



Metropolitan Transportation Authority

2012 Final Proposed Budget November Financial Plan 2012 – 2015

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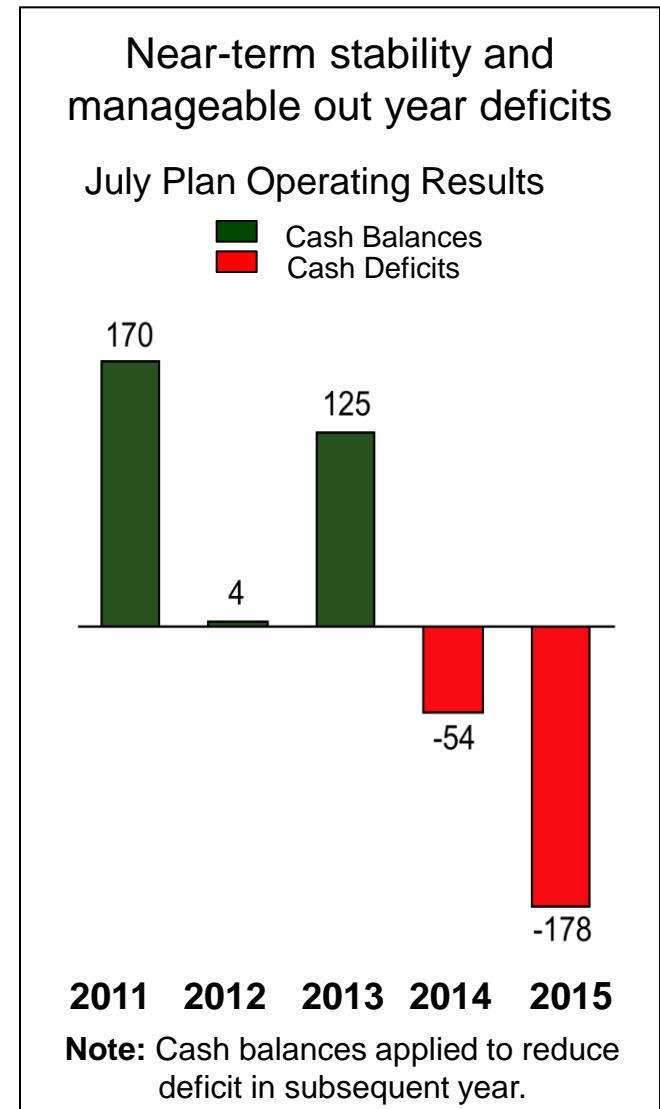
2012 – 2014 Capital Funding Proposal Update



November 16, 2011

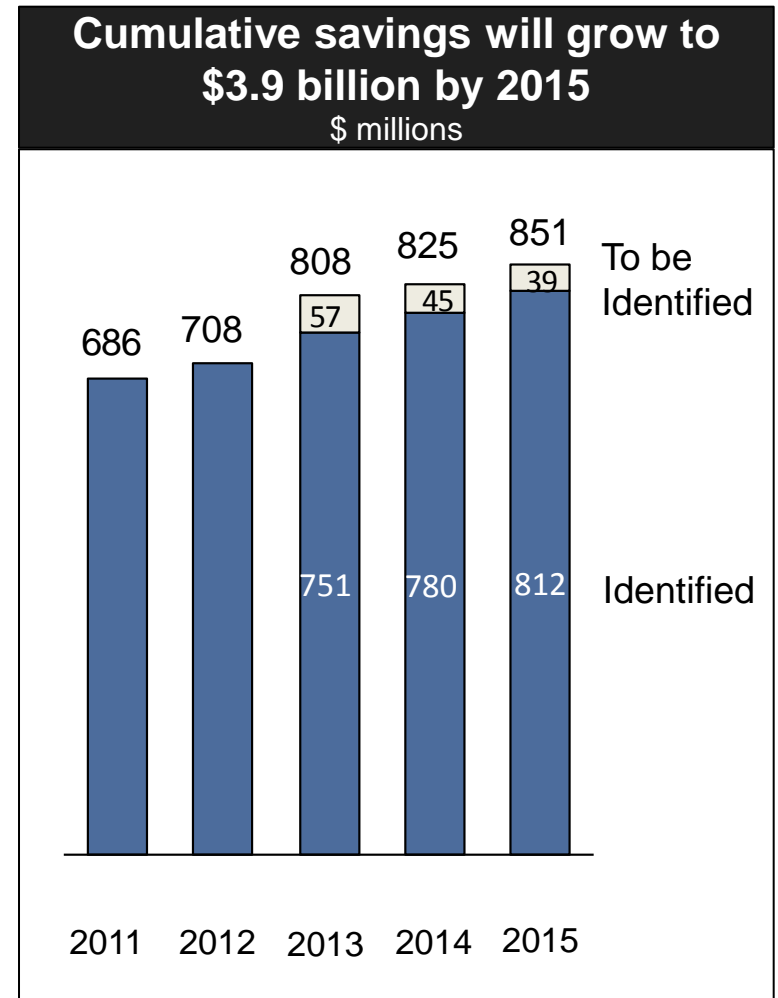
Key elements of the July Financial Plan

- **Continued focus on cost cutting to achieve more than \$850 million of recurring savings by 2015:**
 - \$548 million of recurring savings this year
 - Over \$300 million additional savings by 2015
- **Continued receipt of dedicated taxes and subsidies**
- **Implementation of agreed-upon biennial, moderate fare/toll increases**
 - 2013 7.5% revenue yield increase: \$448M
 - 2015 7.5% revenue yield increase: \$493M
- **No budget-driven service cuts**
- **Work with Labor to achieve \$323 million in “Net Zero” wage savings for represented employees by 2015**
- **Protect revenues in the operating budget committed to capital (PAYGO) to be available for debt service on new bonds for the three unfunded years of the capital program**
 - 2012 \$150M
 - 2013 200M
 - 2014 250M
 - 2015 300M



