



**MTA 2020
Preliminary Budget
July Financial Plan
2020 - 2023**

Presentation to the Board

July 24, 2019



The MTA Budget Process

July Plan – Start of the Annual Process

- Current year is revised (the “**Mid-Year Forecast**”), preliminary presentation of the following year’s proposed budget (the “**Preliminary Budget**”), and a three-year re-forecast of out-year finances.
- Includes gap-closing proposals for balancing the budget, and highlights actions requiring public hearings.
- Mid-Year Forecast becomes the basis for comparing monthly results for the remainder of the year.

November Plan

- Update of the 5-year July Plan, prepared after stakeholders weigh in.
- Reflects the impact of new developments and risks.
- Includes a revised current year (the “**November Forecast**”), finalization of the proposed budget for the upcoming year (the “**Final Proposed Budget**”) and projections for the three out-years.

December – Budget Adoption

- Update of the November Plan to reflect further developments, risks and actions necessary to ensure budget balance.
- Presented to the MTA Board for review and approval.

February Plan

- Certain below-the-line policy issues covered in December’s budget adoption approval are moved into the baseline, technical adjustments are made, and the current year becomes the “**Adopted Budget**”.
- Allocated over the 12-month period, and is the basis for comparing monthly results.



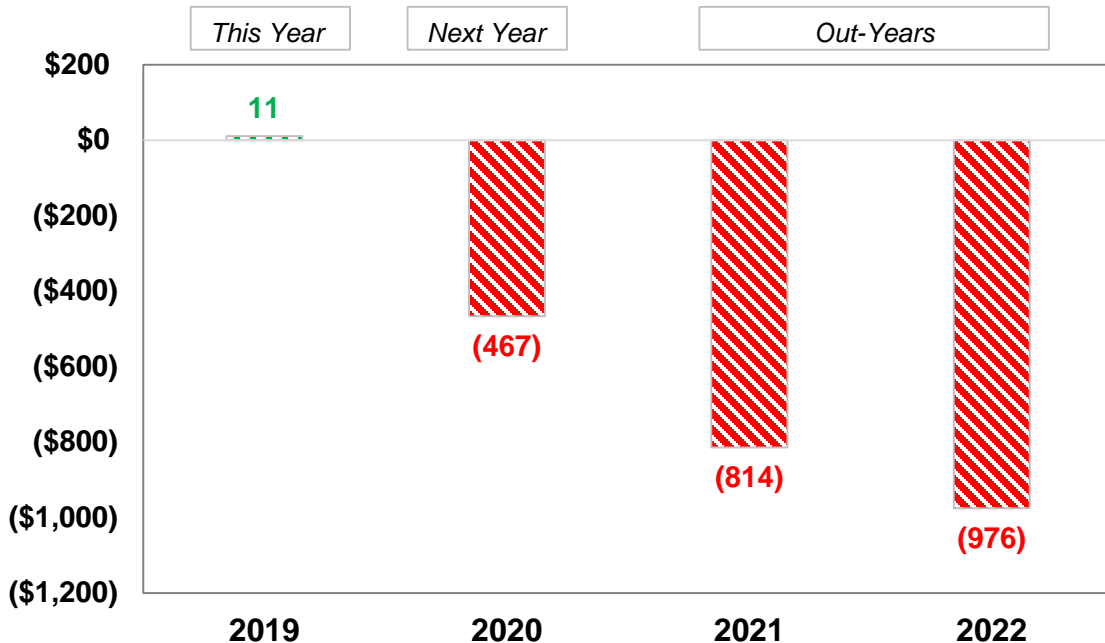
MTA February Financial Plan 2019-2022
Consolidated Statement Of Operations By Category (\$ in millions)

