.8%

*Estimates by McKinsey & Company are as of May 1, 2020. The McKinsey report can be found on the MTA website, in the Financial and Budget Statements section under Transparency (https://new.mta.info/document/16951).

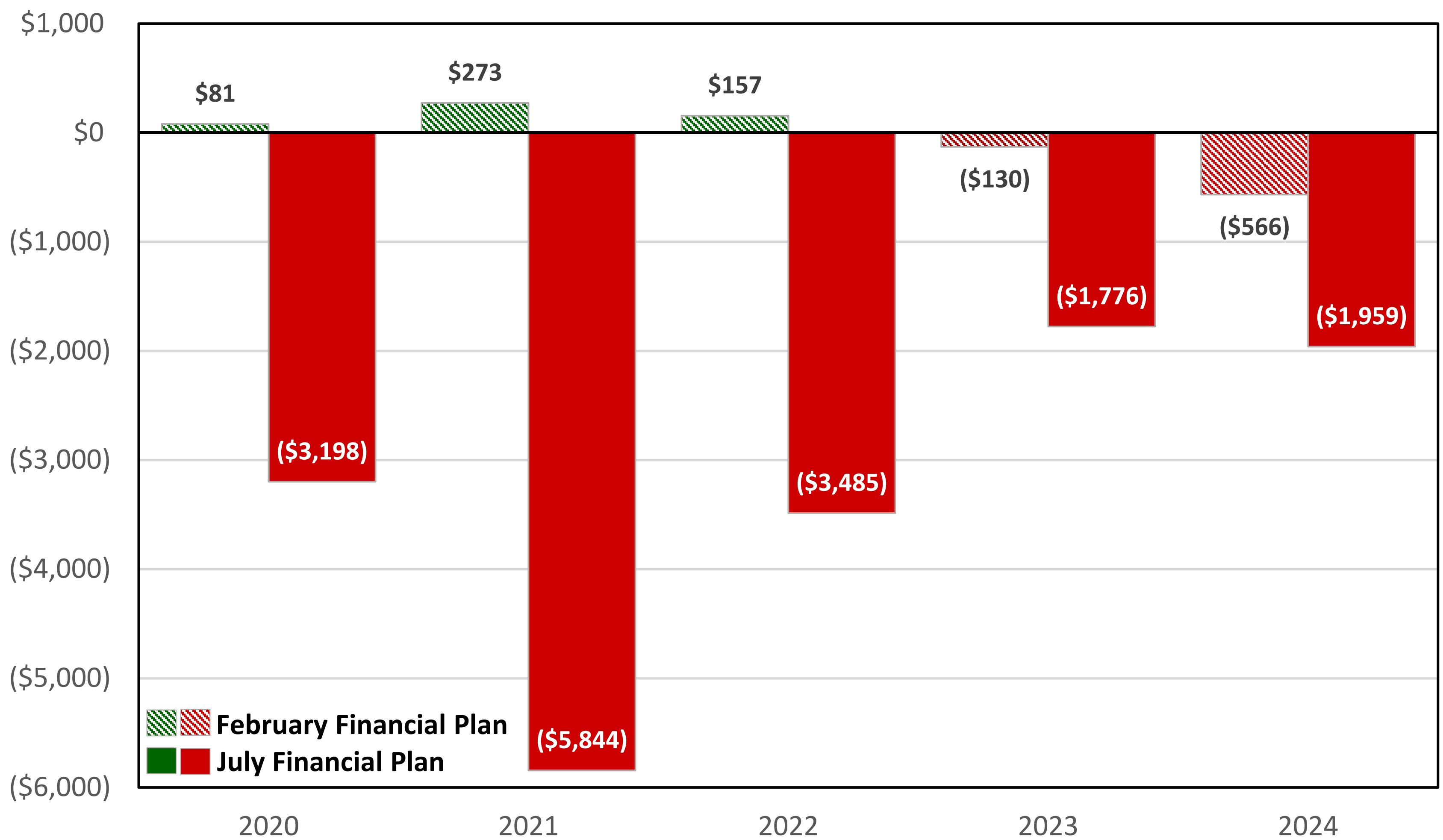
Current expectations: Update of COVID-19 forecasting

	April McKinsey Forecast	July McKinsey Forecast
Fare and Toll	**Overall ridershp** would bottom-out in April/May and begin to rise in June towards a September peak, followed by a potential fall COVID resurgence	**Subway** in line with projections; **bus ridership** rebounded more quickly (with limited revenue given lack of collection) and higher level of comfort than with subway; commuter rail remains low, offsetting bus ridership increase from an overall revenue perspective
	Toll traffic would rise beginning May, slightly earlier than ridership, towards the September peak, but decline in the fall	**Toll traffic** rose earlier and faster due to reopening occurring more quickly than expected and changed commuting preferences from mass transit, but might be reaching a plateau
		Faster reopening may yield an earlier resurgence that depresses ridership/tolls closer to the summer (vs. the fall)
Tax and Subsidy	**GDP (linked to employment, sales and business income)** would fall precipitously (13%) and remain in a trough through Q4 of 2020	**Updated GDP forecasts** show a slightly worse picture than modeled for Q1-Q2, but similar levels for Q3-Q4
	Real estate taxes would follow patterns during the Great Recession (40% drop)	**Early real estate** indicators show a sharper drop than predicted (-54% in Q2 Manhattan sales), though pent-up demand may lift Q3 numbers and put yearly total closer to original forecast
	Taxes linked to mobility (e.g., PBT) would follow toll revenue	**Mobility** has been higher than modeled