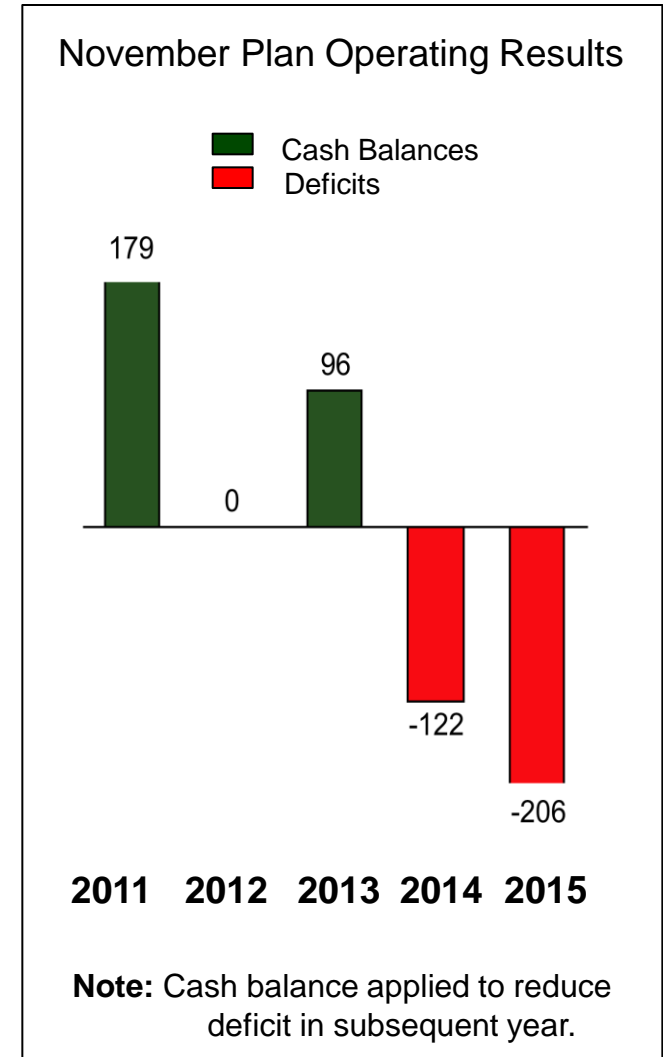
We will continue our focus on reducing expenses

- **Since 2010, we have:**
 - **Cut administrative payroll 20% at HQ and 15% at operating agencies**
 - **Frozen wages for non-represented employees for last 3 years**
 - **Rebid represented employee healthcare program for the first time in a generation**
 - **Achieved and exceeded paratransit efficiencies**
 - **Rationalized and consolidated IT**
 - **Reduced non-revenue fleet**
 - **Reduced overtime**
 - **Renegotiated contracts with our suppliers and advanced strategic sourcing**
 - **Eliminated or deferred projects**
 - **Consolidated back office functions**
 - **Rationalized leased office space, a 15% reduction**
 - **Improved inventory management**



What has changed since July? Out-year results have worsened, but remain manageable

- Higher current and projected real estate revenues
- Paratransit efficiency savings and re-estimates
- Health and welfare savings
- Debt service savings and re-estimates
- Release of \$42 million from general reserve
- Lower projected MMTOA receipts
- Revenue loss and higher expenses attributable to Tropical Storm Irene
- General reserve increased to 1% of budget in out years