Non-Reimbursable	Final Estimate 2018	Adopted Budget 2019	2020	2021	2022
<i>Operating Revenues</i>					
Farebox Revenue	\$6,153	\$6,122	\$6,144	\$6,134	\$6,144
Toll Revenue	1,967	1,984	1,990	1,998	1,998
Other Revenue	662	705	733	757	743
Total Operating Revenue	\$8,782	\$8,810	\$8,867	\$8,889	\$8,886
Total Subsidies	\$7,242	\$7,238	\$7,370	\$7,576	\$7,807
Total Revenues + Subsidies	\$16,023	\$16,048	\$16,237	\$16,465	\$16,693
<i>Operating Expenses</i>					
Labor Expenses	\$9,920	\$10,039	\$10,436	\$10,787	\$11,097
Non-Labor Expenses	3,749	3,884	3,786	3,894	3,994
Other	134	158	84	36	22
General Reserve	0	165	170	175	180
Total Operating Expenses	\$13,803	\$14,246	\$14,476	\$14,891	\$15,293
Debt Service Expenses	\$2,559	\$2,692	\$2,840	\$3,080	\$3,223
Total Expenses + Debt Service	\$16,362	\$16,938	\$17,316	\$17,971	\$18,516
Conversion to Cash Basis	296	363	188	(17)	88
Baseline Net Cash Balance Before B-T-L Adjustments	(\$43)	(\$527)	(\$891)	(\$1,523)	(\$1,735)
Total Below-the-Line Adjustments	\$0	\$459	\$413	\$709	\$760
Prior Year Carryover	121	79	11	0	0
NET CASH BALANCE	\$79	\$11	(\$467)	(\$814)	(\$976)



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

(\$ in millions)





What has changed since the February Plan?

Changes and re-estimates over the Plan period (2019 – 2022):

- Changes and re-estimates improving financial results:
 - Higher MMTOA subsidies (\$184 million)
 - Higher yield from additional 2.3% in tolls (\$173 million)
 - Lower maintenance/other operating contracts (\$173 million)
 - Higher MTA Aid car rental tax (\$35 million)
- Changes and re-estimates worsening financial results:
 - Actuary recalculation of pension liability (\$550 million)
 - Agency re-estimates and rate change adjustments (\$189 million)
 - Higher overtime expenses (\$131 million)
 - Lower rental/advertising revenues (\$83 million)
 - Lower real estate tax revenues (\$59 million)

In total, these changes and re-estimates, along with other changes, are \$447 million unfavorable for the Plan period



