



Metropolitan Transportation Authority

July Financial Plan 2012-2015

July 27, 2011

July Financial Plan

Overall Approach

- Builds on guiding principles identified in 2010
 - Continued focus on “Making Every Dollar Count” fulfills commitment to no service cuts or fare increases in 2012
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Challenges

- Risks to financial plan remain
 - Strategy needed to fund final three years of Capital Program
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Path Forward

- Continue to drive for more cost-savings by doing business more efficiently
- Deploy innovative and pragmatic financing strategy for capital program

Where are we today?

February Plan

- Projected breakeven for 2011
- Significant deficit for 2012

What changed?

- Higher energy prices
- Significant number of severe weather incidents
- State budget cuts offset by reductions
- Higher than projected favorable 2010 carry-over
- Higher subsidy and real estate receipts
- Debt service savings
- Release of \$50 million from General reserve (half of reserve balance)

July Plan

- Projecting positive 2011 year end cash balance
- Balance will be used to reduce estimated 2012 deficit

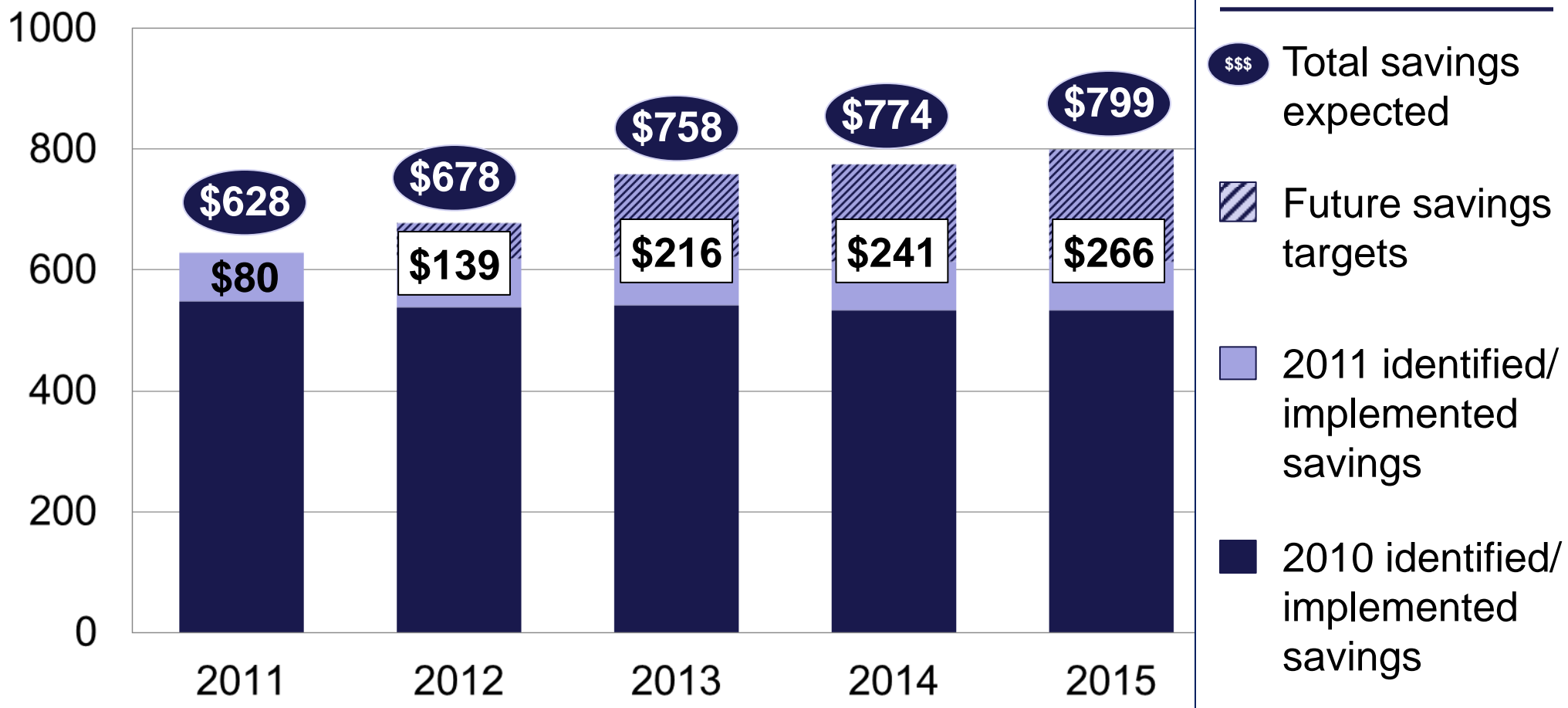
July Plan builds upon last year's successful strategy which projected \$3.8B in cumulative savings by 2014