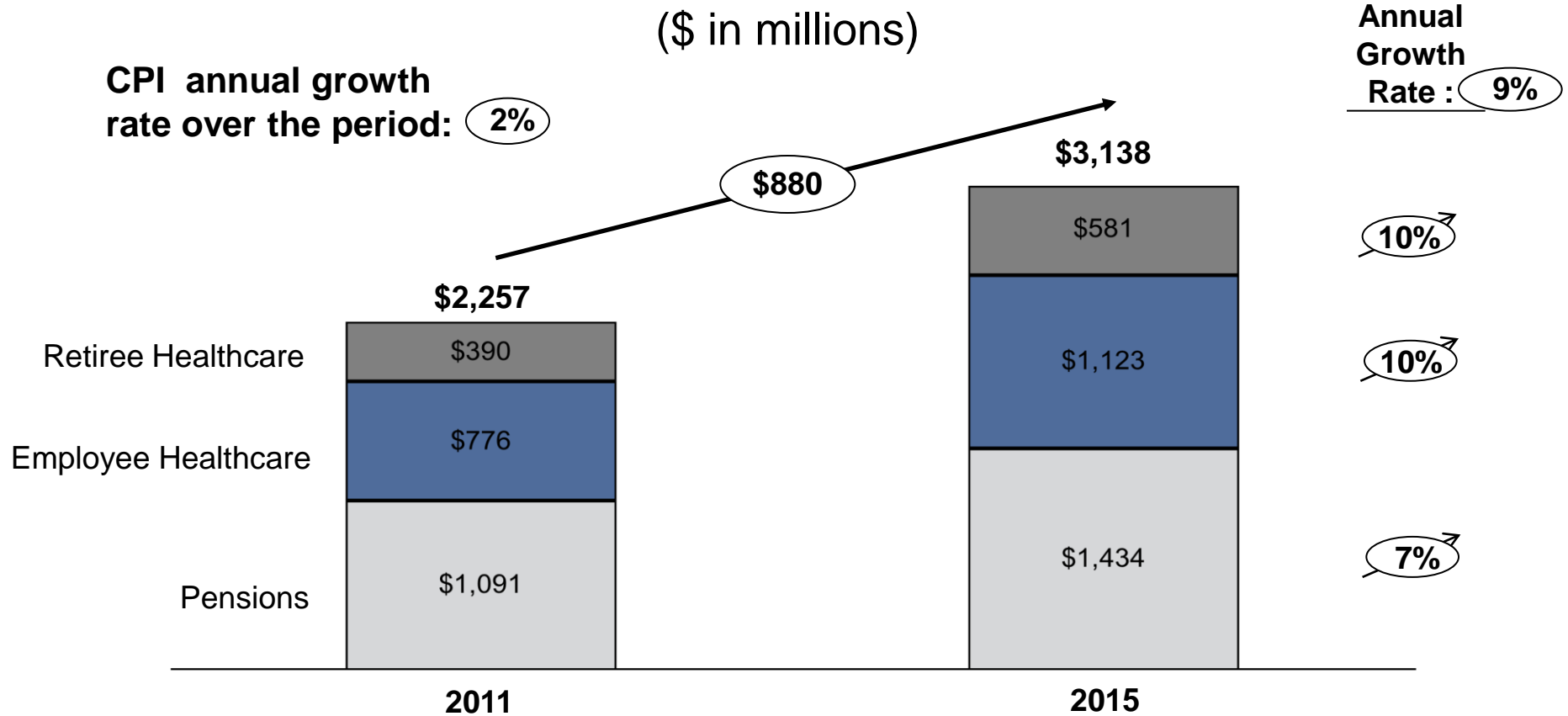
Metropolitan Transportation Authority

November Financial Plan 2012–2015

MTA Consolidated Statement Of Operations By Category

Non-Reimbursable	2011 November Forecast	2012 Final Proposed Budget	2013	2014	2015
<i>Operating Revenues</i>					
Farebox Revenue	\$4,991	\$5,050	\$5,122	\$5,208	\$5,286
Toll Revenue	1,499	1,510	1,508	1,514	1,520
Other Revenue	496	524	551	589	630
Total Operating Revenue	\$6,986	\$7,085	\$7,181	\$7,310	\$7,436
Dedicated Taxes and State/Local Subsidies	\$5,249	\$5,509	\$5,782	\$6,023	\$6,246
Total Operating Revenue + Subsidies	\$12,235	\$12,593	\$12,962	\$13,334	\$13,683
<i>Operating Expenses</i>					
Labor Expenses	\$7,143	\$7,473	\$7,651	\$7,952	\$8,293
Non-Labor Expenses	2,684	2,906	3,075	3,281	3,568
Other Expense Adjustments	13	161	164	170	180
Total Operating Expenses	\$9,840	\$10,540	\$10,891	\$11,403	\$12,041
Debt Service (excludes Service Contract Bonds)	1,949	2,129	2,271	2,418	2,555
Total Operating Expenses + Debt Service	\$11,789	\$12,669	\$13,162	\$13,822	\$14,596
Conversion to Cash Basis: GASB Account	(39)	(57)	(61)	(65)	(67)
Conversion to Cash Basis: All Other	(419)	(27)	(267)	(343)	(400)
Total Cash Conversion	\$12,248	\$12,753	\$13,490	\$14,229	\$15,064
Baseline Net Cash Balance Before B-T-L Adjustments	(\$13)	(\$160)	(\$527)	(\$896)	(\$1,381)
Below-the-Line Adjustments					
Fare/Toll Increases for 2013 and 2015	-	-	449	466	966
New MTA Efficiencies	6	30	93	84	79
MetroCard Green Fee and Cost Savings	-	-	20	20	20
Adding & Accelerating Third-Year Zero	26	51	62	107	111
<i>Expense B-T-L Adjustments Total:</i>	\$32	\$81	\$624	\$678	\$1,176
Energy Hedges	0	(100)	0	0	0
<i>Other B-T-L Adjustments Total:</i>	\$0	(\$100)	\$0	\$0	\$0
PRIOR-YEAR CARRY-OVER	160	179	0	96	0
NET CASH BALANCE	\$179	\$0	\$96	(\$122)	(\$206)

What drives out-year deficits? Costs outside of our control increasing at a rate greater than inflation-- like pensions and healthcare



