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Report on the Fiscal 2017 Executive Budget Metropolitan Transportation Authority May 17, 2016

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Executive Budget Summary

- The Calendar Year (CY) 2016 operating budget for the MTA is approximately \$15.1 billion and it includes approximately \$1 billion in City funds. The City's subsidies include \$45 million for the reduced student fare; \$14 million for the reduced fare for the elderly and the disabled; \$137 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$497 million for MTA bus subsidy; \$30 million for Staten Island Railway Operating Authority (SIRTOA); and \$103 million for the maintenance and operation of Long Island Railroad and Metro North Railroad stations in the City.
- The Fiscal 2017 Executive Budget includes \$125 million in Fiscal 2017 for the MTA's capital program.
- The MTA 2016 Adopted Budget includes recurring cost reductions, with no budget related service reductions, and includes a net cash surplus of \$121 million in Calendar Year 2016.
- The MTA Budget projects a four percent (two percent annually) fare and toll increase for March, 2017 and 2019.
- CY 2016 fare revenue is projected to be \$6.1 billion, a 2.4 percent increase over the CY 2015's total.
- For CY 2016, tax revenues dedicated for the MTA's use are projected to be \$6.6 billion, including \$2 billion in new State tax and fees, which includes \$1.4 billion from the Payroll Mobility Tax (PMT) and \$311 million from the State to replace funds from eliminating the PMT from school districts and small businesses.
- **2015-2019 Capital Plan.** The MTA's proposed \$29.5 billion 2015-2019 Capital Program is \$500 million more than the October Plan. The increase is attributed to increased Federal Transit Administration (FTA) New Starts funding for Phase 2 of the Second Avenue Subway (SAS 2) project.
- The City's Fiscal 2017 Executive Budget includes \$657 million over the Plan period for the MTA 2015-2019 Capital Program. The Mayor and the Governor have committed additional \$1.8 billion and \$7.3 billion, respectively, to support the Authority's Capital Program.
- The MTA 2015-2019 Capital Program is now presumed to be fully funded and was recently resubmitted to the Capital Plan Review Board (CPRB) by the MTA. However, the State and the City are yet to identify the funding sources of their newly combined \$9.1 billion pledge.

MTA Overview

MTA Financial Plan 2016-2019 MTA Consolidated Statement of Operations – Including MTA Bus Company

MTA Financial Summary

	2014	2015	2016	2017	2018	2019
Dollars in Millions	Actual	Final Estimate	Adopted Budget	Projected	Projected	Projected
Operating Revenue						
Farebox	\$5,709	\$5,929	\$6,072	\$6,119	\$6,159	\$6,183
Toll Revenue	1,676	1,792	1,809	1,818	1,831	1,844
Other Revenue	682	651	650	667	689	714
Total Operating Revenue	\$8,068	\$8,372	\$8,531	\$8,603	\$8,678	\$8,742
Operating Expenses						
Labor Expenses	8,582	8,560	8,899	9,129	9,416	9,723
Non-Labor Expenses	3,007	3,157	3,341	3,343	3,397	3,548
Other Expenses Adjustment	45	43	45	46	47	49
General Reserve	0	0	150	155	160	165
Total Operating Expenses Before Non-Cash Liability Adj.	\$11,634	\$11,759	\$12,435	\$12,673	\$13,019	\$13,485
Depreciation	2,266	2,380	2,456	2,656	2,728	2,798
Other Post-Employment Benefit	2,035	2,030	2,114	2,199	2,287	2,378
Environmental Remediation	21	7	7	7	7	7
Total Operating Expenses After Non-Cash Liability	\$15,956	\$16,175	\$17,011	\$17,535	\$18,041	\$18,668
Net Operating Deficit	(\$7,888)	(\$7,803)	(\$8,480)	(\$8,932)	(\$9,363)	(\$9,926)
Subsidies (Accrual Basis)	6,375	6,620	6,645	6,819	6,935	7,139
Debt Service	(2,249)	(2,383)	(2,642)	(2,870)	(3,053)	(3,204)
Deficit after Subsidies & Debt Service	(\$3,762)	(\$3,566)	(\$4,477)	(\$4,983)	(\$5,481)	(\$5,991)
Conversion to Cash						
Non-Cash Liability Adjs.	4,322	4,416	4,576	4,862	5,022	5,183
GASB Account	(50)	0	0	0	(9)	(19)
All Other	(496)	(885)	(346)	(364)	2	(183)
Cash Bal. Before Prior-Yr. Carryover	\$15	(\$34)	(\$246)	(\$485)	(\$466)	(\$1,010)
Policy & GAP Closing Actions/Adjs.	0	0	73	366	466	750
Prior Year Carryover	314	329	295	121	3	3
Net Cash Surplus/(Deficit)	\$329	\$295	\$121	\$3	\$3	(\$257)

