

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Corey Johnson
Speaker of the Council

Hon. Ydanis Rodriguez
Chair, Committee on Transportation



Report of the Finance Division on the
Fiscal 2019 Preliminary Budget and the
Fiscal 2018 Preliminary Mayor's Management Report for the
Metropolitan Transportation Authority

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Introduction

The Metropolitan Transportation Authority (MTA or Authority) is the largest transportation system in the United States, serving approximately 2.7 billion passengers each year. With an average subway weekday ridership of 6 million riders, it is one of the only public transportation systems in the world that runs 24 hours per day on every day of the year.

Since the subways began service in 1904, the transit system has been both a source of utility and pride for the City. However, after 114 years of service, New York's subway system has begun to show its age. Decades of neglect has resulted in decline and decay to the system's core infrastructure. As a result, delays and overcrowding have become an almost daily occurrence, resulting in missed work hours, lateness to needed appointments, and increased stress for tens of thousands of New Yorkers. These issues culminated in June 2017, after a subway train derailed in Manhattan, causing injury to dozens of people and leading Governor Andrew Cuomo to declare a state of emergency for the New York City subways.

This report will discuss and examine issues and highlights within the MTA's current budget, outline challenges within the plan, and provide an explanation of how the MTA is structured.

How did we get to a state of emergency?

These problems did not begin overnight and a significant portion of today's issues can be traced back to the subway's outdated signal system. The more than 100-year-old New York City Transit subway system currently uses signal technology dating back to the 1930s. With the exception of the L-line, subways utilize block signaling. This outdated system divides each subway line into individual sections, known as "blocks". As a train approaches a new block, the signaling technology notifies the vehicle if the area is occupied or obstructed.

Today, a newer, safer signal technology exists, known as communications-based train controls (C.B.T.C). C.B.T.C. is a railway signaling system that utilizes telecommunications to track the exact locations of trains. Currently existing only on the L-line, this system continuously updates train positions, distances, and travel speeds. Expanded use of this technology throughout the system would allow the MTA to operate more subway trains while also increasing passenger capacity.

The MTA first proposed installing C.B.T.C. in 1991 and again in 1997, and the Authority stated that all lines would be computerized by 2017. However, to date, only the L-line signals have been updated and the MTA anticipates that all signals will be updated by 2045 at a cost of about \$20 billion.

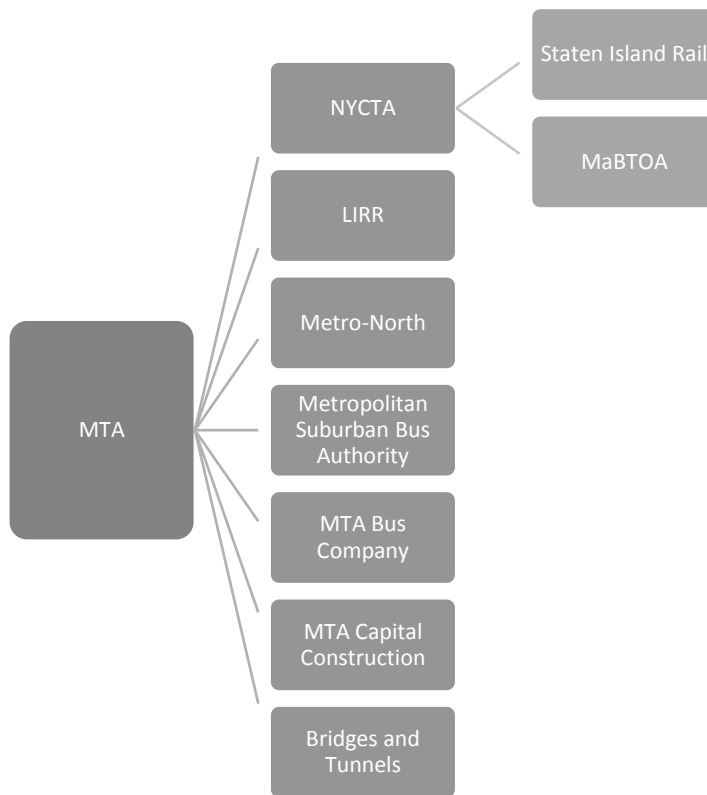
The failure to have an up-to-date signal system has led to an unacceptable number of subway delays. According to a report by the Independent Budget Office (IBO), monthly subway delays have increased from the low 20,000's in early 2012 to 67,452 in 2017. The MTA reports that "overcrowding" is the greatest source of delays, followed by "Right of Way" delays (signal problems and rail conditions) and "Track Gangs" (work teams doing scheduled or unscheduled work). While overcrowding and signal problems are tracked separately, they are related. In January, 2012, overcrowding represented nineteen percent of all subway delays. By May 2017, overcrowding represented 40 percent of all subway delays. This over five-fold increase outpaces ridership growth, which has increased only five percent between 2012 and 2016, and indicates that other factors are at play. In fact, a large contributor to overcrowding is the spacing between train arrivals which, as mentioned above, would be ameliorated by an overhaul of the signal system.

The IBO and the Comptroller’s Office also both estimate that hours lost due to subway delays are having adverse effects on New Yorkers and the City’s economy.

MTA Structure

The 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.

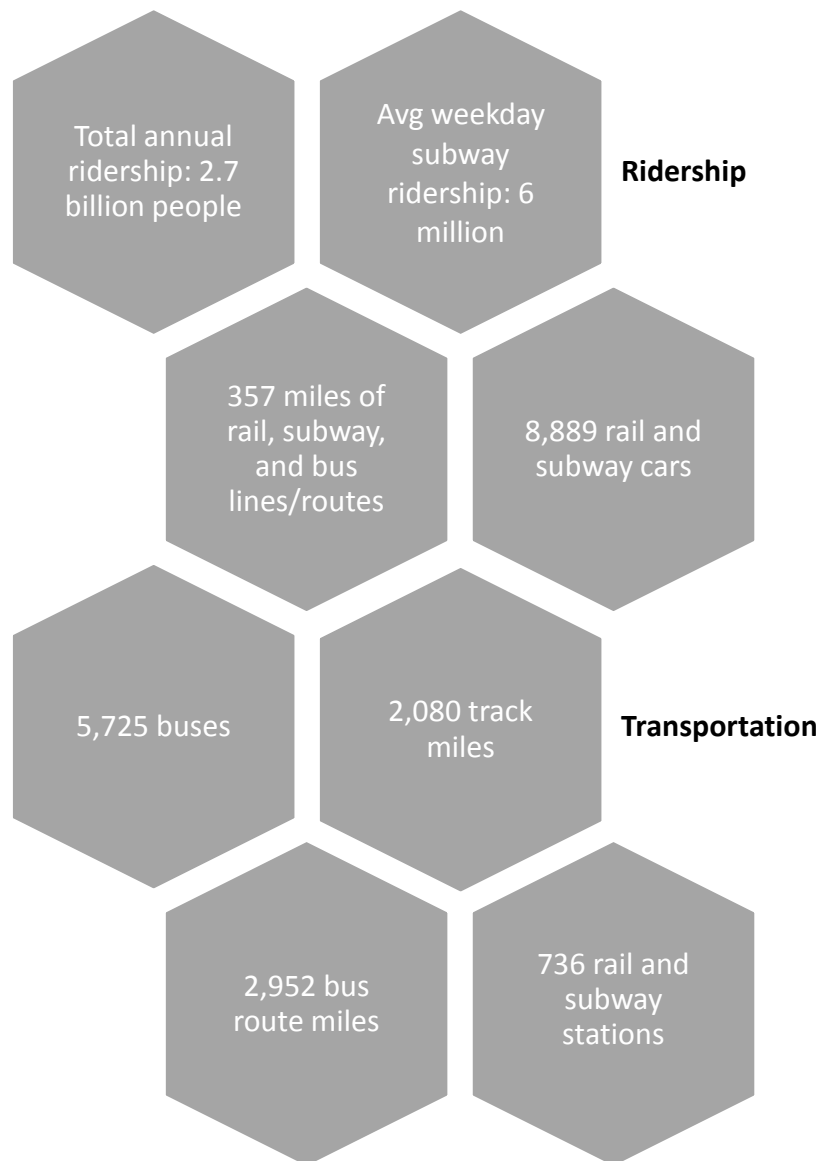
The Authority carries out these responsibilities through its subsidiary and affiliate entities that include the New York City Transit Authority (NYCTA) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); 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.¹