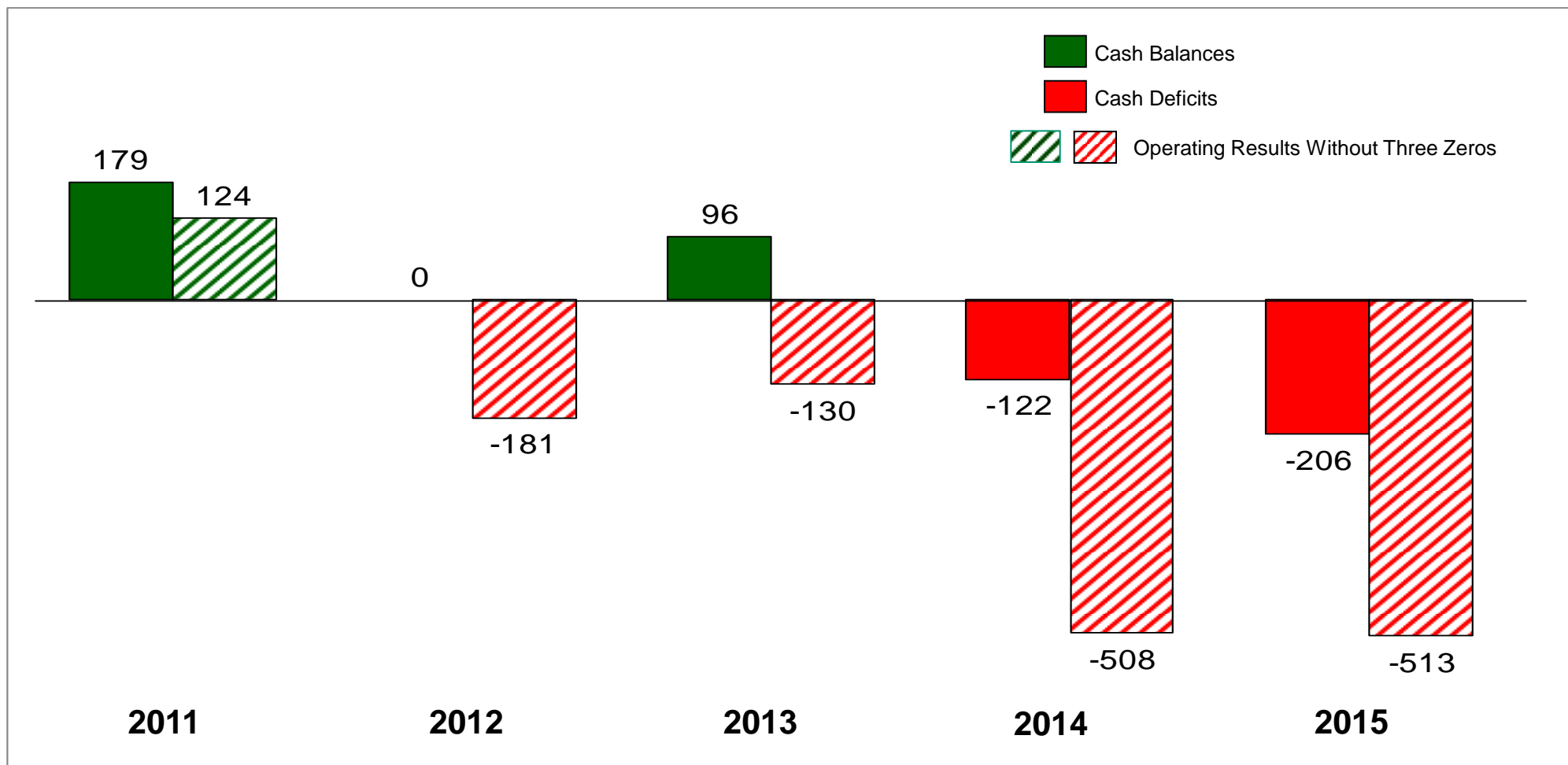
The increase in these costs by 2015 is more than 90% of the annual revenues gained from fare and toll increases in 2013 and 2015

Despite near-term balance, significant risks remain

- **Worsening of the economy (“double dip” recession)**
- **Additional reductions in state subsidies and dedicated taxes**
- **Expense reduction targets are not achieved**
- **Labor settlements fall short of 3 “net zero” wage initiative**
- **Funding for 2012-2014 Capital Program still to be approved**

For example, if “three net zeros” not achieved, deficits balloon

\$ millions



Note: Cash balances are used to address operating expenses in the following year

A balanced Financial Plan and a funded 2012 – 2014 Capital Program are closely linked

- **A balanced financial plan requires**
 - Receipt of forecasted dedicated taxes and subsidies
 - Implementation of planned fare and toll increases
 - Achievement of cost cutting targets
 - Implementation of net zero labor settlements
- **Only a balanced financial plan protects the revenues committed for PAYGO capital to be available for debt service on new bonds for 2012-2014 capital projects.**

The MTA has proposed a capital funding plan for the last three years

Needs No New Revenues

- No new taxes
- No fare or toll increases beyond regular biennial fare increases
- Proposes innovative Federal loan and bonds backed by state dedicated taxes already assumed in the Financial Plan for the capital program

Protects Benefits

- Delivers critical safety and reliability investments on current MTA assets and moves mega projects toward completion
- Uses \$2 billion in additional efficiency improvements to reduce plan to \$24 billion, without cutting scope

Delivers Results

- Avoids potential crisis in Capital Program
- Maintains responsible financial position
- Boosts the economy: supports nearly 375,000 direct, indirect and induced jobs and generates \$48 billion in economic impact

The proposed plan fully funds reduced 2012 – 2014 program and closes the gap through new sources