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

Budget Balancing Actions

- The Calendar Year (CY) 2016 Adopted Budget includes gap closing actions that are expected to produce an annualized recurring savings of \$1.5 billion that grows to \$1.8 billion by Calendar Year 2019.
- The Plan continues the assumption of biennial fare and toll increases. As a result, a fare and toll increase of four percent (two percent annually) is projected for March 1, 2017 and 2019. The fare and toll increases are expected to yield additional revenue of \$252 million in 2017 and \$265 million in 2019.
- As a result of the above actions, the Calendar Year 2016 budget is balanced with a net cash surplus of \$121 million. For the outyears, the Plan reflects a net cash balance of \$3 million in 2017 and 2018, and an end-of-year cash deficit of \$257 million in 2019. As in past years, the deficits are primarily attributed to increasing pension and healthcare costs and the depletion of non-recurring resources.

Capital Program

In October 2015, the MTA board approved the Authority's 2015-2019 Capital Program totaling \$29 billion. On April 20 2016, a revised plan totaling \$29.5 billion was submitted to the CPRB for review. The revised Plan is \$500 million more than the Plan proposed last October. The additional funding will come from Federal Transit Administration (FTA) New Starts funding and earmarked for the Phase 2 of the Second Avenue Subway (SAS 2) project. This is in addition to the \$535 million in local funding currently assumed for SAS 2, and will provide support for the project's commitments during the 2015-2019 period. According to the MTA, the New Starts funding will be subject to further discussion with the FTA, Congressional appropriations, and a future Plan amendment to make available the additional local funding required for the New Starts application process.

The revised plan now includes \$21.6 billion in core investments for subway cars, buses and railroad tracks among others; \$5 billion for the East Side Access, Penn Station Access and Second Avenue Subway project; and \$2.9 billion for MTA Bridges and Tunnels.

Proposed funding for the program now includes \$8.3 billion in State funds, \$6.9 billion in federal funds, \$2.5 billion in City funds and \$11.8 billion from various MTA resources. The State's capital contribution includes \$1 billion budgeted in the State's Fiscal 2014-2015 Budget, of which \$750 million is to support core capital programs and \$250 million is to support the Penn Station Access project. In October 2015, to help the MTA fill its capital program funding gap of more than \$9 billion, the State and the City agreed to mutually commit additional funding of \$7.3 billion and \$1.8 billion, respectively. The additional City commitment of \$1.8 billion, when combined with \$657 million that is already in the City's Commitment Plan, brings total City contributions to \$2.5 billion over the Plan period.