- Continued **focus on cost cutting**, with increasing targets, to achieve recurring savings
- **Reflect new fiscal realities** in Labor settlements
 - Zero wage increase initiative extended to a third year in light of negotiated CSEA and PEF agreements
- Continued **implementation** of biennial **fare/toll increases** (7.5% in 2013 and 2015)
- Continued **receipt of dedicated taxes and subsidies**
- **No budget-driven service cuts**

Saving targets increase through 2015, on top of \$525 million in recurring savings captured in 2010

“Making Every Dollar Count” Efficiency Gains

\$ Millions

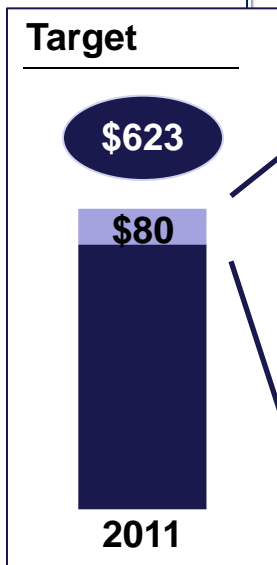


Legend

- Total savings expected
- Future savings targets
- 2011 identified/implemented savings
- 2010 identified/implemented savings

On-track to exceed 2011 additional efficiency target – will capture \$80 million in savings

2011 Expected Cost Savings \$ Millions

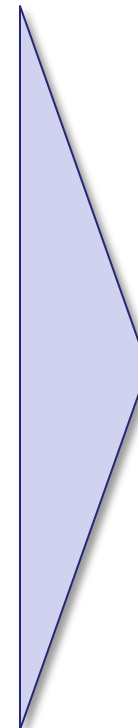


* Includes savings obtained from Strategic Initiatives, media consolidation, and communications consolidation

\$65 million will be saved by 2015 through IT efficiencies

IT Consolidation

- **Equipment**
 - Consolidating 34 data centers into 3, while improving disaster recovery
 - Shrinking the number of servers from 2,600 to <500
 - Reducing personal printers and fax machines; significantly reducing printing via improved document management efforts
- **Programs/Wireless**
 - Consolidating 2 wide area networks into 1
 - Merging 7 email systems into 1
- **Services**
 - Centralizing IT security monitoring



Result

- Achieving **\$19 million** in cost savings in **2011**
- Cumulative **cost savings of \$65 million by 2015**

