
Metropolitan Transportation Authority

November 2023 Financial Plan Presentation

11/29/2023



Summary of November Financial Plan

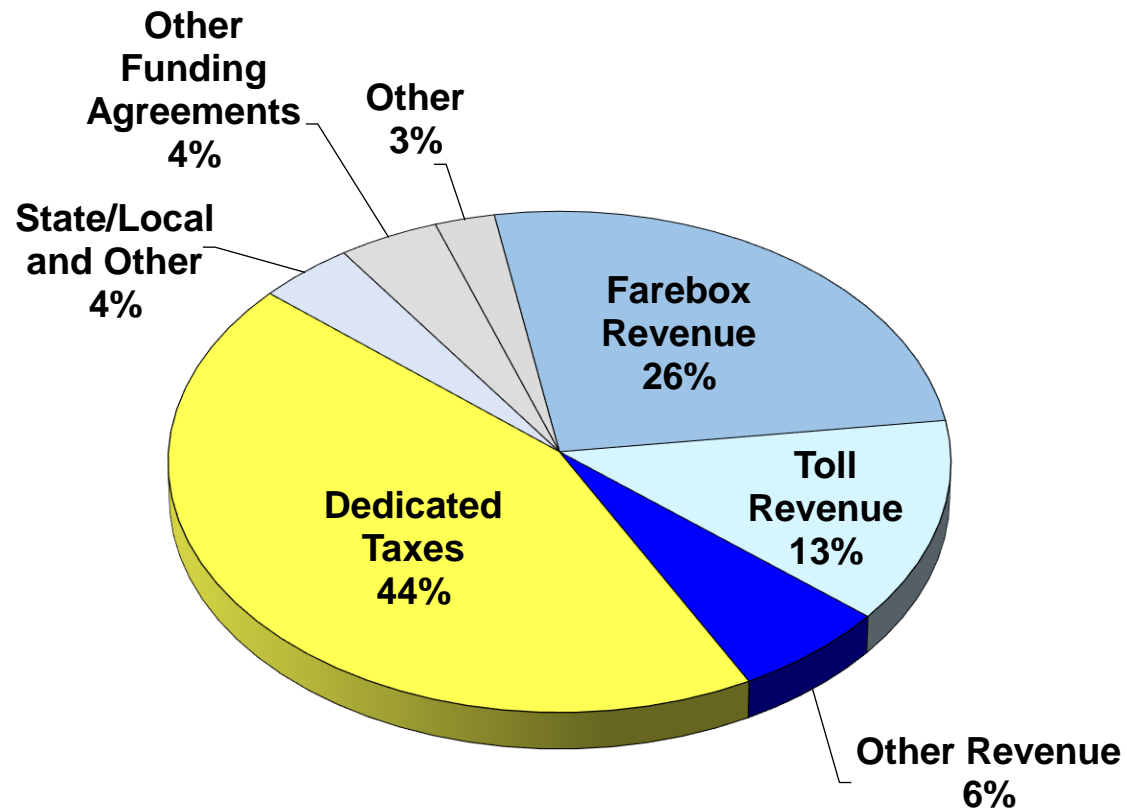
- 2023 year-to-date results modestly better than budget
- 2024-2027 revenue and expense projections in-line with July Financial Plan
 - Biennial 4% fare and toll increases assumed in 2025 and 2027
- New State and City funding sources as expected
- Existing dedicated taxes and subsidies continue to grow
- \$427 million of operating savings identified for 2024 – ahead of the \$400 million target
- Pay-off of \$2.9 billion COVID-era deficit note (MLF) funded for December 15



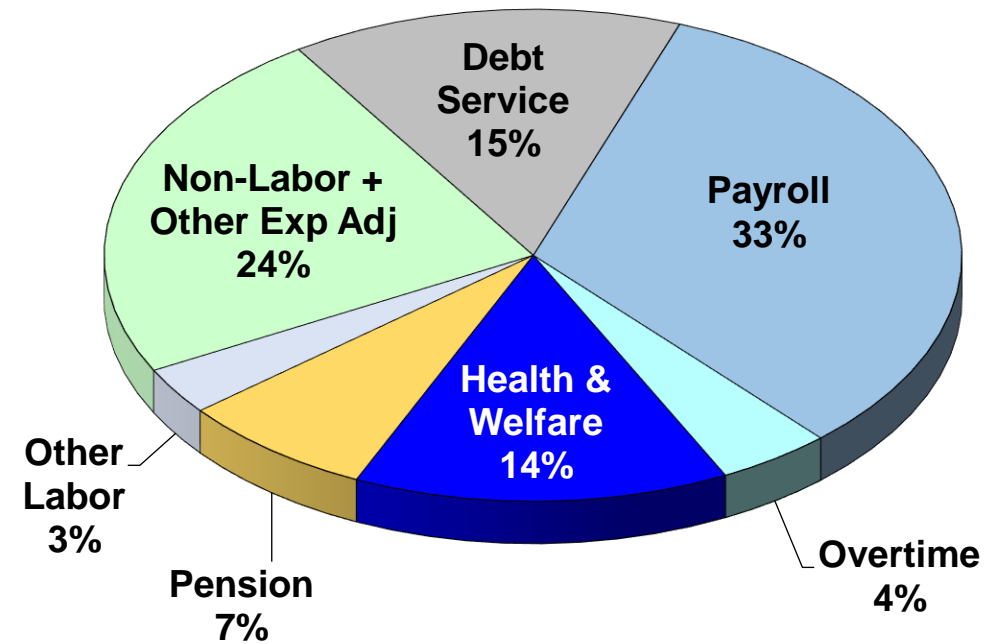
Balanced budgets through 2027

The Proposed 2024 budget is \$19.3 billion

Where the dollars come from...



Where the dollars go...



Note: After below-the-line adjustments. Shown on non-reimbursable and accrual basis.

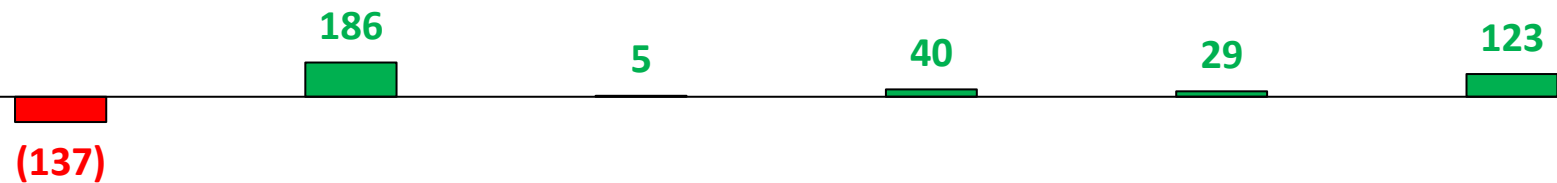
The July Plan forecast remains on target in the November Plan

July Plan to November Plan Change (\$ million)