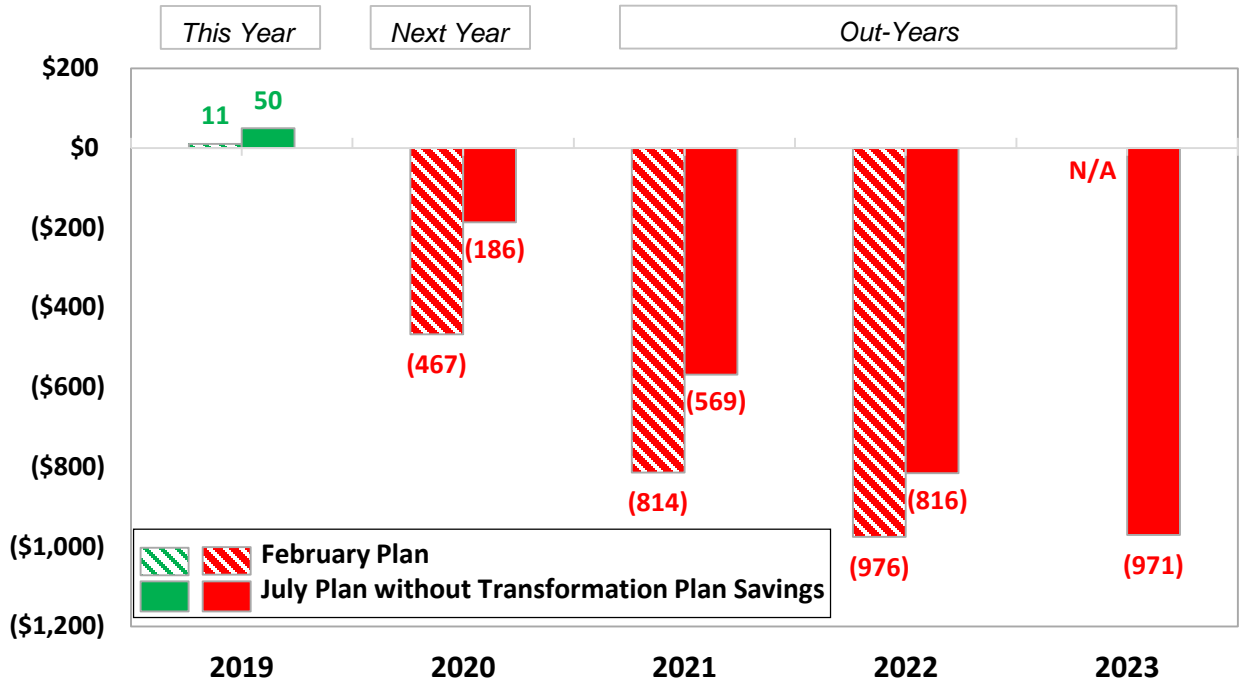
Highlights of the July Plan

- Proposed biennial fare and toll increases of 4% in 2021 and 2023 (versus projected 2-year CPI inflators of 4.9% and 4.7% in 2021 and 2023, respectively).
- Maintained investments from prior plans, including maintenance of the Subway Action Plan funded from Phase 1 of Congestion Pricing/FHV fees.
- Renewed emphasis to gain control of, and reduce, fare evasion (investment of \$62 million over the Plan period).
- MTA is using “one-shots” to balance the budget in the transition years 2019 and 2020:
 - 2019 - 2018 favorable year-end balance – mostly timing – and impacts 2019 (\$372 million)
 - Freeze on filling all non-operational/non-essential vacancies (\$68 million)
 - Other restrictions on non-essential spending, including non-revenue vehicle purchases, travel, professional memberships (\$44 million)
 - One-time reduction of committed to capital contributions (\$64 million)
 - 2020 - Drawdown of 2019 General Reserve (\$165 million)
- Annual recurring savings targets of \$350 million, beginning in 2020, have been identified by HQ and Agencies.



These actions will not suffice, and significant deficits remain

(\$ in millions)





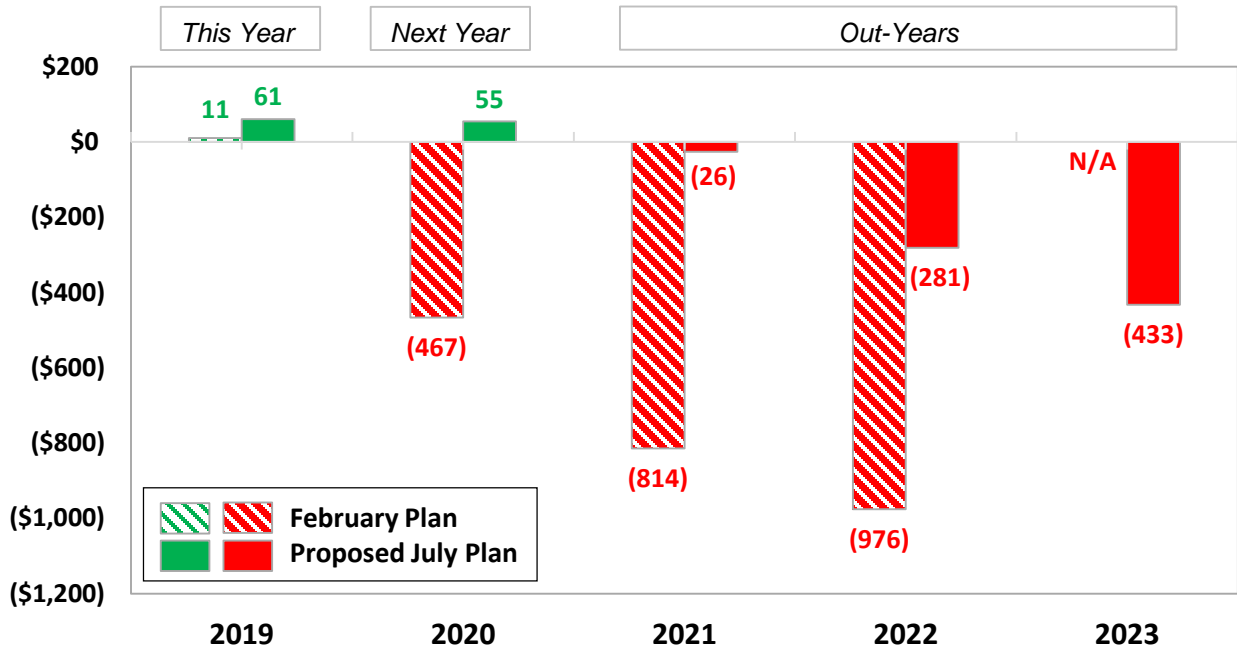
MTA Transformation Plan

- State-mandated plan to review operations and implement changes to streamline internal processes, clarify responsibilities, solidify accountability and work more efficiently to regain trust of our customers and funding partners, and improve MTA's ability to deliver safe and reliable service our customers deserve.
- Plan recommendations:
 - Refocus the operating agencies on mission-critical operating priorities of safety, reliability and service;
 - Centralize common support functions to improve operations and create opportunities to ensure consistent standards, quality and policies across departments
 - Unify the management of capital programs to improve and streamline planning, development and construction so capital improvements can be delivered on time and on budget
 - Expand senior leadership by adding a Chief Transformation Officer, a Chief Operating Officer, a Chief Engineering Officer and an MTA Accessibility Officer
- Consolidation and efficiency targets of \$370 million to \$530 million on an annual basis have been identified.
- If the MTA Transformation Plan is approved and implemented, the July Financial Plan will have small operating balances in 2019 and 2020, a small deficit in 2021, with out-year deficits reaching \$433 million in 2023.