Capital Budget Summary
2015-2019 MTA Proposed Capital Program (\$ in millions)

Program	Proposed 2015-2019 Plan
CPRB Core Capital Program	
New York City Transit	\$15,849
Long Island Rail Road	2,835
Metro-North Railroad	2,321
MTA Bus	376
MTA Interagency	264
Core Subtotal	\$21,644
Network Expansion Projects	4,956
Total 2015-2019 CPRB Program	\$26,600
Bridges and Tunnels	2,856
Total 2015-2019 Capital Program	\$29,456

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

Capital Budget Funding Sources
2015-2019 MTA Proposed Capital Program (\$ in millions)

	Proposed 2015-2019
Total 2015-2019 Program costs	\$29,456
Funding Currently Projected	
Federal Formula, Flexible and Misc.	\$6,275
Federal Core Capacity	100
Federal New Starts	500
MTA Bonds	5,889
Pay-as-you-go Capital (PAYGO)	1,846
State of New York Capital (\$1b existing, \$7.3b Governor's Commitment)	8,336
City of New York Capital (\$657m existing, \$1.835b Mayoral Commitment)	2,492
Asset Sales / Leases	600
Other MTA Sources	562
Sub-total	\$26,600
Bridge & Tunnels Bonds (\$2.3b) & PAYGO (\$580m)	\$2,856
Total 2015-2019 Funds Available	\$29,456
Funding Gap	\$0

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

New York City Transit (NYCT)

Mission Statement

The New York City Transit Authority (NYCT), a subsidiary of the Metropolitan Transportation Authority, provides bus and subway service to New York City. The NYCT is responsible for providing safe, clean, and reliable public transportation services to all persons traveling within the City. The NYCT employs more than 48,000 workers who are responsible for the operation and maintenance of 4,400 buses and 6,400 subway cars. Over 2.4 billion people ride the City's buses and subways each year.

NYCT Financial Plan 2016-2019 (\$ in millions)

Non-Reimbursable and Reimbursable	2014 Actual	2015 Final Estimate	2016 Adopted Budget	2017 Projected	2018 Projected	2019 Projected
Operating Revenue						
Farebox	\$4,191	\$4,344	\$4,455	\$4,484	\$4,511	\$4,526
Other Revenue	437	427	436	445	463	485
Capital & Other Reimbursement.	1075	1,153	1,161	1134	1108	1118
Total Operating Revenue	\$5,703	\$5,924	\$6,052	\$6,063	\$6,081	\$6,129
Operating Expenses						
Labor Expenses	6,527	6,651	6,892	7,045	7,201	7,418
Non-Labor Expenses	1,901	1,810	1,850	1,874	1,936	2,048
Other Expenses Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$8,428	\$8,461	\$8,742	\$8,919	\$9,137	\$9,466
Depreciation	1,520	1,638	1,688	1,863	1,913	1,965
Other Post Employment Benefit.	1,638	1,616	1,681	1,748	1,818	1,891
Environmental Remediation	12	0	0	0	0	0
Total Operating Expenses	\$11,598	\$11,715	\$12,111	\$12,530	\$12,869	\$13,322
Net Operating Deficit/(Deficit)	(\$5,895)	(\$5,791)	(\$6,059)	(\$6,467)	(\$6,788)	(\$7,193)
Gross Subsidies (Cash Basis)	4,151	3,808	3,820	3,960	4,265	4,236
Deficit after Projected Subsidies	(\$1,744)	(\$1,983)	(\$2,239)	(\$2,507)	(\$2,523)	(\$2,957)
Conversion to Cash						
Depreciation, OPEB & ER	2,939	3,249	3,366	3,592	3,702	3,818
Net Cash Surplus/(Deficit) 2	\$1,195	\$1,266	\$1,127	\$1,085	\$1,179	\$861

Source: Metropolitan Transportation Authority **Note: 1-** Excludes Debt Service, **2 -** Excludes Prior Year Balance & Interagency Transfers.

