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A New Transit Compact for New York

November 2, 2022

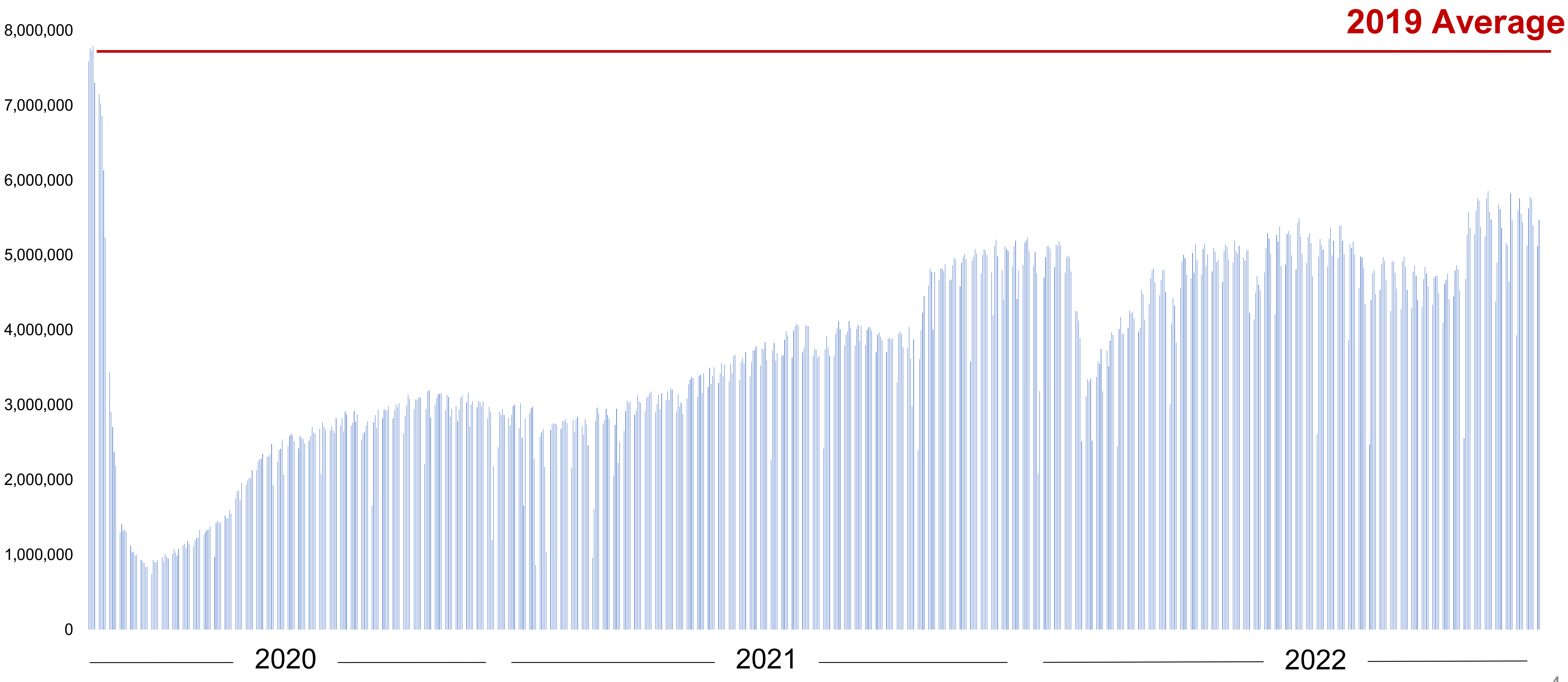
Briefing to New York City Council

The MTA faces an existential crisis

MTA provided service throughout the pandemic

