

# **Fiscal 2009 Executive Budget Hearings**

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## **Transit Authority (Capital)**

*May 2008*

*Hon. Christine C. Quinn  
Speaker of the Council*

*Hon. David I. Weprin, Chair  
Committee on Finance*

*Hon. John Liu, Chair  
Committee on Transportation*

*Preston Niblack, Director  
Finance Division*

New York City Council Finance Division

Preston Niblack  
Director

Jeffrey Rodus  
Deputy Director

Jonathan Rosenberg  
Deputy Director

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Transit Authority (Capital)

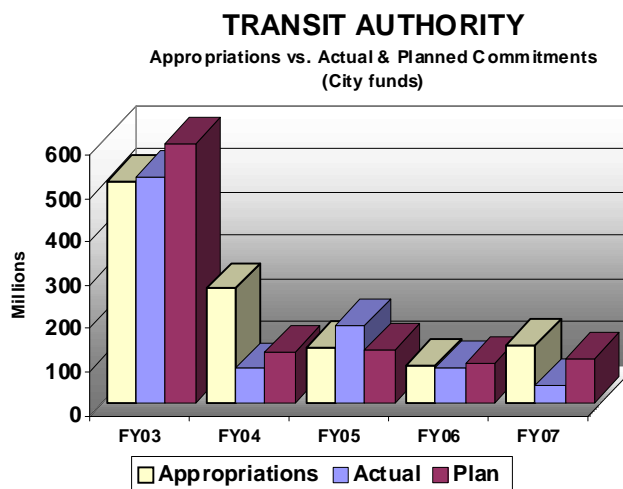
Chima Obicberi  
Analyst

### *Agency Overview*

The New York City Transit (NYCT) operates one of the largest public transportation systems in the world. The Metropolitan Transportation Authority (MTA), the parent corporation of New York City Transit, is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and seven adjacent counties. The MTA operates seven agencies: New York City Transit, MTA Bus Company, Long Island Rail Road, Metro North Rail Road, Bridges and Tunnels, MTA Capital Construction Company, and Long Island Bus.

The New York City subway system operates on more than 700 miles of track in over 238 directional route-miles serving the boroughs of Manhattan, the Bronx, Queens, and Brooklyn. The Staten Island Rapid Transit Authority (SIRTOA) 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 Company (MTABC), serves all five boroughs. On average, the combined transit (6,200 subway cars) and bus systems (5,600 buses) transport over 2.3 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 and signal replacements and security upgrades), modernization of subway stations, major equipment replacements and the implementation of an Automated Fare System.



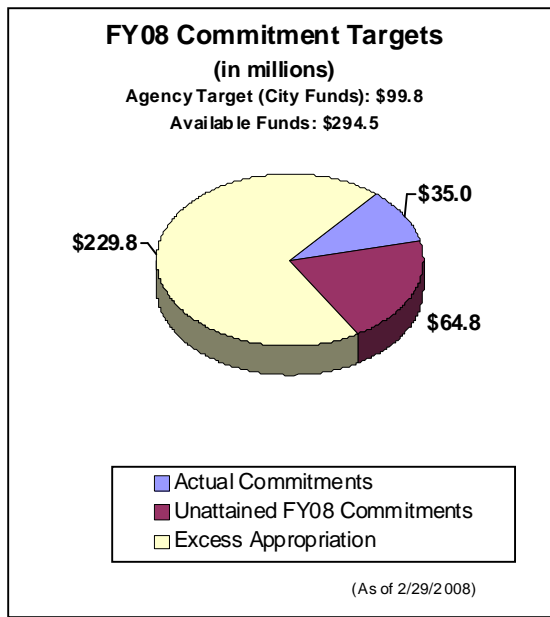
## Fiscal 2009 Executive Capital Budget

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### *Current Budget Summary*

The May 2008 Capital Commitment Plan includes \$338.4 million in Fiscal 2009-2012 for the Transit Authority (including City and Non-City funds). This represents less than one percent of the City's total May Plan for Fiscal 2009-2012 of \$43.1 billion. The agency's May Commitment Plan for Fiscal 2009-2012 is 4.8 percent greater than the January Commitment Plan of \$322.8 million, an increase of \$15.7 million.

As of February 29, 2008, the Transit Authority has only committed \$35 million or 33 percent of its \$106.1 million Fiscal 2008 Plan. Over the past five years, on the average the Transit Authority has committed only 35 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2008 Capital Plan will be rolled to Fiscal 2009, thus increasing the size of the Fiscal 2009-2012 Capital Plan. Since Adoption, the agency's Capital Commitment Plan for Fiscal 2008 has increased from \$99.7 million to \$106.1 million.



Currently, NYCT's appropriations total \$294.5 million in City funds for Fiscal 2008. These appropriations will finance the agency's remaining \$71.1 million city-funded capital commitment program for Fiscal 2008. The agency has over four times more funding than it needs to meet its entire capital commitment program for the current fiscal year. Projects funded in the Plan for Fiscal 2008 include \$1.5 million for video surveillance equipment for the Staten Island Railway, \$35 million for track and rail reconstruction projects, and \$25.6 million for bus purchases.

