



**MTA 2019
Final Proposed Budget
November Financial Plan
2019 - 2022**

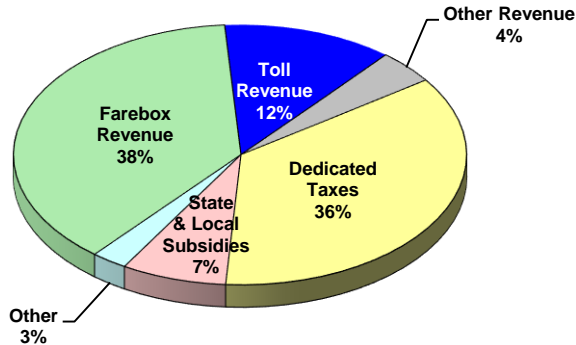
Presentation to the Board

November 15, 2018



2019 Final Proposed Budget

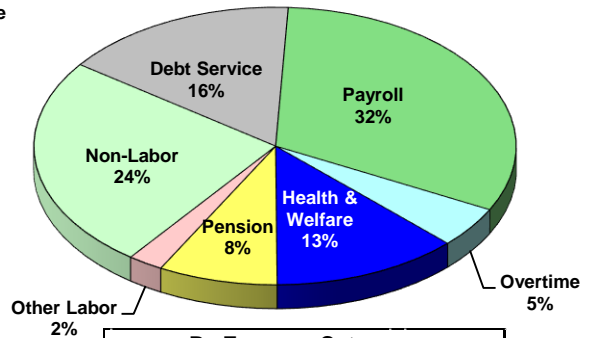
Where the Dollars Come From...



By Revenue Source	
(includes fare/toll increases)	
(\$ in millions)	
Farebox Revenue	\$6,322
Toll Revenue	2,045
Other Revenue	705
Dedicated Taxes	5,996
State & Local Subsidies	1,252
Other ¹	429
Total	\$16,750

¹ Includes cash adjustments and prior-year carryover.

Where the Dollars Go...



By Expense Category	
(includes below-the-line adjustments)	
(\$ in millions)	
Payroll	\$5,392
Overtime	811
Health & Welfare	2,129
Pension	1,354
Other Labor	400
<i>Total Labor</i>	\$10,086
Non-Labor	4,205
Debt Service	2,692
BTL Adjustments for Expenses	(251)
Total	\$16,732



Need for Additional Recurring Revenue

- **MTA projected revenues have declined significantly since the July 2017 Financial Plan**

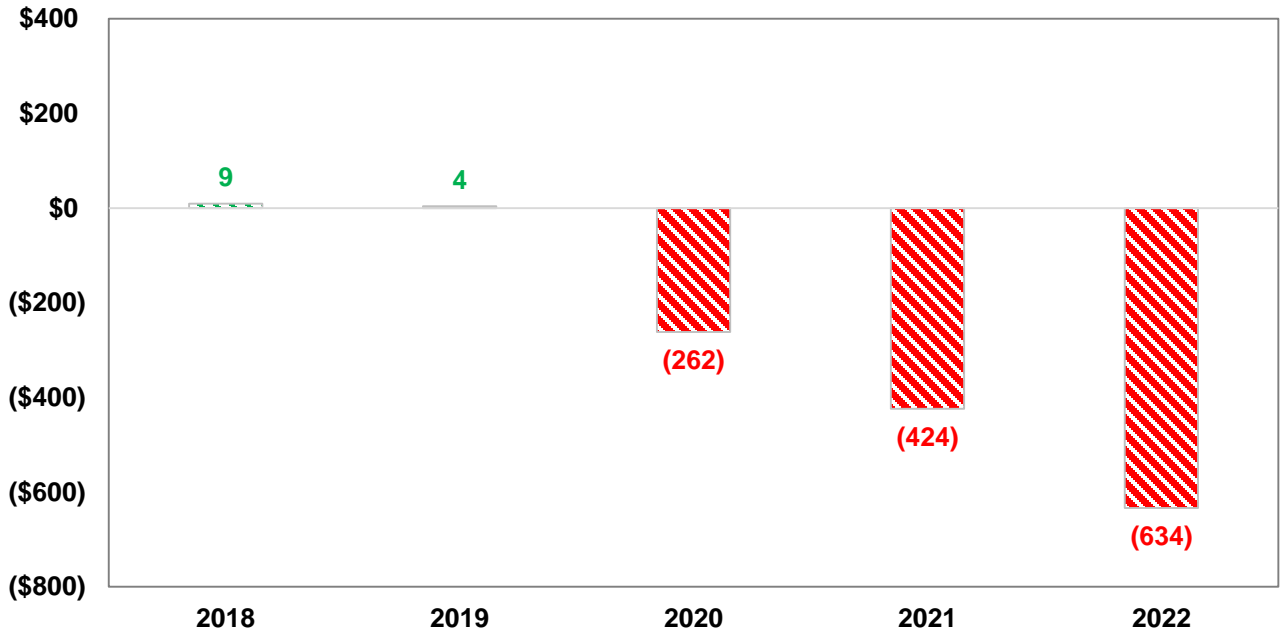
July 2017 - July 2018	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2018 - 2022</u>
Fare/Toll Revenue	(135)	(121)	(106)	(102)	(124)	(588)
Dedicated Taxes	(109)	(103)	(121)	(125)	(108)	(566)
Other Operating Revenue	<u>(50)</u>	<u>(66)</u>	<u>(59)</u>	<u>(32)</u>	<u>(68)</u>	<u>(275)</u>
Total	(294)	(290)	(286)	(259)	(300)	(1,429)
July 2018 - November 2018	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2018 - 2022</u>
Fare/Toll Revenue	(11)	(82)	(106)	(116)	(124)	(439)
Dedicated Taxes	26	14	(5)	(14)	(41)	(20)
Other Operating Revenue	<u>5</u>	<u>40</u>	<u>28</u>	<u>22</u>	<u>20</u>	<u>115</u>
Total	20	(28)	(83)	(108)	(145)	(344)