Ridership is recovering, but more slowly than anticipated

Weekday ridership, all transit modes



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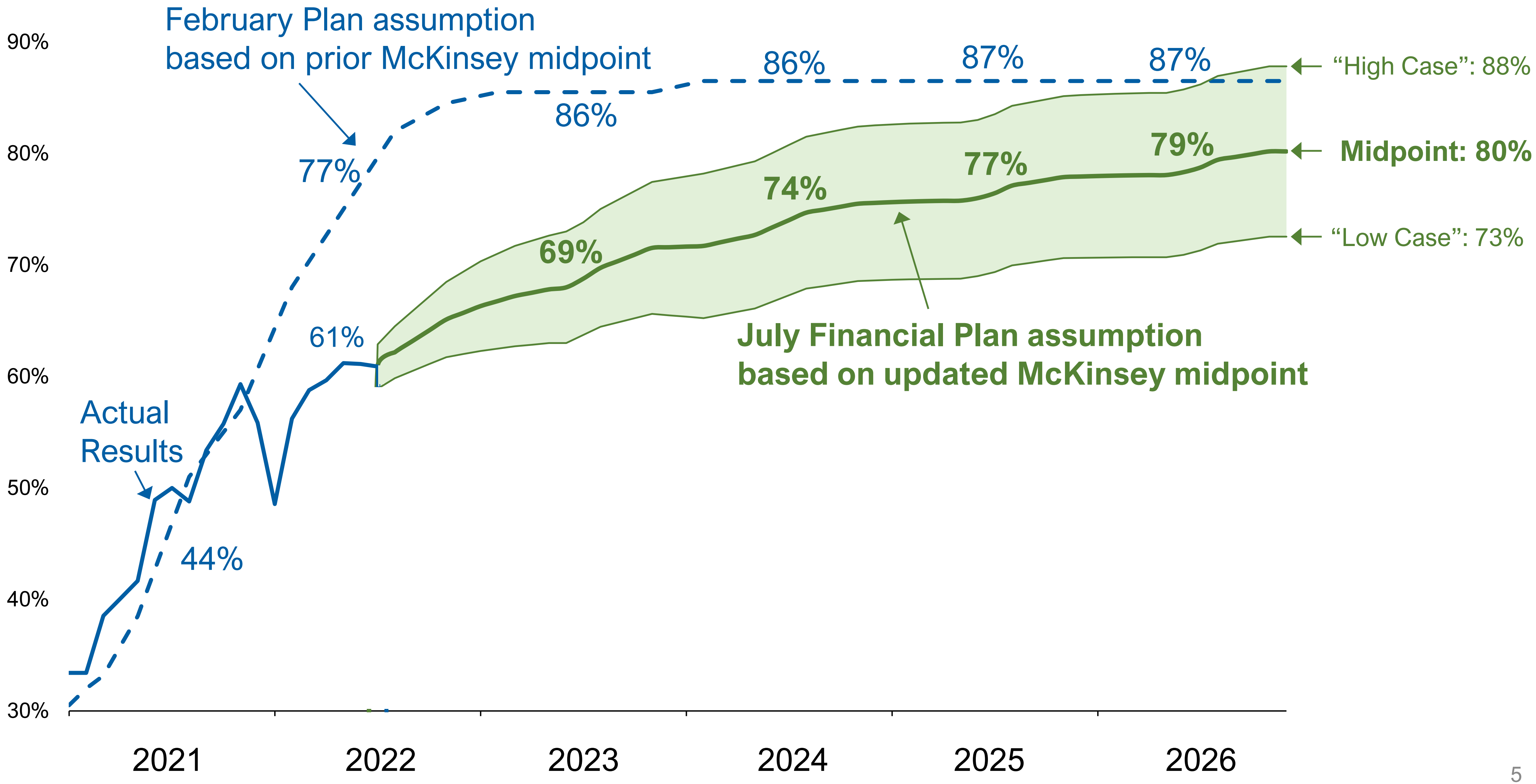
Instead of bouncing back, ridership will take years to recover



