

MTA 2016 Preliminary Budget

July Financial Plan 2016-2019



**Volume 1
July 2015**



Metropolitan Transportation Authority

OVERVIEW

MTA 2016 PRELIMINARY BUDGET JULY FINANCIAL PLAN 2016-2019 VOLUME 1

The MTA's July Plan is divided into two volumes:

Volume 1 consists of financial schedules supporting the complete MTA-Consolidated Financial Plan, including an Executive Summary, the baseline forecast (as detailed in Volume 2 and described below) and certain adjustments captured below the baseline. These "below-the-line" adjustments include: Fare/Toll Increases, MTA Initiatives, Policy Actions, and any MTA Re-estimates. Volume 1 also includes descriptions of the "below-the-line" actions as well as the required Certification by the Chairman and Chief Executive Officer, and a description of the MTA Budget Process.

Volume 2 includes MTA-Consolidated detailed financial and position schedules as well as the narratives that support the baseline projections included in the 2016 Preliminary Budget and the Financial Plan for 2016 through 2019. Also included are the Agency sections which incorporate descriptions of Agency Programs with supporting baseline tables and required information related to the MTA Capital Program.

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I. Introduction

Executive Summary

The **2015 MTA July Financial Plan** (the “July Plan” or “Plan”) includes the 2015 Mid-Year Forecast, the 2016 Preliminary Budget and a Financial Plan for the years 2016-2019. Since 2010, our Plans – which are developed in a disciplined, consistent, and transparent process – have included the continuous pursuit of recurring cost reductions to temper the amount needed from biennial fare and toll increases and governmental subsidies and provide funding for the capital program. The Plans also have added or restored service when sustainable while also addressing long-term costs such as pensions, health care, paratransit, and debt service previously considered “uncontrollable.”

The February Plan

The February Plan was balanced through 2017 with a manageable deficit of \$305 million in 2018. That Plan was based upon three key inter-related elements: (i) biennial fare and toll increases of 4% in 2015 and 2017 (equivalent to 2% annual increases, approximating the rate of inflation); (ii) annually recurring cost reduction targets of \$1.3 billion in 2015 increasing to \$1.8 billion by 2018; and (iii) Pay-As-You-Go (“Pay-Go”) contributions of \$290 million annually starting in 2015 for the 2015 – 2019 Capital Program.

The February Plan also funded, over the plan period: new safety investments of \$430 million; service and service quality investments totaling \$173 million; new operational and maintenance investments of \$146 million; and, information technology investments of \$143 million, including the implementation of the Enterprise Asset Management program (EAM).

What Has Changed Since The February Plan?

Changes and other re-estimates improving financial results

- Higher real estate transaction tax receipts
- Lower pension expense
- Lower energy expense
- Increased fare and toll revenue
- Higher PBT revenue estimates
- Better than forecasted 2014 results

Changes and other re-estimates worsening financial results

- Additional maintenance and operational investments (including EAM)
- Increased investments in information technology
- Higher debt service costs from accelerated debt issuance offset by actual and forecasted interest rate savings in the out-years
- Loss of local reimbursement for LI Bus termination and Con Edison recovery
- Higher health & welfare/OPEB current payment costs offset by savings in 2015
- Increased safety and security investments

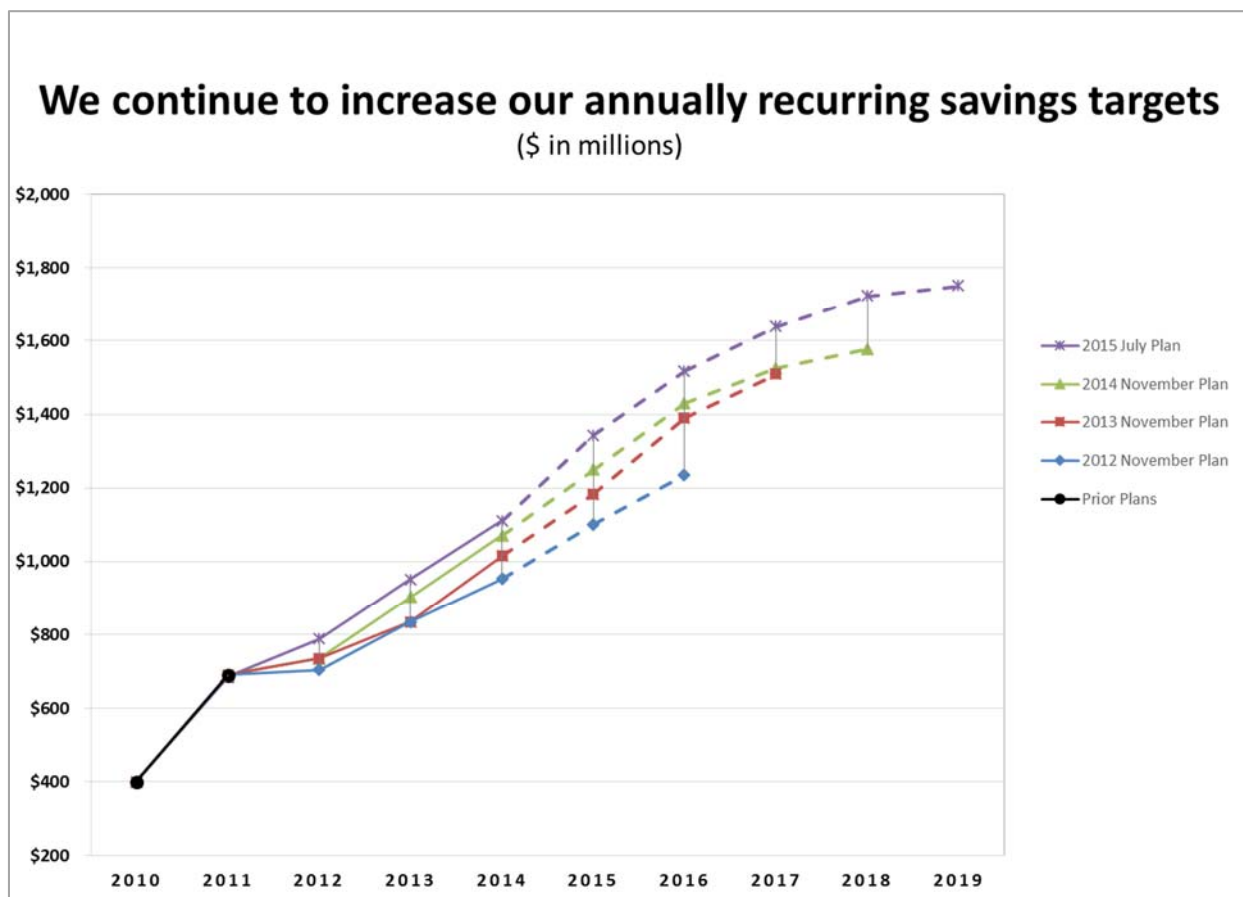
Overall, net re-estimates and other changes through the plan period are projected to be \$1,002 million favorable from the February Financial Plan. A reconciliation of the Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume 2.

