

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Melissa Mark-Viverito
Speaker of the Council

Hon. Ydanis Rodriguez
Chair, Committee on Transportation



Report of the Finance Division on the
Fiscal 2018 Preliminary Budget and the
Fiscal 2017 Preliminary Mayor's Management Report for the
Metropolitan Transportation Authority

March 28, 2017

Finance Division

Latonia McKinney, Director
Regina Poreda Ryan, Deputy Director
Nathan Toth, Deputy Director

Paul Scimone, Deputy Director
Brandon West, Senior Financial Analyst
Chima Obichere, Unit Head

Table of Contents

Metropolitan Transportation Authority (MTA) Overview	1
MTA Financial Plan 2017-2020	2
MTA Budget Overview	3
Issues / Highlights	4
Capital Program	6
Capital Budget Summary	6
2015-2019 MTA Capital Program Funding Sources	7
New York City Transit Authority (NYCTA)	9
NYCTA Financial Plan 2017-2020	9
The MTA Bus Company (MTABC)	12
MTA Bus Financial Plan 2017-2020	12
MTA Staten Island Railway (SIR)	14
MTA Staten Island Railway (SIR) Financial Plan 2016-2019	14
Capital Program	15
Capital Budget Summary (City's Contribution)	15

Metropolitan Transportation Authority (MTA) Overview

The Metropolitan Transportation Authority (the Authority or MTA) was established under the New York State Public Authorities Law in 1965 as a public benefit corporation. The Authority has responsibility for developing and implementing a unified public transportation policy for New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out these responsibilities through its subsidiary and affiliate entities that include the New York City Transit Authority (NYCTA) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); the Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company; and the MTA Capital Construction Company. Another affiliate of the MTA, the former Triborough Bridge and Tunnel Authority (TBTA), which is now called the MTA Bridges and Tunnels (B&T), is empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. The revenues from all authorities and subsidiaries support the organization as a whole.

Based on a request by Nassau County, in April 2011 the MTA Board approved a resolution authorizing Nassau County the ability to transition bus and paratransit services to a private operator on or before January 1, 2012. As a result, the MTA's calendar year 2018 financial plan excludes it from all budget forecasts (revenue, expenses, cash, subsidies, and headcount).

Governance/MTA Board

The MTA's Board consists of a Chairperson and 16 other voting Members, two non-voting Members and four alternate non-voting Members, all of whom are appointed by the Governor with the advice and consent of the State Senate. Members are nominated by the Governor, with four recommended by New York City's mayor and one each by the county executives of Nassau, Suffolk, Westchester, Dutchess, Orange, Rockland, and Putnam counties (the members representing the latter four cast one collective vote). The other voting Members, including the Chairperson, cast one vote each (except in the event of a tie when the Chairperson is allowed one additional vote).

Financial Operations

The MTA adheres to financial planning and budgeting practices that require the preparation of four-year financial plans covering the existing and future calendar years. Unlike the City, the MTA operates on a calendar year rather than a fiscal year. The financial plan includes provision for capital spending (including debt service) authorized by the Capital Programs of the Related Entities, including those Capital Programs approved by the Capital Programs Review Board (CPRB).

