

MTA ANNUAL DISCLOSURE STATEMENT SUPPLEMENT
August 28, 2020

This Metropolitan Transportation Authority (“MTA”) Annual Disclosure Statement Supplement (the “Supplement”) is dated August 28, 2020, supplements the information contained in the Annual Disclosure Statement (the “ADS”) of MTA, dated April 29, 2020 as supplemented on May 1, 2020, May 19, 2020, May 27, 2020, June 3, 2020, June 25, 2020 and July 17, 2020 and as updated by a First Quarterly Update dated August 3, 2020 (“First Quarterly Update”). *This Supplement updates information relating to impacts of the COVID-19 pandemic on MTA and its Related Entities finances and operations and MTA’s available liquidity resources.* MTA expects to file this Supplement with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access (“EMMA”) system and may incorporate such information herein by specific cross-reference. No statement on MTA’s website or any other website is included by specific cross-reference herein. All of the information in this Supplement is accurate as of its respective date. MTA retains the right to update and supplement specific information contained herein as events warrant.

The factors affecting MTA’s financial condition are complex. This Supplement contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared and contains statements relating to future results and economic performance that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “anticipate” or other similar words. The forward-looking statements contained herein are based on MTA’s expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete, imprecise or not reflective of future actual results. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the preceding paragraph, MTA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events occur that change the conditions or circumstances on which such statements are based. These forward-looking statements speak only as of the date of this Supplement.

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Updated Assessment of Impacts From the COVID-19 Pandemic on MTA and Its Related Entities Finances and Operations

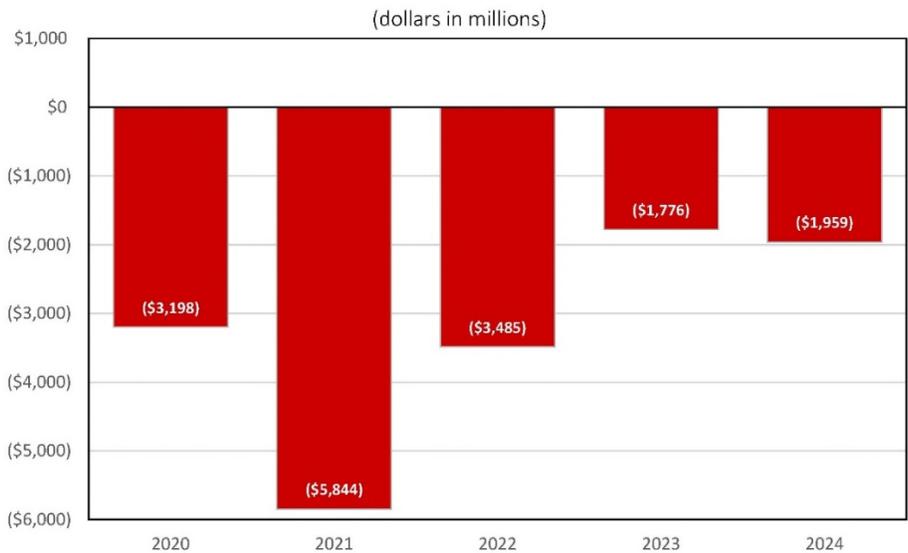
The information set forth under the heading “Update Regarding Impacts from the Global Coronavirus Pandemic and Certain MTA, Federal and State Responses” in the ADS is further supplemented as set forth below. MTA intends to provide periodic updates on EMMA and MTA’s website of the continued impacts of the COVID-19 pandemic on MTA, particularly on its operations and finances, including available liquidity resources.

MTA’s July Financial Plan (“July Plan”) was presented to the MTA Board on July 22, 2020 and was discussed in detail in MTA’s First Quarterly Update. The July Plan presented both known and forecasted impacts of the novel coronavirus (“COVID-19”) outbreak which has caused widespread social and economic disruption to the MTA region, with extreme adverse impacts on MTA finances.

The following information was presented to the MTA Board by MTA management on August 26, 2020.

MTA projects total deficits attributable to COVID-19 pandemic impacts in the July Plan period (calendar years 2020 through 2024) of approximately \$16.2 billion. Actions identified to date will not be sufficient to fully address these forecasted deficits and MTA management has provided to the Board additional extraordinary actions that can be taken to partially address the projected budget gaps as further described below. Due to the shutdown of the regional economy and its impact on the use of MTA’s services, as well as the impact on economically sensitive subsidy revenues, MTA is in historically unprecedented fiscal distress and has requested \$12 billion in additional federal aid just to get through 2021. This request accounts for the estimated fare, toll and dedicated tax revenue loss as further described in the July Financial Plan, and the delay of the Central Business District Tolling Program.

Projected MTA deficits for each year of the July Plan are shown in the following chart.



The initial deficit reduction options set forth in the following chart, which total approximately \$1.2 billion a year for the next two years, will not close MTA’s projected budget gap for the remainder of 2020, nor will these actions address the even larger deficit projected for 2021. Expenses cannot be reduced quickly and significantly enough to offset the 40 percent reduction in revenue MTA has experienced and which MTA management is projecting.