Highlights of the July Plan

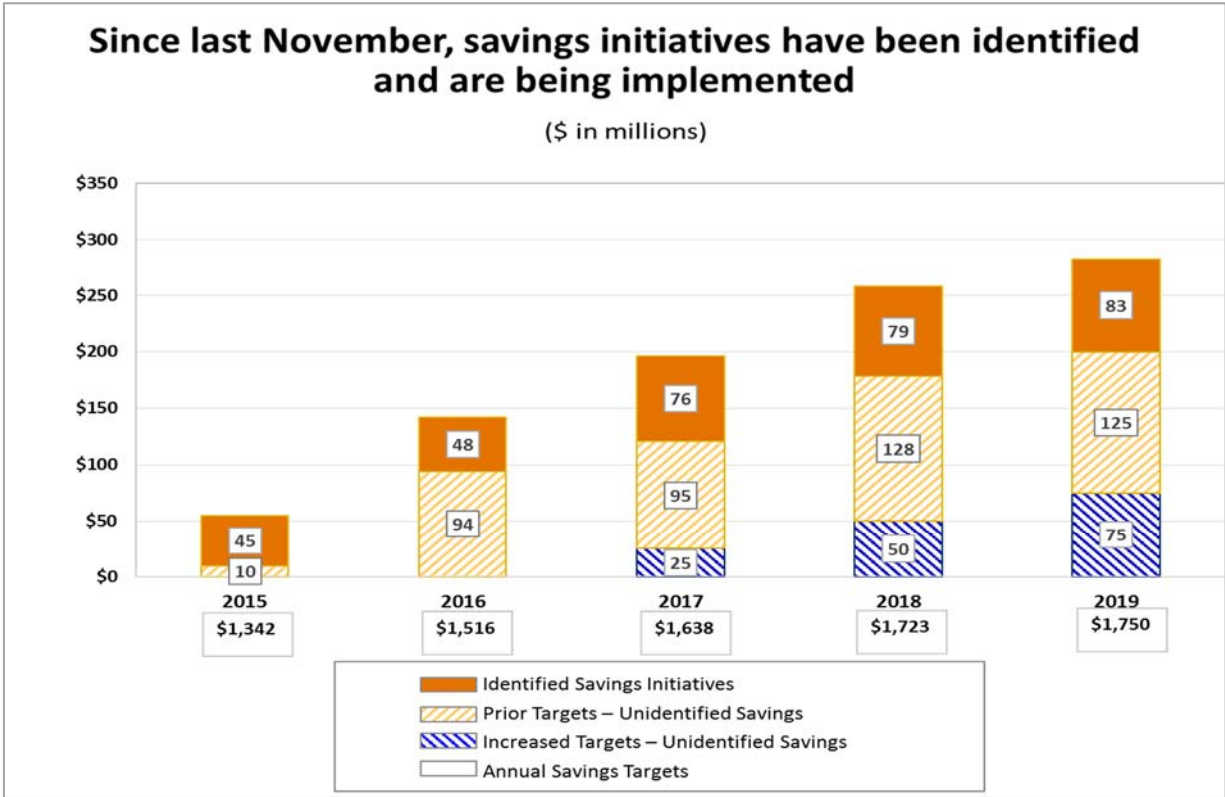
The July Plan continues to follow the approach reflected in earlier plans.

Hold projected fare/toll increases to 4% in 2017 and 2019. The Plan continues to project 4% biennial fare/toll increases (the equivalent of 2% per year, approximating the rate of inflation). Consistent with recent Plans, a March 1 implementation for both the 2017 and 2019 increases is anticipated. The annualized yield of these increases is projected to be \$309 million and \$325 million, respectively.

Increase annually recurring cost reduction targets. The Plan targets annually recurring cost reductions of over \$1.3 billion in 2015 growing to \$1.75 billion by 2019. As shown on the chart below, the MTA has raised the targeted level of cost reductions in every year since 2010, and in this Plan the targets are increased by an additional \$25 million a year beginning in 2017 rising to \$75 million in 2019.



In raising the targets, the MTA must identify new initiatives to reduce costs. As shown on the bar chart below, the MTA continues to make progress in identifying and implementing necessary cost reduction initiatives. As examples, the \$83 million of identified savings in 2019 represent \$47 million from paratransit, \$16 million from the IT consolidation, \$5 million from the NYCT timekeeping consolidation, and a total of \$15 million from numerous smaller initiatives.



Increase support for the Capital Program. Beginning this year, the MTA will increase its Pay-Go contributions by \$125 million annually. Unbudgeted real estate tax receipts of \$75 million received this year will also be contributed to capital, providing a total of \$700 million of additional contributions to the Capital Program over the plan period. This additional contribution would provide \$1.1 billion of funding if used for Pay-Go over the expected eight-year expenditure period. Alternatively, it would provide \$2.4 billion of additional funding capacity if also used to support debt service on bonds.

Increase service, service quality, and service support investments. The MTA will provide \$183 million of additional service, service quality and service support over the plan period. NYCT will launch an initiative to mitigate subway delays, which will increase the number of platform passenger controllers to reduce station dwell times and enhance road car inspector coverage to improve response time and continue track maintenance and defect repairs to mitigate delays on the right-of-way. NYCT and MTA Bus intend to expand Select Bus Service (Bus Rapid Transit) and improve bus performance, including off-board fare collection, bus lanes, real-time information, low-floor hybrid-electric buses and service reliability; and increase service adjustments required to improve reliability and frequency of service in response to ridership trends and maintenance requirements. SIR will improve on-time-performance by adding two additional crews, improve ferry boat connections, and increase rush hour express service.