-Numbers may not total due to rounding

- **Budget.** As approved by the MTA Board of Directors, the NYCT Operating Budget (reimbursable and non-reimbursable) before depreciation and other post-employment benefit is approximately \$8.7 billion for Calendar Year 2016. Of that amount, approximately \$6.9 billion is for labor costs and \$1.8 billion is for non-labor expenses. In addition, the

Adopted Budget includes non-cash depreciation expenses of \$1.7 billion and other post-employment benefit expenses, in accordance with GASB number 45, of \$1.7 billion. The budget funds 48,601 positions, of which 5,068 are reimbursable and 43,533 are non-reimbursable. Reimbursable positions are those positions generally paid with capital funds.

- **Operating Revenue / Expense Projections.** The NYCT projects \$6.1 billion in operating revenues for Calendar Year 2016, derived from farebox revenues of \$4.5 billion, capital and other reimbursements of \$1.2 billion and other revenues of \$436 million. These funds will support the NYCT's proposed reimbursable and non-reimbursable expenditures of \$8.7 billion, excluding depreciation and other post-employment benefits, in 2016.
- **Transit Tax Revenue.** The NYCT is funded, in part, with tax revenues from the Metropolitan Mass Transportation Operating Assistance Account (Metro Account), Petroleum Business Tax (PBT), Mortgage Recording Tax, and the Urban Mass Transportation Operating Account (Urban Account). The revenues from these accounts are projected to total \$2.5 billion in 2016, which is approximately the same as the 2015 amount. The Urban Account consists of two separate taxes, the Mortgage Recording Tax (MRT) and the Real Property Transfer Tax (RPTT) imposed on New York City commercial real properties with a value exceeding \$500,000.
- **Payroll Mobility Tax (PMT) and MTA Aid.** The PMT and the MTA Aid are a set of new taxes, fees and surcharges enacted by the State in 2009 (Chapter 25 of the Laws of 2009) for the benefit of the MTA. The State law was subsequently amended to exclude public and private schools, public and free association libraries. For the NYCT, subsidies related to PMT and MTA Aid is projected to be \$1.2 billion in Calendar Year 2016, slightly lower than the \$1.45 billion in 2015. In 2012, the State Legislature passed a law granting the City authorization to establish a "Hail accessible inter-borough licenses" (HAIL licenses) for livery cabs to provide hail services in certain underserved areas of the City. After overcoming legal challenges, the law was implemented during the second half of 2013, and is anticipated to result in increased MTA Aid revenue for the Authority as the City phases in the additional vehicles.
- **The City's Contribution.** For Calendar Year 2016, the City's contribution, excluding capital commitments, is approximately \$1 billion. The City subsidies include the following: \$45 million for the NYCT school fare subsidy; \$14 million for the elderly and disabled subsidy; \$137 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$497 million for MTA bus subsidy; \$30 million City subsidy for SIRT OA and \$103 million for the maintenance and operation of Long Island Railroad and Metro North Railroad stations in the City.
- **Paratransit.** Pursuant to an agreement between the City and the MTA, the NYCT assumed operating responsibility for all paratransit services required under the Americans with Disability Act of 1990. The City reimburses the NYCT for thirty-three percent of net paratransit operating expenses less fare revenues and urban tax proceeds. Total paratransit revenue is expected to be \$211.7 million in CY 2016, which includes \$136.7 million from City reimbursements.
- **State Subsidies.** For CY 2016, the State's subsidy to the NYCT's budget is expected to be \$183 million. Of this amount, \$25 million is for school fare reimbursement and \$158 million is to match City operating assistance. This funding does not include State dedicated tax revenues to NYCT of more than \$2.8 billion expected in 2016.

MTA Bus Company

Mission Statement

The MTA Bus Company was created in September 2004 pursuant to an agreement between the City of New York and the MTA to consolidate the operations of seven private franchise bus companies. The purpose of the takeover was to improve the quality and efficiency of bus service formerly provided by the private bus franchise operators. The agreement calls for the City to pay MTABC the difference between the actual cost of operating the bus routes and all revenues and subsidies received by the MTABC and allocable to the operation of the bus routes. As a result, the costs of MTABC operations are fully reimbursable by the City to the MTA.