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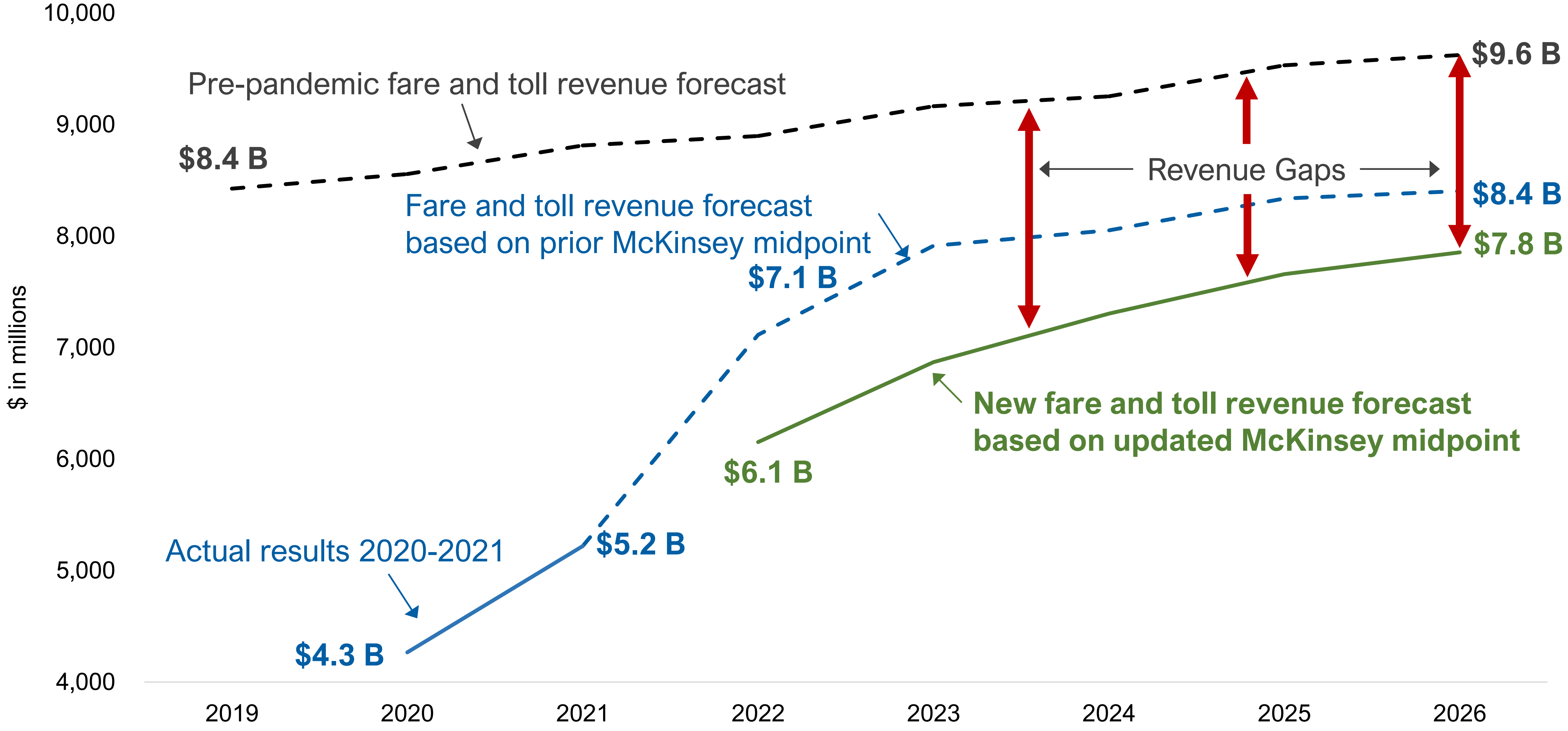
… Impacting fare and toll revenue projections



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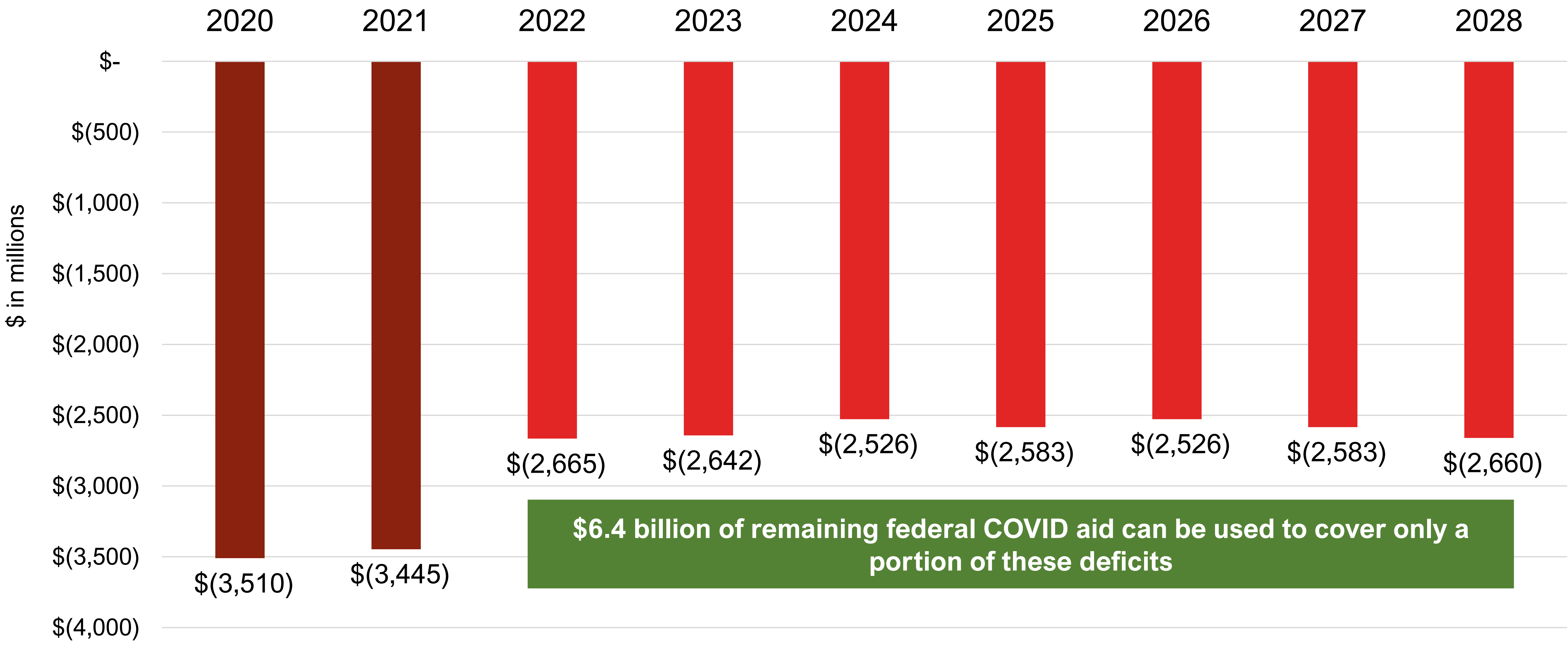
… And increasing annual deficits