Increase operational, maintenance and information technology (IT) investments. The MTA continues to take steps to improve the reliability, efficiency and performance of its infrastructure, facilities and fleet, investing \$287 million over the plan period. Improvements will extend the useful life of certain buses, subway cars and commuter cars. Investments are being made to commuter rail signal systems, B&T tunnel inspections and to fund the MTA-wide EAM. IT, which was consolidated at Headquarters this year, is investing in enhanced comprehensive disaster recovery operations, including the establishment of a new back-up disaster recovery site for financial

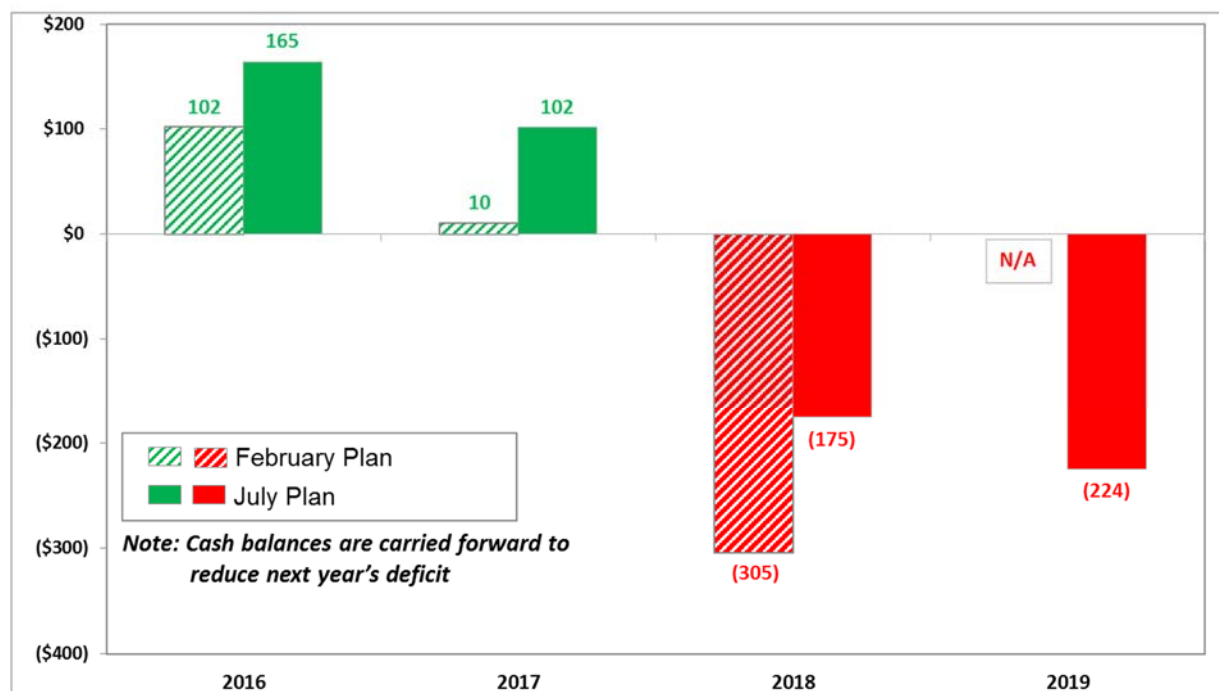
systems. It is also augmenting and upgrading PeopleSoft; providing additional resources to upgrade and protect the integrity of MTA information technology assets; and, safeguarding critical infrastructure from cyber-attacks.

The “Bottom Line”

All together, these changes, re-estimates, and recommendations result in a net improvement to MTA’s financial forecast over the plan period. The July Plan remains balanced through 2017, the 2018 deficit is reduced to \$175 million and the 2019 deficit is forecast to be a manageable \$224 million.

Even with additional capital and operating budget investments, out year deficits are reduced

(\$ in millions)



Challenges Going Forward

While our financial position has improved this year, there are many challenges ahead:

Secure funding and approval of 2015 – 2019 Capital Program. In this Plan, the MTA has increased its contribution significantly, but more is required from our existing funding partners: the State, the City and the Federal Government. We also need to continue to work to develop mechanisms to attract capital dollars from private sector interests such as real estate owners/developers who benefit from their proximity to the existing or expanded System.

Avoid further legislative erosion of MTA financial resources. The Plan assumes that State budget actions will reflect full remittance to the MTA of all funds collected on its behalf and that there are no legislative actions that would reduce any MTA revenue sources. In the last legislative session, the State Assembly and Senate both approved a bill that would require the MTA to provide a second free transfer for NYCT riders within a two hour period, with an estimated cost of

\$40 million. The MTA opposes this proposed loss of revenue. PMT remains an unpopular tax with certain constituents who advocate for its full or partial repeal. The MTA could not operate in its present form without the PMT, or a comparable replacement funding source.

Continue to pursue efficiencies/consolidations. While our cost reduction efforts have yielded impressive results, we must continue to pursue efficiencies and consolidations to maximize annually recurring cost reductions. Efforts to reduce costs will continue, but much of the “low hanging fruit” has been harvested and at some point, additional savings will be more difficult to achieve. We must also remain focused on existing cost control to avoid backsliding.

Maintain discipline to use non-recurring revenues, favorable budget variances, excess resources to fund Pay-Go and/or reduce unfunded liabilities, such as OPEBs and pension liabilities. Simply put, this strategy converts favorable “one-shots” into recurring savings. Similarly, the MTA will continue to reinvest debt service savings into Pay-Go capital, which has become an increasingly important source of funding for our Capital Program.

Address chronic/looming cost issues. The MTA will continue to address chronic / looming cost issues that put pressure on our finances. Over the last six years, our outstanding liabilities for workers compensation/FELA (the commuter rail equivalent) liability, judgments and claims have almost doubled to \$2.5 billion. Incident prevention measures, improved case management and fraud detection efforts are underway.

The July Plan incorporates overtime adjustments to reflect improved forecasting and coverage requirements for further anticipated track and fleet maintenance work, a State edict on MTA-wide annual compliance training/certifications, trend-based vacancies/absentees coverage, and new/platform service and service-related adjustments. Implementing sustainable overtime management programs that reduce overtime levels in routine maintenance and controllable types of overtime, such as vacancy/absentee coverage and unscheduled service, remain at the forefront for MTA management. Further analysis of overtime will be conducted, and it is expected that efficiencies can be identified that will result in realistic savings.

The “Cadillac Tax” component of the Affordable Care Act – a 40% excise tax assessed on the premium cost of coverage for health plans that exceed a certain annual limit – goes into effect in 2018. Final guidance from the Internal Revenue Service is still pending, including the initial premium thresholds for 2018, which were established in 2010 without a statutory mechanism for inflationary growth through 2018; methods for annually adjusting the thresholds beyond 2018, however, were included in the legislation. A preliminary top-level analysis projects MTA will be subject to an excise tax levy of about \$30 million in 2018 increasing to \$130 million by 2021 and continuing to grow as projected premium costs outpace the inflationary adjustments to the thresholds.