¹ Based on a request by Nassau County, in April 2011 the MTA Board approved a resolution authorizing Nassau County to transition its 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 appointed 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).



MTA Urgent Issues

Over the years, modernization has not kept up with the City's subway system. As its infrastructure decays due to age, neglect, and natural disasters, persistent delays have become the new normal, resulting in the system failing to meet the basic needs of the City's residents. To address this issue, the MTA released the "Subway Action Plan" (SAP), a two-phased strategy to address the need to modernize and repair the aging subway system. Phase I calls for approximately \$1.8 billion over five years and Phase II calls for an additional \$8 billion in capital investments to repair the subway's tracks, signals, stations, and cars. Details of Phase II have yet to be released by the MTA. This report will further detail the specifics of Phase I of the SAP.

To fund the first \$836 million of the SAP, the MTA has called on the City and the State to split the cost of the first 14 months of work, requiring each to pay one-half or \$418 million. The subway is the lifeblood of New York's economy and Speaker Johnson recognizes the importance of modernizing the City's subway system and is willing to partner monetarily in enacting the SAP. However, the Speaker has made clear that any funding must be contingent on greater transparency, accurate performance tracking, fiscal accountability, and meaningful input into how this funding is spent by the MTA.

The Speaker acknowledges that fixing the subway is the greatest infrastructure challenge the City faces today and supports the need for immediate action to repair it, starting with the outdated signal system. While station renovations are necessary, transportation experts, and even the MTA, agree that signal upgrades are the quickest and most cost-effective means to reducing subway delays. While the SAP is a good starting point, fixing the system requires significantly more resources and commitment from all concerned parties. Currently, experts estimate that upgrading the entire subway signal system could cost between \$20-30 billion and that at its current pace, the MTA could take upwards of 50 years to replace all of its obsolete signal infrastructure. On behalf of all New Yorkers, the City Council urges the MTA and all its funding partners to consider all funding options to help provide sustainable long-term solutions to address the modernization of the transit system.

Moreover, the MTA has scheduled an additional fare hike, which will take effect in March 2019. This fare hike did not envision the SAP and will not finance the plan. As a result, it is imperative that the Authority seek additional revenue options so that it can plan responsibly.

Recent Proposed Actions in the State Executive Budget

NYC Funding of Subway Capital Needs

The State's Proposed Budget includes new legislative language that would require the City to fund all of the New York City Transit's capital needs. Additionally, it would mandate that, in the event the Governor declares a state of emergency on the NYCTA, the City would have to match any funding provided by the State within sixty days. This proposal, if enacted, would mandate that the City fund 50 percent of the Governor's \$836 million SAP.

As referenced above, the SAP as currently set forth, would require the City to fund \$418 of Phase I of the plan. On December 13, 2017, the MTA Board adopted the Authority's proposed 2018 Budget and Financial Plan for Calendar Years 2018-2021. However, the Mayor's four appointees voted against the budget, in reaction to City's mandate to fund half of the first phase of the plan. The Fiscal 2019 Preliminary Finance Plan presented by Mayor de Blasio does not commit any City funds to the SAP.

Payroll Mobility Tax and MTA Aid

The Payroll Mobility Tax and MTA Aid are a set of taxes, fees, and surcharges imposed legislatively by the State in 2009 for the benefit of the MTA. The State law was subsequently amended to exclude employers with payroll expenses of less than \$312,500 per quarter per calendar year and certain eligible education institutions from payment of the tax. The Governor's Executive Budget has proposed that the Payroll Mobility Tax be restructured so that it is allocated directly to the MTA. The Governor asserts that the restructuring will create a favorable credit feature for the Authority. In Fiscal 2019, this will provide a one-time benefit to the MTA of \$60 million, which would be used to help fund the State's portion of the SAP.

MTA Budget Overview

The MTA's budget is unique within the City's budget process because it is a State-controlled agency and operates on a calendar, rather than City fiscal, year. The MTA Board approved its 2018 Budget on December 13, 2017, which means that the Preliminary Budget does not impact the adoption of the Agency's budget.

The 2018 Budget adopted by the MTA board includes a four-year financial plan for calendar years 2018 -2021. The Authority issued a Preliminary Budget in July 2017 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 13, 2017. Highlights of the Adopted Plan include the Authority's \$1.5 billion in operating costs for Phase I of the SAP, a MetroCard fare increase, and gap-closing actions.

Subway Action Plan

As discussed above, the SAP is an initiative launched by the MTA on July 25, 2017, under the direction of the Governor, to address the persistent problem of train delays, breakdowns, and overcrowding that have beset the Authority in the last few years.

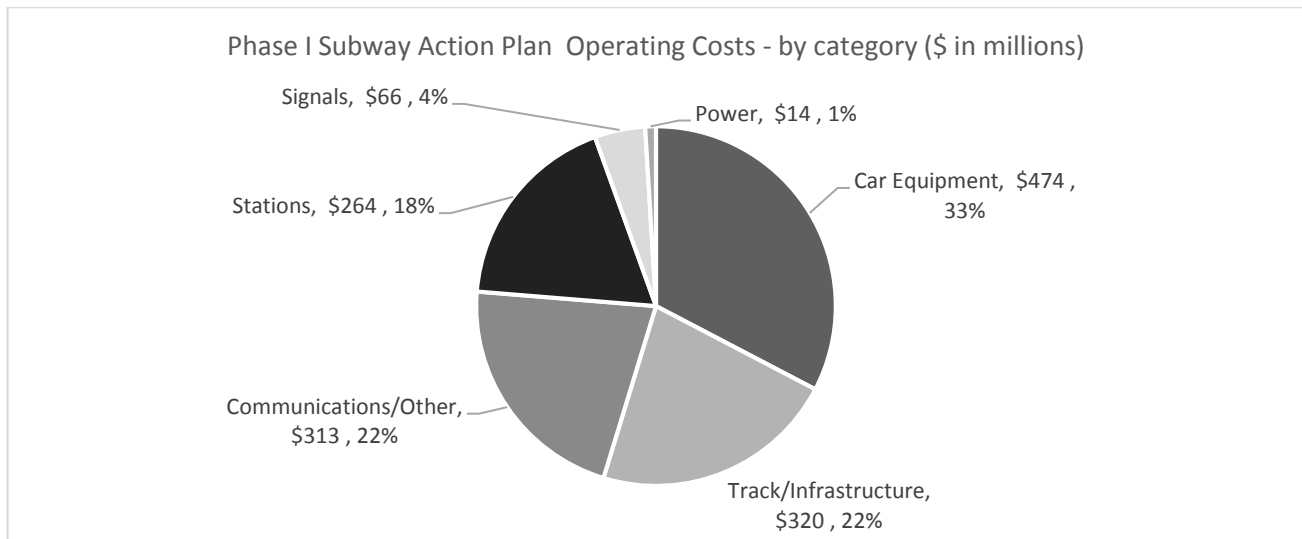
As proposed by the Authority, the SAP will address key drivers of 79 percent of service delays. The SAP calls for the City and State to split the costs of the first 14 months of the program totaling \$836 million. However, to ensure that work on the SAP begins immediately, the MTA is underwriting the initial cost, under the assumption that the agency will be reimbursed by the City and State.