\$60 million will be saved by 2015 through better procurement practices

Sourcing Category

Improved Business Practice

Result

IT

- Standardizing desktop and laptop purchasing and deployment

- Eliminating 2,100 workstations
- Purchase cost reduced by 28%

Telecom

- Monitoring usage, reducing deployment, and modifying cell and data plans

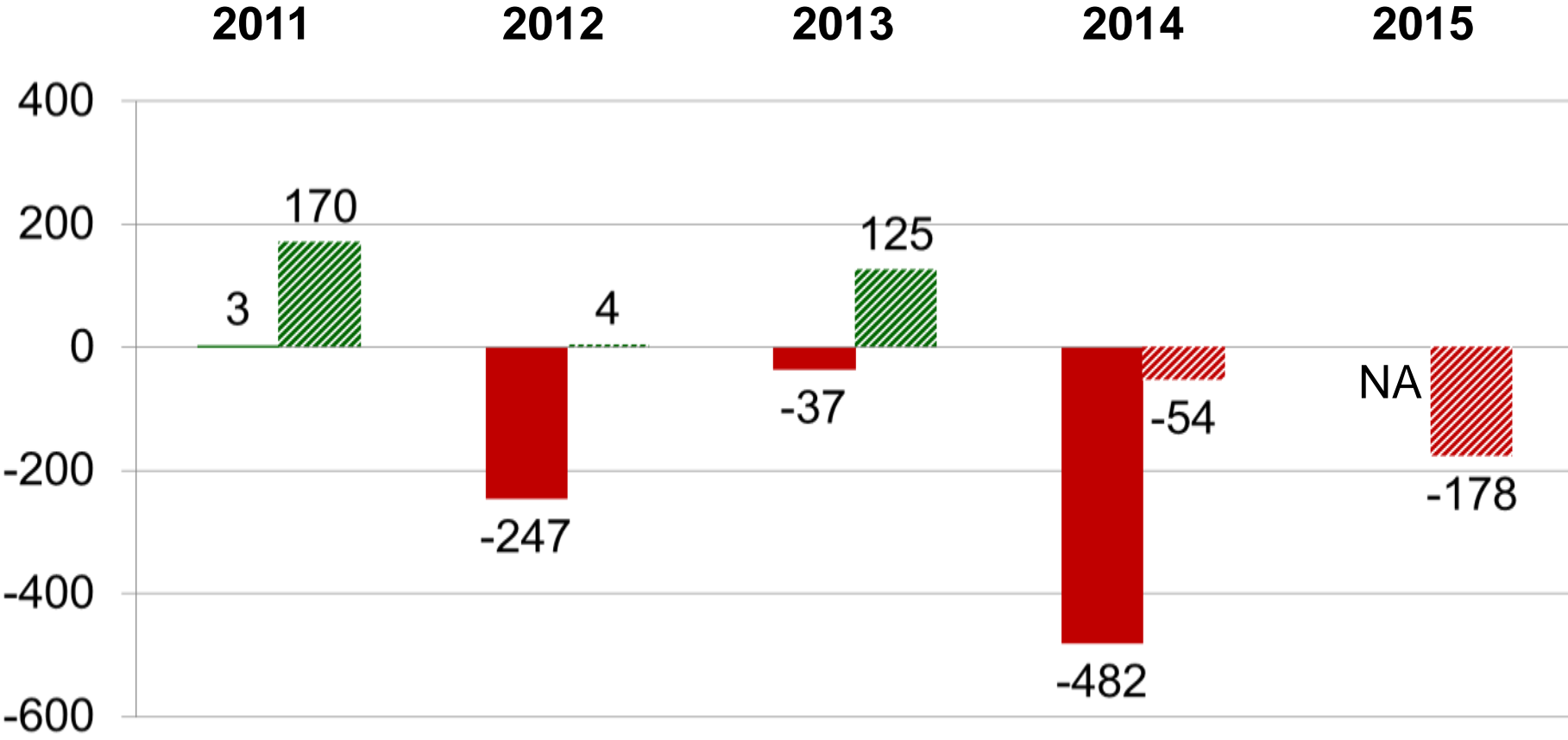
- Eliminating 3,000 cell phones

Non-Revenue Fleet

- Shrinking fleet size and rationalizing composition
- Reducing fleet total cost by 20%

- Eliminating 325 vehicles from fleet
- Downgrading 193 vehicles

July Plan addresses out-year deficits



Legend

- February Plan cash balance
- July Plan cash balance
- February Plan deficit
- July Plan deficit