## **Fiscal 2009 Executive Capital Budget**

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The Transit Authority's capital commitments for the last five years are shown below:

<b>FIVE YEAR HISTORY – CAPITAL BUDGET</b> (\$ in millions)					
	FY03	FY04	FY05	FY06	FY07
CITY	521	80	180	83	43
NON-CITY	0	0	0	0	0
TOTAL	521	80	180	83	43

The Preliminary Four-Year Capital Plan is shown below:

<b>PRELIMINARY CAPITAL BUDGET – JANUARY 2008</b> (\$ in millions)					
	FY09	FY10	FY11	FY12	FY's 09-12
CITY	89.0	90.0	74.8	69.0	322.8
NON-CITY	0	0	0	0	0
TOTAL	89.0	90.0	74.8	69.0	322.8

The Executive Four-Year Capital Plan is shown below:

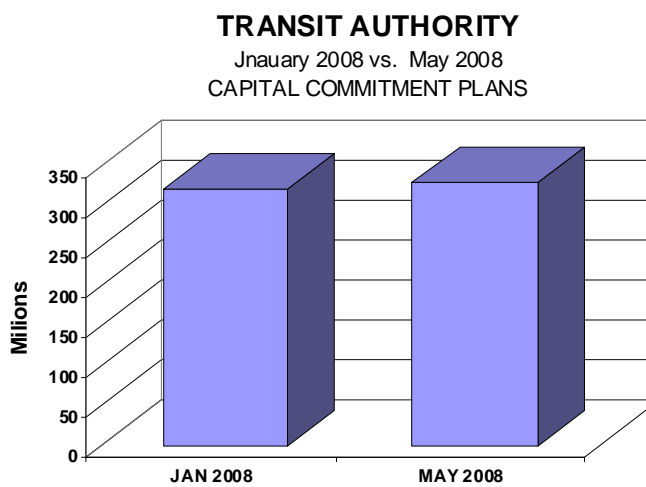
<b>EXECUTIVE CAPITAL PLAN – MAY 2008</b> (\$ in millions)					
	FY09	FY10	FY11	FY12	FY's 09-12
CITY	96.8	90.0	74.8	69.0	330.6
NON-CITY	7.8	0	0	0	7.8
TOTAL	104.6	90.0	74.8	69.0	338.4

### EXECUTIVE BUDGET ISSUES:

- **2008-2013 MTA Capital**

**Program.** On August 14, 2007, the Federal Transit Administration authorized a \$354 million grant to the City for transportation service enhancements. The federal grant was contingent upon the City implementing a congestion pricing plan, which required State authorization. Since a portion of the proceeds from the congestion plan was intended to benefit the MTA, the State

Legislature directed the Authority to submit a new capital plan for consideration in conjunction with the recommendations of a 17-member commission appointed to review the City's congestion pricing plan. As a result, the MTA released its proposed 2008-2013 Capital Plan on February 27, 2008. The proposed plan totals \$29.5 billion and includes the last 18 months of the current 2005-2009 plan and the four succeeding years, all divided into three tiers. The plan would have infused \$4.5 billion in new capital funding to the MTA.



The first tier totals \$20.1 billion and consists of the Authority's core program, including funding for "state of good repair" needs and routine replacements. The second tier includes \$5.5 billion for the completion of current capacity expansion projects like the East Side Access project and the Second Avenue Subway. The third tier allocates \$3.2 billion for new expansion investments.

In late March 2008, despite an overwhelming effort by the Administration and a favorable vote by the City Council, the State Legislature failed to act on the proposed congestion pricing plan. As a result, the \$4.5 billion earmark for the MTA is at risk in the proposed 2008-2013 Capital Plan. However, the current MTA capital program does not expire until December 31, 2009, so there may be another opportunity for that funding stream to be realized.

Lastly, to fund the existing capital program, the MTA identified additional funding sources including the sale of various real estate assets and funding from federal homeland security programs for its security projects. However, the Authority has yet to realize any funds from these sources. Therefore, it is entirely possible that they may not materialize in the amounts proposed by the Authority creating even greater risk in the plan. As a result, the MTA should seek to develop new sustainable funding sources that are recurring to ensure that its future capital programs remain fully funded.

## Fiscal 2009 Executive Capital Budget

- **2005-2009 MTA Capital Program.** The current 2005-2009 MTA Capital Program totaling \$21.1 billion was approved by the Capital Program Review Board (CPRB) in July 2005 and updated versions were approved in March 2006 and April 2007. Since 1982, the Authority has committed approximately \$77 billion in capital program investments. These programs helped the Authority replace most of its fleet of subway cars and buses, rehabilitate miles of train tracks and subway stations and upgrade security and communication systems. In addition to the core programs designed to keep the system in a “state of good repair”, the 2005-2009 Capital Plan contains funding for major system expansion projects that include the Second Avenue Subway, the East Side Access project, and the Number 7 Line Extension, which is City-funded. However, with increased cost overruns for projects already underway and rising costs for construction materials and labor in the region, the Authority is now faced with serious shortfalls.