The adoption and implementation of the MTA Transformation Plan has the potential to significantly reduce out-year deficits

(\$ in millions)





Actions to Reduce Fare Evasion, \$62 million Investment over the Plan Period

- Increase physical presence (500 uniformed officers: NYPD, MTA Police and Bridge and Tunnel Officers) to begin enforcement at 50 subway stations and 50 bus routes

This is not just a fare evasion effort, but a worker's safety initiative

- Ensure enforcement does not target any specific demographic
- Educate MTA riders utilizing messaging, media and automated announcements
- Improve operation of emergency exit gates to mitigate instances of fare avoidance
- Augment surveillance capabilities by deploying fare array cameras at 50 stations and pilot the use of monitors at 10 stations
- \$40 million of the investment will be funded by Manhattan DA Office over a four-year period



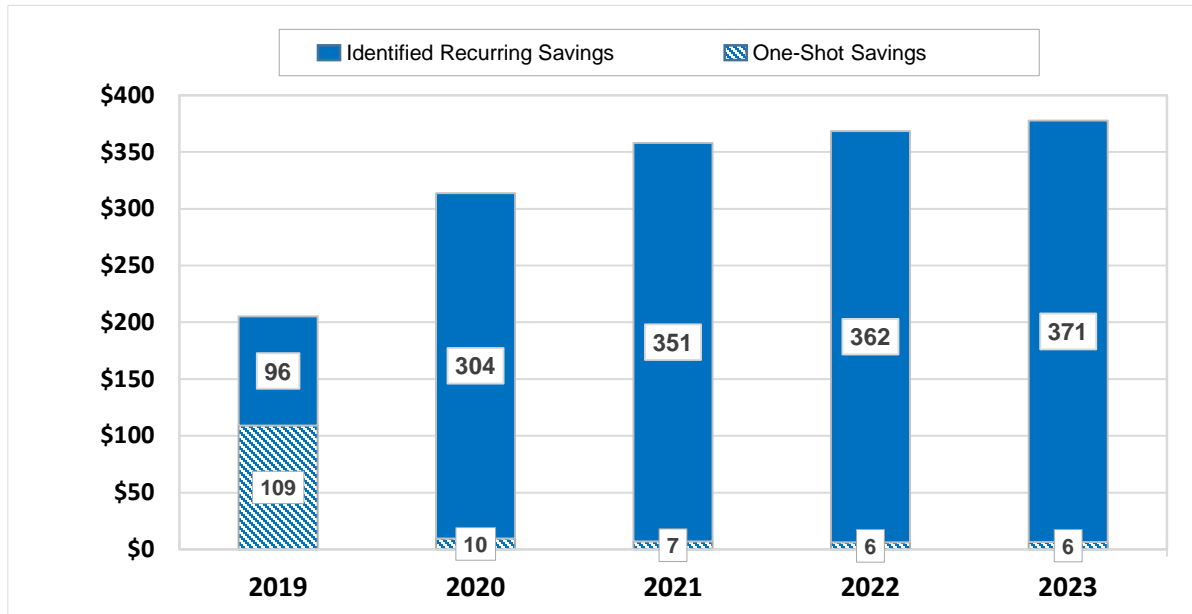
The MTA's \$350 million target for annually recurring savings beginning in 2020 has been identified and is being implemented

(\$ in millions)