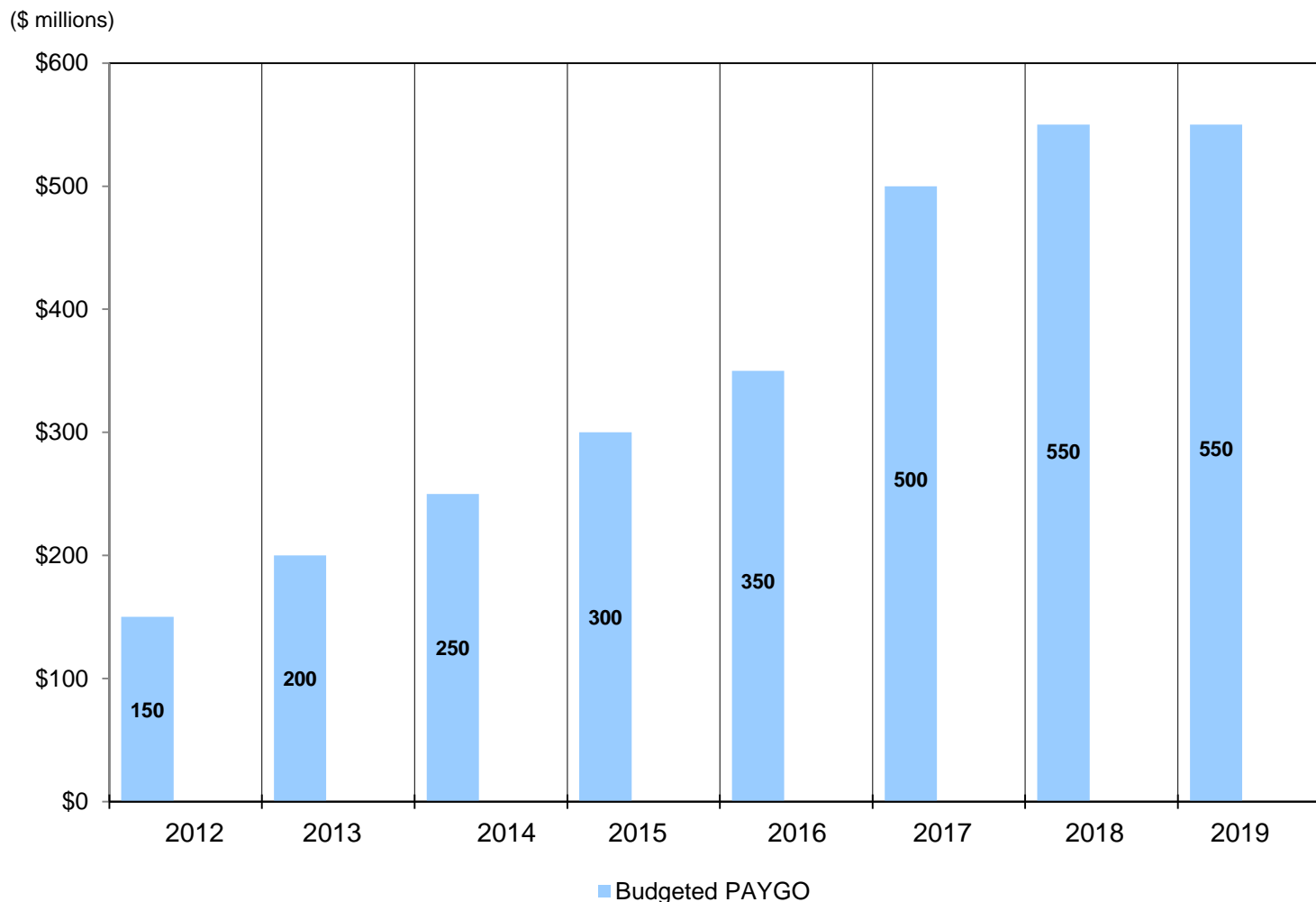
Existing Sources	\$ Billion
Federal Formula and CMAQ	3.83
High Speed Rail Grant (Awarded)	0.30
City of New York	0.31
Proposed New Sources	
RRIF Loan (excludes \$800 m refunding; supported by dedicated taxes)	2.20
Transportation Revenue Bonds (supported by dedicated taxes)	4.50
Revenues committed to Capital in Operating Budget	0.64
State Maintenance of Effort	0.77
Value Creation Opportunities with the City	0.25
MTA Real Estate Sales Proceeds	0.25
2012-2014 Funding	13.05

\$6.7 billion of new MTA debt to be supported by revenues committed to capital

- **\$2.2 billion RRIF loan for ESA**
 - Utilizes longer maturity bonds and flexible terms, appropriate for new projects like ESA that have very long useful lives
 - Borrows at US Treasury rate--100 basis points lower than current MTA rates
 - Generates over \$800 million in additional funding with the same revenue
- **\$4.5 billion in MTA revenue bonds for SAS and Core Projects**
- **Revenues budgeted for PAYGO capital in the Financial Plan will be used to pay the new debt service**
 - Strategy leverages highest and best use of PAYGO in current economic climate
 - \$640 million in revenues not required for debt service will be used as PAYGO funds for 2012-2014 projects
- **Operating budget is unchanged and debt level is not excessive**