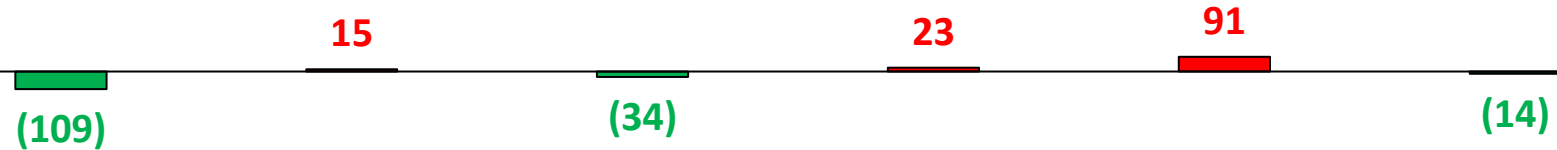
Farebox and Toll Revenue



Dedicated Taxes and Subsidies



Operating Expenses and Debt Service



2023

2024

2025

2026

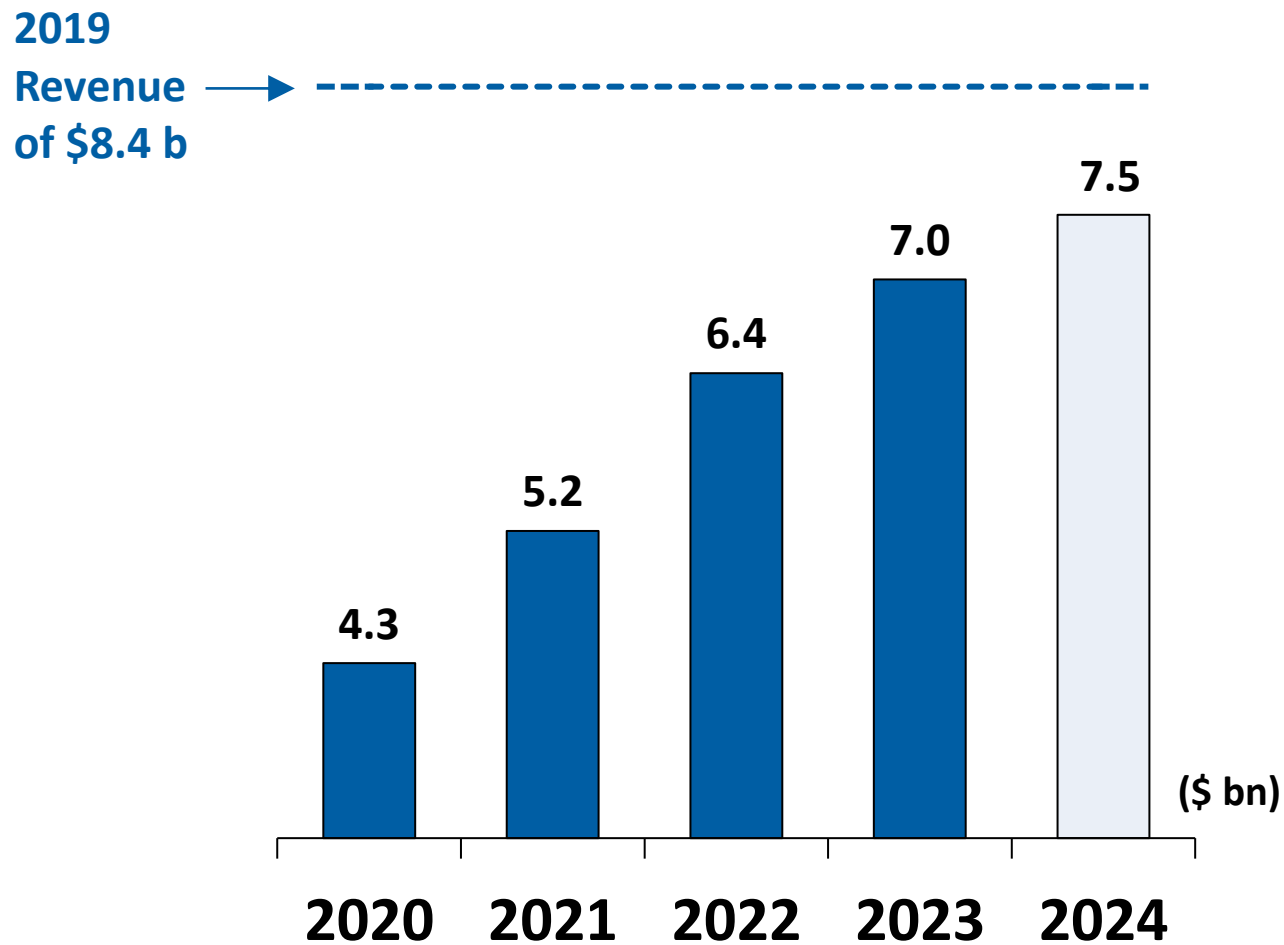
2027

5 Year Total



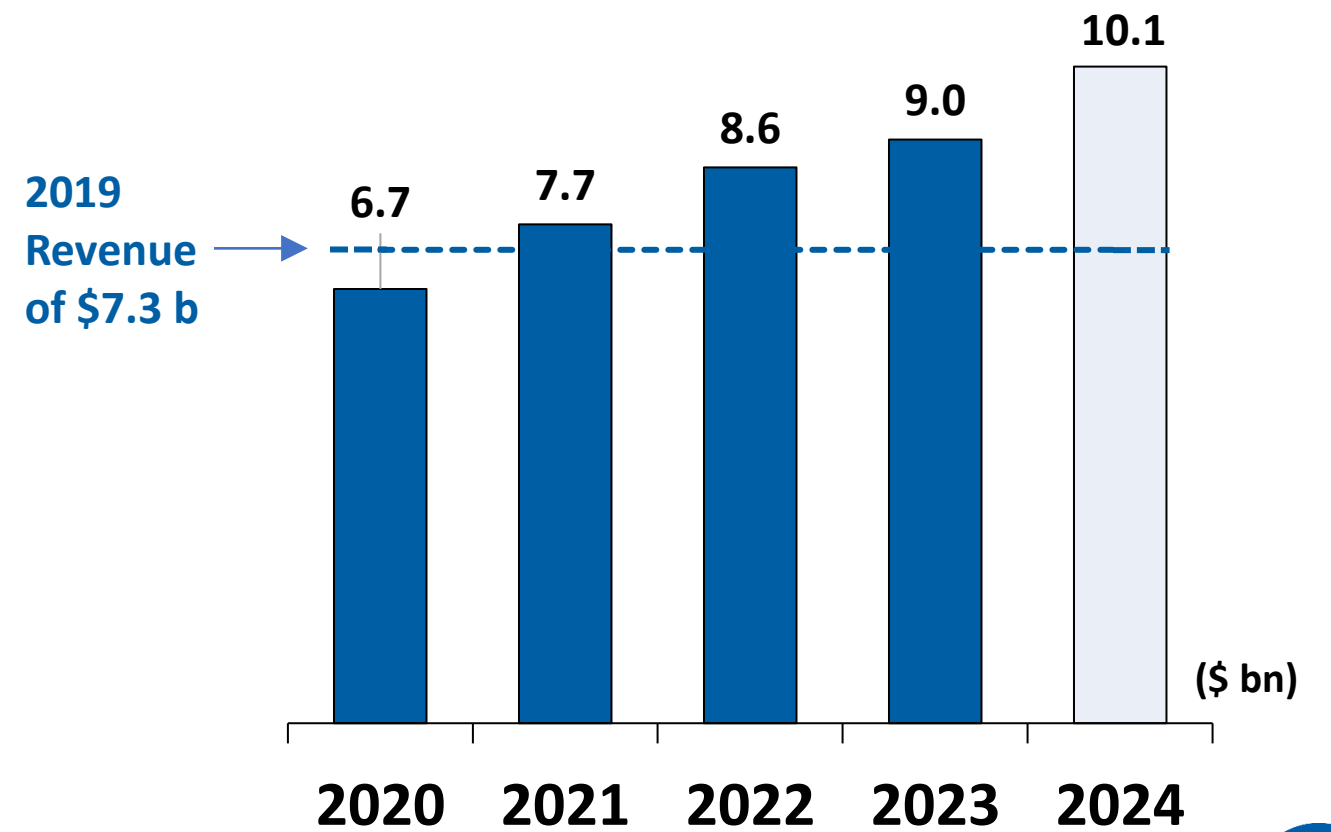
Primary revenues continue to recover

Farebox and toll revenue growth since 2020



Fare and toll revenues include impact from fare and toll increases.

Growth in state and local dedicated taxes and subsidies



Excludes other non-fare revenue and certain cash adjustments.



State and local taxes and subsidies fund a large portion of operations

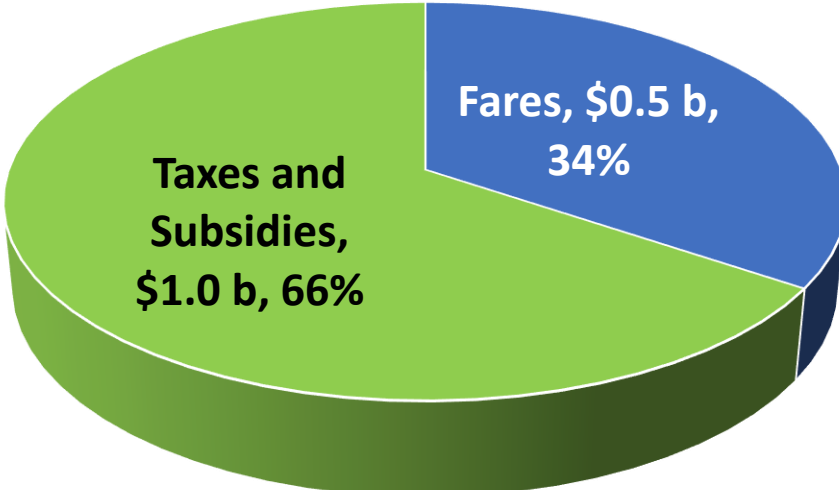
NYCT's \$9.0 billion operating costs funded by:



LIRR's \$2.1 billion operating costs funded by:



MNR's \$1.6 billion operating costs funded by:



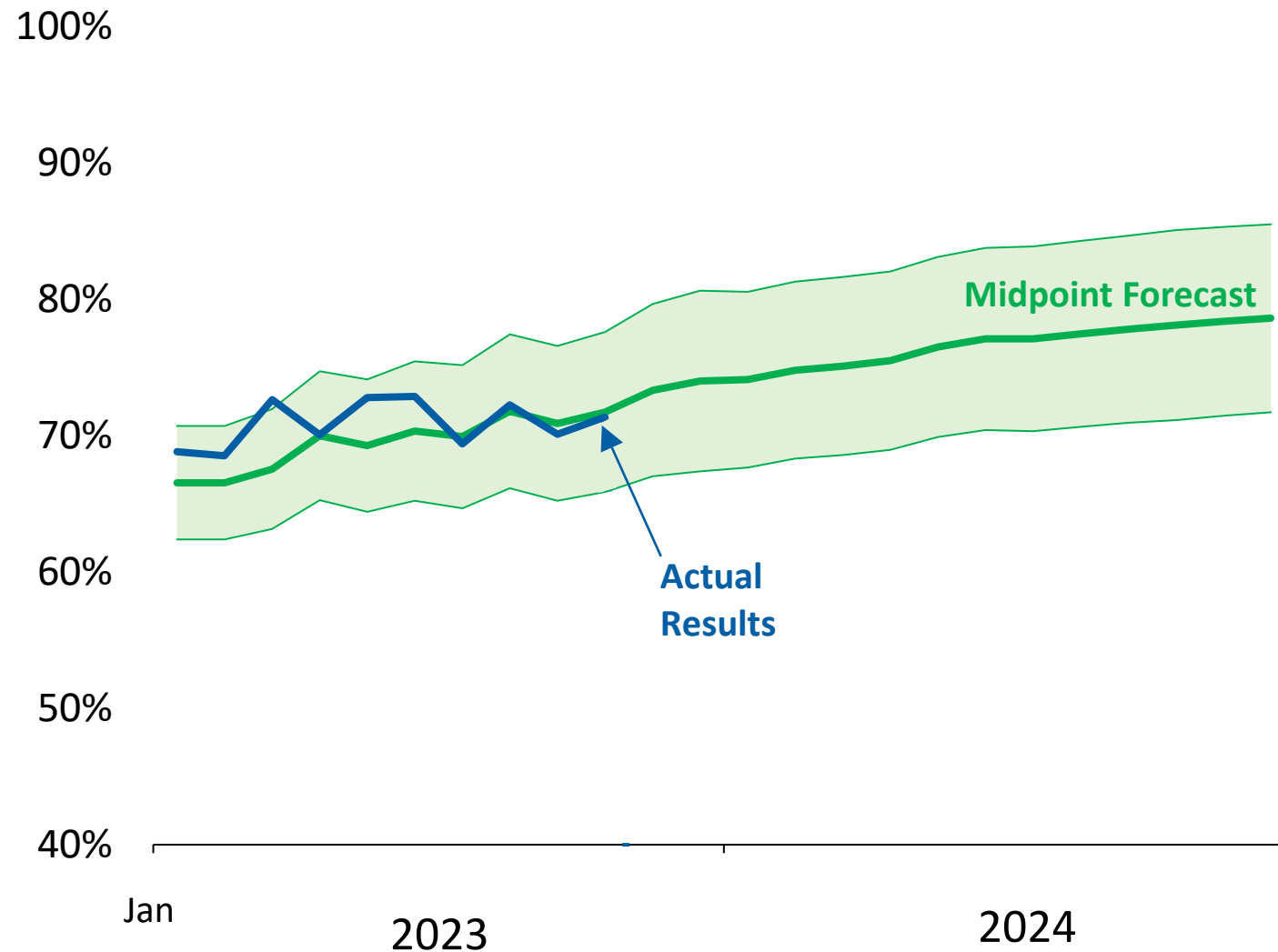
Based on proposed 2024 Budgets

Note: Cash basis, excludes debt service and MTA HQ cost allocation.



Farebox revenues are tracking the mid-point forecast

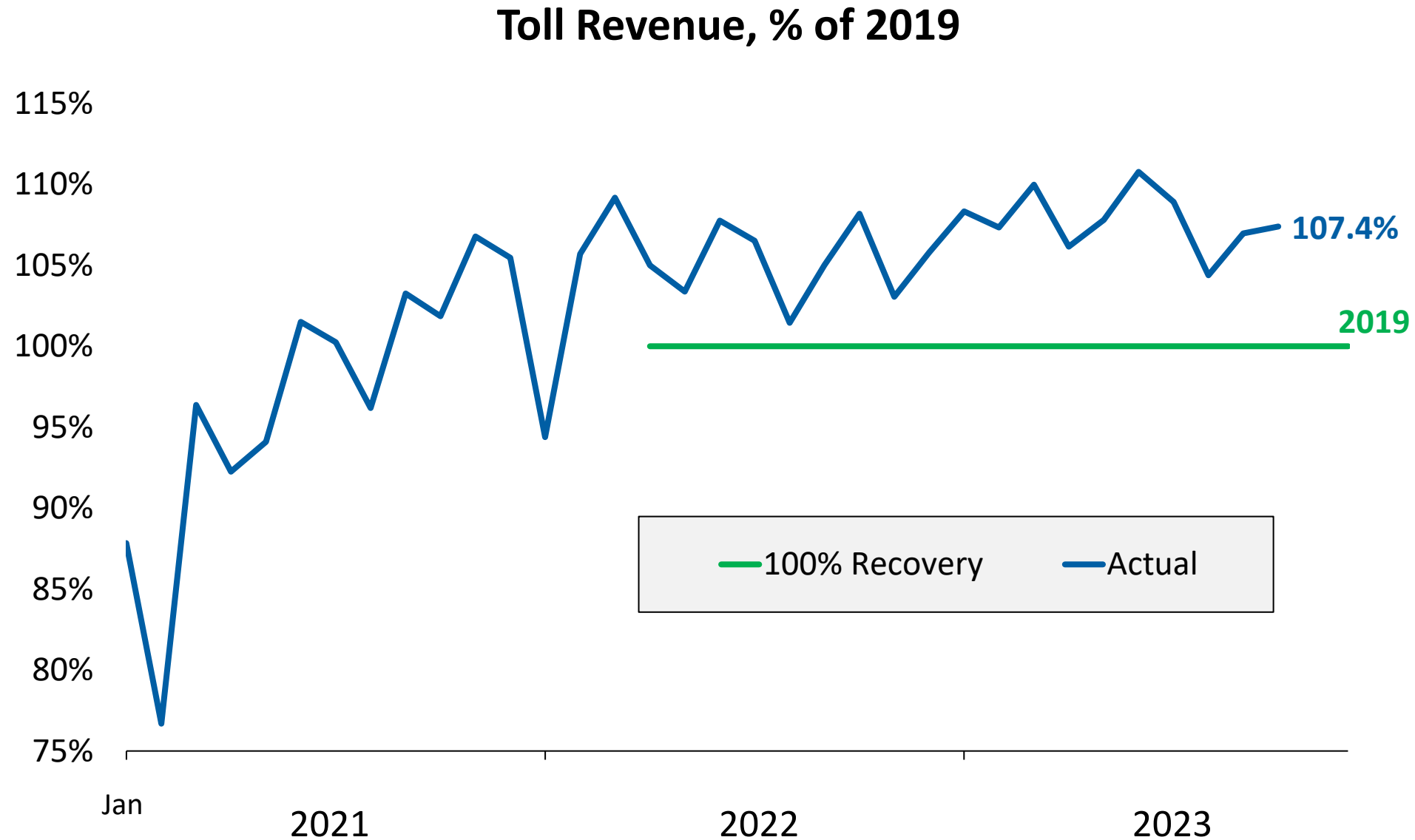
Transit and Commuter Farebox Revenue, % of 2019



Note: Includes transit and commuter railroads. Excludes bridges and tunnels.