This Year

Next Year

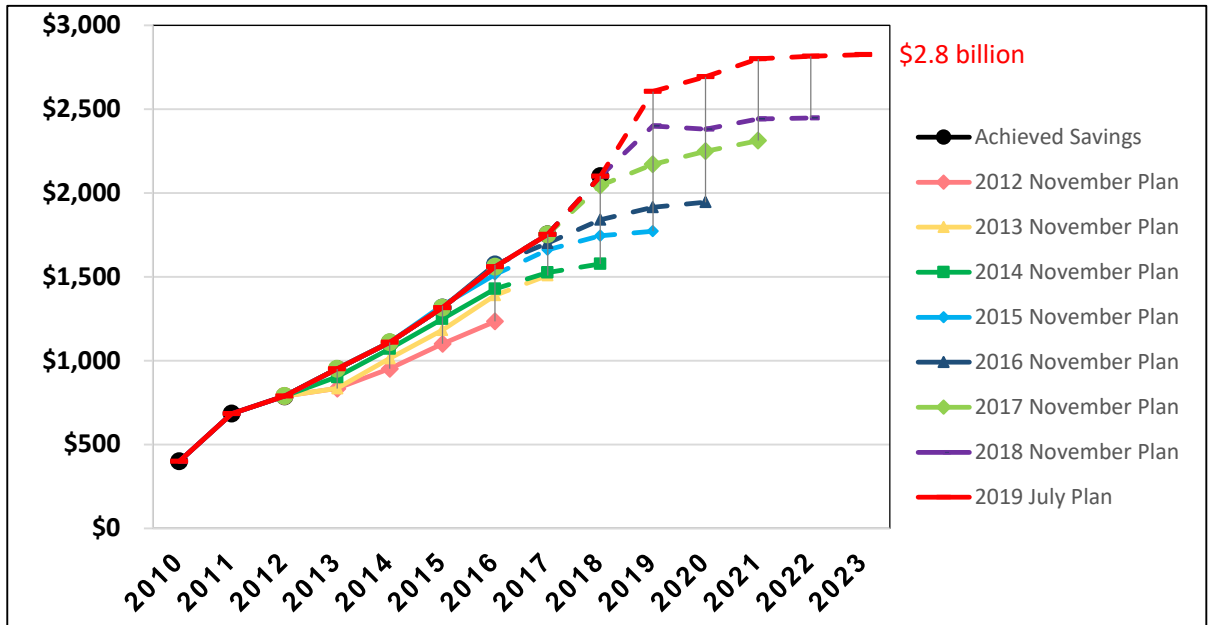
Out-Years





We have a track record of identifying and achieving our annual recurring savings targets

(\$ in millions)





Deficits remain, and a continued drive toward further streamlining and efficiencies is required

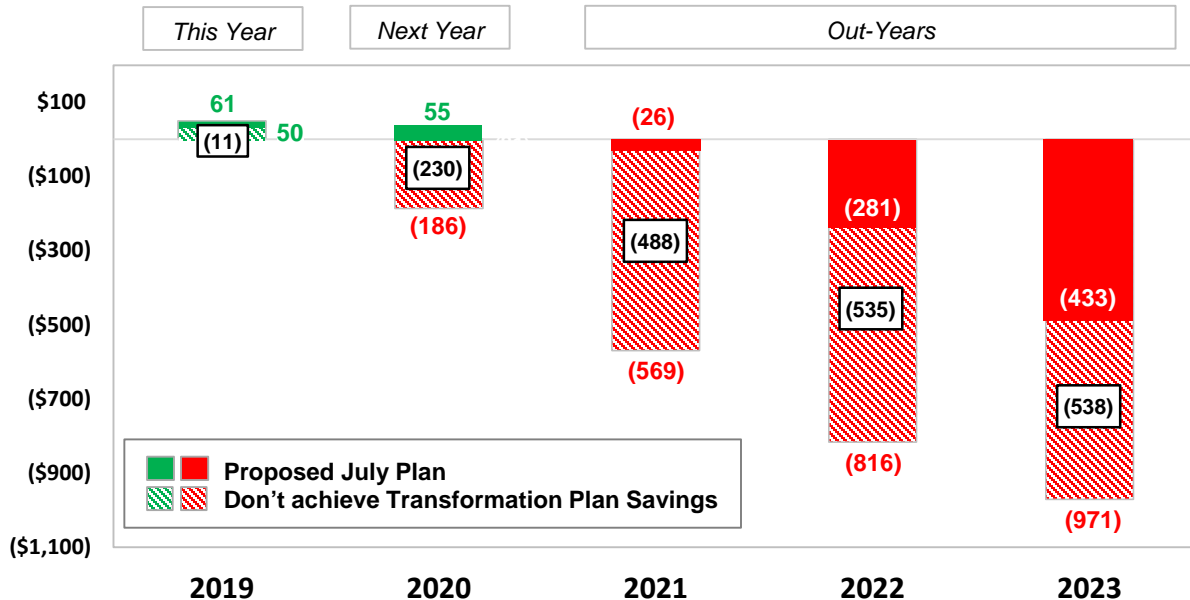
(\$ in millions)