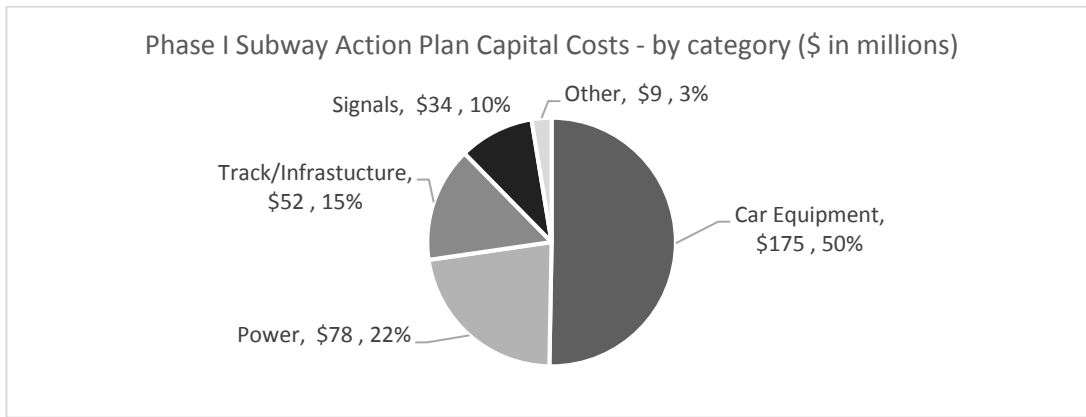
Elements of the Subway Action Plan and ongoing efforts for Phase 1 (\$ in millions)						
	2017	2018	2019	2020	2021	Five-year Total
Operating						
Track/Infrastructure	\$29	\$86	\$83	\$61	\$61	\$29
Signals	3	14	22	14	13	66
Power	1	4	3	3	3	14
Car Equipment	25	145	96	104	104	474
Stations	12	89	57	53	53	264
Communications/Other	30	70	81	66	66	313
Total operating Costs	\$100	\$408	\$342	\$301	\$300	\$1,451
Capital						0
Track/Infrastructure	4	28	20	0	0	52
Signals	1	33	0	0	0	34
Power	56	22	0	0	0	78
Car Equipment	0	175	0	0	0	175
Other	2	7	0	0	0	9
Total Net Capital Investments	\$63	\$265	\$20	\$-	\$-	\$348
Overall Total	\$163	\$673	\$362	\$301	\$300	\$1,799
Total 2017 and 2018 Costs for SAP:		\$836				

The Subway Action Plan is divided into six categories:

- **Track/Infrastructure.** Under this category, the agency will launch an emergency water management initiative; clean tracks between underground stations; eliminate backlog, accelerate repairs, and install seamless track; increase production capacity and installation of welded rail; improve incident response; augment the number of Combined Action Teams; and increase work train availability.
- **Signals.** For signals, the MTA plans to expedite the modernization of 1,300 signals considered to be the most problematic.
- **Power.** This category will support the Power Improvement Plan, led by the New York State Public Service Commission, which will ensure reliability and provide a consistent supply of power.
- **Car Equipment.** The plan includes expanding overhaul capacity; sustaining 24/7 repair and maintenance shifts; elevating protocol on subway door inspections and repairs; increasing number of Emergency Subway Car Response Teams; upgrading subway car interiors; adding subway cars; and increasing ridership capacity.
- **Stations.** For stations, the agency will repaint and repair tile and service elevators and escalators and conduct deep cleaning.
- **Safety/Communications/Other.** Actions under this category include reducing illegal activity in stations; launching a public awareness campaign; enhancing the Homeless Outreach Program; increasing number of dedicated Emergency Medical Technician teams (pilot program); overhauling communication systems; and launching a new integrated MTA app.

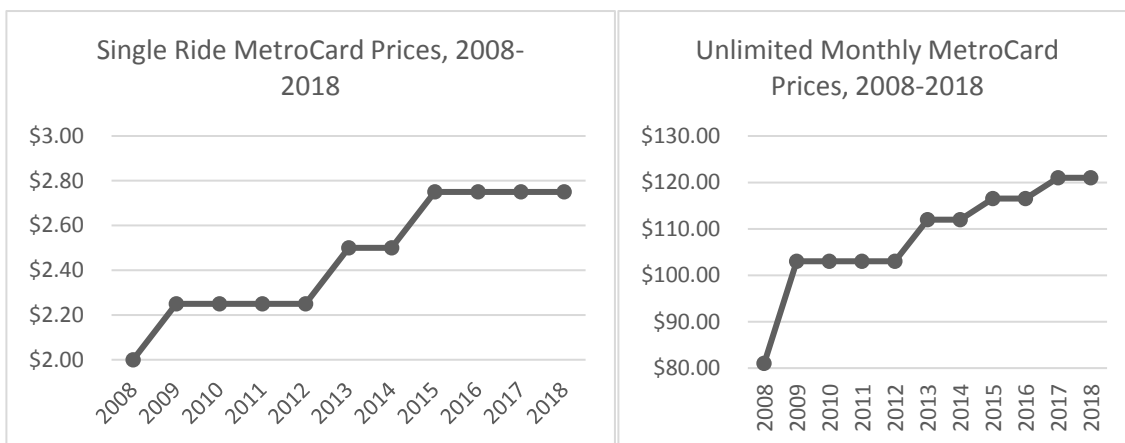
The below charts illustrate the funding breakdown between the operating and capital costs of Phase I of the SAP program.





MetroCard Fare Increases

The Adopted Plan includes biennial fare increases of four percent (two percent in 2019 and two percent in 2021). The annualized yield of the increase is projected to be \$321 million and \$336 million, respectively in 2019 and 2021. In calendar year 2017, a similar fare increase was implemented raising weekly unlimited MetroCards from \$31 to \$32 and monthly passes from \$116.50 to \$121. As indicated in the charts below, between 2008 and 2018, the price of single-ride MetroCards have increased by 38 percent and monthly MetroCards have increased by 52 percent.