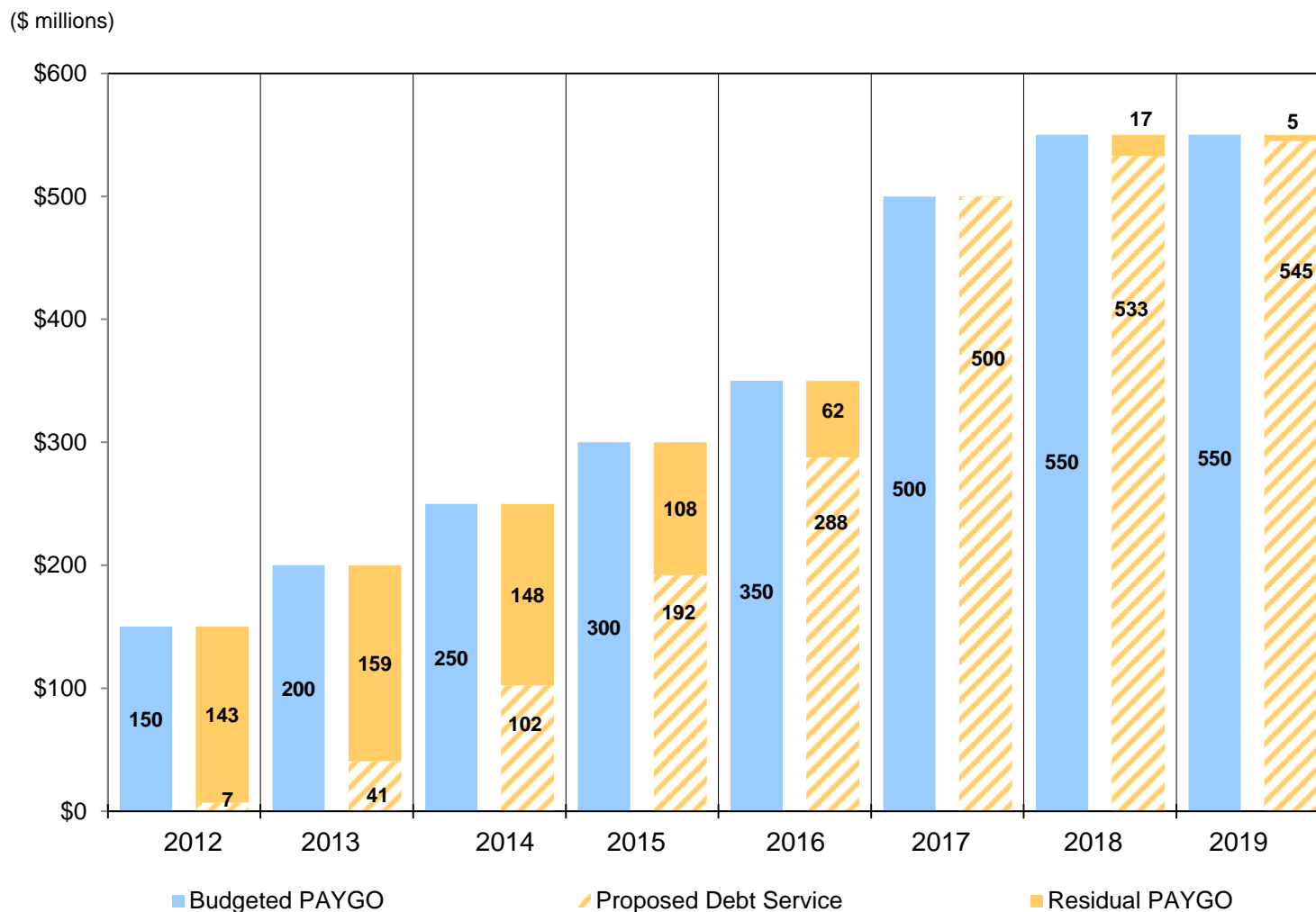
Proposal increases available funding without increasing the burden on the operating budget

- **\$2.85 billion of capital PAYGO is budgeted in 2012-2019 to support the last three years of the Capital Program**