If the MTA Transformation Plan is not adopted and implemented, the deficits will be unmanageable without service cuts, significant reductions in force, and/or additional fare and toll increases

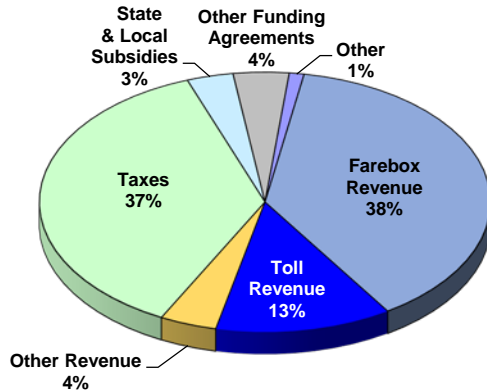
(\$ in millions)





2020 Preliminary Budget

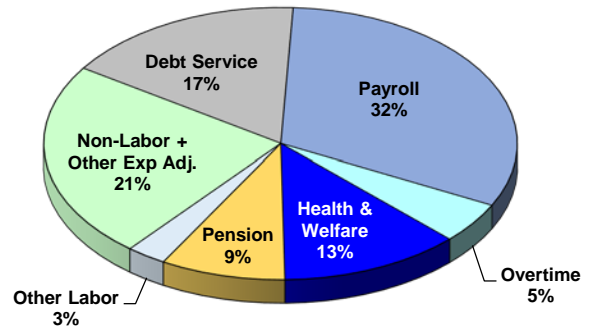
Where the Dollars Come From...



By Revenue Source	
(includes fare/toll increases)	
(\$ in millions)	
Farebox Revenue	\$6,389
Toll Revenue	2,121
Other Revenue	684
Taxes	6,178
State and Local & Other	557
Other Funding Agreements	671
Other ¹	208
Total	\$16,809

¹ Includes cash adjustments and prior-year carryover.

Where the Dollars Go...



By Expense Category	
(includes below-the-line adjustments)	
(\$ in millions)	
Payroll	\$5,422
Overtime	838
Health & Welfare	2,118
Pension	1,461
Other Labor	466
<i>Total Labor</i>	<u>\$10,306</u>
Non-Labor + Other Exp Adj.	4,004
Debt Service	2,830
BTL Adjustments for Expenses ²	(386)
Total	\$16,754

² The below-the-line adjustments are grouped in the Non-Labor category.



MTA July Financial Plan 2020-2023
Consolidated Statement Of Operations By Category (\$ in millions)

Non-Reimbursable	Actual 2018	Mid-Year Forecast 2019	Preliminary Budget 2020	2021	2022	2023
<i>Operating Revenues</i>						
Farebox Revenue	\$6,155	\$6,305	\$6,389	\$6,373	\$6,384	\$6,393
Toll Revenue	1,976	2,088	2,121	2,129	2,129	2,131
Other Revenue	643	696	684	704	719	737
Total Operating Revenue	\$8,774	\$9,089	\$9,195	\$9,206	\$9,232	\$9,260
Total Subsidies	\$7,177	\$7,314	\$7,406	\$7,581	\$7,803	\$7,969
Total Revenues + Subsidies	\$15,951	\$16,403	\$16,601	\$16,787	\$17,035	\$17,229
<i>Operating Expenses</i>						
Labor Expenses	\$9,799	\$10,116	\$10,306	\$10,592	\$10,881	\$11,121
Non-Labor Expenses	3,611	3,877	3,748	3,841	3,945	4,054
Other	129	175	86	36	22	23
General Reserve	0	165	170	175	180	185
Total Operating Expenses	\$13,539	\$14,333	\$14,310	\$14,644	\$15,028	\$15,384
Debt Service Expenses	\$2,541	\$2,683	\$2,830	\$3,041	\$3,265	\$3,513
Total Expenses + Debt Service	\$16,079	\$17,016	\$17,140	\$17,685	\$18,293	\$18,896
Conversion to Cash Basis	379	229	147	60	125	101
Baseline Net Cash Balance Before B-T-L Adjustments	\$251	(\$384)	(\$392)	(\$838)	(\$1,133)	(\$1,566)
Total Below-the-Line Adjustments	\$0	\$73	\$386	\$757	\$852	\$1,133
Prior Year Carryover	121	372	61	55	0	0
NET CASH BALANCE	\$372	\$61	\$55	(\$26)	(\$281)	(\$433)