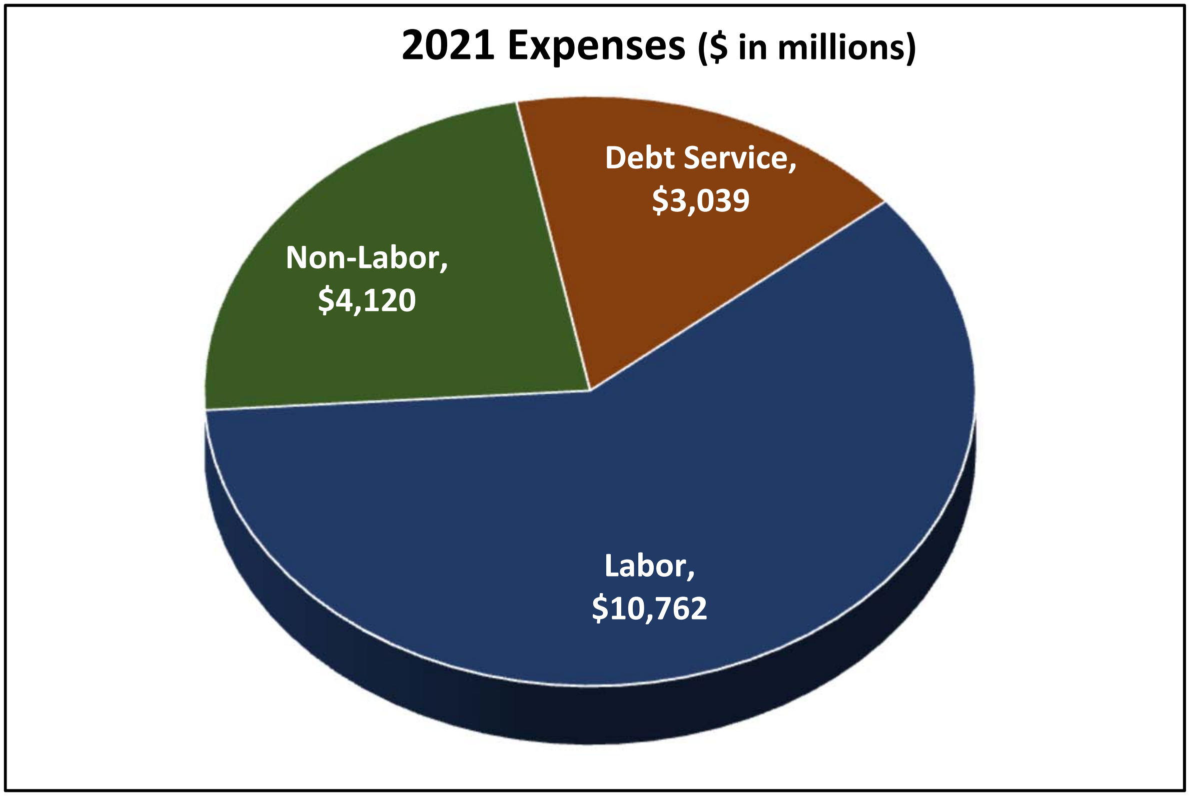
The impact from COVID-19 is still expected to be felt over the entire Plan period

	2020	2021	2022	2023	2024
Operating Forecasts:					
Farebox Revenue	($4,200)	($3,130)	($1,157)	($13)	$0
Toll Revenue	($880)	($730)	($164)	$0	$0
Advertising/Rental Revenue	($120)	($65)	($71)	($72)	($69)
Direct COVID-related Expenses	($500)	($531)	($518)	($496)	($496)
Net Indirect COVID Expenses	($67)	($45)	($0)	($2)	$0
Subsidy Forecasts	($2,069)	($1,928)	($1,263)	($850)	($791)
CARES Act Funds	$4,009	--	--	--	--
Total Net Impact	**($3,826)**	**($6,429)**	**($3,172)**	**($1,431)**	**($1,356)**

Projected Deficits for the July Plan total $16.2 billion through 2024



The $5.8 billion deficit in 2021 cannot be addressed by non-labor expense reductions only



Current Budgeted Non-Labor expenses:

Electric Power	$486
Fuel	145
Insurance	29
Claims	420
Paratransit Service Contracts	417
Maintenance & Other Operating Contracts	779
Professional Service Contracts	709
Materials & Supplies	709
Other Business Expenses	210
General Reserve	175
B&T Capital Transfer	41
Total Non-Labor Expense	**$4,120**