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.

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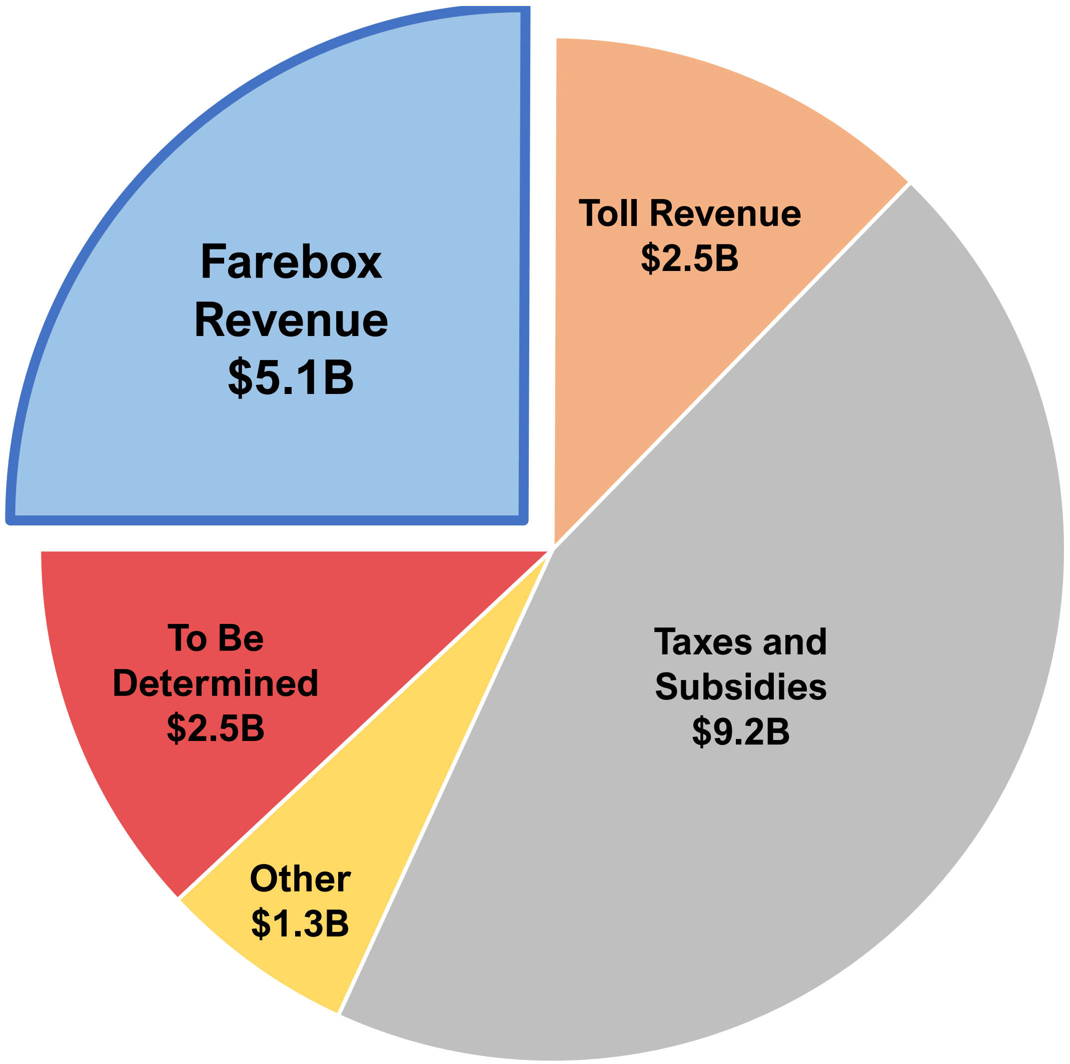
In 2025, farebox revenue is projected to be $5.1 billion



Farebox revenue in 2025 is projected to be **35%** of transit and commuter rail operating expenses (excluding debt service)

