



**MTA 2022 Preliminary Budget
July Financial Plan 2022 – 2025**

Presentation to the MTA Board

July 21, 2021



Summary of the February Plan

- **Farebox revenue** based on the McKinsey worst-case scenario. 4% fare increase assumed implemented in September 2021, generating \$513 million through 2024.
- **Toll revenue** based on the McKinsey midpoint scenario.
- **CARES Act** funds totaling \$4 billion received in 2020.
- **CRRSAA** funding of \$4 billion expected in 2021.
- **FEMA reimbursement** of \$220 million expected in 2021.
- **MLF deficit borrowing of \$2.9 billion** from the Federal Reserve.
- **Service reductions** assumed to be implemented in 2023 based on right-sizing of “new normal” under the worst-case scenario – generating \$1.255 billion of savings through 2024.
- **Wage freeze** for all employees (represented and non-represented) assumed through 2022 – generating \$946 million of savings through 2024.



The February Plan

(dollars in millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Plan Deficit</u>
Preliminary February Financial Plan ¹	\$514	(\$5,645)	(\$4,693)	(\$3,452)	(\$3,283)	(\$17,073) ²
Proceeds of MLF Deficit Bonding	\$0	\$1,650	\$1,250	\$0	\$0	\$2,900
CRRSAA Federal Aid	0	4,000	0	0	0	4,000
Additional Federal Aid	0	0	0	0	0	0
Service Reductions ³	0	0	0	696	559	1,255
Wage Freeze (Rep/Non-Rep through 2022) ⁴	0	0	309	315	322	946
Change in Prior Year Cash Balance	0	0	5	0	0	N/A
February Financial Plan	\$514	\$5	(\$3,129)	(\$2,441)	(\$2,403)	(\$7,972) ²

1 Reflects fare and toll increases in 2021 and 2023.

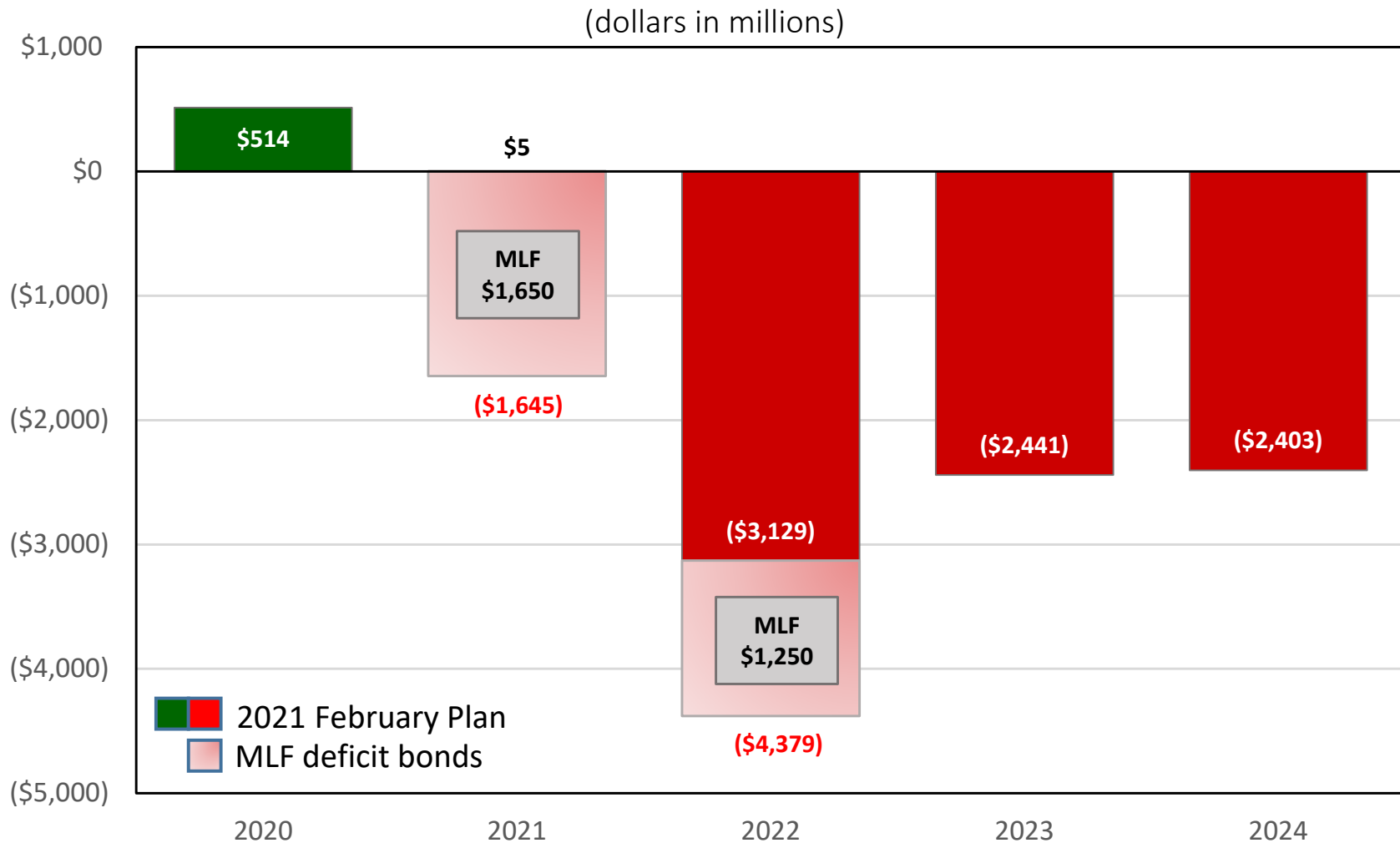
2 Since operating balances roll into subsequent years to reduce deficits, the total deficit over the Plan period is the total of annual deficits only.