- **MTA is continuing its historic cost-cutting effort:**
 - By the end of 2018, \$2.0 billion in annually recurring cost reductions/containment will be achieved
 - An additional \$348 million is targeted to be achieved by the end of 2022
 - Additional savings initiatives are becoming more difficult to achieve
- **2018 and 2019 budgets will be balanced using “one-shots”**
- **Out-year deficits have increased significantly**
- **Without additional recurring revenue in the near term, options will be service reductions, reductions in force and/or additional fare/toll increases**



The July Financial Plan included large out-year deficits, even with fare/toll increases and substantial cost reduction proposals

(\$ in millions)





What has changed since the July Plan?

Re-estimates are over the plan period (2018 – 2022):

- Changes and re-estimates improving financial results :
 - Lower debt service costs (\$194 million)
 - Lower energy costs (\$101 million)
 - Higher real estate subsidy projections (\$65 million)
 - Higher toll revenue projections (\$46 million)
- Changes and re-estimates worsening financial results:
 - Lower passenger revenue projections (\$485 million).
 - Higher paratransit service contracts (\$321 million)
 - Higher workers compensation payments (\$125 million)
 - Higher overtime expenses (\$100 million)

In total, these re-estimates, along with other changes, are \$819 million unfavorable for the plan period



Highlights of the November Plan

- Proposed biennial fare and toll increases of net 4% in 2019 and 2021, consistent with previous plans (versus projected 2-year CPI inflators of 5.3% and 4.7% in 2019 and 2021, respectively)
- Nearly \$1.9 billion in recurring savings have been identified/implemented since the February Plan
- Maintains major investments from prior plans, including maintenance of the Subway Action Plan funded from Phase 1 of Congestion Pricing/FHV fees
- Investments in Maintenance and Operations of \$216 million over the plan period
- Plan is balanced through 2019 using “one-shots,” and the deficits for 2020, 2021 and 2022 have increased to \$510 million, \$816 million and \$991 million, respectively



Additional Maintenance and Operations (\$216 million over the Plan period)

NYCT:

- **Upgrade Fleet:** replace all HVAC refrigerant to meet new environmental regulations; overhaul HVAC and door systems on the R142 fleet; and conduct scheduled maintenance system upgrades.

MNR:

- **Repair Infrastructure and Maintain Equipment:** install roof services at GCT to ensure safe access to restricted areas and keep exhaust ducts and other building systems in a state of good repair; update stations cleaning dry-water line system; and augment resources to support diesel fleet maintenance.
- **Rockland County Bus Service:** extend indefinitely weekend bus service between Rockland County and the Hudson and Harlem lines in Westchester County.