Deficit Reduction Options to be Implemented Immediately

(dollars in millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Additional Spending Reductions					
Overtime Spending Reduction	25	215	245	245	245
Consulting Contract Reductions	65	115	50	35	45
Other Non-Personnel Expense Reductions	150	210	185	165	165
Total	240	540	480	445	455
Reduce or Delay Capital Program					
• Use Lockbox Revenues for Operations	441	508	0	0	0
• Eliminate PAYGO Capital	123	181	120	114	109
Total	564	689	120	114	109
Use OPEB Trust Proceeds	336	0	0	0	0
Grand Total	1,141	1,229	600	559	564

The following table provides units of measure for potential fare and toll increases and reductions in force subject to MTA Board approval. The information can be multiplied and combined to estimate the potential additional revenue over the financial plan period. (Potential fare and toll increases, as well as certain potential service reductions discussed below, are also subject to a public hearing process).

Potential Fare/Toll Increases (dollars in millions)				
Fare and Toll Increases (above 4% biennial)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
2021 – Each 1% fare increase	26	48	58	59
2021 – Each 1 Dollar Toll Increase	270	343	348	348
2023 – Each 1% fare increase	0	0	51	59
2023 Each 1 Dollar Toll Increase	0	0	270	343
Reductions in Force	\$125 million per thousand positions eliminated			

Potential Service Reductions

MTA New York City Transit Subways, Staten Island Railway and Buses. MTA New York City Transit could be forced to reduce service by up to 40% on subways, buses and MTA Staten Island Railway:

- this could save nearly \$880 million annually, net of expected revenue losses;
- subway headways would increase up to 8 minutes; off-peak headways on MTA Staten Island Railway would increase by 30 minutes;
- bus headways would increase up to 15 minutes;
- estimated workforce impact is permanent reduction of over 7,200 positions.

In addition, the following actions may be needed to address the shortfall:

- Changes to the *Access-A-Ride* program such as increasing trips to feeder service and eliminating on-demand service could save up to \$65 million annually.

MTA Long Island Rail Road and MTA Metro-North Railroad. MTA Long Island Rail Road and Metro-North Railroad could be forced to reduce service up to 50%:

- this would save nearly \$160 million annually, net of expected revenue losses;
- service changes include:
 - reduced service frequencies to 60 minutes on heavier ridership branches/lines, and 120 minutes on lower ridership branches/lines;
 - eliminate service on one or more MTA Long Island Rail Road and MTA Metro-North Railroad branches;
- estimated workforce impact would result in the permanent reduction of nearly 850 positions.

In addition, the following actions may be needed to address the shortfall:

- delaying start of service into East Side Access would save over \$250 million in operating costs;
- closing ticket windows could result in the permanent reduction of up to 60 positions and estimated savings of up to \$8 million annually;
- eliminating West of Hudson service in New York to save more than \$25 million in annual operating costs and avoid nearly \$1.2 billion in capital expenses.

MTA Bridges and Tunnels. MTA Bridges and Tunnels could be forced to change its toll structure and reduce staff, impacting regional mobility:

- eliminating resident discounts would save over \$65 million annually;
- implementing peak period pricing would generate over \$100 million annually;
- estimated workforce impact would result in the permanent reduction of nearly 300 positions for savings of nearly \$40 million, resulting in:

- increased frequency of lane closures and potential facility closures to ensure safety;
- delays in response time to non-critical incidents and less frequent customer-facing maintenance (e.g. painting, landscaping);
- less timely information for customer messaging, leading to travel delays.

MTA Construction and Development. MTA Construction and Development could be forced to continue to keep the 2020-2024 capital projects on “pause”:

- Projects potentially subject to delay include:
 - Second Avenue Subway Phase 2;
 - Penn Station Access/4 new Bronx stations;
 - additional station accessibility upgrades;
 - purchasing of electric bus fleet;
 - purchasing of new subway rolling stock;
 - signal modernization projects – including Lexington line;
 - MTA Long Island Rail Road Central Branch electrification.

The following chart outlines additional MTA management options to manage cash flow.

Potential Expense Deferral and Wage Freeze Options
(dollars in millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Expense Deferrals					
Payroll Tax Deferral	473	(236)	(236)	0	0
NYCERS Pension Plan Payment Deferral	220	813	(324)	(324)	(324)
NYSLRS Pension Plan Payment Deferral	0	17	(5)	(5)	(5)
MTA-Sponsored Pension Plan Deferrals	164	608	(239)	(239)	(239)
Total	857	1,202	(804)	(568)	(568)
Wage Freeze:					
Assuming Permanent	58	169	309	315	322
Assuming Postponement	58	169	309	(536)	0

MTA Liquidity Resources. As of August 28, 2020, MTA had liquidity resources in the approximate amount of \$5.991 billion, consisting of a current running cash balance of \$2.633 billion, internal available flexible funds totaling \$1.170 billion, OPEB resources of \$336 million, commercial bank lines of credit plus interest earnings totaling \$1.852 billion (total commercial bank lines of credit are \$2.150 billion, of which \$484 million have been drawn by MTA, with \$186 million of that remaining unspent, together with \$1.666 billion undrawn). *These funds provide a temporary funding “bridge” to a permanent solution to lost revenues and higher expenses. Certain of these funds must be repaid or replaced. Use of these monies will leave MTA with a significant gap in funding for both the operating budget and capital plan over the longer term and will likely result in additional debt issuance and unfunded operating needs.*

The status of MTA and its Related Entities operations and finances remain dire, and it continues to be extremely difficult to predict the course of these impacts due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by other governmental authorities, particularly the federal government, and health care providers to contain or mitigate its impact, and (iv) the potential for intermediate or long-term changes to patterns of commutation and economic and demographic impacts of the COVID-19 pandemic on collections of State and local taxes and fees providing, or projected to provide, subsidies to MTA.