3 Service reductions tie to the McKinsey “worst case” updated ridership projections.

4 Includes TWU Local 100.



MLF deficit bond proceeds balance 2021 and reduce the deficit in 2022





What has changed since the February Plan

- **Federal ARPA** funding has been approved and MTA expects to receive \$6.5 billion.
- **Federal CRRSAA** funding awaiting allocation between NY, NJ and CT.
- **Farebox revenue** revised to reflect YTD actuals and the McKinsey midpoint scenario – increasing revenue by \$3.7 billion through 2024.
- **2021 fare increase of 4%** deferred.
- **Toll revenue** revised to reflect YTD actuals and the McKinsey best-case scenario – increasing revenue by \$799 million through 2024.
- **State and local subsidies and dedicated taxes** revised – increasing revenue by \$1.4 billion through 2024.
- **FEMA reimbursement** reflects extended coverage period through April 1, 2021 – additional reimbursement of \$140 million is expected in 2022.
- **Service reductions** based on right-sizing to the “new normal” reflect midpoint scenario and assumed to be implemented in 2023 – reducing savings from \$1.255 billion to \$426 million through 2024.
- **Two-year wage freeze**¹ for all employees except TWU Local 100 employees; MTA will honor all contracts. Reduces savings from \$946 million to \$536 million through 2024.
- **Contribution to Committed to Capital (PAYGO)** through 2023 of \$602 million restored.

¹ TWU Local 100 and all other settled contracts honored. Assumes contracts for all other pattern-following bargaining units conform to the first two years of the TWU Local 100 contract, followed by two years of a wage freeze.



The July Plan

(dollars in millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Plan Deficit</u>
Preliminary July Financial Plan ¹	(\$39)	(\$2,842)	(\$2,125)	(\$2,344)	(\$2,655)	(\$10,005)
American Rescue Plan Act (ARPA) Federal Aid	\$22	\$2,492	\$1,527	\$1,740	\$719	\$6,500
2021 Fare Increase	17	178	204	207	213	819
Service Reductions ²	0	0	220	206	206	632
Two-Year Wage Freeze (Rep/Non-Rep through 2022) ³	0	171	174	191	198	734
Proceeds of MLF Deficit Bonding	0	0	0	0	1,319	1,319
Change in Prior Year Cash Balance	0	0	0	0	0	N/A
July Financial Plan	\$0	\$0	\$0	\$0	\$0	\$0