As evidenced in the proposed 2008-2013 Capital Plan, the cost of expansion projects alone has grown from \$9.3 billion to \$13.3 billion, an increase of 42 percent, or \$4 billion. As rising debt service costs add increasing pressure on its operating budget, the Authority’s ability to identify and secure new funding sources is crucial and will define its ability to forge ahead with planned capital expansion projects. Given the failed bid for congestion pricing revenue, along with the rising cost of transportation construction projects and worsening real estate market conditions which could impact the mortgage recording tax revenue, it is conceivable that the MTA may be forced to scale back or eliminate components of its expansion projects.

### CAPITAL BUDGET SUMMARY

#### 2005-2009 MTA Capital Program Amendment (\$ in millions)

	January 06 Approved	December 06 Amendment	Variance
Core Capital Programs			
New York City Transit	\$11,301.1	\$11,219.5	(\$81.6)
Long Island Rail	2,176.0	2,169.9	(6.1)
Metro-North Rail Road	1,383.1	1,375.5	(7.6)
CPRB Core Subtotal	\$14,860.2	\$14,764.9	(\$95.2)
Security Program	495.0	495.0	0.0
Interagency	159.1	155.4	(3.7)
Core & Security Subtotal	\$15,514.2	\$15,415.3	(\$98.9)
ESA/SAS/JFK Link	2,475.0	2,475.0	0.0
Total 2005-2009 CPRB Program	\$17,989.2	\$17,890.3	(\$98.9)
City #7 Line Extension	1,990.0	2,100.0	110.0
Bridges and Tunnels	1,167.9	1,202.1	34.2
MTA Bus	138.2	138.2	0.0
<b>TOTAL</b>	\$21,285.3	\$21,330.6	\$45.3

Source: Metropolitan Transportation Authority

**New York City Transit**

- For NYCT, the amended 2005-2009 Capital Plan commits \$11.2 billion in core programs. These funds will provide for the purchase of 959 state-of-the-art subway cars, 1,122 low-emission buses, 951 paratransit vehicles and the rehabilitation of the 86<sup>th</sup> Street station in Bay Ridge, Brooklyn, among others.

**MTA-NYCT 2005-2009 Capital Program by Investment Category**  
**(\$ in millions)**

	January 06 Approved	December 06 Amendment	Variance
Subway Cars	\$1,804.6	\$1,804.6	\$0.0
Buses	834.0	846.7	12.7
Passenger Stations	1,655.1	1,665.0	9.9
Tracks	1,141.7	1,156.2	14.5
Line Equipment	963.5	940.5	(23.0)
Line Structures	626.9	606.6	(20.3)
Signals & Communications	1,882.5	1,736.7	(145.7)
Power	584.8	499.2	(85.5)
Shops	289.6	306.0	16.4
Yards	272.1	264.1	(8.0)
Depots	612.7	591.2	(22.0)
Service Vehicles	113.5	118.9	5.4
Miscellaneous	434.2	598.7	164.5
Staten Island Railway	85.9	85.1	(0.8)
<b>NYCT TOTAL</b>	<b>\$11,301.1</b>	<b>\$11,219.5</b>	<b>(\$81.6)</b>

Source: Metropolitan Transportation Authority

**Expansion Projects**

- **Number 7 Line Extension.**

The Plan proposes to invest \$2.1 billion in the Number 7 Line Westside extension over five years. This project will extend the Number 7 line west from Times Square and south along 11<sup>th</sup> Avenue, and will include a new station at 34<sup>th</sup> Street and 11<sup>th</sup> Avenue. The design is funded through the City's capital budget; however, all construction for the Number 7 Line extension will be funded through the Hudson Yard Infrastructure Development Corporation (HYDC). The funding arrangement calls for the project to be paid for, in part, with revenues from the Hudson Yard Development Business Improvement District and with revenues from the City's general reserve. In November 2006, in a Memorandum of Understanding with the MTA, the City agreed to increase by \$100 million its funding for the Number 7 Line extension project, bringing total funding for the project to its current level of \$2.1 billion.



- **Second Avenue Subway/East Side Access/JFK Expansion.**

Preliminary estimates for these projects were \$7.9 billion. However, the amended 2005-2009 Capital Plan contains only \$3.7 billion for the Second Avenue Subway (SAS), the East Side Access (ESA), and the JFK rail link projects. The MTA contends that continued adjustments to these budgets will be made as additional federal funding becomes available.

- **Security Program.**

In the 2005-2009 amended Capital Budget, funding for the MTA security program remains unchanged at \$495 million, except for an adjustment to the funding sources. The Adopted Plan assumed federal funding for the entire security program. In the amended Plan, the Authority will use \$141 million in proceeds from Bridge and Tunnel bonds and cash to replace anticipated federal funds for critical security needs for the MTA's bridges and tunnels. As of December 2007, the MTA had only secured a total of \$175.6 million in federal funding for security. A recent report released by the State Comptroller found that construction costs and cost overruns have ballooned by more than 40 percent and could adversely affect the Authority's security programs.