MTA Financial Plan 2017-2020

MTA Consolidated Statement of Operations – Including MTA Bus Company

Dollars in Millions	2015	2016	2017	2018	2019	2020
	Actual	Final Estimate	Adopted Budget	Projected	Projected	Projected
Operating Revenue						
Farebox	\$5,961	\$6,032	\$6,271	\$6,353	\$6,377	\$6,412
Toll Revenue	1,809	1,868	1,927	1,938	1,951	1,959
Other Revenue	689	683	708	728	757	785
Total Operating Revenue	\$8,459	\$8,584	\$8,906	\$9,020	\$9,086	\$9,156
Operating Expenses						
Labor Expenses	8,732	9,130	9,447	9,776	10,080	10,402
Non-Labor Expenses	3,101	3,130	3,605	3,549	3,611	3,835
Other Expenses Adjustment	37	56	49	48	50	52
General Reserve	0	0	155	160	165	170
Total Operating Expenses Before Non-Cash Liability Adj.	\$11,871	\$12,317	\$13,256	\$13,532	\$13,906	\$14,459
Depreciation	2,443	2,496	2,599	2,670	2,739	2,805
Other Post-Employment Benefit	1,490	1,850	1,939	2,008	2,081	2,158
GASB 68 Pension Expense Adjustment	(410)	(188)	(94)	(104)	(101)	(130)
Environmental Remediation	21	6	6	6	6	6
Total Operating Expenses After Non-Cash Liability	\$15,414	\$16,479	\$17,705	\$18,112	\$18,632	\$19,298
Net Operating Deficit	\$(6,955)	\$(7,895)	\$(8,799)	\$ (9,092)	\$ (9,546)	\$(10,142)
Dedicated Tax, State & Local subsidies	6,596	6,736	6,659	6,913	7,074	7,249
Debt Service	(2,373)	(2,452)	(2,603)	(2,741)	(2,891)	(3,052)
Deficit after Subsidies & Debt Service	\$(2,732)	\$(3,611)	\$(4,743)	\$(4,920)	\$(5,363)	\$(5,945)
Conversion to Cash						
Non-Cash Liability Adjs.	3,543	4,163	4,450	4,579	4,726	4,839
GASB Account	0	0	0	(8)	(18)	(29)
All Other	(661)	(782)	(195)	175	62	141
Cash Bal. Before Prior-Yr. Carryover	\$150	\$(231)	\$(489)	\$(173)	\$(593)	\$(993)
Policy & GAP Closing Actions/Adjs.	0	12	253	176	574	614
Prior Year Carryover	330	480	260	24	27	7
Net Cash Surplus/(Deficit)	\$480	\$260	\$24	\$27	\$7	\$(372)

MTA Budget Overview

The Calendar Year 2017 Adopted Budget for the MTA includes a four-year financial plan for the years 2017 through 2020. The Authority issued a Preliminary Budget in July of 2016 for public review and comment before issuing a Final Budget in late November that was presented to the MTA Board for a vote on December 14, 2016.

The Plan continues to maintain gap-closing actions implemented by the Authority since 2010 in an effort to minimize the amount of revenues needed both from government subsidies and fare and toll increases and to provide funding for the capital program. In calendar year 2017, these gap closing actions are expected to produce an annualized recurring savings of \$1.6 billion and growing to nearly \$2 billion by Calendar Year 2020. To achieve these savings, the Authority is implementing initiatives to generate savings from procurement efficiencies, paratransit, IT consolidation and retiree prescription costs and has raised the targeted level of cost reduction by an additional \$50 million annually, beginning in 2017, which together with the increased targets included in the July Plan will raise the annual target by \$200 million by calendar year 2020.

In addition, the Plan includes biennial fare and toll increases of four percent (two percent annually) with the first increase slated for March 19, 2017, which has already been implemented, and the second for March 2019. The fare and toll increases are expected to yield additional revenue of \$280 million in 2017 and \$325 million in 2019.

The Adopted Plan includes additional investments of more than \$460 million that would be used to improve transit safety, service support, and the overall customer experience - including \$195 million to support capital program funded projects including the following.

- NYCT station enhancement program (31 subway stations City-wide);
- Providing customers with Wi-Fi access in all 278 underground stations and buses;
- USB charging stations and onboard audio-visual technology on buses and 600 existing subway cars;
- “On-the-Go” kiosks for customer information (Currently, there are 145 units in the subway system, 180 new units will be installed by March 2017);
- \$2.2 million and 35 positions in 2017 to expand the NYCT Platform Comptrollers program;
- Maintenance of B Division Countdown Clocks (year-end 2018);
- Automated Passenger Counters on buses; and
- Lease 10 electric buses (Zero Emission Initiative pilot).

Also included in the Plan is \$566 million of debt service savings from the Hudson Yards lease securitization and lower interest rates during the plan period that would be used to support the 2015- 2019 Capital Program.

Taken in total, the 2017 Adopted Budget remains balanced, after adjustments for prior year balances, with an anticipated net cash surplus of \$24 million. For the outyears, the Plan anticipates an end-of-year cash balance of \$27 million in 2018, \$7 million in 2019 and a manageable deficit of \$372 million in 2020.

Lastly, despite an improved outlook for the MTA budget, there are some challenges ahead. The continued growth in app-based livery services (e.g., Uber/Lyft) has resulted in the loss of taxi surcharge revenues. The traditional medallion taxi services collect a fifty cent surcharge that is earmarked for the MTA, while app-based service trips are not subject to the surcharge. This results in substantially less surcharge revenue for the MTA. In addition, the agency relies on federal funding grants for a good portion of its capital program. As such based on the recently proposed federal budget by the Presidency, it is likely that the MTA may experience some funding cuts to its capital program if the President's budget is passed as proposed.