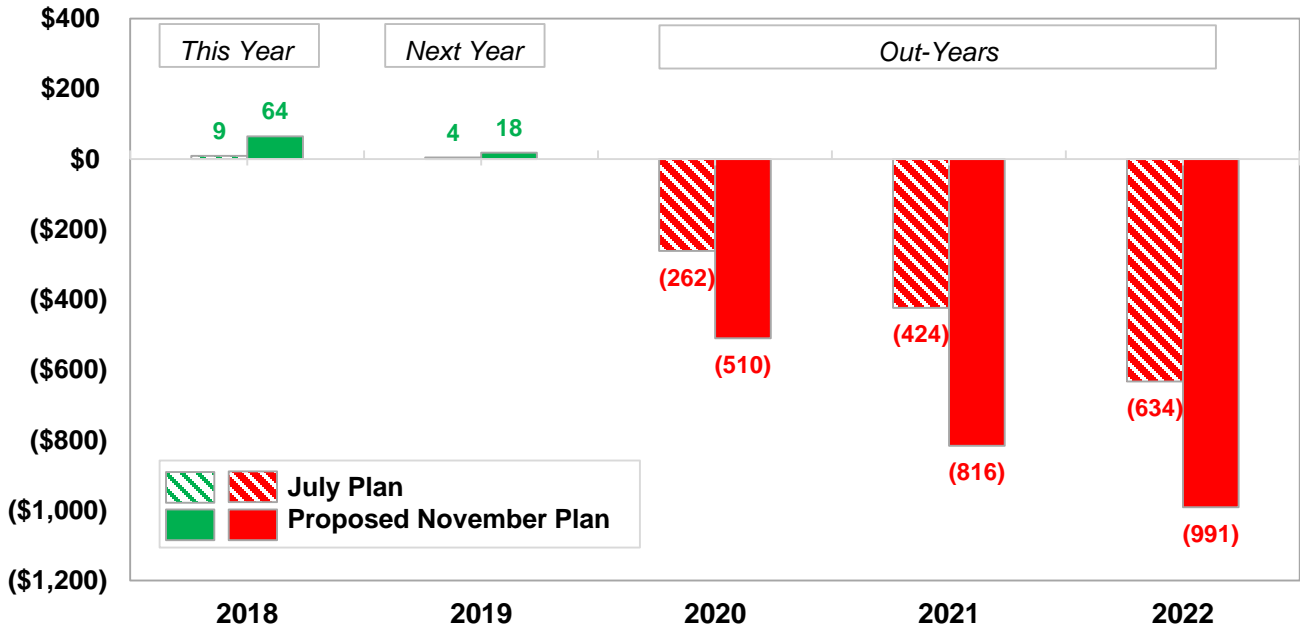
LIRR/MNR:

- **Weather Emergencies:** Increase support based on a five-year average of weather-related operational coverage requirements.



The November Financial Plan projects significant increases in out-year deficits

(\$ in millions)





MTA is using “one-shots” to balance the budgets for 2018 and 2019

2018:

- Drawdown of the General Reserve (\$80 million in July / \$80 million in November)
- Reduced Committed to Capital to offset PMT reduction (\$65 million)
- Freeze on filling all non-essential vacancies (\$54 million)
- Other restrictions on non-essential spending, including travel, memberships, and non-revenue vehicle purchases (\$46 million)
- 2017 favorable year-end balance (\$27 million)
- Inventory drawdowns (\$7 million)

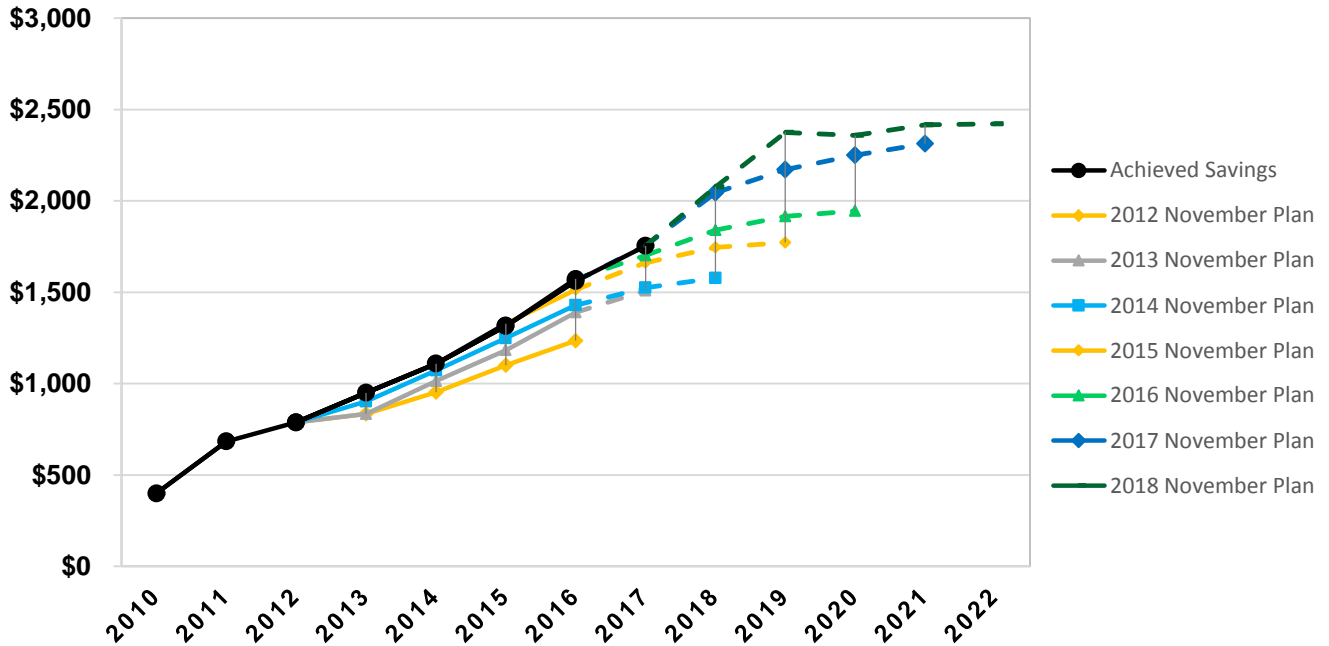
2019:

- Continue non-essential spending restrictions, including the filling of non-essential vacancies (\$115 million)
- 2018 favorable year-end balance (\$64 million)
- Reduction of excess Fuel Hedge collateral (\$40 million)



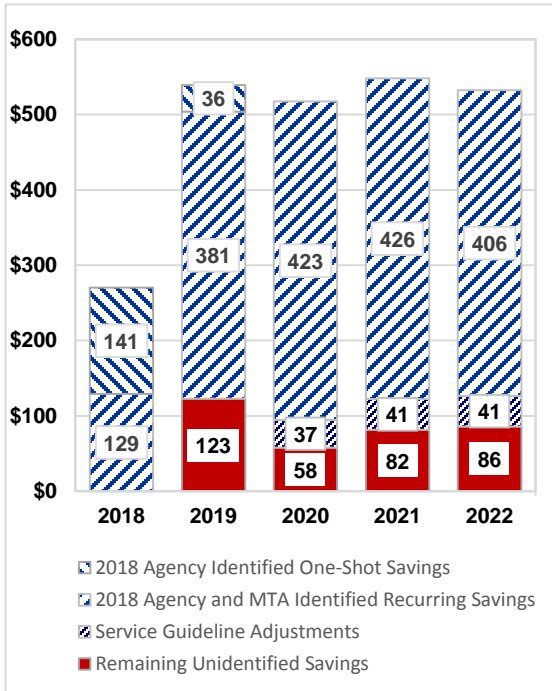
We continue to raise and achieve annual recurring savings targets

(\$ in millions)





In 2018, Agencies Identified \$2.1 billion in BRP Savings, including “one-shots,” but still fall short of targets



Savings Target Compliance

Achieved or Identified / (Unidentified)
(\$ in millions)

	2018	2019	2020	2021	2022	5-Year Total
Total Savings Targets	(\$264)	(\$539)	(\$518)	(\$548)	(\$532)	(\$2,402)
<i>One-Shots</i>	141	36	-	-	-	177
<i>Recurring Savings</i>	129	381	423	426	406	1,765
<i>Service Guideline Adjustments</i>	-	-	37	41	41	118
Total Identified Savings	\$270	\$417	\$460	\$467	\$447	\$2,060
Remaining Targets	\$0	(\$123)	(\$58)	(\$82)	(\$86)	(\$348)