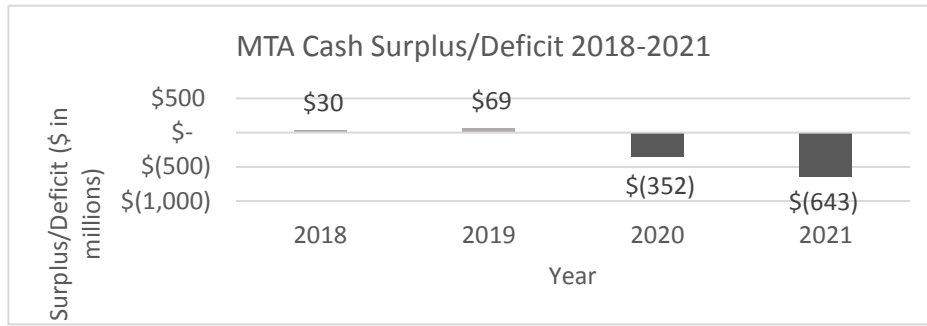


Gap-Closing Actions

The Adopted 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 2018, these gap closing actions are expected to produce an annualized recurring savings of \$1.9 billion and growing to nearly \$2.3 billion by Calendar Year 2021. To achieve these savings, the Authority is implementing initiatives to generate savings from health and welfare, headcount efficiencies, the Enterprise Asset Management (EAM) program, paratransit, maintenance, information technology, reduced prescription benefit costs at NYCTA, and operational efficiencies at B&T and retiree prescription costs. In addition, beginning in 2018, the Authority has raised the targeted level of cost reduction by an additional \$84 million annually, which together with the increased targets included in its July Preliminary Plan brings the annual target to \$593 million.

Taken in total, the 2018 Adopted Budget remains balanced, after adjustments for prior year balances, with an anticipated net cash surplus of \$30 million. For the outyears, the Plan anticipates an end-of-

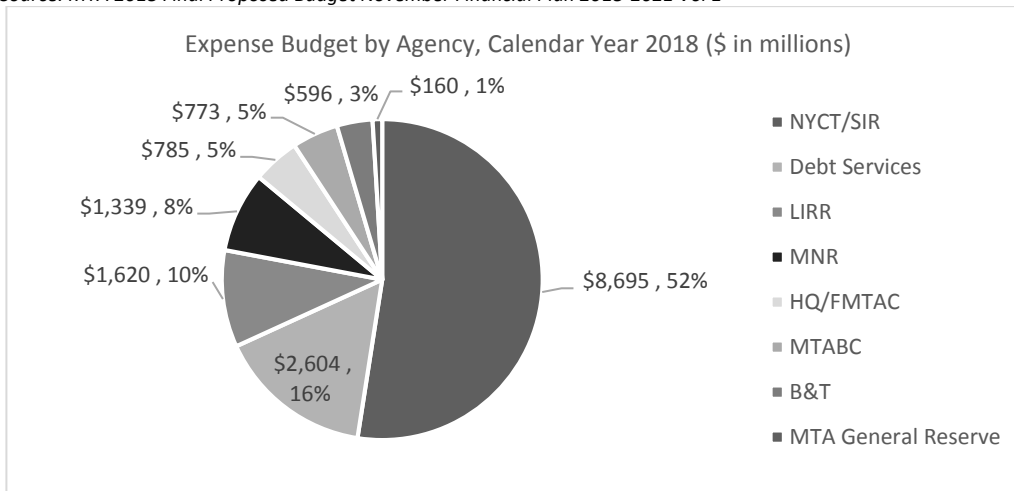
year cash balance of \$69 million in 2019 and a deficit balance of \$352 million in 2020 and \$643 million in 2021.



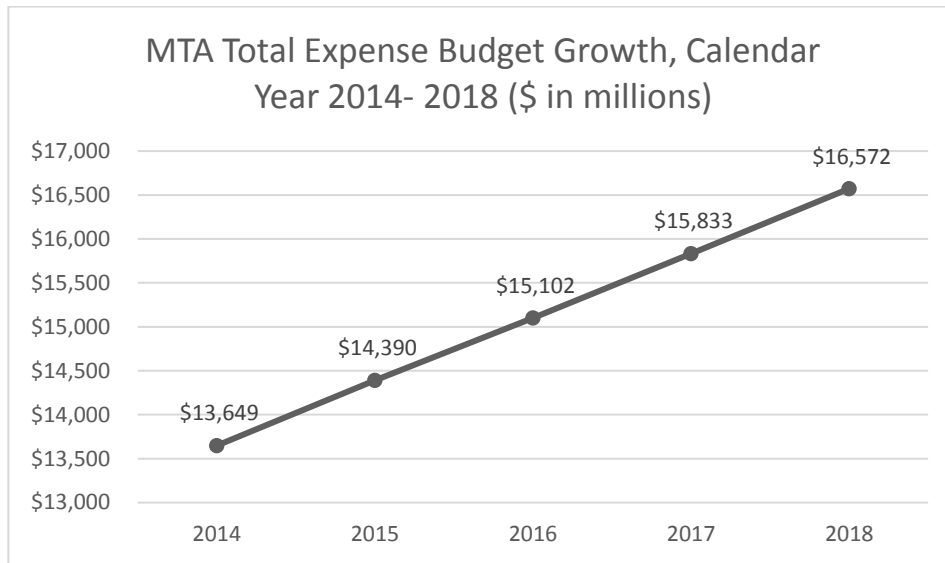
The MTA Calendar Year 2018 Adopted Operating Budget totals \$16.6 billion. Of that amount, \$8.7 billion, or 52 percent, is allocated to the New York City Transit/Staten Island Railroad, followed by debt service at \$2.6 billion (16 percent), and the LIRR at \$1.6 billion (10 percent). As indicated in the chart and table below, the MTA’s expense budget has increased by 16 percent or \$2.2 billion between 2014 and 2017, outpacing the national rate of inflation, which has grown six percent between the same time period.

Expense Budget by Agency, Calendar Year 2014- 2018 (\$ in millions)					
Agency	2014	2015	2016	2017	2018
NYCT/SIR	\$ 7,132	\$ 7,490	\$ 7,637	\$ 8,169	\$ 8,695
Debt Services	2,393	2,482	2,660	2,641	2,604
LIRR	1,395	1,492	1,485	1,524	1,620
MNR	1,125	1,191	1,251	1,288	1,339
HQ/FMTAC	419	467	738	777	785
MTABC	580	628	671	726	773
B&T	470	500	510	553	596
MTA General Reserve	135	140	150	155	160
Total	\$ 13,649	\$ 14,390	\$ 15,102	\$ 15,833	\$ 16,572

Source: MTA 2018 Final Proposed Budget November Financial Plan 2018-2021 Vol 1



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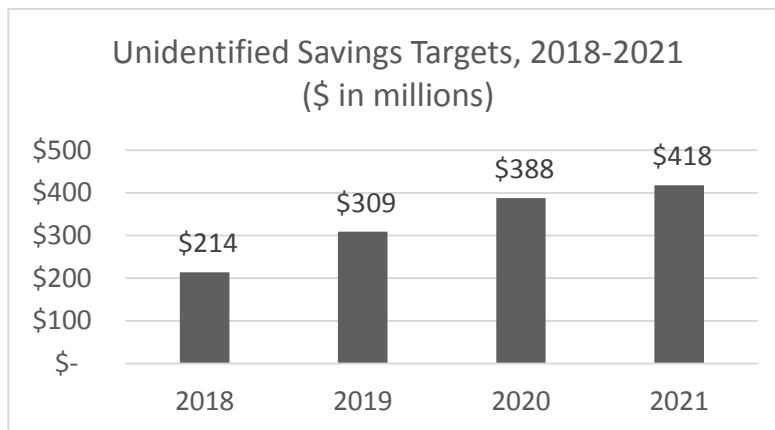


Source: MTA 2018 Budget and 2018-2021 Financial Plan Adoption Materials

Potential Budget Risks

Efficiencies/Consolidations

The MTA has unidentified savings targets of \$214 million in 2018, \$309 million in 2019, \$388 million in 2020, and \$418 million in 2021. However, as the MTA continues this effort to reduce costs, caution should be exercised as much of the savings to be had have already been utilized in past plans, 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.