Issues / Highlights

Reduction in State Funding Appropriations to the MTA

Although the Governor's State fiscal year ("SFY") 2018 Executive Budget included \$30 million in increased state operating support when compared to SFY 2017, the Executive Budget lowered the Payroll Mobility Tax (PMT) and PMT Replacement Funds appropriation by \$67 million for the MTA's 2017 fiscal year and projects no growth in PMT Replacement Funds for the remainder of the Plan years through 2020. In addition, the appropriation to the MTA for Metropolitan Mass Transportation Operating Assistance ("MMTOA") was held flat from the prior year, while the MTA assumed a growth of \$75 million in its budget. It would be recalled that in 2011, the Legislature approved and the Governor signed into law legislation that made significant changes to the PMT, eliminating or reducing the PMT for certain taxpayers including public and private schools, small employers and self-employed individuals with income below a certain threshold. The action at the time was projected to reduce PMT revenues by \$310 million annually. However, the legislation expressly provides that any reductions in transit aid attributable to these reductions "shall be offset through alternative sources that will be included in the state budget". The Governor's Proposed Budget appears to negate the legislative provision.

The L Train Line

As has been widely reported, the MTA will shut down the L train line between Brooklyn and Manhattan for 15 months starting in 2019 for Sandy repairs. The Authority's staff has conducted extensive outreach with communities along the L and reported that 77% of public commenters and all the Community Boards preferred the full closure over the three-year one-track option. The MTA believes that the full shutdown is the most efficient way to do this project, noting that the one-track option would only be able to serve 1 in 5 of the affected riders. The contract for the \$1 billion project will include incentives for contractors for timely completion, faster than 15 months. Specific contingency plans for customers are yet to be finalized but will focus in particular on increasing service/capacity on nearby lines, such as the J/M/Z. As at the time of this report, the specific outlay of the \$1 billion in planned spending for this project has not been made available by the MTA.

Continue to pursue efficiencies/consolidations

The MTA has cut more than \$1.6 billion in costs from its annual spending, and those recurring savings are projected to increase to \$2 billion annually by 2020. This rigorous cost

cutting would allow the MTA to accelerate PAYGO capital funding and defer scheduled debt issuances as well as increase funding contributions into the underfunded LIRR pension plan starting in 2017. However, as the MTA continues this effort to reduce costs, caution should be exercised as much of the savings to be had, have been, making additional savings more difficult to achieve. The MTA must remain focused on managing already achieved cost measures to avoid excising the gains already made.

Expiring Labor Contracts

The Authority's labor contracts with majority of its represented work force will be expiring soon or has already expired. The proposed Budget assumes that future labor contracts will result in an annual net growth of two percent. Therefore, should any contract settlement come in above this level, the Authority could be forced to take reductions in other areas.

Cadillac Tax on Health Care Costs

Nationwide, employee and retiree health care costs have skyrocketed at a rate well in excess of inflation. In addition, the "Cadillac Tax" component of the Affordable Care Act is likely to add additional pressure with a 40 percent excise tax assessed on the premium cost of coverage for health plans that exceed certain annual limits. The law was originally scheduled for implementation in 2018, but delayed until 2020. Although, final guidance from the Internal Revenue Service is pending, preliminary estimates project that the MTA could face an excise tax levy of approximately \$73 million in 2020 which would increase to \$132 million by 2022 and continue to grow as health care premium costs increases.

Loss of Taxi Surcharge Revenues

Over the past few years, the popularity of app-based livery services has resulted in a decline in the usage of medallion taxi services City-wide with an adverse impact on the Authority's bottom line. This is because yellow and green taxis, collect a fifty cent surcharge that are earmarked for the MTA while on the other hand, app-based service trips are not subject to this surcharge. Instead, they collect and pay sales tax on fares of which the MTA receives a portion (3/8 of 1%). This results in substantially less revenue per trip for the MTA. Consequently, any additional increase in the market share for app-based services versus medallion taxi service could result in further erosion of the MTA taxi surcharge receipts.