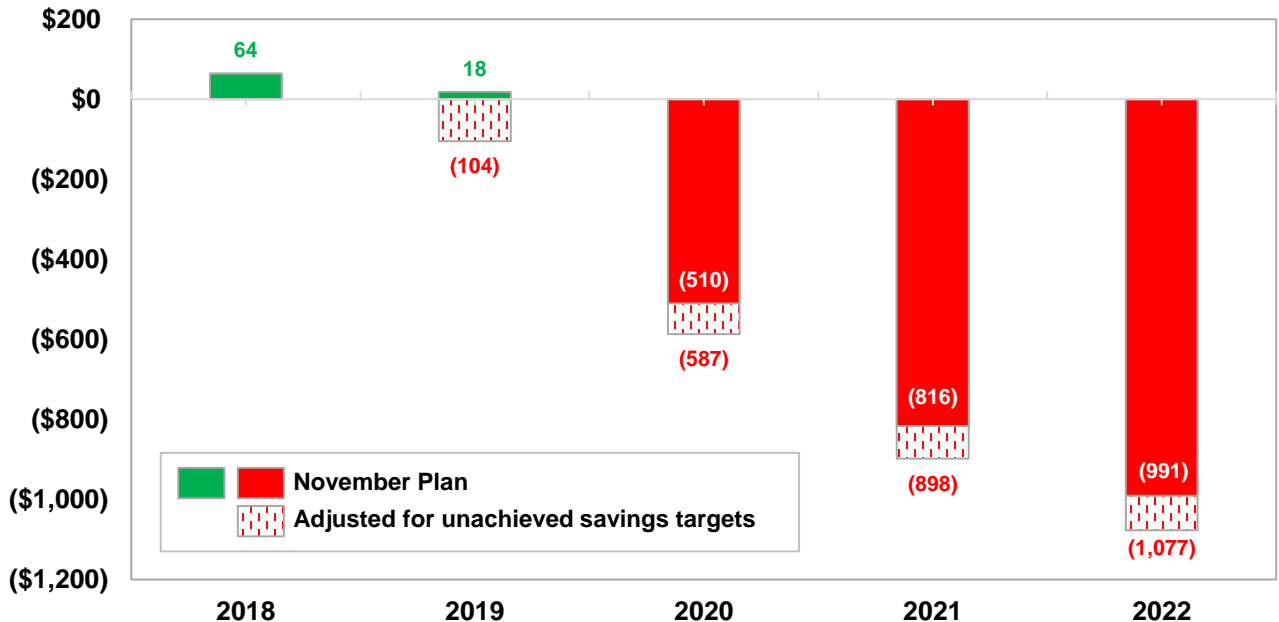
Service Guidelines

- Bus and Subway service guidelines, which have been reviewed and approved by the MTA Board, are used to maintain an appropriate level of service based upon actual ridership on a route.
 - Minimize occurrences when buses or trains are either overcrowded or underutilized.
 - Provide an objective standard of maximum loads for different times of day.
 - Average ridership is measured in 30-minute intervals for peak service and 1-hour intervals for off-peak service.
 - Ridership counts reflect total riders, both paid and unpaid.
- Following these guidelines, NYCT is proposing service guideline adjustments beginning in 2020 that result in savings of \$41 million annually, with reductions of \$10 million for subway service and \$31 million for bus service.



If remaining savings targets are not achieved, deficits will occur earlier and be larger

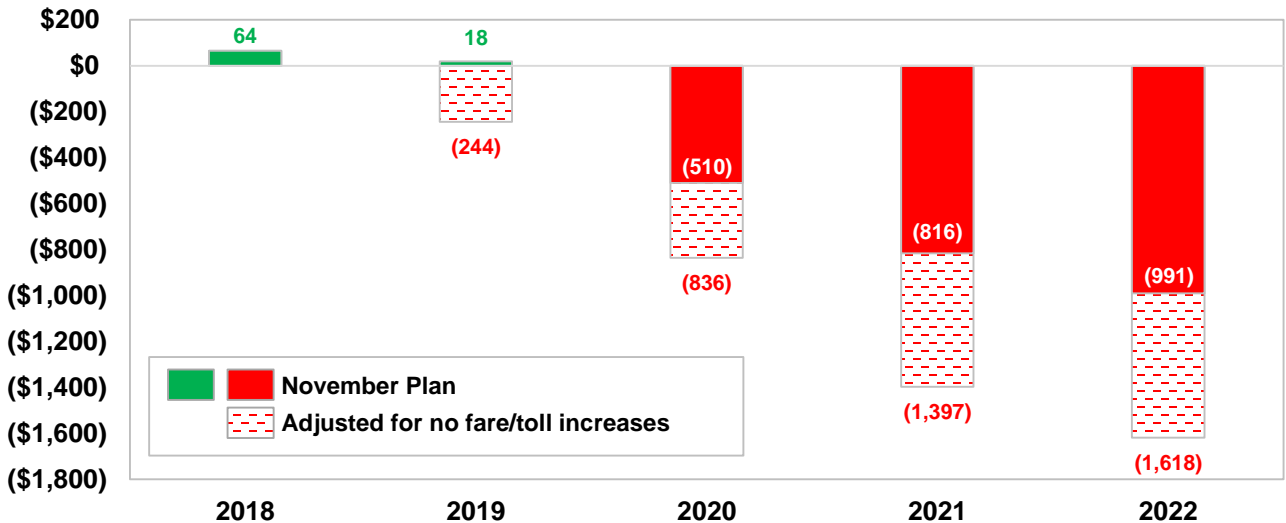
(\$ in millions)





If fare and toll increases are not enacted, deficits will increase significantly

(\$ in millions)



A one-year delay in the implementation of the proposed fare/toll increase would reduce revenues by approximately \$325 million every two years