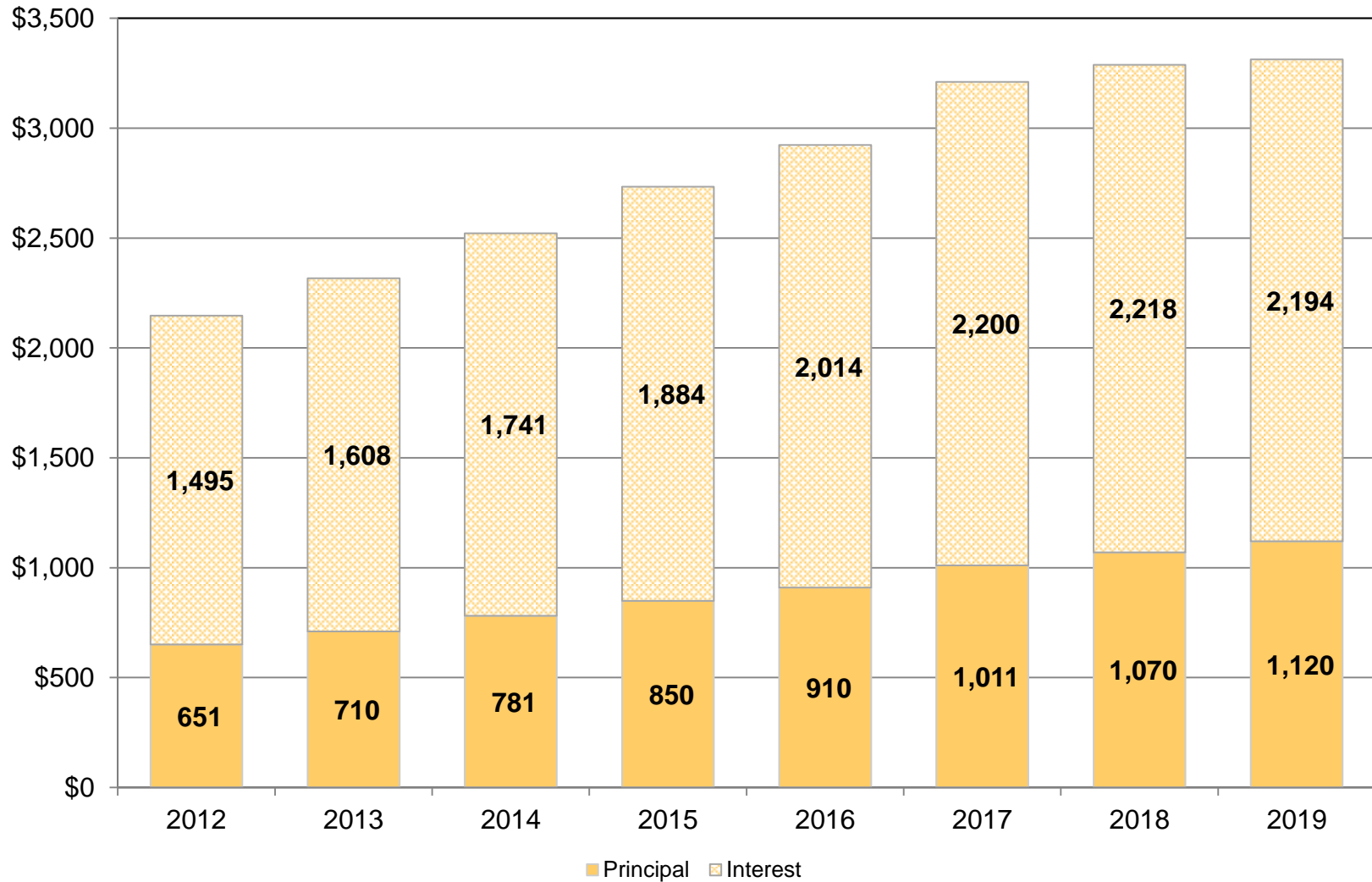


Proposal increases available funding from \$2.9 B to \$7.3 B without increasing burden on operating budget

- PAYGO revenues support \$6.7 billion of debt with \$0.64 billion remaining for PAYGO funding; more than doubles the available funding for unfunded years.



\$7.1 Billion of principal is being repaid



Notes:

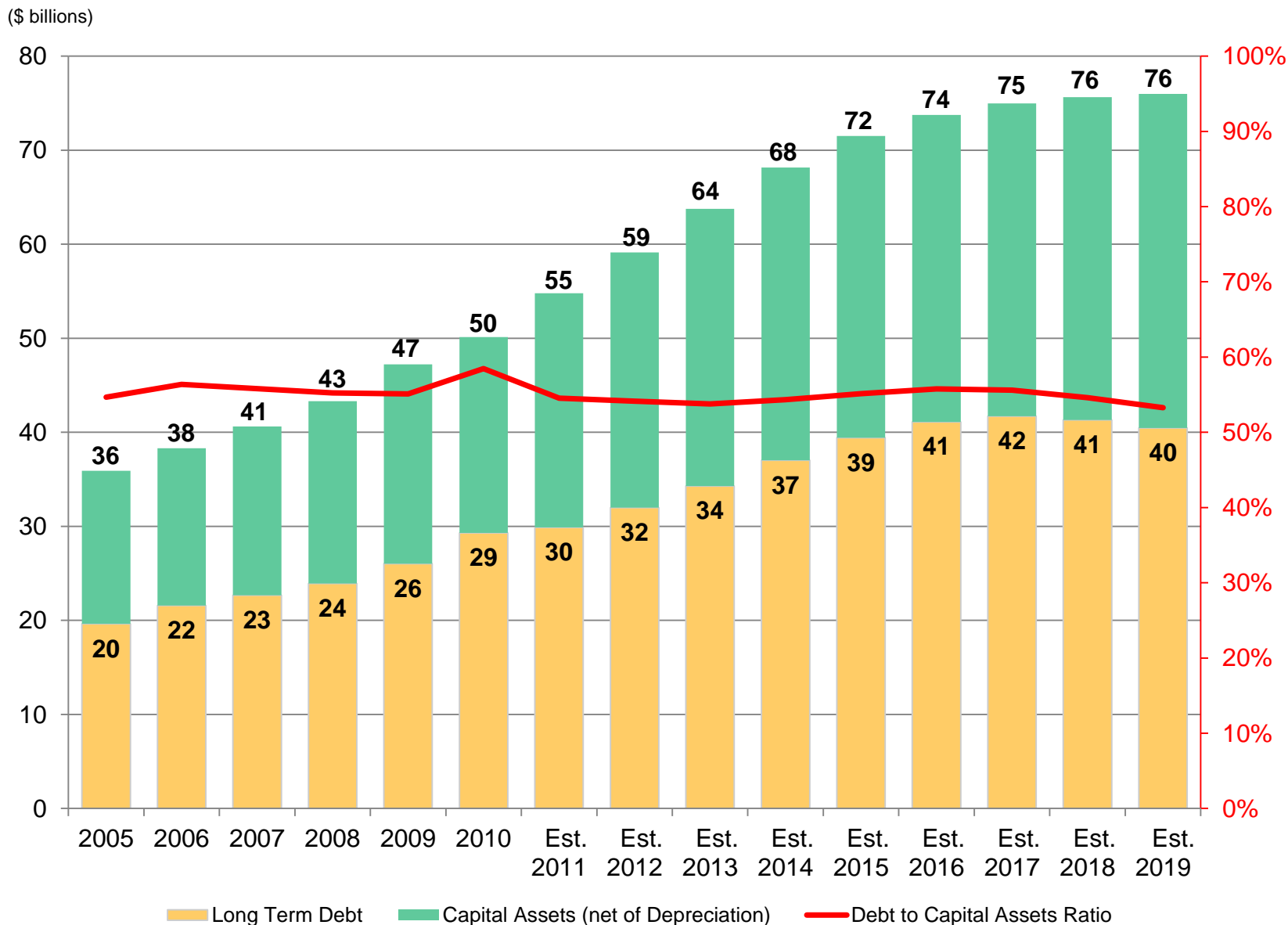
- Includes both approved and proposed debt for the 2010-2014 Capital Programs.
- Debt Service projections are based on the July Financial Plan 2012-2015; incremental debt is assumed to be issued in the beginning of each fiscal year.