Capital Program

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

Program	MTA Board Original 2015- 2019 Plan	Approved Plan	Change
Core Capital Program			
New York City Transit	\$17,122	\$15,849	\$(1,273)
Long Island Rail Road	3,120	2,835	(285)
Metro-North Railroad	2,553	2,321	(232)
MTA Bus	437	376	(61)
MTA Interagency	240	264	24
Core Subtotal	\$23,472	\$21,644	\$(1,827)
Network Expansion Projects	5,519	4,956	(563)
Total 2015-2019 CPRB Program	\$28,991	\$26,600	\$(2,390)
Bridges and Tunnels	3,056	2,856	(200)
Total 2015-2019 Capital Program	\$32,047	\$ 29,456	\$(2,590)

Source: Metropolitan Transportation Authority

Five-Year Capital Programs

The MTA Act requires MTA to submit to the New York State Capital Program Review Board, for its approval, successive five-year capital programs for the Transit System and MTA Staten Island Railway and the Commuter System. While not required to do so by statute, the MTA has consistently included five-year capital programs for MTA Bridges and Tunnels covering the same period as the MTA Capital Programs. The Authority's \$29.5 billion 2015-2019 Capital Plan is now fully funded and was approved by the Review Board on May 23, 2016. The Plan includes funding to purchase 1,000 new subway cars, 1,700 new buses, and to replace 73 miles of subway track among other projects. It also provides for the expansion of the MTA network by continuing two ongoing projects and launching a third - completing the funding commitment for the East Side Access, launching Phase 2 of the Second Avenue Subway to extend the new line from 96th to 125th Streets, and to begin the expansion MNR's New Haven Line service into Penn Station.

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.

For the NYCTA, the revised Capital Plan would commit \$15.8 billion in core programs to maintain state of good repair.

2015-2019 MTA Capital Program Funding Sources (\$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

The 2015-2019 Capital Program originally included a \$9 billion gap for 2015-2019. However, in the revised 2015-2019 Capital Program, by introducing alternative projects delivery options and securing additional funds from the City and State, the Authority was able to fill the gap and fully fund the five years of the program. Listed below are the funding sources that support the MTA's revised \$29.5 billion Capital Program.

- ✓ **Federal Formula, Flexible and Miscellaneous Funding.** The MTA is assuming 2015-2019 federal formula funding of \$6.3 billion, an increase of \$500 million from the previous Capital Plan assumption. Based on the recent federal transportation bill reauthorization by Congress, this amount is consistent with the MTA's current level of federal grant funding receipts.
- ✓ **Federal Core Capacity.** The amended 2015-2019 Capital Plan includes a \$100 million federal Core Capacity funding. The funding will be used to advance the Authority's Canarsie Line Power and Station Improvements project.
- ✓ **Federal New Starts.** The amended 2015-2019 Capital Plan includes a \$500 million in federal new starts funding for Phase 2 of Second Avenue Subway (SAS 2). 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. This proposed New Starts funding is 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.

- ✓ **MTA Bonds.** The proposed plan includes \$5.9 billion in new MTA bonding capacity for 2016-2019 including \$200 million in bond proceeds generated by savings due to the use of low-interest federal Railroad Rehabilitation and Improvement Financing (RRIF) loan for the Authority's Positive Train Control (PTC) projects. The use of RRIF loan financing generally enables the MTA to borrow at the U.S. Treasury rate and pay it back on a longer maturity and flexible terms.
- ✓ **PAYGO Capital.** The MTA plans to use \$1.8 billion in PAYGO capital to leverage new debt service capacity until fully exhausted by the debt service needs of the Authority's bonds. This amount includes \$200 million to be made available through a reduction in the needs for the Bridge and Tunnels 2015-2019 Capital Program.
- ✓ **State Capital Funds.** The capital plan includes \$1 billion in capital funding from the State to support core program projects (\$750 million) and the Penn Station Access project (\$250 million). It also anticipates that an additional \$7.3 billion will be provided by the State for the proposed 2015-2019 Plan.
- ✓ **New York City Funds.** The revised 2015-2019 program currently includes \$657 million in existing annual capital contributions from the City. It also anticipates an additional City contribution of \$1.8 billion, for a total of \$2.5 billion over the Plan period.
- ✓ **Asset Sales/Leases.** The MTA anticipates \$600 million from other non-bond sources (asset sales and lease) including proceeds from the East and West Rail Yards Payments in Lieu of Sales Tax (\$190 million), proceeds from the proposed development of MTA Madison Avenue property pursuant to the Vanderbilt Corridor zoning (\$110 million), and resources from the disposition of assets including properties jointly owned with the City of New York (\$300 million).
- ✓ **Other MTA Sources.** The MTA Plan anticipates \$562 million in "other" bond and PAYGO sources, including \$530 million from savings due to the issuance of lower cost Payroll Mobility Tax (PMT)-backed bonds.
- ✓ **Bridge and Tunnels Bonds.** The MTA plans to use \$2.3 billion in TBTA bonds and \$580 million in PAYGO capital to fund its bridge and tunnel projects over the five years period.