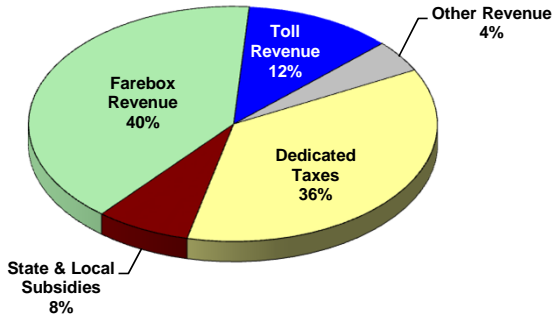
Short and longer term economic factors. The finances of the MTA are highly dependent on the economy. Passenger and toll revenues, dedicated taxes and subsidies and debt service, pensions and energy costs are all impacted by the health of the economy. If the growth assumptions that are captured in the Plan are not realized, MTA has limited options. The Federal Reserve Board has indicated that the eventual end to the Federal Reserve Board’s program of bond purchases is approaching; this could lead to an increase in bond rates, which would ultimately increase debt service payments to support the MTA capital program.

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II. MTA Consolidated 2016-2019 Financial Plan

MTA 2016 Preliminary Budget
Baseline Expenses After Below-the-Line Adjustments
Non-Reimbursable

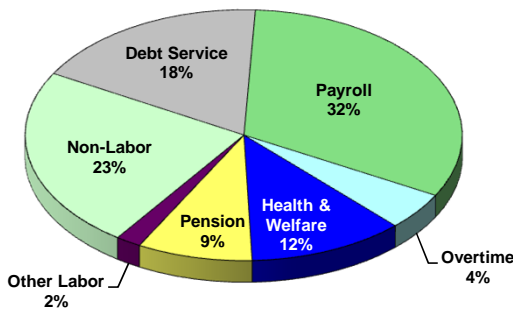
Where the Dollars Come From ...



By Revenue Source (\$ in millions)	
Farebox Revenue ¹	\$6,100
Toll Revenue ¹	1,791
Other Revenue	671
Dedicated Taxes	5,513
State & Local Subsidies	1,135
Total ²	\$15,211

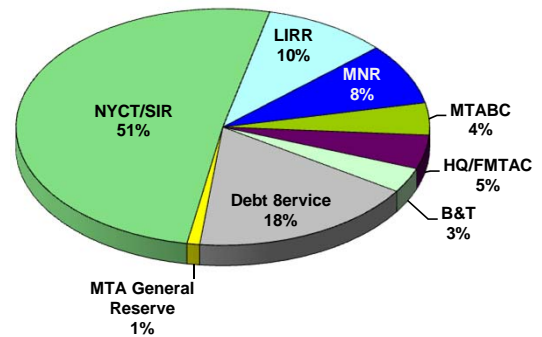
Where the Dollars Go ...

By Expense Category



By Expense Category ³ includes below-the-line adjustments (\$ in millions)	
Payroll	\$4,846
Overtime	732
Health & Welfare	1,742
Pension	1,283
Other Labor	282
Non-Labor	3,525
Debt Service	2,662
MTA Below-the-Line Adjustments ⁴	-94
Total ²	\$14,977

By MTA Agency



By MTA Agency ³ includes below-the-line adjustments (\$ in millions)	
NYCT/SIR	\$7,666
LIRR	1,459
MNR	1,264
MTABC	660
HQ/FMTAC	697
B&T	513
Debt Service	2,662
MTA General Reserve	150
MTA Below-the-Line Adjustments ⁴	-94
Total ²	\$14,977

¹ Includes below-the-line adjustments that impact revenue.

² Totals may not add due to rounding.

³ Expenses exclude Depreciation, OPEB Obligation and Environmental Remediation. MTA Capital Construction is not included, as its budget contains reimbursable expenses only.

⁴ These below-the-line adjustments impact expense dollars and have not been allocated to specific Agencies as yet.

Note: The revenues and expenses reflected in these charts are on an accrued basis and exclude cash adjustments and carryover balances. Any comparison of revenues versus expenses will not directly correspond to the cash balances reflected the Statement of Operations.

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2016-2019
MTA Consolidated Statement Of Operations By Category
(\$ in millions)

Line No.	Non-Reimbursable	2014 Actual	2015 Mid-Year Forecast	2016 Preliminary Budget	2017	2018	2019
10	Operating Revenue						
11	Farebox Revenue	\$5,709	\$5,929	\$6,100	\$6,126	\$6,155	\$6,182
12	Toll Revenue	1,676	1,769	1,791	1,801	1,813	1,827
13	Other Revenue	682	668	671	691	711	737
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	Total Operating Revenue	\$8,068	\$8,365	\$8,563	\$8,618	\$8,680	\$8,746
17	Operating Expense						
18	Labor Expenses:						
19	Payroll	\$4,672	\$4,704	\$4,846	\$4,967	\$5,075	\$5,179
20	Overtime	730	759	732	743	759	774
21	Health & Welfare	962	1,072	1,179	1,248	1,331	1,423
22	OPEB Current Payment	479	511	563	605	658	715
23	Pensions	1,304	1,277	1,283	1,251	1,240	1,266
24	Other-Fringe Benefits	784	637	656	680	710	731
25	Reimbursable Overhead	(350)	(382)	(374)	(368)	(360)	(364)
26	Sub-total Labor Expenses	\$8,582	\$8,578	\$8,885	\$9,125	\$9,411	\$9,724
28	Non-Labor Expenses:						
29	Electric Power	\$516	\$509	\$529	\$554	\$586	\$624
30	Fuel	267	193	202	208	229	252
31	Insurance	51	53	58	65	75	86
32	Claims	269	255	240	246	249	254
33	Paratransit Service Contracts	366	383	407	426	463	502
34	Maintenance and Other Operating Contracts	552	651	692	707	645	657
35	Professional Service Contracts	283	453	411	379	381	389
36	Materials & Supplies	527	583	602	602	595	619
37	Other Business Expenses	177	203	190	190	200	198
38	Sub-total Non-Labor Expenses	\$3,007	\$3,282	\$3,330	\$3,377	\$3,424	\$3,580
40	Other Expense Adjustments:						
41	Other	\$45	\$43	\$45	\$46	\$47	\$49
42	General Reserve	0	140	150	155	160	165
43	Sub-total Other Expense Adjustments	\$45	\$183	\$195	\$201	\$207	\$214
45	Total Operating Expense before Non-Cash Liability Adj.	\$11,634	\$12,042	\$12,410	\$12,703	\$13,042	\$13,518
47	Depreciation	\$2,266	\$2,395	\$2,475	\$2,669	\$2,726	\$2,792
48	OPEB Obligation	2,035	2,022	2,114	2,199	2,287	2,378
49	Environmental Remediation	21	7	7	7	7	7
51	Total Operating Expense after Non-Cash Liability Adj.	\$15,956	\$16,466	\$17,005	\$17,578	\$18,062	\$18,696
53	Conversion to Cash Basis: Non-Cash Liability Adjs.	\$4,322	\$4,424	\$4,595	\$4,875	\$5,020	\$5,178
55	Debt Service (excludes Service Contract Bonds)	(2,249)	(2,454)	(2,662)	(2,827)	(2,934)	(2,974)
57	Total Operating Expense with Debt Service	\$13,882	\$14,496	\$15,071	\$15,530	\$15,976	\$16,492
59	Dedicated Taxes and State/Local Subsidies	\$6,375	\$6,557	\$6,648	\$6,817	\$6,938	\$7,144
61	Net Surplus/(Deficit) After Subsidies and Debt Service	\$561	\$427	\$140	(\$95)	(\$359)	(\$602)
63	Conversion to Cash Basis: GASB Account	(50)	(0)	0	0	(10)	(20)
64	Conversion to Cash Basis: All Other	(496)	(346)	(165)	(216)	(264)	(246)
66	CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER	\$15	\$81	(\$25)	(\$311)	(\$632)	(\$869)
67	ADJUSTMENTS	0	(190)	(31)	248	355	644
68	PRIOR-YEAR CARRYOVER	314	329	221	165	102	0
69	NET CASH BALANCE	\$329	\$221	\$165	\$102	(\$175)	(\$224)