Loss of Taxi Surcharge Revenues

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 which are earmarked for the MTA. The traditional medallion taxi and green taxi services collect a fifty cent surcharge, while app-based service trips are not subject to the same surcharge. Instead, black cars, including most app-based services, are subject to a sales tax of which the MTA receives only .375 percent. This results in substantially less taxi surcharge revenue for the MTA. In addition, the agency relies on federal funding grants for a significant portion of its capital program. Based on the recently

proposed federal budget by the Presidency, it is possible that the MTA may experience funding cuts to its capital program if the President’s budget is passed as proposed.

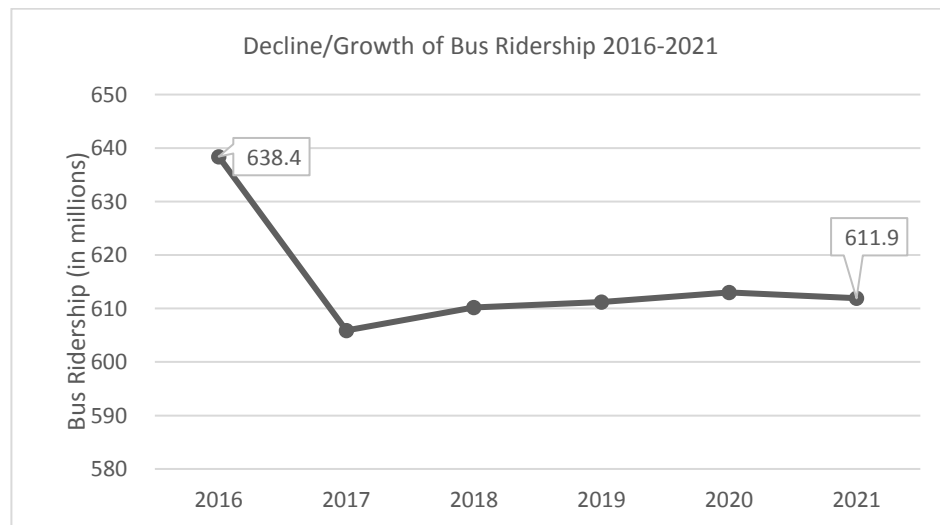
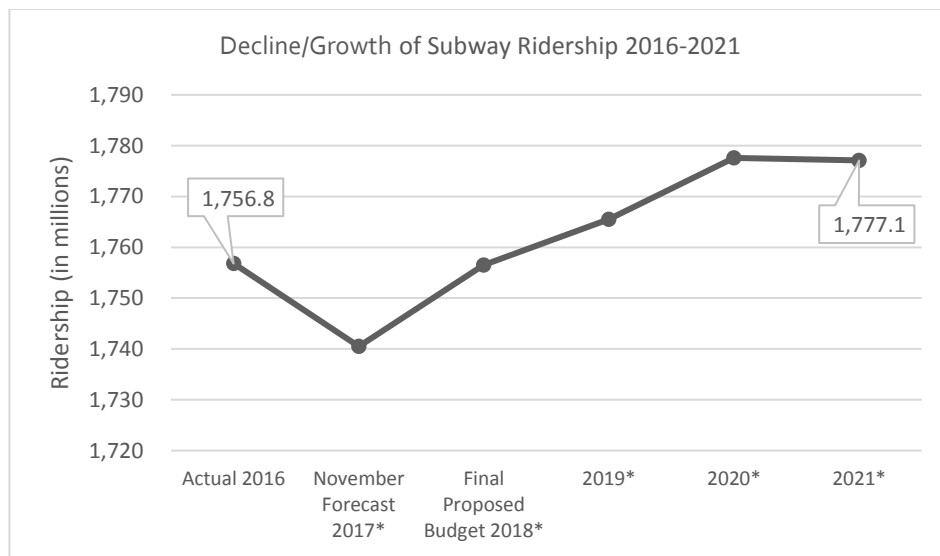
Ridership Decline

Subway and bus ridership fell between 2016 and 2017 (as illustrated in the table and charts below). While subway ridership is expected to reach 2016 levels again by 2019, it is not clear at this time when bus ridership will recover to 2016 levels. A continued decline in ridership would potentially impact future fare revenue.

MTA Ridership (in millions)

	Actual 2016	November Forecast 2017*	Final Proposed Budget 2018*	2019*	2020*	2021*
Subway	1,756.8	1,740.5	1,756.5	1,765.5	1,777.6	1,777.1
Bus	638.4	605.9	610.2	611.2	613.0	611.9
Paratransit	8.9	8.8	9.6	10.0	10.5	10.9
Total	2,404.1	2,355.2	2,376.3	2,386.7	2,401.1	2,399.9

*Projected, not actual

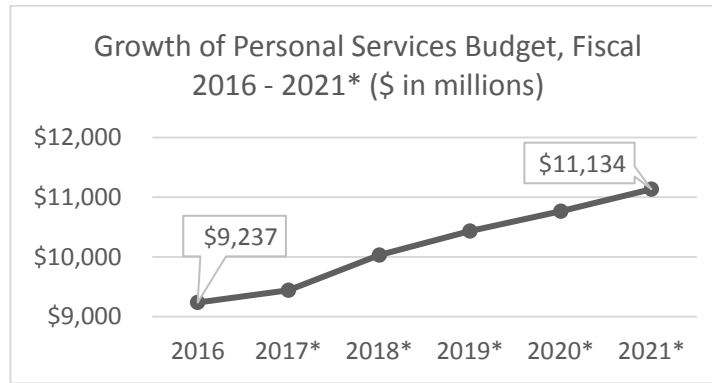


Employment Information

As indicated in the charts below, personal services are estimated to cost \$10 billion in Calendar Year 2018 and will increase eleven percent, to \$11.1 billion, by Calendar Year 2021. Overtime spending is projected to remain relatively stable from Calendar Year 2018 through Calendar Year 2021, rising by a modest two percent.