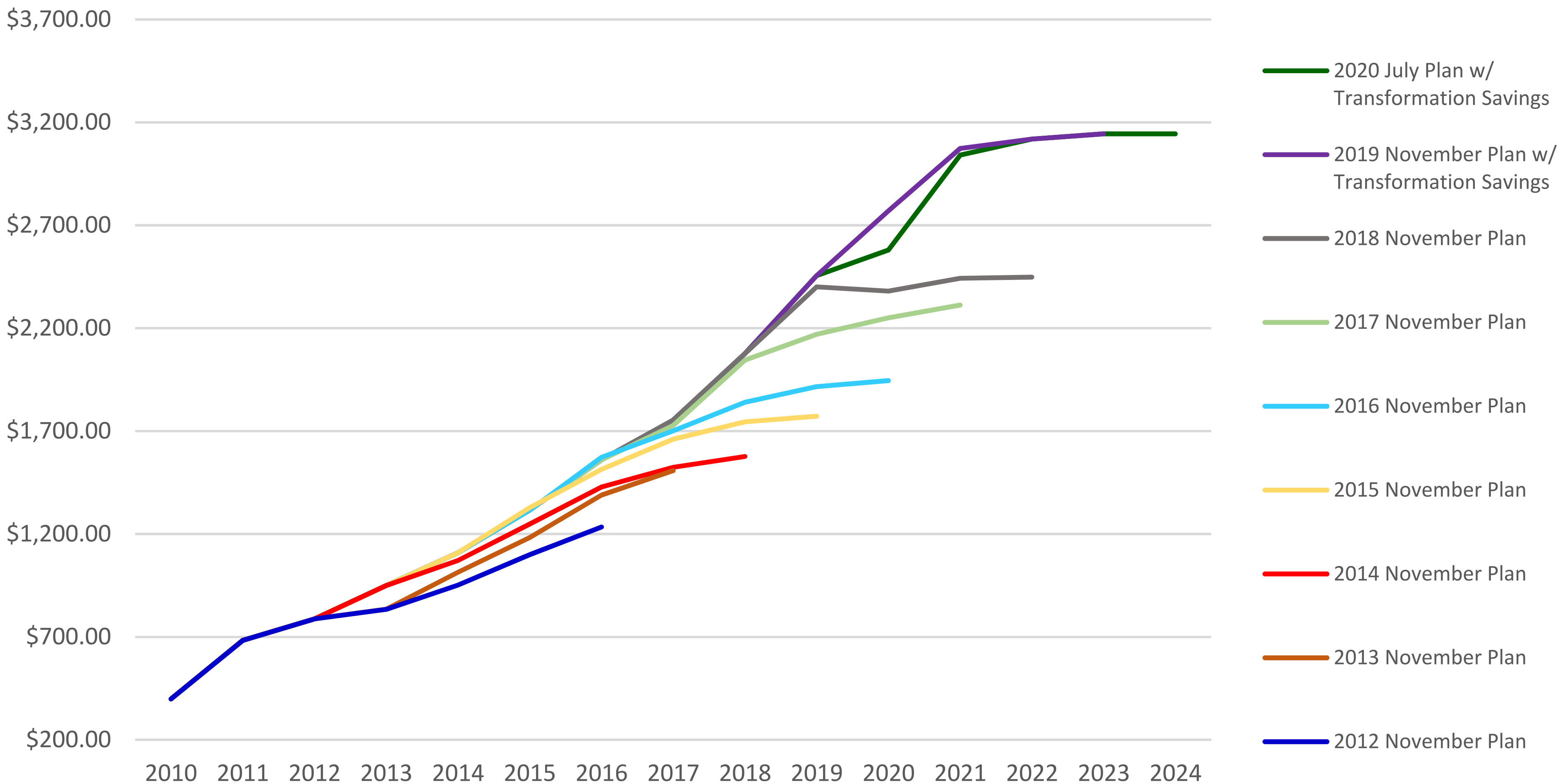
Actions will depend on Federal funding

	(dollars in millions)				
	2020	**2021**	**2022**	**2023**	**2024**
Actions Already in the Financial Plan:					
Budget Reduction Program (2019 BRP)	$350	$350	$350	$350	$350
Savings from existing Transformation program	0	430	472	475	475
Hiring Freeze	88	17	16	16	16
Sub-total	**$438**	**$797**	**$838**	**$841**	**$841**
Potential Additional Federal Funding	$3,900	$0	$0	$0	$0
New Actions Initially Identified:					
Overtime Spending Reduction	$35	$105	$105	$105	$105
Consulting Contract Reductions	115	135	70	55	70
Other Non-Personnel Expense Reductions	85	100	95	95	100
Sub-total	**$235**	**$340**	**$270**	**$255**	**$275**

Actions identified to date will not be enough; future actions being reviewed include:

- Reduce or Delay Capital Program
- Fare and Toll Increases (above 4% biennial)
- Delay in Pension Contributions
- Wage Freeze
- Reductions in Force
- Service Reductions
- Long-Term Deficit Financing

MTA has a track record of identifying and achieving annually recurring savings targets and continues to work towards additional savings



$3.9 billion from additional federal funding would balance 2020, but a $5.1 billion deficit will remain in 2021, requiring hard decisions