Toll revenue has been strong

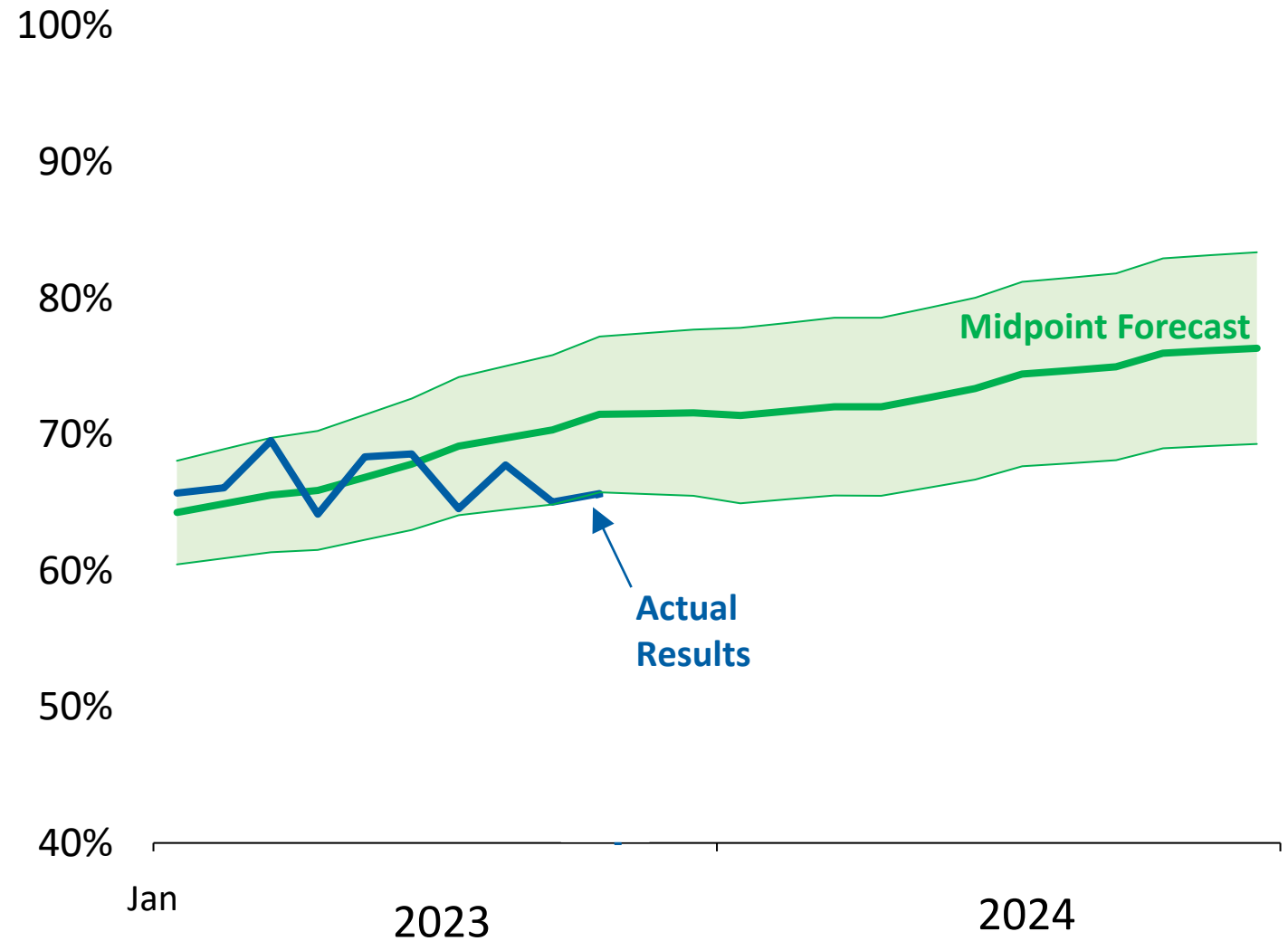


Note: Percentage recovery excludes revenue from base toll increases.



However, PAID RIDERSHIP has recently fallen below the mid-point forecast

Transit and Commuter Paid Ridership, % of 2019



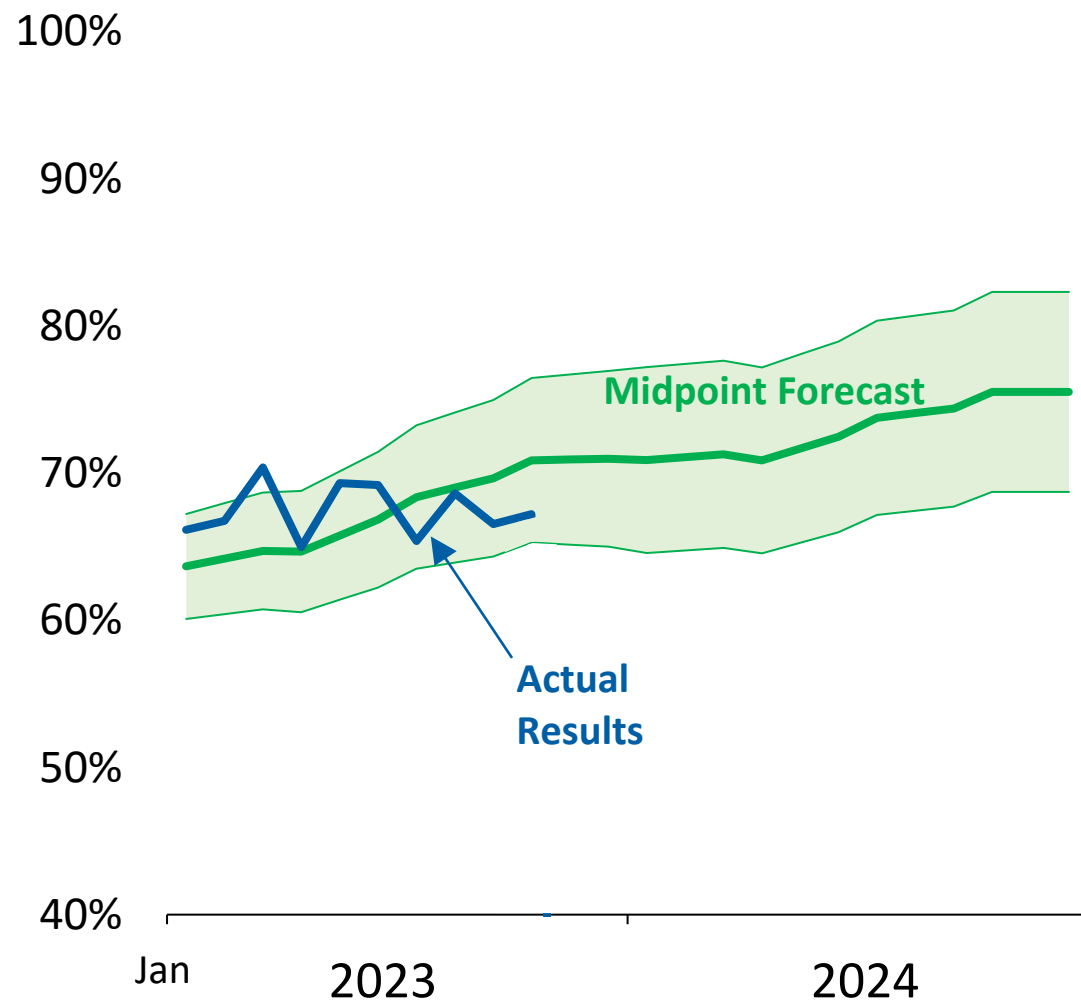
Note: Includes transit and commuter railroads. Excludes bridges and tunnels.



