Federal COVID relief funds were projected to cover operating deficits through 2025

- Ridership forecast was based on the McKinsey “Midpoint” from November 2020

- Regular biennial 4% fare and toll increases were included for 2023 and 2025

- 2021 fare increase was cancelled thanks to additional State appropriations
  - Bridge and tunnel toll increase of 6% occurred in 2021

- Fiscal cliff was expected to occur in 2026
  - $2 billion+ deficit with federal aid fully exhausted in 2025
Changes in the July Financial Plan

- Reforecast of ridership recovery, based on updated factors by McKinsey
- Re-estimated agency expense budgets and debt service projections
- No material changes in State dedicated revenue
- Additional ARPA discretionary grant
- No change in biennial 4% fare and toll increases in 2023 and 2025
- Congestion pricing remains a critical source of funding for the 2020-24 Capital Program
- Forecast period extends one year, giving a preliminary view of 2026 estimates
Primary factors in revising the ridership forecasts

Future of office work (“work from home”)

Fewer non-work trips

Customer sentiment

Employment levels
Population growth
Fare evasion

Shift to transit from Congestion Pricing

Network expansion
Mode shifts (bikes, etc.)

“High Case” and “Low Case” ridership scenarios created
Ridership tracked prior McKinsey midpoint until Omicron

February Plan assumption based on prior McKinsey midpoint

Actual Results

Includes transit and commuter railroads

Jan 2021 2022 2023 2024 2025 2026

30% 40% 50% 60% 70% 80% 90%

87% 86% 87% 77% 61% 44%
McKinsey’s ridership recovery forecasts have been lowered substantially.

February Plan assumption based on prior McKinsey midpoint: 86% (High Case) - end of 2026: 88%
Midpoint - end of 2026: 80%
“Low Case” end of 2026: 73%

July Financial Plan assumption based on updated McKinsey midpoint: 79%

Actual Results: 44%

Includes transit and commuter railroads.
Slower ridership recovery has lowered fare and toll revenue projections

- Pre-pandemic fare and toll revenue forecast: $8.4 B
- Fare and toll revenue forecast based on prior McKinsey midpoint: $7.1 B
- New fare and toll revenue forecast based on updated McKinsey midpoint: $6.1 B
- Actual results 2020-2021: $4.3 B
- 2020-2026 revenue projections: $5.2 B, $7.9 B, $8.4 B, $9.6 B
Major financial changes in July vs. February Plan

- Lower projected net fare and toll revenue: ($336)
- Higher expenses (mainly fuel and power): ($253)
- Higher debt service: ($218)
- Other adjustments: +$1,166
- Federal aid and dedicated taxes: +$891

Cumulative net impact 2022-2026: ($2,693)

Aggregate Amounts over Five Years (2022-2026)

MTA
Previously projected underlying annual deficits

February Plan deficits based on prior ridership forecast

Before use of federal COVID relief to offset deficits
Projected underlying annual deficits have increased

$ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($3,510)</td>
<td>($3,445)</td>
<td>($1,544)</td>
<td>($1,377)</td>
<td>($1,790)</td>
<td>($2,175)</td>
<td>($2,222)</td>
</tr>
</tbody>
</table>

Before use of federal COVID relief to offset deficits

February Plan deficits based on prior ridership forecast

July Plan deficits based on updated ridership forecast
Federal COVID aid now projected to cover deficits through 2024 (not 2025)

Federal aid is projected to be sufficient to cover deficits through 2024

Remaining federal aid would only cover $327 M of deficits in 2025 and 2026
### Additional risks to the deficit

<table>
<thead>
<tr>
<th>Assumption</th>
<th>Risk</th>
<th>Potential Annual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 McKinsey Forecast</td>
<td>“Low Case”</td>
<td>($350 million) per year</td>
</tr>
<tr>
<td>2 Dedicated taxes as projected in State financial plan</td>
<td>Slower economy / recession</td>
<td>($500 million to 1.0 billion) per year</td>
</tr>
<tr>
<td>3 Inflation reverts to 2%</td>
<td>Higher inflation</td>
<td>($150 million) per year from 1% additional increase in operating expenses</td>
</tr>
<tr>
<td>4 Labor settlements (2% wage growth)</td>
<td>Outcome of labor negotiations</td>
<td>($100 million) per year for additional 1% wage increase above 2% assumption</td>
</tr>
<tr>
<td>5 Biennial 4% fare/toll increases</td>
<td>Deferral</td>
<td>($500 million) per year in 2025 and thereafter</td>
</tr>
</tbody>
</table>
Starting to solve the deficit in 2023 can lower the fiscal cliff by $1 B per year.

$2.5 - $2.7 Billion Fiscal Cliff

- All Federal Aid Used to Cover Near-term Deficits
- $(2,457) $2,458 $(2,600) $(2,750)

$1.6 Billion Fiscal Cliff

- Federal Aid Used to Prepay Debt and Reduce Costs Over Longer Time Period
- $(795) $(1,617) $(1,627) $(1,629) $(1,638) $(1,640)

**Larger Unfunded Deficits to Resolve**

Deficits are lowered by:
- Taking action early
- Applying a portion of the federal aid to reduce debt service costs, and
- Avoiding the long-term cost of deficit borrowing

Results for 2027-2028 are not included in the published financial plan. Deficits in those years are only high-level estimates based on the 2026 deficit.
Key takeaways

- Fiscal cliff moved up, from 2026 to 2025
- Deficit projected to be approximately $2.5 Billion per year
- Operating efficiencies will be key to managing risks

- Fiscal cliff can be reduced by up to $1 Billion, by:
  - Using federal COVID relief funds to lower medium-term cost structure
  - Avoiding costly deficit borrowing
  - Taking action in 2023

New dedicated funding is necessary to avoid large fare increases, service cuts and layoffs