Outstanding debt will increase, but the program is fully funded

(\$ Billions)

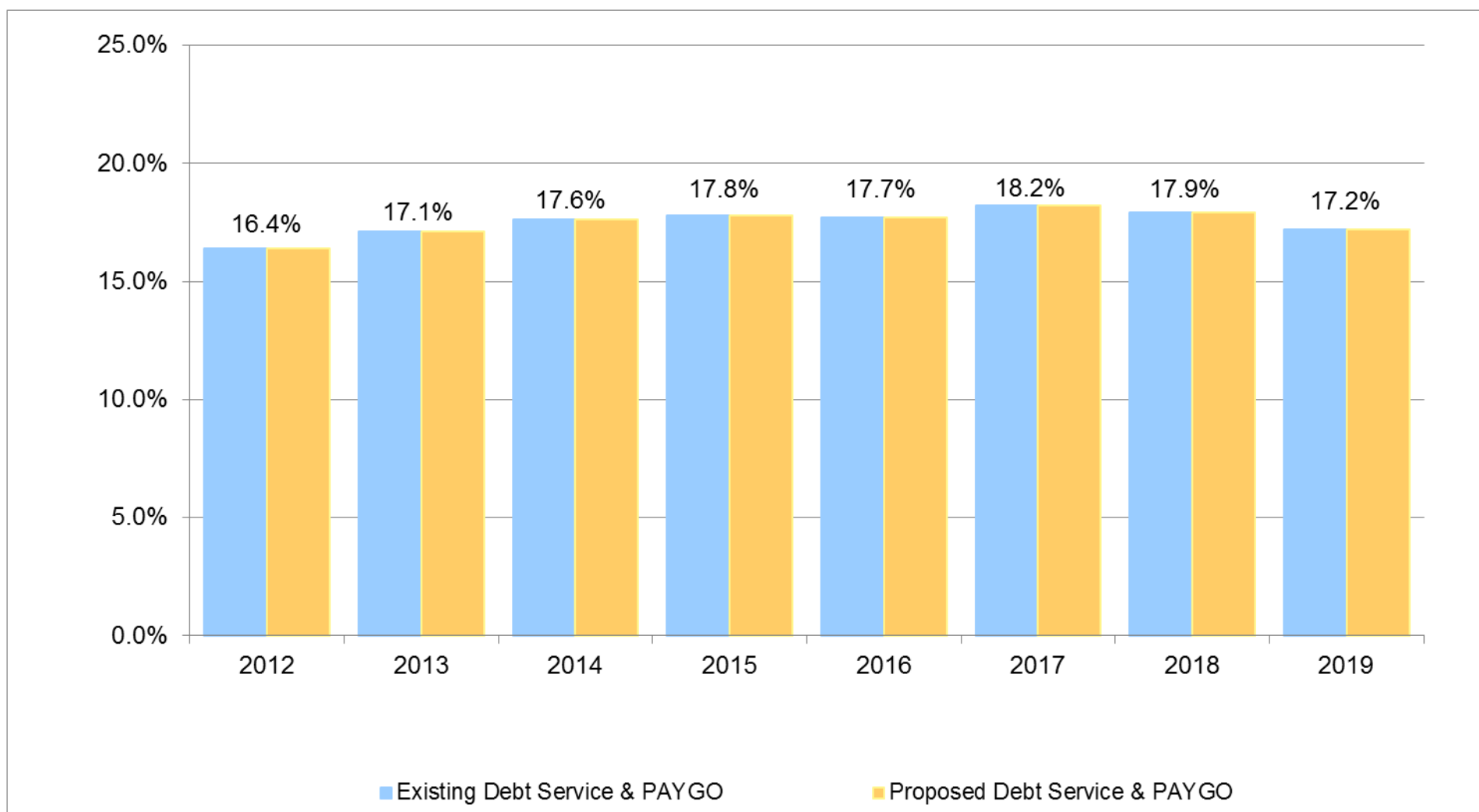
	Budgeted PAYGO	Proposed Plan
Outstanding Debt	\$30.0	\$30.0
Additional Approved Debt (Pre 2012 Capital Programs)	10.2	10.2
Repaid Principal of Approved Debt	<u>(6.8)</u>	(6.8)
Proposed 2012-2014 Debt		6.7
Repaid Principal of Proposed Debt		<u>(0.3)</u>
Total Debt Outstanding as of 2019	<u>\$33.4</u>	<u>\$39.8</u>
Amount Available for 2012-2014 Capital Plan	<u>\$2.9</u>	<u>\$7.3</u>
Unfunded Amount	<u>\$4.4</u>	<u>\$0.0</u>

... And the percentage of debt to capital investments is the lowest in 15 years.



...And the percentage of budget committed to capital remains affordable

Debt service and PAYGO as a percentage of total expenses



Next Steps for the Capital Program

- **Seek Board and CPRB approval of 2012-2014 funding proposal early in 2012**
 - The five year 2010-2014 Capital Program of projects approved in June 2010 with commitment to come back for out year funding
- **Advance funding proposal in early 2012 to avoid impacts**
 - Over \$800 million in core commitments anticipated in first quarter can be absorbed in remaining months of the year
 - Progressively more difficult to accommodate further delays
 - Two mega contracts for \$870 million with bid opening dates in first quarter
 - Time between bid opening and award allow some flexibility without impacting timeframes
- **Timeframe provides opportunity for review by new leadership and for finalizing elements of proposal with funding partners**

Achieving the promise of a balanced Financial Plan and fully funded Capital Program

- **Achieving the balanced financial plan requires**
 - Receipt of forecasted dedicated taxes and subsidies
 - Implementation of planned fare and toll increases
 - Achievement of cost cutting targets
 - Implementation of net zero labor settlements
- **Achieving a fully funded Capital program requires**
 - A balanced Financial Plan that protects revenues committed to capital--a predicate for achieving a fully funded Program
 - Achievement of capital savings
 - And participation by all funding partners