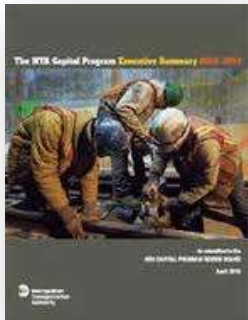
Nonetheless, significant risks remain

- **Continued receipt of dedicated taxes and subsidies**
 - Plan continues to be built on the assumption that all resources collected on behalf of the MTA are paid to the MTA
- **Economic uncertainty**
 - Economy remains weak
 - MTA has limited financial reserves
- **Labor settlements / success of “zero wage increase” initiatives**
- **Long- term vulnerabilities**
 - Working capital
 - Employee and retiree healthcare costs
 - Pensions
- **Underfunded capital program**

However, MTA cost savings provide new opportunities for funding the Capital Program



Cutting costs has enabled us to protect capital dollars in the operating budget, but it is still not enough



With no appetite for new taxes, an innovative, pragmatic financing strategy is proposed to fully fund the critical capital program

MTA Capital Program is critical

- **\$18 billion dedicated to protect safety and reliability**
 - 100-year-old system requires ongoing investment to move 8.5 million people daily
- **Moving “mega” expansion projects into service**
 - East Side Access (LIRR into Grand Central) and Second Avenue Subway are the largest transit projects in country
 - Required to fulfill State’s obligation in federal funding agreement
- **Major contributor to NYS economy**
 - Represents 25% of downstate construction jobs
 - Supports about 40,000 upstate jobs
 - 350,000 NYS jobs and \$44 billion economic impact as the result of the five year program

Strategy starts with making tough choices to stretch investment dollars

- MTA has cut \$2 billion from Capital Program and is committed to doubling that to a total of \$4 billion by finding ways to deliver benefits more efficiently
 - Complete overhaul of business practices follows success reducing costs in operating budget with similar methods
 - Eliminated 15% of administrative staff
 - Reduce costs of train and bus purchases
 - Partner with contractors and labor to reduce bid costs
 - Capital Program savings offset reduced assumptions for federal funding
- Underutilized real estate assets being sold to fund capital needs
 - Top-to-bottom review of assets identified opportunities to help support capital program
 - Sale of Madison Ave. headquarters announced
 - Launch innovative program to generate revenue from properties jointly-owned with NYC

Innovative and Pragmatic Financing Strategy

- Innovative \$2.2B RRIF loan opens door to realign financing strategy to reflect long life of mega projects and economic reality
 - Utilize longer maturity bonds and flexible terms, which are appropriate for new infrastructure projects that have very long useful lives
 - Borrow at US Treasury rate—100 basis points lower than current MTA rates
- Would be complemented by \$4.7B in MTA revenue bonds
- PAYGO funds from existing dedicated taxes are positioned to pay these new debt costs
 - Strategy leverages highest and best use of PAYGO in the current economic climate
- Manageable debt level
 - No additional burden on operating budget
 - \$6.2 billion of existing debt will be repaid
 - \$640 million still invested as PAYGO

Ongoing local partnerships are critical to success of Capital Program



Maintain traditional NYS support



Continue NYC's annual contribution to the Capital Program and strengthen partnership on real estate



Restore Port Authority program to purchase rolling stock

Total Funding: \$1.7 billion

Proposed MTA strategy fully funds remainder of Capital Program

Source	\$ Billion
Federal Formula and CMAQ	3.80
High Speed Rail Grant (Awarded)	0.30
RRIF Loan (Excluding \$800 Refunding Loan)	2.20
Revenue Bonds (Supported by Dedicated Taxes)	4.70
PAYGO	0.64
State Maintenance of Effort	0.77
City of New York	0.55
Port Authority of New York and New Jersey	0.38
MTA Real Estate Sales Proceeds	0.25
<i>2012-2014 Funding</i>	<i>13.59</i>

Funding strategy delivers clear benefits

No New Revenues

- No new taxes
 - No fare or toll increases beyond regular biennial fare increases
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Protects Investments

- Delivers critical safety and reliability investments on current MTA assets
 - Commits to put East Side Access and Second Avenue Subway into service
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Delivers Results

- Avoids potential crisis in MTA's Capital Program
- Maintains responsible financial position