MTA Bus Financial Plan 2016-2019 (\$ in millions)

Non-Reimbursable and Reimbursable	2014 Actual	2015 Final Estimate	2016 Adopted Budget	2017 Projected	2018 Projected	2019 Projected
Operating Revenue						
Farebox	\$203.6	\$210.4	\$214.5	\$214.5	\$215.3	\$215.6
Other Revenue	20.1	20.6	20.7	21.1	21.5	21.7
Capital & Other Reimbursement.	6.1	5.7	6.0	5.9	6.0	5.9
Total Operating Revenue	\$229.8	\$236.7	\$241.2	\$241.4	\$242.7	\$243.2
Operating Expenses						
Labor Expenses	506.5	481.6	502.3	508.4	510.0	512.4
Non-Labor Expenses	162.4	157.9	176.2	209.4	161.1	165.2
Operating Expenses Before Depreciation, OPEB & ER 1	\$668.9	\$639.5	\$678.4	\$717.7	\$671.1	\$677.6
Depreciation	48.5	42.2	42.2	42.9	43.7	43.7
Other Post Employment Benefit.	105.0	100.2	100.2	100.2	100.2	100.2
Environmental Remediation	0.6	0	0	0	0	0
Total Operating Expenses	\$823.0	\$781.9	\$820.8	\$860.8	\$814.9	\$821.4
Net Operating Deficit/(Deficit)	(\$593.2)	(\$545.2)	(\$579.6)	(\$619.4)	(\$572.2)	(\$578.2)
Gross Subsidies (Cash Basis)	460.2	419.7	497.4	447.8	442.2	420.0
Deficit after Projected Subsidies	(\$133.0)	(\$125.5)	(\$82.2)	(\$171.6)	(\$130.0)	(\$158.2)
Conversion to Cash						
Depreciation, OPEB & ER	157.0	138.3	152.4	155.1	156.1	158.4
Net Cash Surplus/(Deficit) 2	\$24	\$13	\$70	(\$16)	\$26	\$0

Source: Metropolitan Transportation Authority

Note: 1- Excludes Debt Service, **2 -** Excludes Prior Year Balance & Interagency Transfers & Subsidies

-Numbers may not total due to rounding

- **Operating Revenue/Expense Projections.** The MTABC's operating revenue for CY 2016 is projected to be \$241.2 million, which includes farebox revenue of \$214.5 million, capital and other reimbursements of \$6 million, and other operating revenue of \$20.7 million. The budget projects a combined reimbursable and non-reimbursable expense before

depreciation of \$678.4 million for CY 2016. These expenses include \$502.3 million in labor costs and \$176.2 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$42.2 million and \$100.2 million respectively.

MTA Staten Island Railway (SIR)

Mission Statement

The MTA Staten Island Railway (SIR) operates and maintains 63 subway cars over a 14.3 route miles and 28.6 miles of mainline track that serves 22 stations located primarily on the south shore of Staten Island.

MTA Staten Island Railway (SIR) Financial Plan 2016-2019

(\$ in millions)