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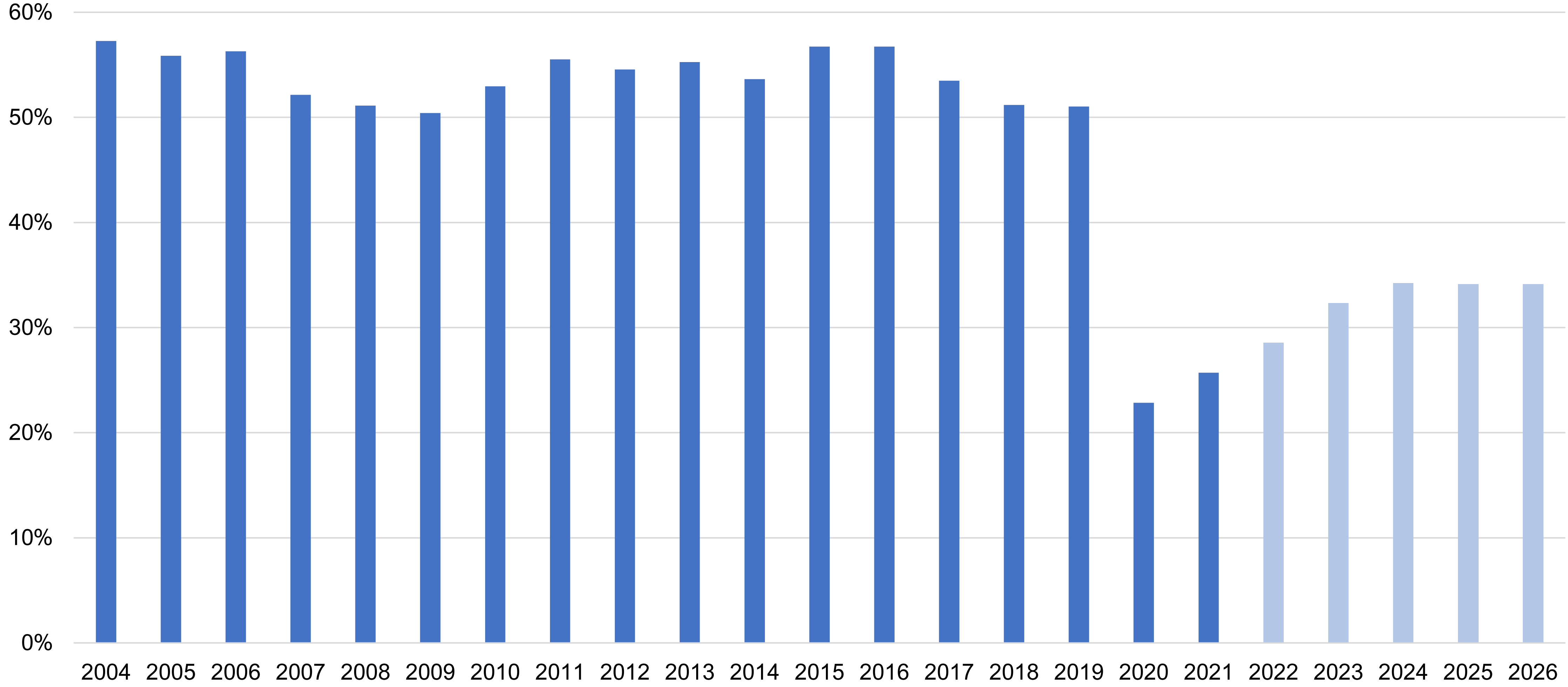
Before the pandemic, the MTA farebox operating ratio had been stable around 55%. For the foreseeable future, farebox operating ratios is projected to be ~35%.



Includes 2023 4% fare/toll increase

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MTA's farebox operating ratio has always been an outlier – much higher than other major US transit agencies

Agency	2019 Farebox Ratio
NY MTA (NYCT, LIRR, MNR)	**51%**
Boston MBTA	45%
NJ Transit	43%
Chicago CTA	41%
Philadelphia SEPTA	35%
Washington Metro	33%
San Francisco MTA	23%
Los Angeles Metro	15%

Source: FTA National Transit Database, 2019

35% farebox operating ratio post-COVID is consistent with other transit agencies' farebox recovery ratios pre-COVID