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2016-2019

Plan Adjustments

(\$ in millions)

Line No.	2014 Actual	2015 Mid-Year Forecast	Budget	2017	2018	2019
7						
8						
9						
10						
11	\$15	\$81	(\$25)	(\$311)	(\$632)	(\$869)
12						
13	Fare/Toll Increases:					
14	-	-	-	262	311	312
15	-	-	-	-	-	276
16	-	-	-	(10)	(9)	(19)
17	\$0	\$0	\$0	\$253	\$302	\$569
18						
19	MTA Initiatives:					
20	-	10	94	95	128	125
21	-	-	-	25	50	75
22	\$0	\$10	\$94	\$120	\$178	\$200
23						
24	Policy Actions:					
25	-	(125)	(125)	(125)	(125)	(125)
26	-	(75)	-	-	-	-
27	-	(\$200)	(\$125)	(\$125)	(\$125)	(\$125)
28						
29	\$0	(\$190)	(\$31)	\$248	\$355	\$644
30						
31	314	329	221	165	102	0
32						
33	\$329	\$221	\$165	\$102	(\$175)	(\$224)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2016-2019
MTA Consolidated Cash Receipts and Expenditures
(\$ in millions)

Line No	Cash Receipts and Expenditures	2014 Actual	2015 Mid-Year Forecast	2016 Preliminary Budget	2017	2018	2019
7	Cash Receipts and Expenditures						
8							
9							
10	Receipts						
11	Farebox Revenue	\$5,734	\$5,967	\$6,138	\$6,164	\$6,193	\$6,220
12	Other Operating Revenue	\$705	\$758	\$719	\$855	\$779	821
13	Capital and Other Reimbursements	\$1,492	\$1,871	\$1,768	\$1,655	\$1,605	1,609
14	Total Receipts	\$7,931	\$8,595	\$8,625	\$8,673	\$8,577	\$8,650
15							
16	Expenditures						
17	Labor:						
18	Payroll	\$5,257	\$5,310	\$5,281	\$5,391	\$5,478	\$5,581
19	Overtime	875	883	822	832	844	861
20	Health and Welfare	975	1,112	1,205	1,277	1,354	1,446
21	OPEB Current Payment	470	500	554	596	648	705
22	Pensions	1,351	1,301	1,332	1,297	1,286	1,300
23	Other Fringe Benefits	738	803	804	815	836	855
24	Contribution to GASB Fund	50	0	0	0	10	20
25	Reimbursable Overhead	0	(0)	0	0	0	0
26	Total Labor Expenditures	\$9,716	\$9,909	\$10,000	\$10,209	\$10,456	\$10,769
27							
28	Non-Labor:						
29	Electric Power	\$520	\$507	\$526	\$550	\$581	\$619
30	Fuel	264	190	198	204	225	246
31	Insurance	41	54	54	60	68	79
32	Claims	251	289	214	219	222	227
33	Paratransit Service Contracts	366	381	405	424	461	500
34	Maintenance and Other Operating Contracts	526	591	648	647	557	561
35	Professional Service Contracts	304	497	413	366	363	360
36	Materials & Supplies	691	705	749	724	707	731
37	Other Business Expenditures	233	251	197	202	210	208
38	Total Non-Labor Expenditures	\$3,196	\$3,464	\$3,402	\$3,396	\$3,396	\$3,532
39							
40	Other Expenditure Adjustments:						
41	Other	25	122	109	108	116	120
42	General Reserve	0	140	150	155	160	165
43	Total Other Expenditure Adjustments	\$25	\$262	\$259	\$263	\$276	\$285
44							
45	Total Expenditures	\$12,936	\$13,636	\$13,661	\$13,867	\$14,127	\$14,585
46							
47	Net Cash Deficit Before Subsidies and Debt Service	(\$5,005)	(\$5,040)	(\$5,036)	(\$5,194)	(\$5,550)	(\$5,935)
48							
49	Dedicated Taxes and State/Local Subsidies	\$6,666	\$6,927	\$7,004	\$7,021	\$7,147	\$7,312
50	Debt Service (excludes Service Contract Bonds)	(\$1,646)	(\$1,806)	(\$1,994)	(\$2,138)	(\$2,229)	(2,246)
51							
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	\$15	\$81	(\$25)	(\$311)	(\$632)	(\$869)
53	ADJUSTMENTS	\$0	(\$190)	(\$31)	\$248	\$355	\$644
54	PRIOR-YEAR CARRY-OVER	\$314	\$329	\$221	\$165	\$102	\$0
55	NET CASH BALANCE	\$329	\$221	\$165	\$102	(\$175)	(\$224)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2016-2019
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	2015	2016	2017	2018
FEBRUARY FINANCIAL PLAN 2015-2018				
NET CASH SURPLUS/(DEFICIT)	\$47	\$102	\$10	(\$305)
Agency Baseline Adjustments	\$50	\$77	\$285	\$215
<i>Farebox/Toll Revenue</i>	45	84	52	30
<i>Rates:</i>				
<i>Pension</i>	79	72	89	108
<i>Energy</i>	66	62	101	102
<i>Insurance</i>	7	9	11	8
<i>Health & Welfare (including retirees)</i>	7	(35)	(14)	(5)
<i>Weather Impacts¹</i>	(54)	(4)	(4)	(4)
<i>Overtime (includes re-baselining)²</i>	(25)	(27)	(26)	(26)
<i>LI Bus Post-Termination Costs</i>	(58)	(8)	(8)	(8)
<i>Public Liability Claims</i>	(27)	(11)	(11)	(12)
<i>Other Baseline Re-estimates (includes timing)³</i>	10	(65)	95	19
New Needs/Investments	(\$139)	(\$202)	(\$198)	(\$169)
<i>Service Adjustments/Service Support</i>	(20)	(37)	(36)	(44)
<i>Maintenance/Operations</i>	(45)	(53)	(64)	(65)
<i>Safety & Security</i>	(9)	(9)	(10)	(12)
<i>Information Technology</i>	(30)	(40)	(39)	(14)
<i>New NYS-Mandated Annual Compliance Training</i>	(16)	(21)	(21)	(21)
<i>All Other New Needs</i>	(21)	(42)	(28)	(12)
Savings Programs	\$39	\$44	\$74	\$79
<i>2015 BRP (New Savings Programs)</i>	39	33	39	36
<i>NYCT Paratransit - Additional Net Savings</i>	1	11	35	43
MTA Adjustments	(\$1)	(\$8)	(\$8)	(\$8)
<i>General Reserve</i>	-	(5)	(5)	(5)
<i>FMTAC Reserves</i>	(1)	(3)	(3)	(3)
Changes in Subsidies	\$294	\$89	\$42	\$5
<i>Real Estate Taxes</i>	299	94	47	6
<i>Petroleum Business Tax</i>	15	14	14	14
<i>Payroll Mobility Tax</i>	(6)	(7)	(6)	(3)
<i>MTA Aid</i>	(13)	(13)	(13)	(13)
Other Subsidy Adjustments	(\$14)	\$137	\$66	\$74
<i>CDOT Subsidy</i>	6	13	10	12
<i>B&T Surplus Transfer</i>	80	46	57	63
<i>Forward Energy Contracts</i>	(37)	(11)	(0)	-
<i>Other Subsidies</i>	(62)	88	(1)	(1)
Debt Service	\$17	(\$75)	(\$62)	(\$10)
Below-the-Line Adjustments	(\$245)	(\$173)	(\$170)	(\$148)
<i>Change in Fare/Toll Increase Estimates</i>	-	-	6	6
<i>MTA Efficiencies - Identified and Capture in Agency Baselines</i>	(45)	(48)	(76)	(79)
<i>Additional MTA Efficiencies - Targeted in 2015 July Plan</i>	-	-	25	50
<i>Policy Actions:</i>				
<i>Committed to Capital - Additional Recurring Funding</i>	(125)	(125)	(125)	(125)
<i>Committed to Capital - One Time</i>	(75)	-	-	-
Prior Year Carryover	\$171	\$173	\$62	\$92
JULY FINANCIAL PLAN 2016-2019				
NET CASH SURPLUS/(DEFICIT)	\$221	\$165	\$102	(\$175)