Addressing the deficits

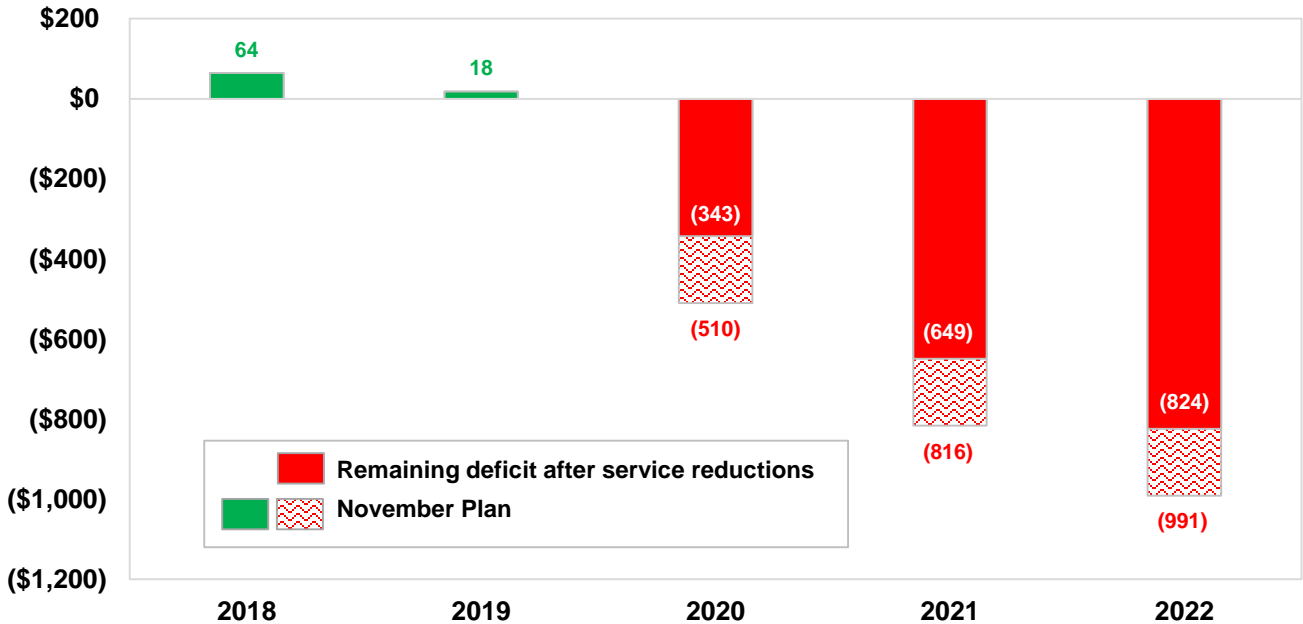
Without additional recurring revenues, the MTA would need to consider significant service reductions, reductions in force and/or additional fare/toll increases.

- Potential service reductions:
 - Moderate service reductions (\$36 million per year)
 - Significant service reductions (additional \$51 million per year)
 - Severe service reductions (additional \$80 million per year)
 - Service reductions would only partially offset the deficits, requiring additional fare/toll increases of 12%
- Without significant service reductions, additional fare/toll increases of 15%



Implementation of draconian service reductions would have a relatively small impact on the deficit

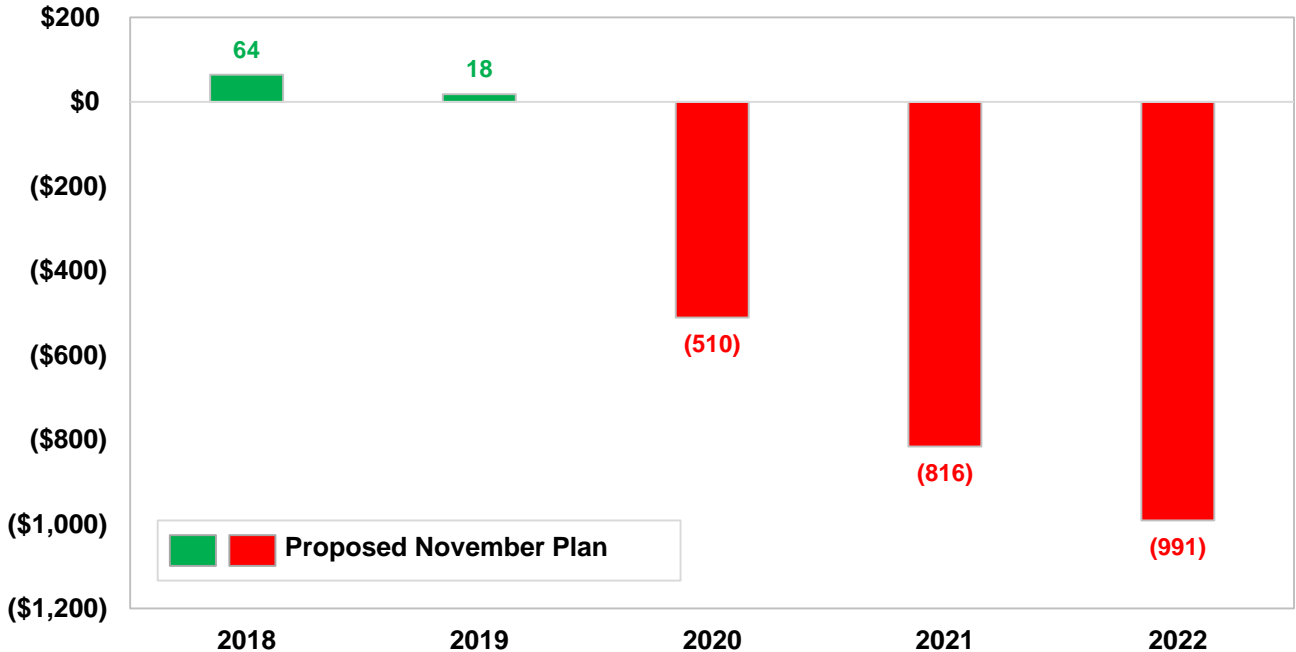
(\$ in millions)