New York City Transit Authority (NYCTA)

Mission Statement

The New York City Transit Authority (NYCTA), a subsidiary of the Metropolitan Transportation Authority (MTA), provides bus and subway service to New York City. The NYCTA is responsible for providing safe, clean, and reliable public transportation services to all persons traveling within the City. The NYCTA employs approximately 47,000 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.

NYCTA Financial Plan 2017-2020

(\$ in millions)

Non-Reimbursable and Reimbursable	2015 Actual	2016 Final Estimate	2017 Adopted Budget	2018 Projected	2019 Projected	2020 Projected
Operating Revenue						
Farebox	\$4,371	\$4,412	\$4,570	\$4,629	\$4,644	\$4,669
Other Revenue	456	437	455	482	507	531
Capital & Other Reimbursement.	1,183	1,202	1,251	1,183	1,185	1,147
Total Operating Revenue	\$6,010	\$6,051	\$6,276	\$6,293	\$6,336	\$6,347
Operating Expenses						
Labor Expenses	6,827	7,182	7,429	7,560	7,753	7,934
Non-Labor Expenses	1,832	1,812	1,963	1,936	2,006	2,123
Other Expenses Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$8,658	\$8,994	\$9,392	\$9,496	\$9,759	\$10,058
Depreciation	1,692	1,728	1,778	1,828	1,878	1,928
Other Post Employment Benefit Liab Adj.	1,130	1,443	1,501	1,561	1,624	1,689
GASB 68 Pension Expense Adjustment	(315)	(355)	(296)	(306)	(296)	(303)
Environmental Remediation	13	0	0	0	0	0
Total Operating Expenses	\$11,179	\$11,810	\$12,375	\$12,579	\$12,869	\$13,371
Net Operating Deficit/(Deficit)	(\$5,169)	(\$5,759)	(\$6,099)	(\$6,286)	(\$6,533)	(\$7,024)
Dedicated Tax, State & Local subsidies	3,523	3,706	3,635	4,049	3,968	4,082
Deficit after Projected Subsidies	(\$1,646)	(\$2,053)	(\$2,464)	(\$2,237)	(\$3,887)	(\$2,942)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	2,521	2,817	2,983	3,084	3,205	3,313
Net Cash Surplus/(Deficit) 2	\$875	\$764	\$519	\$847	(\$682)	\$371

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

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- **Budget.** As approved by the MTA Board of Directors, the NYCTA Operating Budget (reimbursable and non-reimbursable) before depreciation and other post-employment benefit is approximately \$9.4 billion for Calendar Year (CY) 2017. Of that amount, approximately \$7.4 billion is for labor costs and \$1.9 billion is for non-labor expenses. In addition, the Adopted Budget includes non-cash depreciation expenses of \$1.8 billion and other post-employment benefit expenses of \$1.7 billion including GASB number 68 pension expenses of \$296,000. The budget funds 49,245 positions, of which 5,314 are reimbursable and 43,931 are non-reimbursable. Reimbursable positions are those positions generally paid with capital funds.
- **Operating Revenue / Expense Projections.** The NYCTA projects \$6.3 billion in operating revenues for calendar year 2017, which is primarily derived from farebox revenues of \$4.6 billion, capital and other reimbursements of \$1.25 billion and other revenues of \$455 million. These funds will support the NYCTA's proposed reimbursable and non-reimbursable expenditures of \$9.4 billion, excluding depreciation and other post-employment benefits, in 2017.
- **Transit Tax Revenue.** The NYCTA 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 \$2.46 billion in 2017, which is \$19.2 million less than the 2016 amount of \$2.48 billion. 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 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 NYCTA, subsidies related to PMT and MTA Aid is projected to be \$1.289 billion in Calendar Year 2017, a slight decrease from the estimated \$1.33 billion in 2016. 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 2017, the City's contribution, excluding capital commitments, is approximately \$1 billion. For calendar year 2016, estimated City subsidies include the following: \$45 million for the NYCTA school fare subsidy; \$14 million for the elderly and disabled subsidy; \$11 million for EZ Pass reimbursement; \$137 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$457 million for MTA bus subsidy; \$56 million City subsidy for SIRTOA and \$94 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 NYCTA assumed operating responsibility for all paratransit services required under the Americans with Disability Act of 1990. The City reimburses the NYCTA for thirty-three percent of net paratransit operating expenses less fare revenues and urban tax proceeds. Total paratransit revenue is expected to be \$214.5 million in CY 2017, which includes \$137 million from City reimbursements.
- **State Subsidies.** For CY 2017, the State's subsidy to the NYCTA's budget is expected to be \$158 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 NYCTA of more than \$3.8 billion expected in 2017.
- **Transport Workers Union (TWU) Local 100.** The cost of the 28th month labor contract with TWU is reflected in this Plan. This agreement covers 38,000 transit workers and sets the wage pattern for other represented transit workers. The net cash impact is approximately \$52 million over the Plan period, while also reducing the four-year savings for the rebidding of the TWU health benefits by \$64 million.