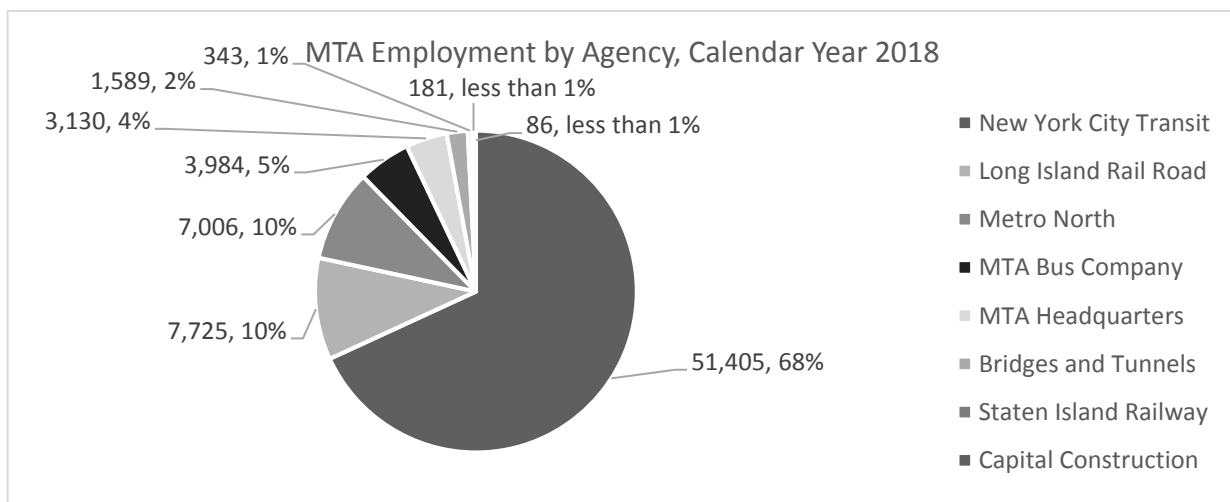
Personnel Services, Calendar Year 2016 - 2021 (\$ in millions)

Labor Expense	2016	2017*	2018*	2019*	2020*	2021*
Payroll	\$ 4,839	\$ 5,040	\$ 5,360	\$ 5,552	\$ 5,676	\$ 5,799
Overtime	\$ 771	\$ 879	\$ 829	\$ 806	\$ 819	\$ 849
Health & Welfare	\$ 1,172	\$ 1,214	\$ 1,364	\$ 1,469	\$ 1,556	\$ 1,655
OPEB Current Payment	\$ 562	\$ 569	\$ 638	\$ 692	\$ 751	\$ 816
Pensions	\$ 1,370	\$ 1,326	\$ 1,351	\$ 1,371	\$ 1,369	\$ 1,384
Other-Fringe Benefits	\$ 948	\$ 892	\$ 918	\$ 951	\$ 985	\$ 1,015
Reimbursable Overhead	\$ (425)	\$ (476)	\$ (426)	\$ (410)	\$ (388)	\$ (384)
Total	\$ 9,237	\$ 9,444	\$ 10,034	\$ 10,431	\$ 10,768	\$ 11,134



*Projected

In Calendar Year 2018, the MTA projects a budgeted headcount of 75,499. NYCTA has 68 percent (51,405) of all MTA budgeted positions, followed by LIRR at ten percent (7,725), and Metro North at ten percent (7,006).



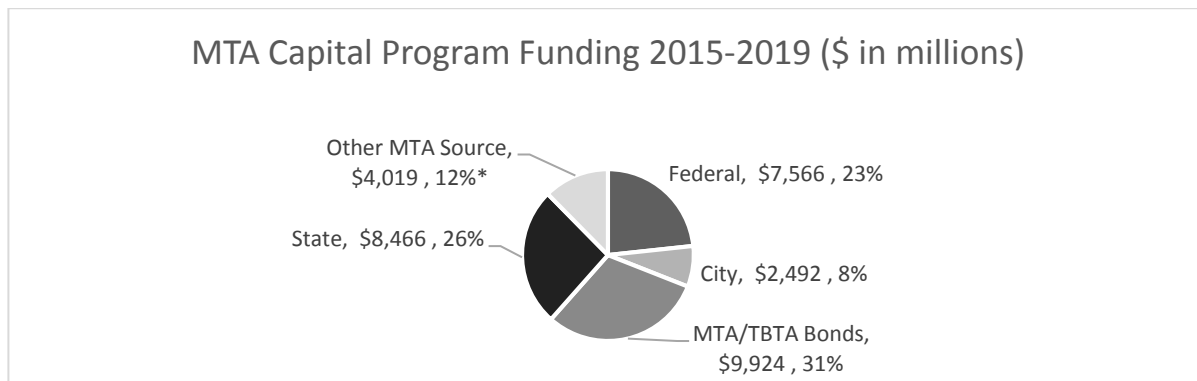
Capital Program

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

Program	2015-2019
Core Capital Program	
New York City Transit	\$16,315
Long Island Rail Road	2,955
Metro-North Railroad	2,321
MTA Bus	376
MTA Interagency	321
Core Subtotal	\$22,382
Network Expansion Projects	7,135
Total 2015-2019 CPRB Program	29,517
Bridges and Tunnels	2,940
Total 2015-2019 Capital Program	32,457

State law requires the MTA to submit to the New York State Capital Program Review Board (CPRB), for its approval, successive five-year capital programs for the Transit System and MTA Staten Island Railway and the Commuter System. MTA Bridges and Tunnels (MTA B&T) and MTA Bus undertake their own capital planning that is not subject to the CPRB approval. While not required to do so by statute, the MTA has consistently included five-year capital programs for MTA B&T covering the same period. The Authority’s \$32.5 billion 2015-2019 Capital Plan was amended and approved by the Review Board on July 31, 2017. The Plan includes funding to purchase 450 new subway cars and 1,391 new buses, to replace 72 miles of subway track, and to replace 127 signal switches, among other projects. It also provides for the expansion of the MTA network by continuing two ongoing projects and launching a third, specifically 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 of the Metro North Railroad’s New Haven Line service into Penn Station.

The MTA Capital Program is primarily funded with bonds (borrowing) at 31 percent (\$9.9 billion), followed by State funding at 26 percent (\$8.5 billion), federal funding at 23 percent (\$7.6 billion), Other MTA Source funding at 12 percent (\$4 billion), and City funding at eight percent (\$2.5 billion).



*Other MTA Sources Includes \$580 million in PayGo for TBTA

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

	Proposed 2015-2019
Total 2015-2019 Program costs	\$32,457
Funding Currently Projected	
Federal Formula, Flexible/CMAQ, and Misc.	\$6,956
Federal Core Capacity	100
Federal New Starts	500
MTA Bonds	7,558
Pay-as-you-go Capital (PAYGO)	2,270
State of New York Capital	8,466
City of New York Capital	2,492
Asset Sales / Leases	600
Other MTA Sources	575
Sub-total	\$29,517
Bridge & Tunnels Bonds (\$2.3b) & PAYGO (\$580m)	2,940
Total 2015-2019 Funds Available	\$32,457
Funding Gap	\$0

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

The July 2017 amendment to the 2015-2019 Capital Program increased the Capital Program by 9.7 percent from \$29.5 billion to \$32.5 billion. Changes to the program included updates to agency core programs, such as station upgrades, bus fleet amenities, train arrival information, and investments at Penn Station. In addition, the amendment increased funding to expand the LIRR's Main Line, open road-tolling for B&T, and for Phase 2 of the Second Avenue Subway. Listed below are the funding sources that support the MTA's revised \$32.5 billion Capital Program.