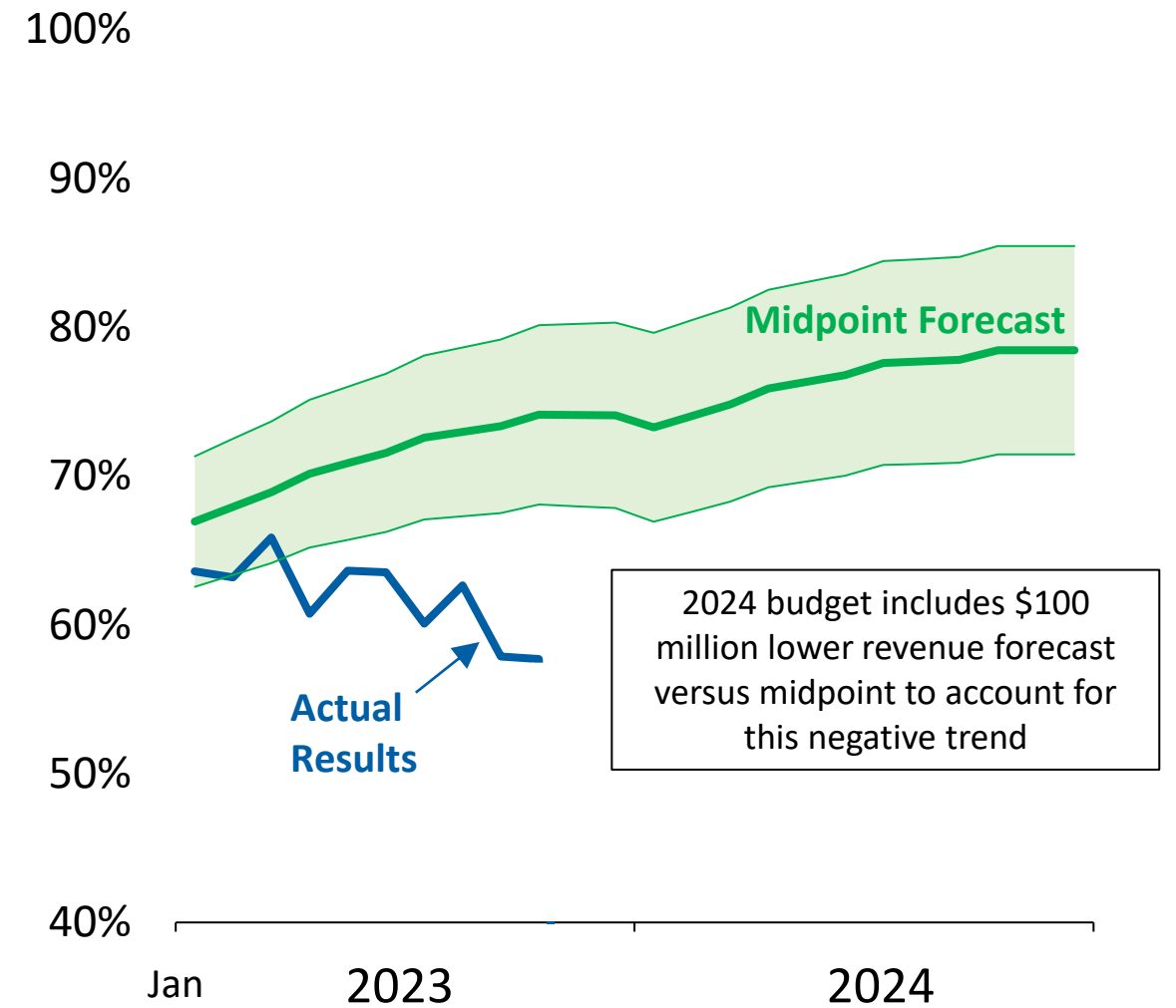
Recent PAID RIDERSHIP at NYCT Bus has been meaningfully below forecast