The MTA Bus Company (MTABC)

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 2017-2020

(\$ in millions)

Non-Reimbursable and Reimbursable	2015 Actual	2016 Final Estimate	2017 Adopted Budget	2018 Projected	2019 Projected	2020 Projected
Operating Revenue						
Farebox	\$210.3	\$214.1	\$219.9	\$222.2	\$222.6	\$223.5
Other Revenue	23.1	20.7	21.1	21.5	21.7	21.8
Capital & Other Reimbursement.	5.3	6.0	5.9	6.0	5.9	5.9
Total Operating Revenue	\$238.7	\$240.9	\$246.8	\$241.4	\$242.7	\$251.2
Operating Expenses						
Labor Expenses	521.3	517.3	541.1	555.4	569.2	575.4
Non-Labor Expenses	158.2	171.4	191.5	199.8	192.2	191.2
Operating Expenses Before Depreciation, OPEB & ER 1	\$679.6	\$688.8	\$678.4	\$717.7	\$761.4	\$766.5
Depreciation	50.0	42.2	53.9	54.3	54.3	54.3
Other Post Employment Benefit Liab Adj.	61.0	100.2	100.2	100.2	100.2	100.2
GASB 68 Pension Expense Adjustment	(12)	40	43	43	42	37
Environmental Remediation	0	0	0	0	0	0
Total Operating Expenses	\$778.4	\$871.3	\$875.8	\$915.1	\$814.9	\$958.3
Net Operating Deficit/(Deficit)	(\$539.7)	(\$630.4)	(\$628.9)	(\$673.7)	(\$572.2)	(\$707.1)
City Subsidy for MTA Bus Company	438.3	413.4	526.4	471.9	485.5	491.8
Deficit after Projected Subsidies	(\$101.4)	(\$217.0)	(\$102.5)	(\$201.8)	(\$86.7)	(\$215.3)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	98.8	182.6	197.4	197.4	196.1	191.8
Net Cash Surplus/(Deficit) 2	(\$3)	(\$34)	\$95	(\$4)	\$109	(\$24)

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

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- **Operating Revenue/Expense Projections.** The MTABC's operating revenue for CY 2017 is projected to be \$246.8 million, which includes farebox revenue of \$219.9 million, capital and other reimbursements of \$6 million, and other operating revenue of \$21.1 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$678.4 million for CY 2017. These expenses include \$541.1 million in labor costs and \$191.5 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$53.9 million and \$100.2 million respectively. This also includes a GASB 68 Pension expense adjustment of \$43.4 million.

MTA Staten Island Railway (SIR)