- **Federal Formula, Flexible, and Miscellaneous Funding.** The MTA is assuming the 2015-2019 federal formula funding of \$7 billion, an increase of \$681 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 in 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 \$500 million in federal new starts funding for Phase 2 of Second Avenue Subway. This is in addition to the \$535 million in local funding currently assumed for this project, and it 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 \$7.6 billion in new MTA bonding capacity for 2015-2019, 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.

- **Pay As You Go (PAYGO) Capital.** The MTA plans to use \$2.3 billion in PAYGO capital to leverage new debt service capacity until fully exhausted by the debt service needs of the Authority's bonds.
- **State Capital Funds.** The capital plan includes \$8.4 billion in capital funding from the State to support the plan, including \$250 million to fund the Penn Station Access project. To date, the State has appropriated approximately \$6 billion, including \$1.5 billion in the Fiscal 2018-2019 Proposed State Executive Budget to support these programs and the Agency anticipates the remaining funding in the subsequent years.
- **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 re-zoning (\$110 million), and resources from the disposition of assets including properties jointly owned with the City (\$300 million).
- **Other MTA Sources.** The MTA Plan anticipates \$575 million in "other" bond and PAYGO sources, including \$530 million from savings due to the issuance of lower cost Payroll Mobility Tax-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.

MTA 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.

MTA Financial Plan 2018-2021

MTA Consolidated Statement of Operations – Including MTA Bus Company

Non-Reimbursable	2016 Actual	2017 Final Forecast	2018 Final Proposed	2019 Projected	2020 Projected	2021 Projected
Operating Revenue						
Farebox	\$ 6,050	\$ 6,172	\$ 6,277	\$ 6,308	\$ 6,347	\$ 6,353
Toll Revenue	1,870	1,906	1,923	1,937	1,946	1,953
Other Revenue	688	668	685	697	730	732
Capital & Other Reimburse.	-	-		-		
Total Operating Revenue	\$ 8,608	\$ 8,746	\$ 8,885	\$ 8,942	\$ 9,023	\$ 9,038
Operating Expenses						
Labor Expenses	\$ 9,238	\$ 9,444	\$ 10,033	\$ 10,433	\$ 10,768	\$ 11,133
Non-Labor Expenses	3,168	3,471	3,726	3,644	3,757	3,883
Other Expenses Adjustment	47	52	49	50	52	53
General Reserve	-	155	160	165	175	180
Total Operating Expenses Before Non-Cash Liability Adj.	\$ 12,454	\$ 13,122	\$ 13,968	\$ 14,292	\$ 14,752	\$ 15,249
Depreciation	\$ 2,443	\$ 2,615	\$ 2,674	\$ 2,741	\$ 2,808	\$ 2,870
OPED Liability Adjustment	1,562	1,681	1,776	1,871	1,975	2,084
GASB 68 Pension Expense Adjustment	(219)	(172)	(235)	(229)	(246)	(284)
Environmental Remediation	12	4	6	6	6	6
Total Operating Expenses After Non-Cash Liability	\$ 16,252	\$ 17,250	\$ 18,189	\$ 18,681	\$ 19,295	\$ 19,925
Conversion to Cash Basis: Non-Cash Liability Adjs.	\$ (3,798)	\$ (4,128)	\$ (4,222)	\$ (4,390)	\$ (4,542)	\$ (4,677)
Debt Service (excluding Service Contract Bonds)	2,459	2,525	2,604	2,800	3,029	3,225
Total Operation Expense with Debt Service	14,913	15,647	16,571	17,091	17,782	18,473
Dedicated Taxes and State/Local Subsidies	\$ 6,666	\$ 6,470	\$ 6,659	\$ 6,949	\$ 7,119	\$ 7,340
Net Surplus/Deficit After Subsidies and Debt Service	\$ 362	\$ (430)	\$ (1,028)	\$ (1,201)	\$ (1,639)	\$ (2,097)
Conversion to Cash Basis: GASB Account	\$ -	\$ -	\$ (8)	\$ (18)	\$ (29)	\$ (42)
Conversion to Cash Basis: All Other	(594)	88	9	207	97	24
Cash Balance Before Prior-Year Carryover	\$ (232)	\$ (342)	\$ (1,028)	\$ (1,012)	\$ (1,572)	\$ (2,114)
Adjustments	\$ -	\$ 172	\$ 979	\$ 1,051	\$ 1,150	\$ 1,471
Prior Year Carryover	480	248	78	30	69	-
Net Cash Balance	\$ 248	\$ 78	\$ 30	\$ 69	\$ (352)	\$ (643)

Source: MTA 2018 Adopted Budget – February Financial Plan 2018-2021

New York City Transit Authority

The NYCTA, a subsidiary of the 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 51,400 workers who are responsible for the operation and maintenance of 5,725 buses and 6,400 subway cars. About 2.4 billion people ride the City's buses and subways each year.

NYCTA Financial Plan 2018-2021 (\$ in millions)

Non-Reimbursable and Reimbursable	2016 Actual	2017 Final Estimate	2018 Adopted Budget	2019 Projected	2020 Projected	2021 Projected
Operating Revenue						
Farebox	\$4,415	\$4,483	\$4,550	\$4,571	\$4,601	\$4,598
Other Revenue	444	436	445	460	478	497
Capital & Other Reimbursement.	0	1,202	1,251	1,183	1,185	1,147
Total Operating Revenue	\$4,859	\$4,919	\$4,995	\$5,032	\$5,079	\$5,096
Operating Expenses						
Labor Expenses	6,196	6,265	6,671	6,912	7,146	7,360
Non-Labor Expenses	1,785	1,843	1,989	1,968	2,026	2,070
Other Expenses Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$7,981	\$8,108	\$8,659	\$8,880	\$9,172	\$9,429
Depreciation	1,650	1,778	1,828	1,878	1,928	1,978
Other Post Employment Benefit Liab Adj.	1,193	1,269	1,350	1,437	1,529	1,627
GASB 68 Pension Expense Adjustment	(184)	(296)	(306)	(296)	(303)	(309)
Environmental Remediation	10	0	0	0	0	0
Total Operating Expenses	\$10,650	\$10,859	\$11,532	\$11,898	\$12,325	\$12,725
Net Operating Surplus/(Deficit)	(\$5,791)	(\$5,940)	(\$6,536)	(\$6,867)	(\$7,246)	(\$7,630)
Dedicated Tax, State & Local subsidies	3,489	3,675	3,413	3,775	3,788	3,775
Deficit after Projected Subsidies	(\$2,302)	(\$2,265)	(\$3,123)	(\$3,092)	(\$3,459)	(\$3,855)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	2,669	2,751	2,872	3,019	3,154	3,296
Net Cash Surplus/(Deficit) 2	\$367	\$486	(\$251)	(\$73)	(\$304)	(\$559)

Source: MTA 2018 Final Proposed Budget November Financial Plan 2018-2021 Vol 2

- Budget.** As approved by the MTA Board, the NYCTA Operating Budget (reimbursable and non-reimbursable) before depreciation and other post-employment benefits is approximately \$10 billion for Calendar Year 2018. Of that amount, approximately \$7.8 billion is for labor costs and \$2.1 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 \$1.4 billion, including pension expenses of \$306 million. The budget funds 51,607 positions, of which 5,291 are reimbursable with capital funds and 46,316 are non-reimbursable.
- Operating Revenue/Expense Projections.** The NYCTA projects \$6.3 billion in operating revenues for Calendar Year 2018, which is primarily derived from farebox revenues of \$4.6 billion, capital and other reimbursements of \$1.3 billion, and other revenues of \$445 million. These funds will

support the NYCTA's proposed reimbursable and non-reimbursable expenditures of \$10 billion, excluding depreciation and other post-employment benefits, in 2018.