Paid Ridership, % of 2019

Subways



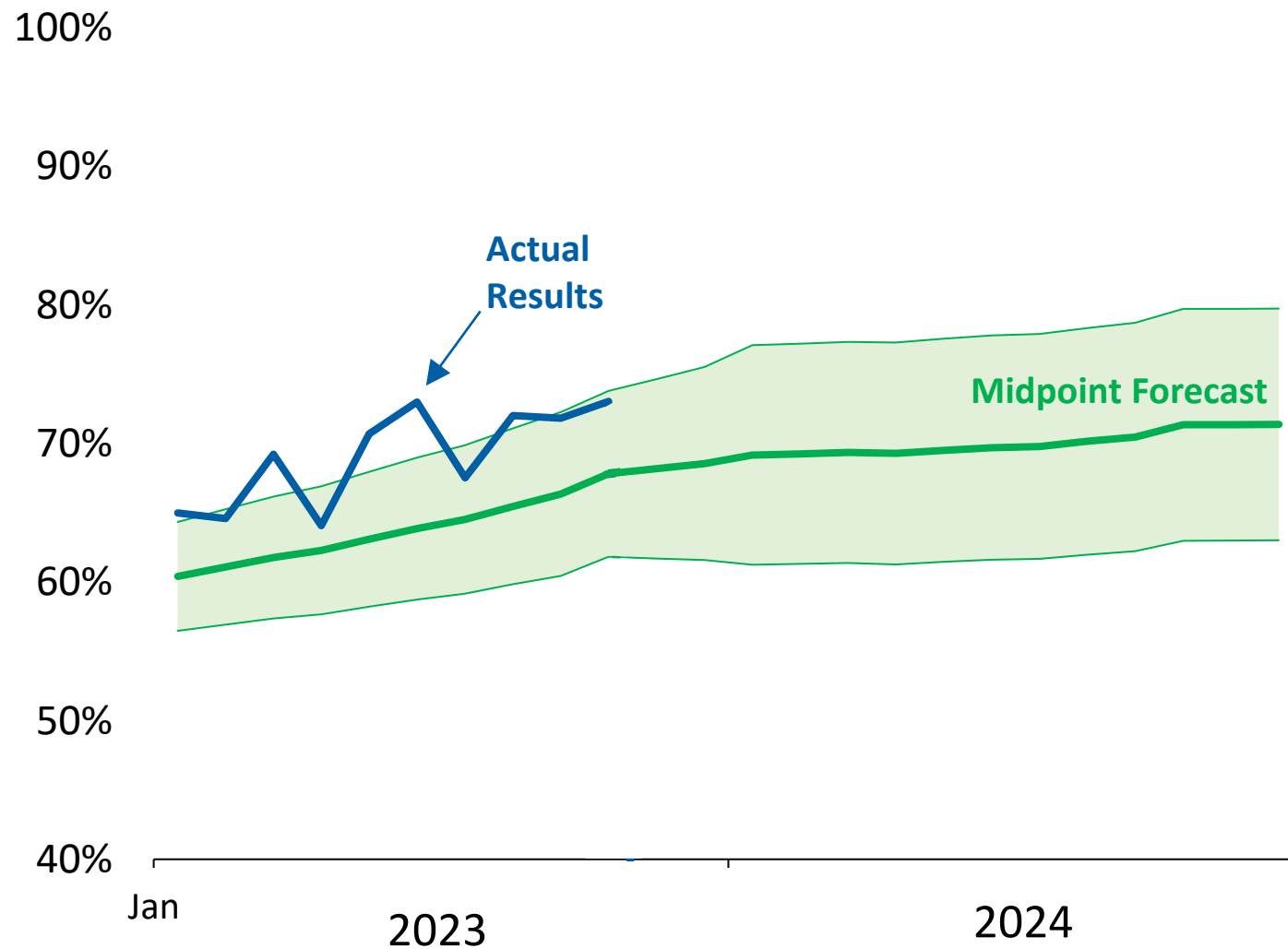
NYCT Bus



Paid ridership at the railroads has been above forecast

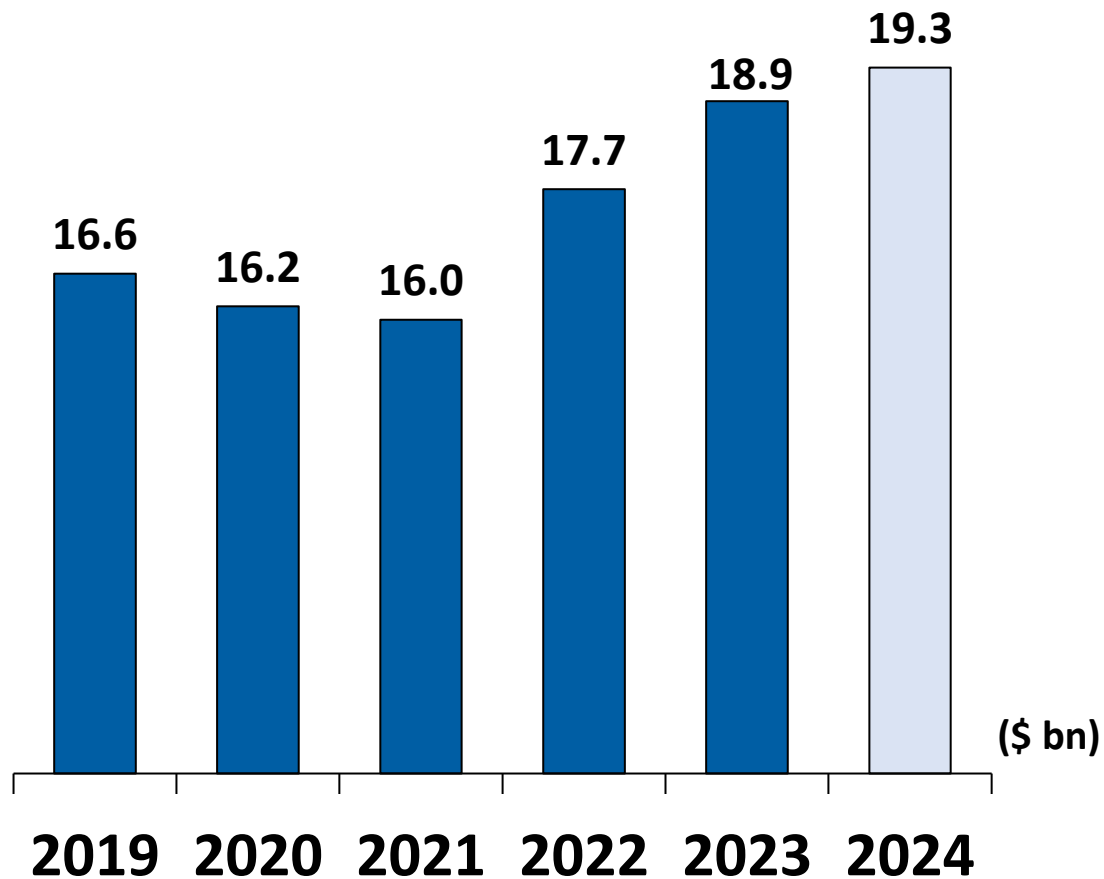
Paid Ridership, % of 2019

Commuter Railroads

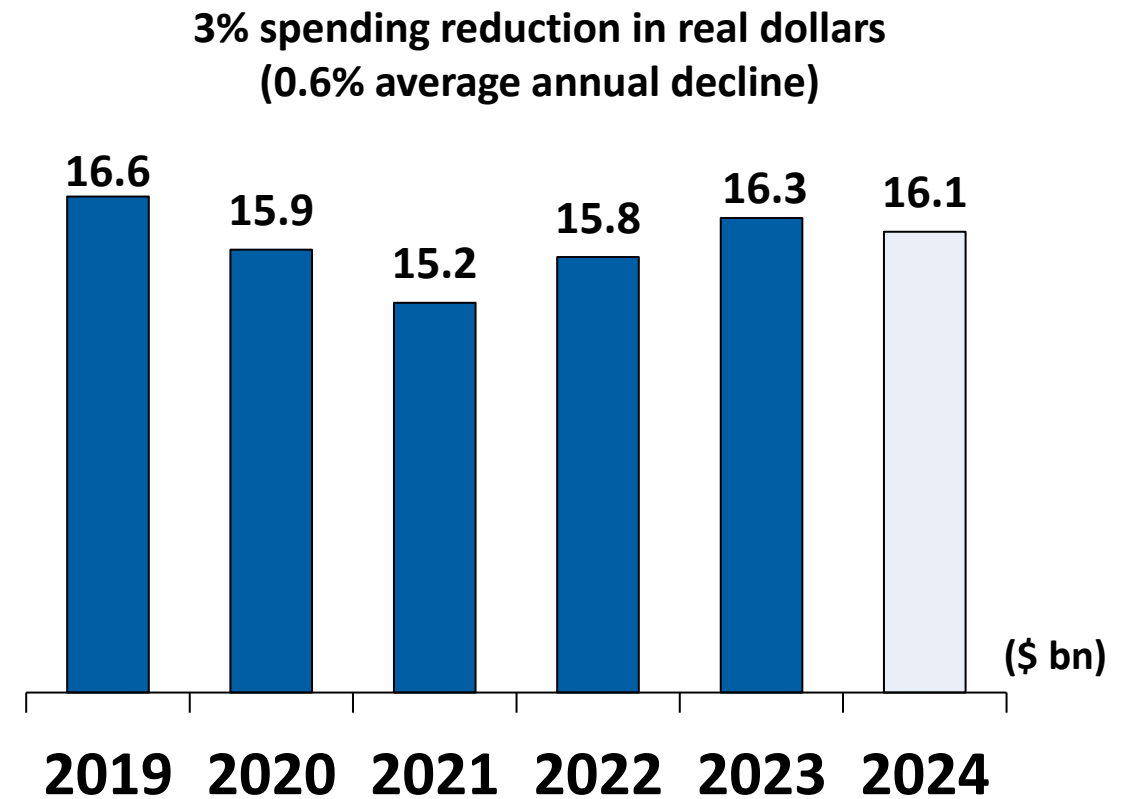


Expense growth has been constrained to below the rate of inflation

Low annual expense growth of 3.1%
(versus 3.7% annual inflation)



Reduction in annual expenses
in 2019 dollars (inflation adjusted)



Risks to the financial plan

Assumption	Risk	Potential Annual Cost
1 Continued paid ridership recovery	10% additional recovery assumed by 2026	(\$325 million) per year for 5% lower recovery
2 Dedicated tax receipts	Slower economy / real estate	(\$250 to \$750 million) per year
3 Casino revenue	Timing slower than anticipated	(\$500 million) per year in 2026 and 2027
4 MTA operating efficiencies	Successful execution	(\$400 to \$500 million) per year
5 Capital Program remains funded	New Jersey litigation delays Congestion Pricing	(\$100 to \$300 million) per year higher MTA debt service costs

Balanced budgets through 2027 – the “five zeroes” remain intact

... However, given risks, we must remain cautious and vigilant



Note: Red bars represent projected deficits last year before State budget agreement.