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	2015 Actual	2016 Final Estimate	2017 Adopted Budget	2018 Projected	2019 Projected	2020 Projected
Operating Revenue						
Farebox	\$6.4	\$6.6	\$6.8	\$7.0	\$7.0	\$7.0
Other Revenue	2.6	2.4	2.5	2.5	2.5	2.5
Capital & Other Reimbursement.	3.8	5.0	2.5	2.0	2.0	0.9
Total Operating Revenue	\$12.9	\$12.7	\$11.8	\$14.7	\$11.5	\$10.4
Operating Expenses						
Labor Expenses	42.6	44.9	44.2	42.7	43.5	43.6
Non-Labor Expenses	11.3	24.1	30.3	11.2	10.9	11.4
Other Expense Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$53.9	\$69.0	\$74.5	\$53.9	\$54.5	\$55.0
Depreciation	8.1	8.3	8.3	8.3	8.3	8.3
Other Post Employment Benefit Liab Adj.	7.5	7.5	7.5	7.5	7.5	7.5
GASB 68 Pension Expense Adjustment	(2)	(1)	(1)	(1)	(1)	(1)
Environmental Remediation	1.119	0	0	0	0	0
Total Operating Expenses	\$69.0	\$84.3	\$89.8	\$69.2	\$63.7	\$70.3
Net Operating Deficit/(Deficit)	(\$56)	(\$72)	(\$78)	(\$54)	(\$52)	(\$60)
Dedicated Tax, State & Local subsidies	38.2	41.3	61.5	63.9	44.7	47.7
Deficit after Projected Subsidies	(\$18)	(\$30)	(\$16)	\$9	(\$8)	(\$12)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	15.1	15.3	15.3	15.3	15.3	15.3
Net Cash Surplus/(Deficit) 2	(\$2.8)	(\$15.0)	(\$1.2)	\$24.7	\$7.8	\$3.1

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

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- Operating Revenue/Expense Projections.** The SIR's operating revenue for CY 2017 is projected to be \$11.8 million, which includes farebox revenue of \$6.8 million, capital and other reimbursements of \$2.5 million, and other operating revenue of \$2.5 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$74.5 million for CY 2017. These expenses include \$44.2 million in labor costs and \$30.3 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$8.3 million and \$7.5 million respectively.

Capital Program

Capital Budget Summary (City's Contribution)

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 NYCTA are coordinated by the MTA. NYCTA'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.

NYCTA 2017-2020 Commitment Plan: Adopted and Preliminary Budget

NYCT 2017-2020 Commitment Plan					
<i>Dollars in Thousands</i>					
	FY17	FY18	FY19	FY20	Total
Adopted Capital Plan	\$284,936	\$125,000	\$125,000	\$125,000	\$659,936
Preliminary Capital Plan	284,936	125,000	125,000	125,000	\$659,936
Change	\$0	\$0	\$0	\$0	\$0
Percentage Change	0%	0%	0%	0%	0%

Source: Metropolitan Transportation Authority

NYCTA 2017-2020 Commitment Plan: Subsidiaries

Preliminary 2018 Capital Commitment Plan					
<i>Dollars in thousands</i>					
	2017	2018	2019	2020	2017-2020
MTA Bus (MT)	\$22,517	\$0	\$0	\$0	\$22,517
Staten Island Rail (ST)	4,050	1,275	1,275	1,275	7,875
New York City Transit (T)	258,369	123,725	123,725	123,725	629,544
TOTAL	\$284,936	\$125,000	\$125,000	\$125,000	\$659,936

Source: Metropolitan Transportation Authority

The Preliminary 2018 Capital Commitment Plan includes \$659.9 million in Fiscal 2017-2020 for the NYCTA including City and Non-City funds. This represents approximately 1 percent of the City's total \$64 billion Preliminary Plan for Fiscal 2017-2020. The agency's Preliminary Commitment Plan for Fiscal 2017-2020 is the same compared to the Adopted Commitment Plan.

The majority of the capital projects span multiple fiscal years as such, it is common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal Year 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 2017 Capital Plan will be rolled into Fiscal 2018, thus increasing the size of the Fiscal 2018-2021 Capital Plan.

Preliminary Ten-Year Capital Strategy

NYCT FY2016-2025 Preliminary Ten-Year Capital Strategy											
Dollars in Thousands											
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Infrastructure	\$83,725	\$83,725	\$83,725	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$251,175
Track Work	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	350,000
SIRTOA	1,275	1,275	1,275	0	0	0	0	0	0	0	3,825
Miscellaneous	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Total	\$125,000	\$125,000	\$125,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$655,000

The proposed MTA 2015-2019 Capital Program includes funding for the NYCT for subway station rehabilitations, subway signals improvement, communications, track maintenance, replacement of train cars and buses, and facility and equipment upgrades at MTABC depots. In the Preliminary Ten-Year Plan, the City will contribute \$655 million to the Transit Authority. Of that amount, \$350 million will be committed to track work with the remainder, totaling \$305 million going to various other NYCT subway and bus projects.

Over the past 30 years, the MTA has committed over \$50 billion to fund the NYCT Capital Program. As discussed earlier, the proposed MTA 2015-2019 Capital Program totals \$29.5 billion, of which \$15.8 billion would be invested in the NYCT core system.