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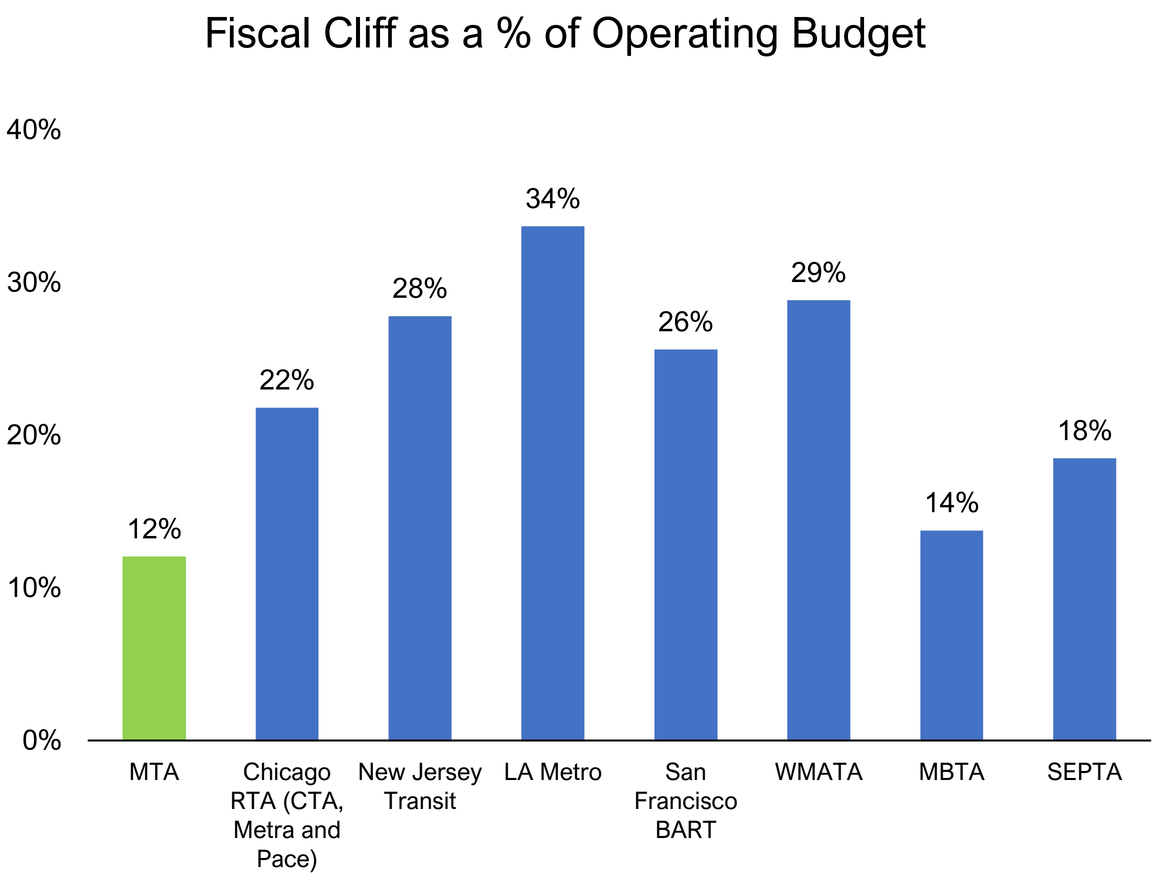
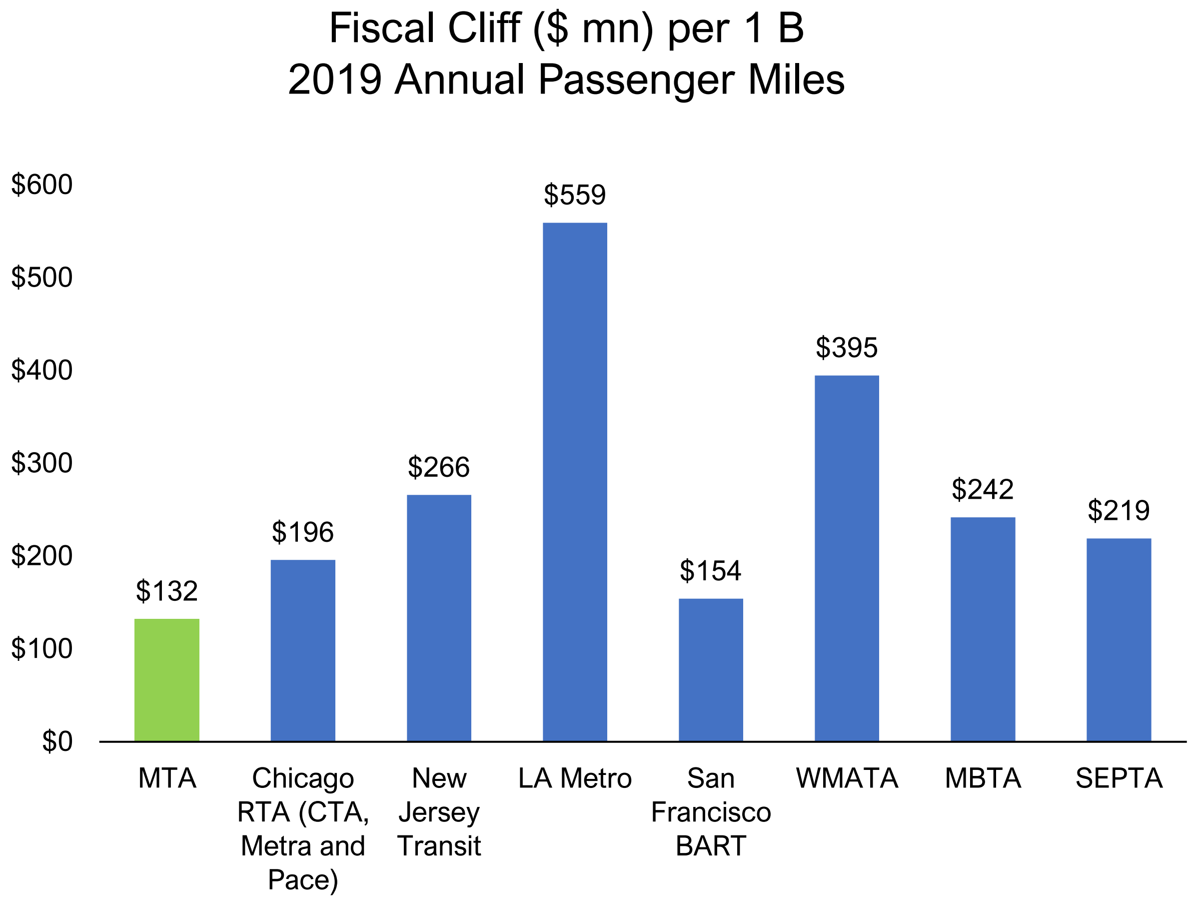
MTA's structural deficits are smaller than those of other major US transit agencies