Metropolitan Transportation Authority

Operating Efficiencies

11/29/2023

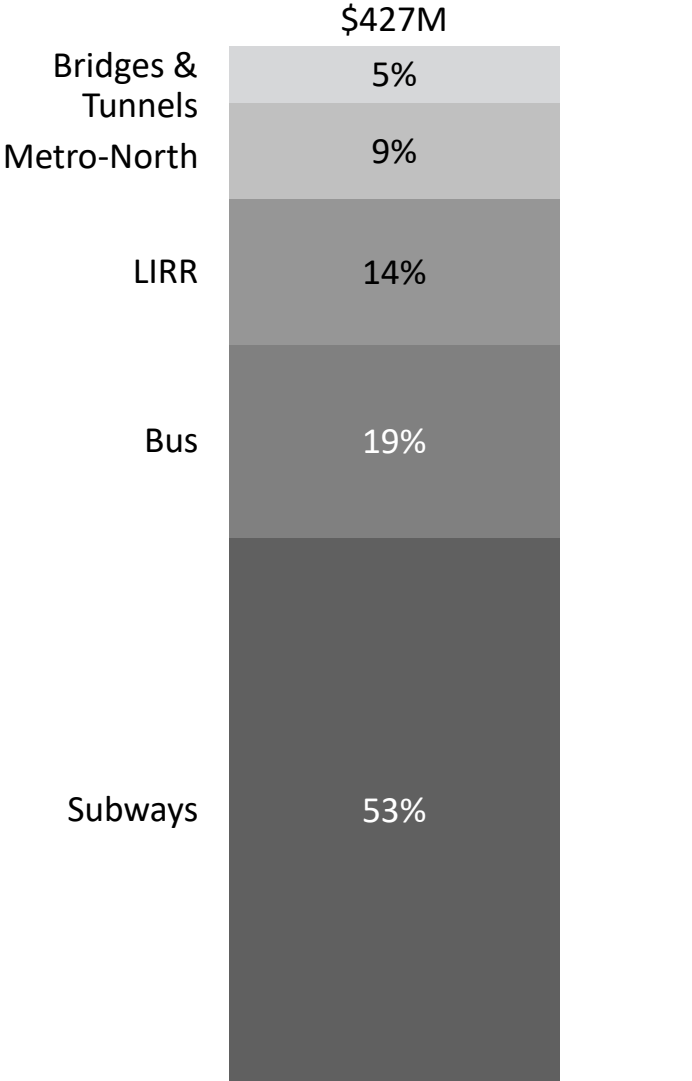


Operating Efficiencies Overview

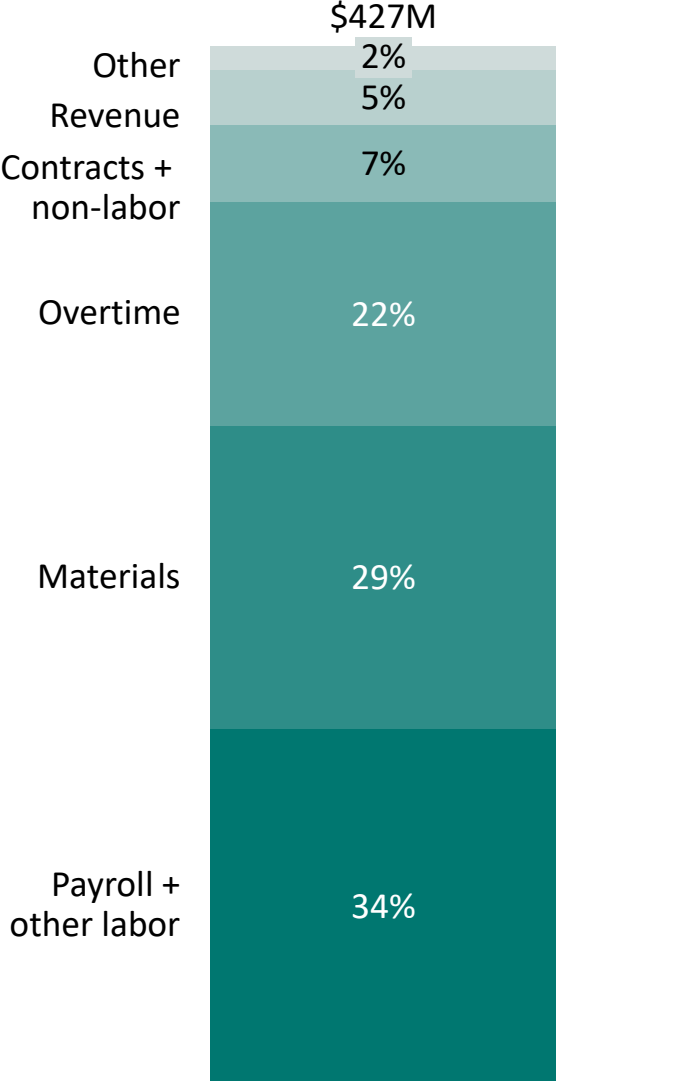
- MTA committed to saving **\$500 million** in recurring operating costs, starting with \$100 million 2023, **\$400 million in 2024**, growing to **\$500 million in 2025**
- **\$427 million in savings** have been identified across operating agencies and incorporated into the proposed 2024 budget
- **MTA identified these operating efficiency initiatives** through detailed analysis and benchmarking

How the 2024 operating efficiencies are categorized

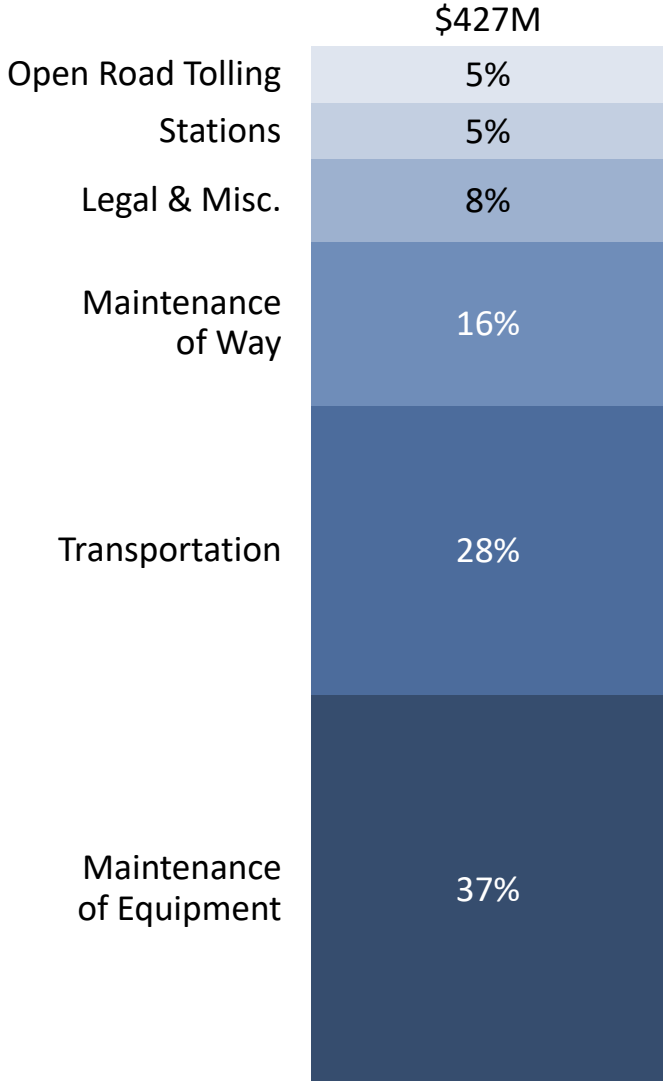
Savings by agency



Savings by spend type



Savings by department



The approach

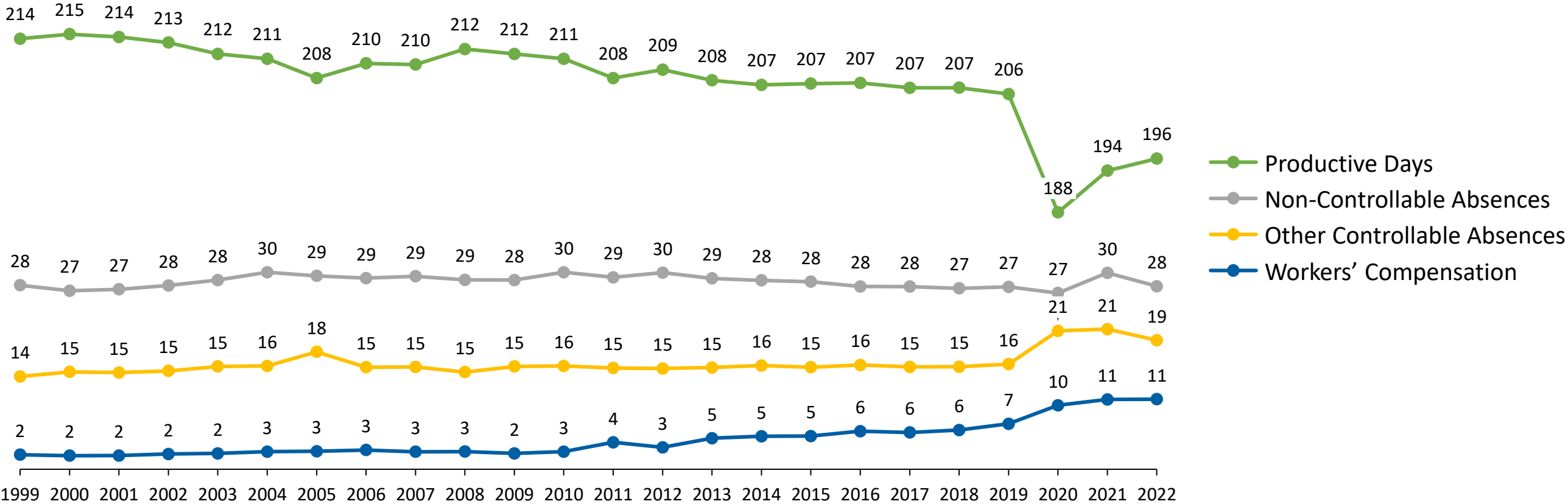
- We are **on track to successfully save the \$100M targeted for 2023 and the \$400M for 2024**
- We identified the operating efficiencies through:
 - Analyzing areas of high spend growth
 - Examining productivity patterns
 - Using internal and external benchmarks to right-size spend
 - Aligning policies with industry standards
- Initiatives are focused on harnessing **technology and data, developing common standards**, sharpening **management focus on cost drivers**, and **investing in capital**

New York City Transit Initiatives

Initiative	Description	Annual Impact	Agency
Improve employee availability	Comprehensive effort including recognition for exemplary attendance; expanded employee engagement; and joint working groups with Labor to reduce assaults	\$85M	Subways & Bus
Insource cleaning	Eliminated contract cleaning and hired additional cleaners for stations and cars	\$45M	Subways
Extend railcar overhaul cycles	Adjust scheduled maintenance system cycle program for cars while maintaining reliability	\$38M	Subways
Expand Automated Bus Lane Enforcement (Initial Phase)	Install cameras on 700 additional buses	\$22M	Bus
Optimize overtime utilization	Range of strategies including enforcement of existing timekeeping rules and reduction of overtime in targeted right areas	\$15M	Subways & Bus
Increase energy efficiency	Lower costs and greenhouse gas emissions through efforts including LED lighting and optimizing heating and cooling (e.g., remote boiler monitoring)	\$15M	Subways & Bus
Improve Workers' Comp. processes	Including partnering with third-party administrator to improve care while reducing costs	\$12M	Subways & Bus
Re-evaluate procurement specs	Bring specifications for material purchases in line with business needs	\$11M	Subways
Re-imagine station agent role	Expand role in customer service and increase hourly pay, while reducing net costs by optimizing coverage requirements (e.g., during lunch breaks)	\$6M	Subways
Roll out Bus Predictive Maintenance	Use technology to more efficiently identify maintenance needs, reducing incidents on the road while lowering costs	\$5M	Bus
Subtotal: Top Ten Initiatives		\$263M	
Additional initiatives	16 additional initiatives detailed in financial plan	\$41M	Subways & Bus
Grand Total		\$304M	