1 Only reflects fare and toll increases in 2023 and 2025.

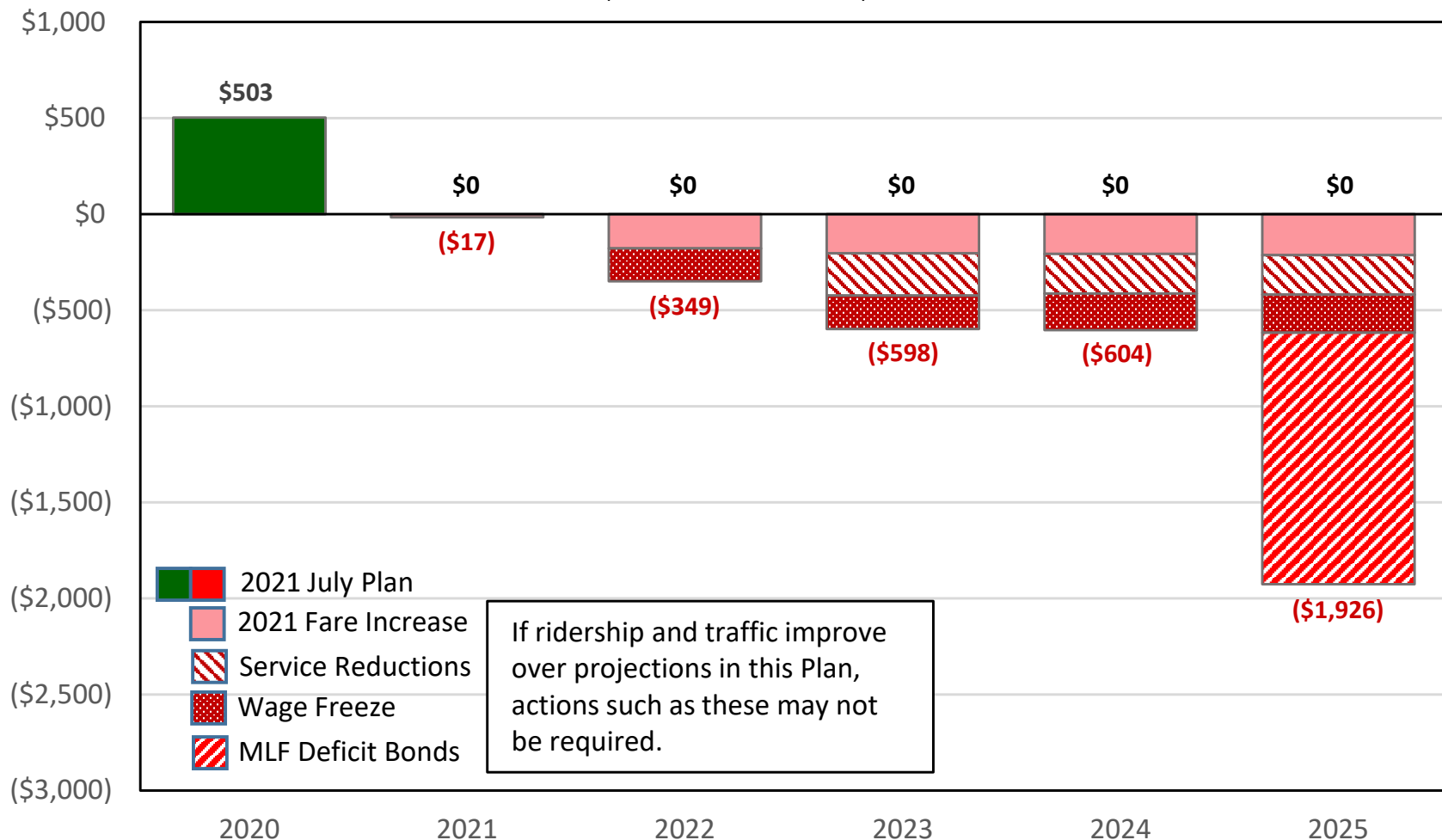
2 Service reductions tie to the McKinsey midpoint between the “best case” and “worst case” ridership projections.

3 TWU Local 100 and all other settled contracts honored. Assumes contracts for all other pattern-following bargaining units conform to the first two years of the TWU Local 100 contract, followed by two years of a wage freeze.



Even with \$6.5 billion in ARPA funding, the July Plan still assumes a 2021 fare increase, a two-year wage freeze, the right-sizing of service and MLF bond proceeds of \$1.3 billion in 2025 to balance

(dollars in millions)



If ridership and traffic improve over projections in this Plan, actions such as these may not be required.

Note: Reflects fare and toll increases in 2023 and 2025.



The July Plan, **without the 2021 fare increase, the two-year wage freeze, and right-sizing of service**, would require all \$2.9 billion of deficit bond proceeds with a remaining \$605 million deficit in 2025