* Totals may not add due to rounding

¹ Includes loss of farebox revenue and overtime.

² Excludes overtime for New York State's new mandated annual training requirements and NYCT track maintenance, which are captured in the New Needs/Investments section.

³ The changes capture timing differences, including recoveries from the disposition of the Madison Avenue buildings; changes in reimbursable assumptions; revised inflation forecasts; and adjustments for operating capital and cash.

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2016-2019
Consolidated Subsidies
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2014 Actual	2015 Mid-Year Forecast	2016 Preliminary Budget	2017	2018	2019
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA) ¹	\$1,563.9	\$1,563.9	\$1,703.6	\$1,771.1	\$1,851.5	\$1,927.9
Petroleum Business Tax (PBT) Receipts	627.2	623.2	619.5	618.8	620.0	621.8
Mortgage Recording Tax (MRT)	359.5	410.8	405.8	414.8	427.4	439.2
MRT Transfer to Suburban Counties	(3.4)	(1.7)	(3.1)	(3.0)	(3.0)	(3.3)
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
MTA Bus Debt Service	(24.9)	(24.9)	(24.9)	(24.9)	(23.8)	(23.8)
Interest	4.7	4.9	5.1	5.3	5.3	5.3
Urban Tax	806.1	929.5	808.6	807.3	807.3	837.2
Investment Income	1.0	1.1	1.1	1.2	1.2	1.2
	\$3,324.1	\$3,496.7	\$3,505.7	\$3,580.5	\$3,675.7	\$3,795.6
PMT and MTA Aid						
Payroll Mobility Tax	\$1,262.6	\$1,309.7	\$1,369.2	\$1,430.7	\$1,491.4	\$1,559.6
Payroll Mobility Tax Replacement Funds	309.3	309.3	309.3	309.3	309.3	309.3
MTA Aid	313.2	301.9	303.3	305.6	307.6	307.6
	\$1,885.1	\$1,920.9	\$1,981.7	\$2,045.5	\$2,108.3	\$2,176.5
State and Local Subsidies						
State Operating Assistance	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9
Local Operating Assistance	187.8	187.9	187.9	187.9	187.9	187.9
CDOT Subsidy	98.0	150.8	118.9	119.1	122.9	127.4
Station Maintenance	162.2	164.6	167.5	170.0	172.6	175.9
	\$635.9	\$691.3	\$662.2	\$665.0	\$671.3	\$679.1
Other Subsidy Adjustments						
Resource to Reduce Pension Liability	(\$165.0)	\$25.5	\$22.4	\$24.0	\$25.7	\$27.5
GASB Reserves to fund Labor Settlements	254.5	0.0	0.0	0.0	0.0	0.0
Reserve for Retroactive Payments	(109.3)	109.3	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts Program - Gain/(Loss)	(6.9)	(38.5)	(11.4)	(0.2)	0.0	0.0
MNR Repayment for 525 North Broadway	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Repayment of Loan to Capital Financing Fund	(100.0)	(100.0)	0.0	0.0	0.0	0.0
Committed to Capital ¹	(144.8)	(260.0)	(290.0)	(363.0)	(368.9)	(347.2)
	(\$285.6)	(\$277.6)	(\$292.9)	(\$353.1)	(\$357.2)	(\$333.7)
Subtotal Dedicated Taxes & State and Local Subsidies	\$5,559.5	\$5,831.2	\$5,856.6	\$5,937.9	\$6,098.2	\$6,317.5
City Subsidy for MTA Bus	\$460.2	\$420.2	\$492.7	\$437.1	\$435.2	\$419.1
City Subsidy for SIRTOA	24.0	33.4	45.0	52.0	42.8	37.2
	\$484.2	\$453.5	\$537.7	\$489.0	\$478.0	\$456.4
Total Dedicated Taxes & State and Local Subsidies	\$6,043.7	\$6,284.8	\$6,394.4	\$6,426.9	\$6,576.2	\$6,773.9
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	\$622.8	\$642.5	\$609.9	\$594.2	\$571.0	\$538.1
	\$622.8	\$642.5	\$609.9	\$594.2	\$571.0	\$538.1
GROSS SUBSIDIES	\$6,666.5	\$6,927.3	\$7,004.3	\$7,021.1	\$7,147.2	\$7,312.0

¹ To offset the reduction for the redirection of MMTOA monies to fund the Capital Program, the MTA will reduce its 2015 Committed to Capital contribution by an identical \$68 million.