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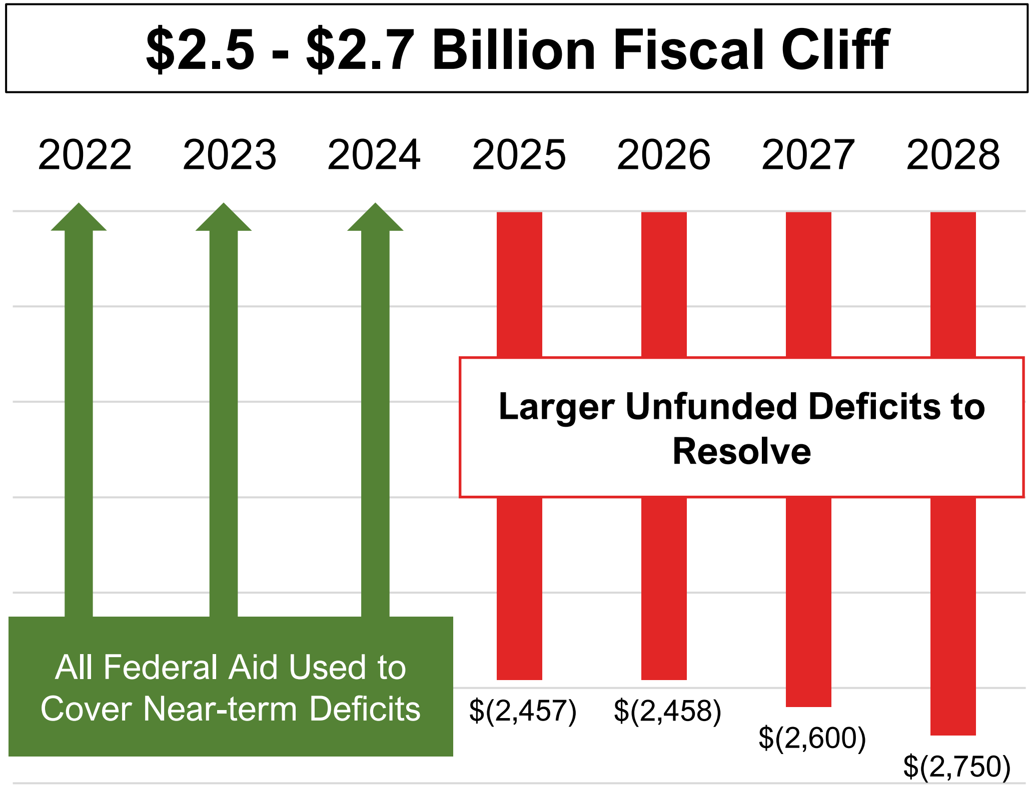
The MTA, NY State & NY City must address this fiscal cliff