Additional recurring revenues will be required to address the deficit

(\$ in millions)





2019 Fare and Toll Proposals

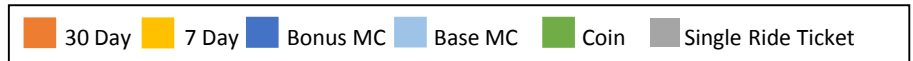
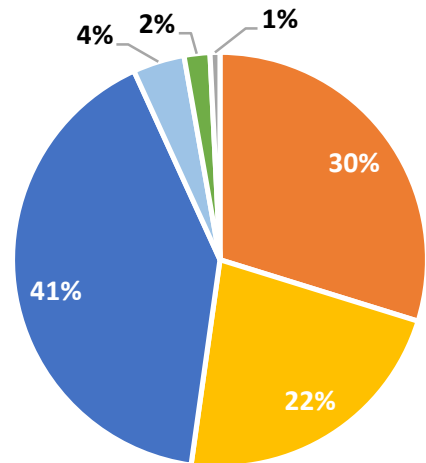
Board Presentation
November, 2018



NYCT Fare Product and Ridership, 2017

- Time-based Passes (52%)
 - Valid for 7 or 30 days
 - Unlimited number of trips
 - 7 Day is \$32; 30 Day is \$121
- Pay-Per-Ride MetroCard Fares (45%)
 - Base MetroCard Fare is \$2.75
 - If customer adds \$5.50 or more at a time, an additional 5% “bonus” is added to the Card’s value
 - Effective fare with bonus is \$2.62
- Non-MetroCard Fares (3%)
 - Coin on the Bus - \$2.75
 - Single Ride Ticket - \$3.00
 - No intermodal transfers

Ridership by Fare Product,
July 2017 – June 2018





New York City Transit Options

Option 1

- Keep base fare at \$2.75
- Eliminate bonus
- 5.0% effective increase

Option 2

- Increase base fare to \$3.00
- Increase bonus to 10%
 - Buy 10 get one free
- 4.2% effective increase

Both options

- No coin on Express Bus
- Increase 7 Day less than 30 Day

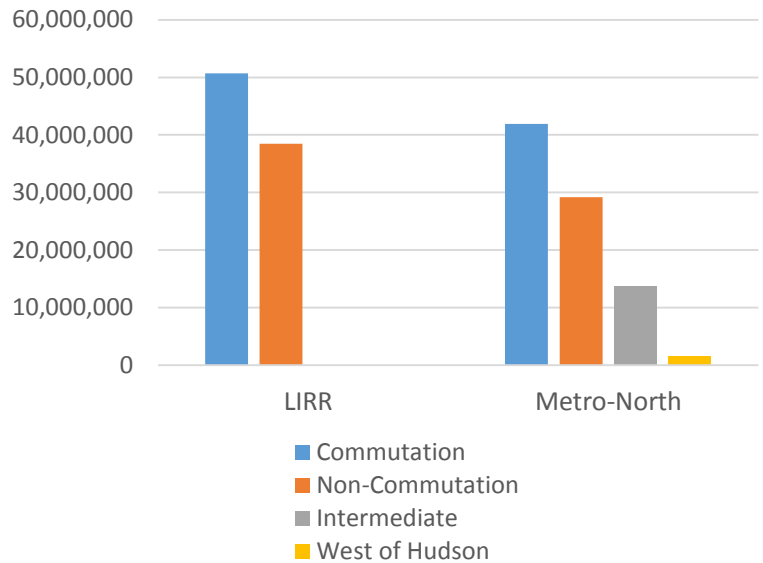
Fare Types	Market Shares	Current	Option 1	Option 2
Base MetroCard / Paratransit	5%	\$2.75	\$2.75 (0%)	\$3.00 (9.1%)
Coin on bus	2%	\$2.75	\$2.75 (0%)	\$3.00 (9.1%)
Single Ride Ticket	1%	\$3.00	\$3.00 (0%)	\$3.25 (8.3%)
Bonus MetroCard	41%	5% bonus with \$5.50 purchase	Eliminate bonus	10% bonus with \$6.00 purchase
Effective Fare		\$2.62		\$2.75 (5.0%)
30 Day Pass	30%	\$121	\$127.00 (5.0%)	\$126.25 (4.3%)
7 Day Pass	22%	\$32	\$33.00 (3.1%)	
<u>Express Bus</u>			No longer accepted	
Coin	<0.1%	\$6.50		
Base Fare	NA	\$6.50	\$7.00 (7.7%)	\$7.25 (11.5%)
MetroCard Fare	0.4%	\$6.19	\$7.00 (13.1%)	\$6.59 (6.5%)
7-Day Express Bus Plus	0.1%	\$59.50	\$63.00 (5.9%)	