METROPOLITAN TRANSPORTATION AUTHORITY
Summary of Changes Between the July and February Financial Plans
Consolidated Subsidies
Cash Basis
(\$ in millions)

<u>Subsidies</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Dedicated Taxes				
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$0.0	\$0.0	\$0.0	\$0.0
Petroleum Business Tax (PBT) Receipts	14.5	14.4	14.4	14.5
Mortgage Recording Tax (MRT)	47.3	25.4	24.0	22.2
MRT Transfer to Suburban Counties	1.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0
Urban Tax	251.7	68.4	22.5	(16.1)
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$314.6	\$108.2	\$61.0	\$20.6
PMT and MTA Aid				
Payroll Mobility Tax	(\$6.3)	(\$6.8)	(\$6.0)	(\$2.7)
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0
MTA Aid	<u>(12.8)</u>	<u>(12.9)</u>	<u>(13.0)</u>	<u>(13.0)</u>
	(\$19.1)	(\$19.6)	(\$19.0)	(\$15.8)
State and Local Subsidies				
State Operating Assistance	\$0.0	\$0.0	\$0.0	\$0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0
CDOT Subsidy	6.0	12.9	9.8	11.5
Station Maintenance	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>
	\$5.6	\$12.4	\$9.4	\$11.1
Other Subsidy Adjustments				
Resource to Reduce Pension Liability	\$4.2	(\$0.3)	(\$0.4)	(\$0.4)
GASB Reserves to fund Labor Settlements	0.0	0.0	0.0	0.0
Reserve for Retroactive Payments	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	0.0	0.0	0.0	0.0
Forward Energy Contracts Program - Gain/(Loss)	(37.4)	(10.7)	(0.2)	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	0.0	0.0	0.0	0.0
Committed to Capital	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	(\$33.2)	(\$11.0)	(\$0.5)	(\$0.4)
Subtotal Dedicated Taxes & State and Local Subsidies	\$267.8	\$89.9	\$50.9	\$15.5
City Subsidy for MTA Bus	(\$65.7)	\$86.7	(\$1.7)	(\$8.1)
City Subsidy for SIRTOA	<u>(1.3)</u>	<u>2.4</u>	<u>1.9</u>	<u>7.7</u>
	(\$67.0)	\$89.1	\$0.2	(\$0.4)
Total Dedicated Taxes & State and Local Subsidies	\$200.8	\$179.0	\$51.0	\$15.1
Inter-agency Subsidy Transactions				
B&T Operating Surplus Transfer	<u>\$80.1</u>	<u>\$46.4</u>	<u>\$57.1</u>	<u>\$63.5</u>
	\$80.1	\$46.4	\$57.1	\$63.5
GROSS SUBSIDIES	\$280.9	\$225.4	\$108.1	\$78.6

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III. Adjustments

III. ADJUSTMENTS

The discussion that follows reflects proposed Fare/Toll Increases, MTA Initiatives and Policy Actions that are not included in the Baseline (as depicted in Volume 2).

Fare/Toll Increases

Fare and Toll Increase on 3/1/17 – An increase in fares and tolls, yielding a 4% increase in farebox and toll revenues, is assumed for implementation on March 1, 2017 and is projected to generate an annualized increase of \$309 million in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by \$262 million in 2017, \$311 million in 2018 and \$312 million in 2019.

Increases in farebox revenues generated at MTA Bus and SIR are used to hold down NYC subsidies that cover the costs associated with these operations. Additionally, 10% of all B&T surplus toll revenues are delayed for distribution to NYCT and the Commuter Railroads, per MTA Board policy, until B&T results are audited. These items are offsets to the consolidated farebox and toll revenue generated from the fare and toll increases and are included within “Subsidy Impacts of 2017/2019 Fare/Toll Increase”; when factored in, the net change to the MTA from the proposed 2017 increase is \$252 million in 2017, \$302 million in 2018 and \$304 million in 2019. These net projections, compared with the November Plan, are higher by \$2 million in 2017 and lower by \$2 million in 2018.

Fare and Toll Increase on 3/1/19 – An increase in fares and tolls, yielding a 4% overall increase in farebox and toll revenues, is assumed for implementation on March 1, 2019 and is projected to generate a \$325 million annualized increase in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by \$276 million in 2019. Factoring in the MTA Bus, SIR and B&T adjustments included in “Subsidy Impacts of the 2017/2019 Fare/Toll Increase”, the net increase to the MTA is \$266 million in 2019.

MTA Consolidated Utilization
MTA Agency Fare and Toll Revenue Projections, in millions
Including the Impact of Fare & Toll Yield Increases

		2015 Mid-Year Forecast	2016 Preliminary Budget	2017	2018	2019
Fare Revenue						
Long Island Rail Road	Baseline	\$685.732	\$695.854	\$698.235	\$699.223	\$700.845
	2017 Fare Yield	0.000	0.000	23.750	27.969	28.034
	2019 Fare Yield	0.000	0.000	0.000	0.000	24.793
		\$685.732	\$695.854	\$721.985	\$727.192	\$753.672
Metro-North Railroad ¹	Baseline	\$675.370	\$694.831	\$708.239	\$717.969	\$726.595
	2017 Fare Yield	0.000	0.000	19.132	22.789	23.044
	2019 Fare Yield	0.000	0.000	0.000	0.000	21.141
		\$675.370	\$694.831	\$727.371	\$740.758	\$770.781
MTA Bus Company ²	Baseline	\$208.933	\$212.352	\$212.245	\$212.834	\$213.195
	2017 Fare Yield	0.000	0.000	7.180	8.513	8.528
	2019 Fare Yield	0.000	0.000	0.000	0.000	7.501
		\$208.933	\$212.352	\$219.425	\$221.347	\$229.224
New York City Transit ³	Baseline	\$4,289.811	\$4,426.051	\$4,435.012	\$4,451.458	\$4,465.939
	2017 Fare Yield	0.000	0.000	149.780	178.058	178.638
	2019 Fare Yield	0.000	0.000	0.000	0.000	156.857
		\$4,289.811	\$4,426.051	\$4,584.792	\$4,629.516	\$4,801.434
Staten Island Railway ²	Baseline	\$6.363	\$6.553	\$6.575	\$6.605	\$6.629
	2017 Fare Yield	0.000	0.000	0.222	0.264	0.265
	2019 Fare Yield	0.000	0.000	0.000	0.000	0.233
		\$6.363	\$6.553	\$6.797	\$6.869	\$7.127
Total Farebox Revenue	Baseline	\$5,866.209	\$6,035.641	\$6,060.306	\$6,088.089	\$6,113.203
	2017 Fare Yield	0.000	0.000	200.065	237.594	238.509
	2019 Fare Yield	0.000	0.000	0.000	0.000	210.525
		\$5,866.209	\$6,035.641	\$6,260.370	\$6,325.683	\$6,562.237
Toll Revenue						
Bridges & Tunnels ⁴	Baseline	\$1,768.803	\$1,791.021	\$1,800.988	\$1,812.980	\$1,827.184
	2017 Toll Yield	0.000	0.000	62.280	73.337	73.911
	2019 Toll Yield	0.000	0.000	0.000	0.000	65.713
		\$1,768.803	\$1,791.021	\$1,863.268	\$1,886.317	\$1,966.809
TOTAL FARE & TOLL REVENUE						
	Baseline	\$7,635.012	\$7,826.662	\$7,861.294	\$7,901.069	\$7,940.387
	2017 Fare / Toll Yield	0.000	0.000	262.345	310.931	312.420
	2019 Fare / Toll Yield	0.000	0.000	0.000	0.000	276.238
		\$7,635.012	\$7,826.662	\$8,123.638	\$8,212.000	\$8,529.046