NYCT: Employee availability has declined over the past 20 years, driven by a 9 day increase in Workers' Compensation

Annual Availability for Hourly NYCT Employees
of Days



Subways: To keep employees safe and reduce Workers' Compensation claims, we have launched new efforts to deter assaults



Deterrence Efforts:

- Labor-management committees discussion and collaborations;
- Banning of offenders from the transit system;
- Cops, Cameras, Cares
- Police & Security Staff Focus Areas
- Quality of Life Issues
 - Erratic Behavior
 - Fare Evasion
 - Customer Messaging
- Employee De-escalation Training
- Case tracking and follow-up with District Attorney Offices to ensure worker assault cases are given focus/attention

Bus: To keep employees safe and reduce Workers' Compensation claims, we have launched new efforts to deter assaults



Deterrence Efforts:

- On-Board Video Systems
- Piloting Bus Operator Physical Protective Measures
- Bus Fare Evasion Prevention Expansion (NYPD & Eagle Tm)
- Customer Messaging
- Obtaining lessons learned from Bus Operators (Focus Groups)
- Employee De-escalation Training
- Police/Security Deployments in Focused Areas
- Case tracking and follow-up with District Attorney Offices to ensure worker assault cases are given focus/attention

NYCT: In addition to reducing injuries, we are pursuing immediate and longer-term improvements to how we administer Workers' Comp claims

Immediate

Improve current processes (examples below)

Rigorously apply legal standards regarding mental trauma claims (e.g., due to spitting)

Roll out requirement to use a doctor in a NY Certified Preferred Provider Organization

Surge staffing to reduce caseloads, improve real-time claims triage, and increase case management

Longer-term

Partner with a Third-Party Administrator (TPA)

Many organizations use TPAs who bring scale and best practices for better claims administration and employee experience

MTA conducted a pre-qualification process, released an RFP to qualified providers, and plans to transition to a TPA in 2024

Railroads Initiatives

Initiative	Description	Annual Impact		
		Total	LIRR	MNR
Materials Management	Material Spend Cost Reduction. Comprehensive assessment and documentation of Railroad and MTA Agency wide [Assets to Materials to Inventory to Procurement] lifecycle and expenditures; starting with Materials Management (MM) and OPEX/CAPEX optimization of funding types	\$29.2M	\$24.7M	\$4.5
Rolling Stock Productivity Improvements	Rolling Stock Process Improvement and Resource Optimization. Extension of the M7 air brake to 10 years to more efficiently manage both the M7 air brake replacement and the M7 truck overhaul RCM program; optimize staffing for inspections and maintenance by utilizing new shop space at Harmon	\$17.4M	\$14.9M	\$2.5
Maintenance of Way + Maintenance of Equipment Overtime (OT) Management	Overtime Reduction. Drive accountability for overtime further down into sub-department level (management centers)	\$14.3M	\$9.3M	\$5.0
Contracts	Contract Streamlining. Comprehensive review of maintenance, materials and non-ops service contracts for targeted reductions and changes to business practices	\$9.9M	\$3.0M	\$6.9
Train Scheduling	Schedule & Resource Mgmt. Optimization. Utilize passenger loading data and technology to better match train lengths to customer demand and optimize resources	\$7.6M	\$4.5M	\$3.1
Capitalize Maintenance of Way Work	Budget Alignment. Assessment of scope, criteria, and complexity of long term and larger projects related to MofW State of Good Repair (SOG R); to optimize the balance and appropriate categorization between operating budgets and capital program expenditures	\$5.0M	-	\$5.0
Rolling Stock Standard Work	Inspection Dwell Time Reduction. Develop work standards that will optimize work and increase inspection throughput for our M7 series. Potential to extend these business improvements and savings across multiple locations across both Railroads in 2024, 2025 and forward	\$1.0M	TBD	\$1.0
Other Efficiency Adjustments	Additional initiatives detailed in the Financial Plan	\$15.6M	\$3.6M	\$12.0
Total		\$100.0M	\$60.0M	\$40.0M

Railroads: Assessing lifecycle materials management to reduce costs

- Railroad material costs are anticipated to grow **25-45%** between 2022-2024 due to supply chain issues and inflation
- To mitigate the impact of these market-wide increases, we are **re-assessing full lifecycle materials management** and implementing best practices and new standards, including (but not limited to):



Minimizing stockout

- Ensure materials are available in the right place at the right time to meet operational and service needs



Reducing inventory buildup

- Save spend on excess materials purchase, stocking, and management
- Rationalize storage footprint



Boosting productivity and throughput

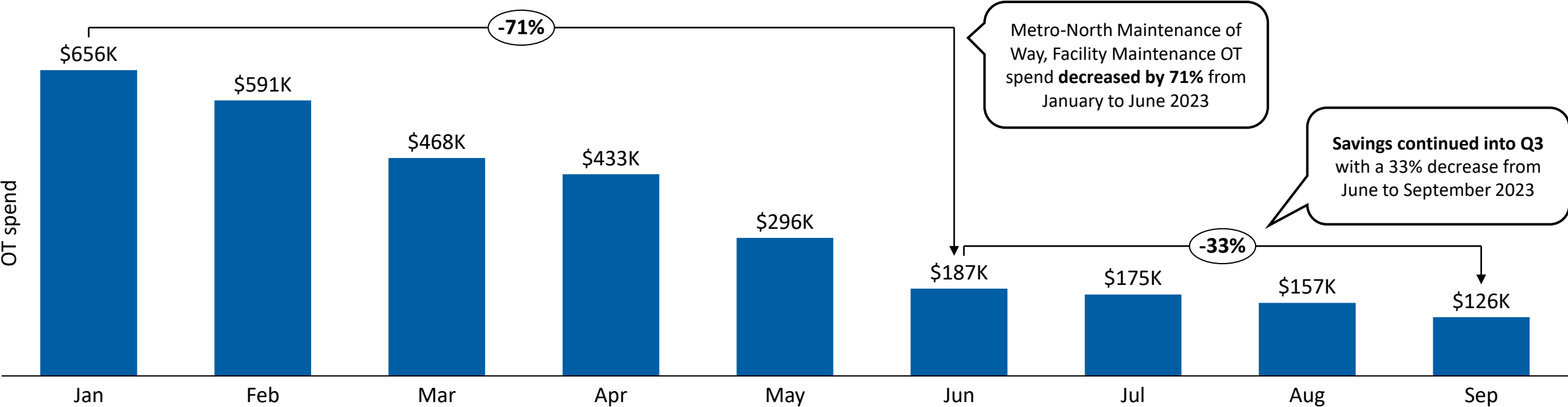
- Enable maintainers with 'right parts at the right time'
- Increase efficiency of logistics processes via improved physical designs, processes, and digital tools



Railroads: Utilizing advanced data analytics to reduce overtime

- Expanding our use of **overtime spend advanced analytics** to keep us on track to meet OT reduction targets
- Across railroads, we are:
 - Regularly monitoring OT use by work groups (e.g., shift, management center, etc.)
 - Digitizing work orders to use real-time analytics to inform shift coverage decisions

Metro-North Maintenance of Way, Facility Maintenance OT spend (January 2023 – September 2023)



Railroads: Standardizing inspection processes and fleet workflows

- **Standardizing inspection processes across fleets** in order to increase productivity and predictability
- Beginning with **92-day inspection process for the M7s**, which comprise 30% of Metro-North’s fleet and 65% of LIRR’s fleet
 - Conducting task-by-task review of FRA inspection requirements
 - Using Six Sigma principles to determine optimal sequencing and timing
- Initial pilots indicate **opportunity to reduce \$500K+ per shift annually** for a given M7 inspection
- Following **pilots at Croton Harmon and Hillside**, we will scale changes across all railroads and types of work



Scheduled Pilot	Shop
Q1 2024	Croton Harmon 92-day inspection shop
Q3 2024	Croton Harmon shop(s)
Q4 2024	Hillside M7 92-day inspection shop

Targeted savings: Dwell time, overtime, energy



Continual measurement and monitoring will ensure savings are achieved



Financial performance: we will measure budgeted versus actual costs across agencies and departments



Operational KPIs: we will monitor initiative implementation and underlying practice changes

- Ensuring HQ delivers on interdependencies that enable agency savings
- ‘Early warning system’ if initiatives fall off track and savings are at risk