Non-Reimbursable and Reimbursable	2014 Actual	2015 Final Estimate	2016 Adopted Budget	2017 Projected	2018 Projected	2019 Projected
Operating Revenue						
Farebox	\$5.9	\$6.4	\$6.7	\$6.8	\$6.8	\$6.8
Other Revenue	2.6	2.5	2.6	2.6	2.6	2.6
Capital & Other Reimbursement.	1.3	3.9	6.9	5.4	3.9	3.9
Total Operating Revenue	\$9.8	\$12.7	\$16.2	\$14.7	\$13.3	\$13.3
Operating Expenses						
Labor Expenses	40.4	41.3	44.7	43.5	42.7	43.7
Non-Labor Expenses	10.7	12.3	30.4	17.2	10.5	10.9
Other Expense Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$51.1	\$53.6	\$75.1	\$60.7	\$53.2	\$54.6
Depreciation	7.9	8.3	8.3	8.3	8.3	8.3
Other Post Employment Benefit.	2.4	2.3	2.3	2.3	2.3	2.3
Environmental Remediation	0	0	0	0	0	0
Total Operating Expenses	\$61.4	\$64.2	\$85.7	\$71.3	\$63.7	\$65.2
Net Operating Deficit/(Deficit)	(\$52)	(\$52)	(\$70)	(\$57)	(\$50)	(\$52)
Gross Subsidies (Cash Basis)	28.8	38.1	46.7	60.4	48.0	42.0
Deficit after Projected Subsidies	(\$23)	(\$13)	(\$23)	\$4	(\$2)	(\$10)
Conversion to Cash						
Depreciation, OPEB & ER	13.7	5.8	10.6	10.6	10.6	10.6
Net Cash Surplus/(Deficit) 2	(\$9.1)	(\$7.6)	(\$12.2)	\$14.4	\$8.2	\$0.7

Source: Metropolitan Transportation Authority

Note: 1- Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers.

-Numbers may not total due to rounding

- **Operating Revenue/Expense Projections.** The SIR's operating revenue for CY 2016 is projected to be \$16.2 million, which includes farebox revenue of \$6.7 million, capital and other reimbursements of \$6.9 million, and other operating revenue of \$2.6 million. The

budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$75.1 million for CY 2016. These expenses include \$44.7 million in labor costs and \$30.4 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$8.3 million and \$2.3 million respectively.

Capital Commitment Plan

The New York City subway system operates on over 600 miles of mainline track in over 238 directional route-miles serving the boroughs of Manhattan, the Bronx, Queens, and Brooklyn. The Staten Island Railway (SIR) operates a 14-mile rapid transit line linking 22 communities and the Staten Island-Manhattan Ferry service. The Authority's bus system, including the MTA Bus, serves all five boroughs. On the average, the combined transit (6,500 subway cars) and bus systems (5,700 buses) transport over 2.4 billion riders annually.

Capital expenditures for the NYCT are coordinated by the MTA. NYCT's Capital Program includes major infrastructure improvements to subway stations (for example, track, signal replacements, and upgrading of security), modernization of subway stations, major equipment replacements and the implementation of an Automated Fare System.

NYCT 2016-2020 Commitment Plan: Executive and Preliminary Budget

NYCT 2016-2019 Commitment Plan

Dollars in Thousands

	2016	2017	2018	2019	2020	Total
Preliminary Plan	\$394,284	\$125,000	\$125,000	\$125,000	\$125,000	\$894,284
Executive Plan	\$394,284	\$125,000	\$125,000	\$125,000	\$125,000	\$894,284
Change	\$0	\$0	\$0	\$0	\$0	\$0
Percentage Change	0%	0%	0%	0%	0%	0%

Source: OMB Fiscal 2017 Executive Capital Commitment Plan

The Executive 2017 Capital Commitment Plan includes \$894.3 million in Fiscal 2016-2020 for the NYCT including City and Non-City funds. This represents approximately 1.3 percent of the City's total \$67.1 billion Executive Plan for Fiscal 2016-2020. The agency's Executive Commitment Plan for Fiscal 2016-2020 is the same when compared to the Preliminary Commitment Plan for Fiscal 2016-2020.

The majority of the capital projects span multiple fiscal years and as such, it is common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal 2015, the Authority committed \$125.3 million or 33.3 percent of its \$376.3 million annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2016 Capital Plan will be rolled into Fiscal 2017, thus increasing the size of the Fiscal 2016-2020 Capital Plan. The MTA proposed 2015-2019 Capital Plan includes approximately \$657 million that would be funded with proceeds from City general obligation bonds. This amount would likely increase when the City finalizes plans on paying the additional \$1.8 billion it recently agreed to pay in order to help the MTA fully fund its 2015-2019 Capital Plan.