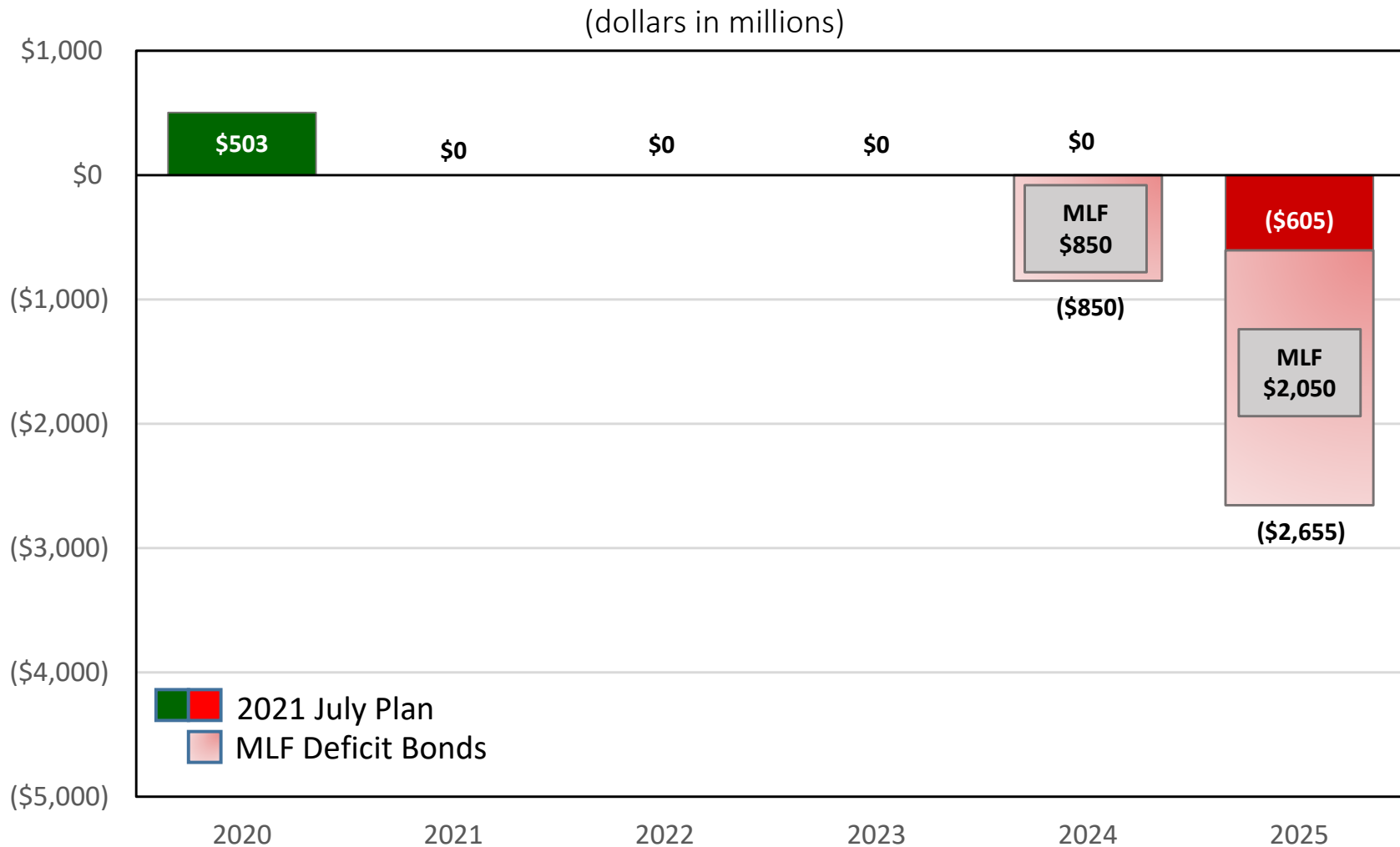
(dollars in millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Plan Deficit</u>
Preliminary July Financial Plan ¹	(\$39)	(\$2,842)	(\$2,125)	(\$2,344)	(\$2,655)	(\$10,005)
American Rescue Plan Act (ARPA) Federal Aid	\$39	\$2,842	\$2,125	\$1,494	\$0	\$6,500
2021 Fare Increase	0	0	0	0	0	0
Service Reductions	0	0	0	0	0	0
Two-Year Wage Freeze (Rep/Non-Rep through 2022)	0	0	0	0	0	0
Proceeds of MLF Deficit Bonding	0	0	0	850	2,050	2,900
Change in Prior Year Cash Balance	0	0	0	0	0	N/A
July Financial Plan	\$0	\$0	\$0	\$0	(\$605)	(\$605)

1 Reflects fare and toll increases in 2023 and 2025.



Without 2021 fare increase, two-year wage freeze, and right-sizing of service, MTA will face a \$3.5 billion cumulative deficit in 2024 and 2025





Risks to MTA's Financial Future

- **Continued aggressive cost cutting**
- **Implementation of biennial fare and toll increases (2021, 2023, 2025)**
- **Achieving affordable wage settlements**
- **Aligning service to “new normal” ridership levels**
- **Clearly, if ridership and traffic exceed the forecasts in the July Plan, the outcome will be more favorable and future actions can be adjusted.**