Eight ways to balance the budget

- Act responsibly with remaining federal aid
- Reduce costs without affecting service
- Reduce service and service-related costs
- Raise fares and tolls
- Engage in deficit financing
- Raid the capital program
- Seek federal operating aid
- Secure new funding sources

Act responsibly with remaining federal aid



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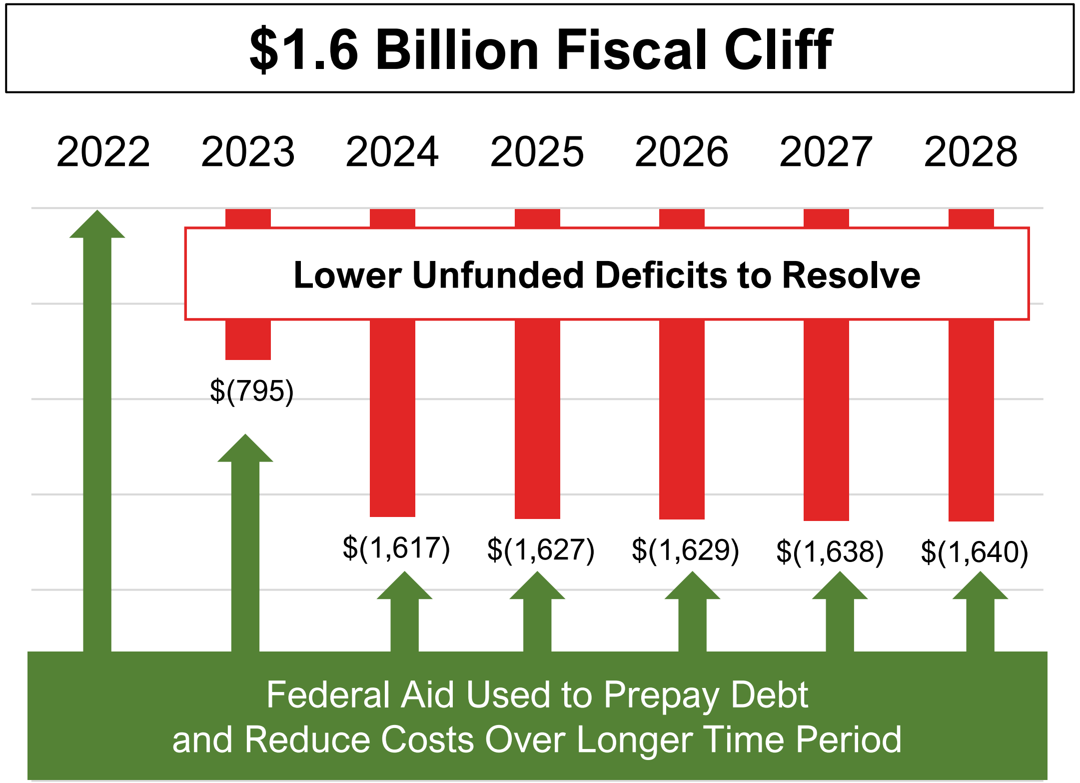
OR



Deficits are lowered by:

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

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Reduce costs without affecting service

Like any business, the MTA is always looking to run a more efficient operation.

The FY 2023 budget already includes $100 million in efficiencies.

► **MTA continues to explore opportunities for additional savings of several hundred million dollars.**

Reduce service and service-related costs

At the height of the pandemic and before ARPA, the MTA evaluated the impacts of a 20% and 40% service cut scenario.

The service cuts included:

- Reducing frequencies (peak and/or off-peak)
- Suspending overnight service (1-5am)
- Eliminating express service and/or duplicative service
- Shutting down service on lower-ridership branches and lines
- Closing stations

► **A 20% service reduction would save $600 million, eliminates 4,100 jobs**

► **A 40% service reduction would save $1.2 billion, eliminates 10,000 jobs**

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Raise fares & tolls

MTA's future budget projections already include the standard biannual 4% fare and toll increase in 2023, which will generate $270 million.

- **A 10% fare and toll increase (the regularly scheduled 4% + 6% on fares) would yield an additional $400 million.**
- **A 20% fare & toll increase (4% + 16%) would yield $1 billion.**

Unsustainable options

Engage in deficit financing

- Increases long-term structural deficit without solving the problem

Raid the capital program

- Risks service reliability (state of good repair, service reliability)
- Cuts important system improvement projects (ADA, signaling, rolling stock)
- Could hurt equity-oriented expansion projects (Second Avenue Subway Phase 2)

Identify new funding sources

Seek federal operating aid

- Puts the capital budget at risk
- May not be politically feasible

Secure new funding sources

- Increase existing sources, or identify new ones
- Could be tied to targeted service improvements

New York needs a new transit compact