Railroad Fare Structure and Ridership

- Commutation Fares are Monthly and Weekly
 - Used by regular commuters traveling during the peaks
- Non-Commutation are peak and off-peak one-way tickets
- MNR's Intermediate market continuing to grow
 - Trips taken entirely outside of Manhattan
 - Serves job centers such as White Plains and Stamford
- West of Hudson small submarket

Annual Railroad Ridership by Market, 2017



Source: LIRR OMB, MNR Operations Planning & Analysis



Key Elements of Commuter Rail Fare Proposals

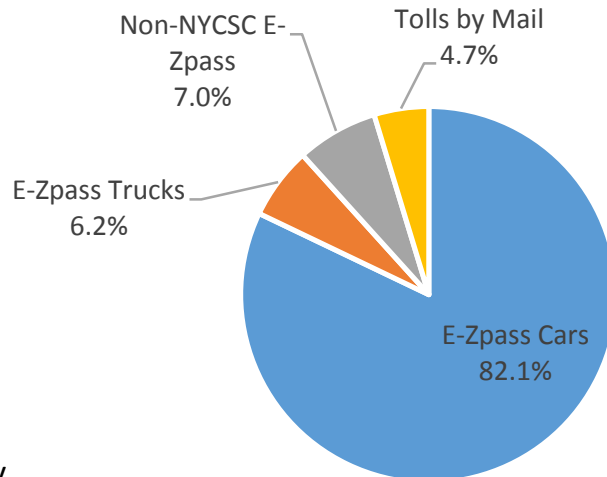
- Commutation tickets
 - Max percentage increase of 3.85% for Weekly and Monthly Tickets
 - Max dollar increase of \$15 on Monthly Tickets, \$5.75 on Weekly Tickets
 - No increase on Monthly Tickets at or above \$500
- All other tickets
 - 4% increase to the One-way Fare formula
 - If percentage increase is greater than 6%, dollar increase no more than 50¢ per trip
- 2% Fare increase for West of Hudson service contracted through NJTransit



B&T Toll Structure Overview

- E-ZPass market share is currently 95%
- Discounted E-ZPass Toll is 88% of crossings
 - Approximately 30% discount for cars
 - Approximately 38% for trucks
 - Additional discounts and rebates provided to Staten Island, Rockaway residents
- Non- NYCSC customers pay Tolls by Mail amount

Distribution of Crossings by Payment Type



Source: B & T Budget Office



NYCSC E-ZPass Customers: 4% vs 8% Increase

Crossing	NYCSC E-Zpass Cars			Tolls-By-Mail Cars	
	Current	4%	8%	Current	Proposed
Major (non-VNB)	\$5.76	\$5.99	\$6.22	\$8.50	\$9.50
Henry Hudson	\$2.64	\$2.75	\$2.85	\$6.00	\$7.00
Cross Bay & Marine Parkway	\$2.16	\$2.25	\$2.33	\$4.25	\$4.75
Rockaway Resident	\$1.41	\$1.47	\$1.52	NA	
VNB - Non-Resident	\$11.52	\$11.98	\$12.44	\$17.00	\$19.00
SI Resident – 3 or more trips per month.	\$6.84 (\$5.50 rebated)	\$7.11	\$7.39	NA	
SI Resident – up to 2 trips per month.	\$6.48 (\$5.50 rebated)	\$6.74	\$7.00		

- NYCSC Trucks increase same percentage as cars. For Tolls-By-Mail, increase an additional \$2 instead of \$1 on Major crossings
- Under VNB Resident Discount, customer pays \$5.50, MTA receives \$6.48- \$6.84 per trip, MTA and state pays difference
 - 4% increase, state funding must increase by \$3.8M to maintain \$5.50 toll. If not, rebated toll increases to \$5.76
 - 8% increase, state funding must increase by \$7.4M to maintain \$5.50 toll. If not, increase to \$6.02