- **Transit Tax Revenue.** The NYCTA is funded, in part, with tax revenues from the Metropolitan Mass Transportation Operating Assistance Account (Metro Account), the Petroleum Business Tax (PBT), and the Urban Mass Transportation Operating Account (Urban Account). The revenues from these accounts are projected to total \$3.4 billion in 2018, which is \$100 million greater than the November 2017 forecast amount of \$3.3 billion. The Urban Account consists of two separate taxes, the Mortgage Recording Tax (MRT) and the Real Property Transfer Tax (RPTT).
- **Payroll Mobility Tax and MTA Aid.** The Payroll Mobility Tax and MTA Aid, described above, is projected to be \$2.1 billion in Calendar Year 2018, a slight increase from the estimated \$2 billion in 2017. 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.
- **Paratransit.** Pursuant to an agreement between the City and the MTA, the NYCTA assumed operating responsibility for all paratransit services required under the federal Americans with Disability Act of 1990. The City reimburses the NYCTA for 33 percent of net paratransit operating expenses less fare revenues and urban tax proceeds. Total paratransit revenue is expected to be \$208 million in Calendar Year 2018, which includes \$158.4 million from City reimbursements.
- **State Subsidies.** For Calendar Year 2018, the State's subsidy to the NYCTA's budget is expected to be \$187.9 million. Of this amount, \$25 million is for school fare reimbursement and \$160.5 million is to match City operating assistance. This funding does not include State dedicated tax revenues to NYCTA of more than \$5.4 billion (including the Payroll Mobility Tax) expected in 2018.
- **The City's Contribution.** For Calendar Year 2018, the City's contribution to the MTA, excluding capital commitments, is approximately \$1 billion. Estimated City subsidies include the following: \$45 million for the NYCTA school fare subsidy, \$15.5 million for the elderly and disabled subsidy, \$158 million for paratransit reimbursement, \$160.5 million to match State Operating Assistance, \$473.3 million for MTA bus subsidy, \$40.8 million City subsidy for SIRTAA, \$97.2 million for the maintenance and operation of LIRR and Metro North Railroad stations in the City, \$11.5 million for E-Z Pass Payments for City vehicles, and \$3.5 million for Transit Police.



The MTA Bus Company (MTABC)

The MTABC 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 2018-2021 (\$ in millions)

Non-Reimbursable and Reimbursable	2016 Actual	2017 Final Estimate	2018 Adopted Budget	2019 Projected	2020 Projected	2021 Projected
Operating Revenue						
Farebox	\$212.4	\$215.6	\$219.0	\$220.1	\$221.2	\$220.7
Other Revenue	22.0	21.1	20.5	20.7	20.8	21.5
Capital & Other Reimbursement.	4.3	5.9	6.0	5.9	5.9	6.0
Total Operating Revenue	\$238.7	\$242.6	\$245.5	\$246.7	\$247.9	\$248.2
Operating Expenses						
Labor Expenses	529.7	556.6	576.1	593.2	595.0	603.5
Non-Labor Expenses	191.9	176.4	202.8	197.8	186.6	194.0
Operating Expenses Before Depreciation, OPEB & ER 1	\$721.6	\$733.0	\$779.0	\$791.1	\$781.6	\$797.5
Depreciation	57.2	53.9	54.3	54.3	54.3	54.8
Other Post Employment Benefit Liab Adj.	63.5	100.2	100.2	100.2	100.2	100.2
GASB 68 Pension Expense Adjustment	(5.7)	114.6	45.6	44.6	40.4	30.7
Environmental Remediation	0	0	0	0	0	0
Total Operating Expenses	\$836.7	\$1,001.6	\$979.0	\$990.2	\$976.5	\$983.1
Net Operating Deficit/(Deficit)	(\$597.9)	(\$759.1)	(\$733.5)	(\$743.5)	(\$728.7)	(\$735)
City Subsidy for MTA Bus Company	433.6	484	513.9	524.7	517.2	536.7
Deficit after Projected Subsidies	(\$164.3)	(\$275.10)	(\$219.6)	(\$218.8)	(\$211.5)	(\$198.3)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	115	268.7	200.1	199.1	194.9	185.7
Net Cash Surplus/(Deficit) 2	(\$49)	(\$6)	(\$20)	(\$20)	(\$17)	(\$13)

Source: MTA 2018 Final Proposed Budget November Financial Plan 2018-2021 Vol 2

Operating Revenue/Expense Projections. The MTABC's operating revenue for Calendar Year 2018 is projected to be \$245.5 million, which includes farebox revenue of \$219 million, capital and other reimbursements of \$6 million, and other operating revenue of \$20.5 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$779 million. These expenses include \$576.1 million in labor costs and \$202.8 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$54.3 million and \$100.2 million respectively. This also includes a pension expense adjustment of \$45.6 million.

MTA Staten Island Railway (SIR)

The 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 2018 – 2021

Non-Reimbursable and Reimbursable	2016 Actual	2017 Final Estimate	2018 Adopted Budget	2019 Projected	2020 Projected	2021 Projected
Operating Revenue						
Farebox	\$6.5	\$6.8	\$6.9	\$7.0	\$7.0	\$7.0
Other Revenue	2.8	2.4	2.4	2.4	2.4	2.4
Capital & Other Reimbursement.	0	0	0	0	0	0
Total Operating Revenue	\$9.30	\$9.20	\$9.30	\$9.40	\$9.40	\$9.40
Operating Expenses						
Labor Expenses	41.2	46.8	48.1	49	47.8	48.5
Non-Labor Expenses	22.7	28.8	12.1	11.3	11.2	11.5
Other Expense Adjustments	0	0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	\$63.90	\$75.60	\$60.20	\$60.30	\$59.00	\$60.00
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	\$78.70	\$91.70	\$76.60	\$76.60	\$74.70	\$74.70
Net Operating Deficit/(Deficit)	(\$69)	(\$83)	(\$67)	(\$67)	(\$65)	(\$65)
Dedicated Tax, State & Local subsidies	53	64.5	45.4	48	51.4	55.9
Deficit after Projected Subsidies	(\$16)	(\$18)	(\$22)	(\$19)	(\$14)	(\$9)
Conversion to Cash						
Depreciation, OPEB, GASB & ER Adj.	14.8	16.1	16.4	16.3	15.7	14.7
Net Cash Surplus/(Deficit) 2	(\$1.60)	(\$1.90)	(\$5.50)	(\$2.90)	\$1.8	\$5.30

Source: MTA 2018 Final Proposed Budget November Financial Plan 2018-2021 Vol 2

Operating Revenue/Expense Projections. The SIR's operating revenue for Calendar Year 2018 is projected to be \$9.30 million, which includes farebox revenue of \$6.9 million and other operating revenue of \$2.4 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation and other post-employment benefits of \$60.20 million. These expenses include \$48.1 million in labor costs and \$12.1 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.