¹ MNR baseline utilization reflects East-of-Hudson service only; impacts from fare yield changes also include West-of-Hudson utilization.

² MTA Bus and SIR revenues from fare increases are used to reduce NYC subsidies to MTA Bus and SIR.

³ Excludes Paratransit Operations.

⁴ Distribution of 10% of B&T surplus toll revenue is delayed to subsequent year per MTA Board resolution.

MTA Initiatives

In 2009 and 2010, the MTA introduced a number of savings initiatives and programs categorized as MTA Efficiencies. These included administrative reductions, operational consolidations, strategic initiatives, paratransit savings and improved MTA-wide business practices. In the November 2010 Plan, savings from these programs were projected to reach an annualized level of \$784 million by 2014. The actual realized savings for 2014 reached \$1.111 billion, a 42% increase over the original target. Included within Agency baseline financials, this Plan captures total implemented efficiencies of \$1.332 billion for 2015 growing to \$1.550 billion by 2019. This includes identified and implemented programs for savings targets that were unidentified in the 2015 February Financial Plan totaling \$45 million in 2015, \$48 million in 2016, \$76 million in 2017, \$79 million in 2018 and \$83 million in 2019. The success of these savings initiatives has generated funding for safety, service and operational needs while reducing the amount of planned fare and toll increases. Until 2013, it was assumed that 7.5% biennial fare and toll yield increases would be required to maintain budgetary balance. As a result of the substantial increase in targeted savings efficiencies, the 2015 fare and toll increase was lowered to 4% and proposed increases for 2017 and 2019 are projected to yield 4%.

MTA Efficiencies – Not Yet Implemented – Unidentified savings targets remaining from the February Plan total \$10 million in 2015, \$94 million in 2016, \$95 million in 2017, \$128 million in 2018 and \$125 million in 2019. The MTA is committed to continuing its program of identifying efficiencies that result in overall recurring savings for the organization, and areas being reviewed to achieve these savings include procurement efficiencies, savings in IT, insurance and office space efficiencies.

Additional MTA Efficiencies – Targeted in July 2015 Plan – In order to help fund the MTA’s operating commitment to the Capital Program, it is proposing additional targeted savings in the July Plan of \$25 million in 2017, \$50 million in 2018 and annualized to \$75 million in 2019.

Overall, the total recurring savings from MTA Efficiencies – those implemented, those not yet implemented but targeted in prior financial plans, and additional targets proposed in this Plan – are projected to be \$1.342 billion in 2015, growing to \$1.750 billion by 2019.

Policy Actions

Committed to Capital – Additional Recurring Funding – Using favorable net re-estimates and greater MTA efficiencies, the MTA is planning to provide \$125 million annually in additional capital funding beginning in 2015, a total investment of \$625 million over the plan period.

Committed to Capital – One-Time – In 2015, the MTA will utilize favorable real estate transaction tax projections to provide a one-time “Pay-As-You-Go” (Pay-Go) investment of \$75 million.

In total, the MTA will make \$700 million of additional contributions to the Capital Program over the plan period. Together with the \$290 million annual “down-payment” captured in the 2015 February Plan, total investments will be \$490 million in 2015 and \$415 million annually thereafter.

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IV. Appendix

**Certification of the Chairman and Chief Executive Officer
of the
Metropolitan Transportation Authority
in accordance with Section 202.3(l)
of the
State Comptroller's Regulations**

I, Thomas F. Prendergast, Chairman and Chief Executive Officer of the Metropolitan Transportation Authority ("MTA") hereby certify, to the best of my knowledge and belief after reasonable inquiry, including certifications from senior management at the MTA agencies, that the attached budget and financial plan is based on reasonable assumptions and methods of estimation and that the requirements of Section 202.3 and 202.4 of the Regulations referenced above have been satisfied.

Metropolitan Transportation Authority

By: _____



Thomas F. Prendergast
Chairman and Chief Executive Officer

Dated: July 17, 2015

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V. Other

The MTA Budget Process

MTA budgeting is a rigorous and thorough on-going process and culminates with the passage of the Budget in December. In the course of a year, MTA prepares a February, July and November Financial Plan, and Adoption Materials in December. In addition to the existing year, each Plan requires Agencies to prepare four-year projections which include the upcoming and three following calendar years.

Both the July and November Financial Plans are divided into two distinct volumes:

- Volume I summarizes the complete financial plan, including the baseline as well as policy items and other “below-the-line” items;
- Volume II includes detailed Agency information supporting baseline revenue, expense, cash and headcount projections. Also included is detailed information supporting actions taken to increase savings as well as individual Agency deficit reduction programs.

July Plan

The July Financial Plan provides the opportunity for the MTA to present a revised forecast of the current year’s finances, a preliminary presentation of the following years proposed budget, and a three year re-forecast of out-year finances. This Plan may include a series of gap closing proposals necessary to maintain a balanced budget and actions requiring public hearings. The Mid-Year Forecast becomes the basis in which monthly results are compared for the remainder of the year.

November Plan

After stakeholders weigh in and the impact of new developments and risks are quantified, a November Plan is prepared, which is an update to the July Financial Plan. The November Plan includes a revised current year and finalization of the proposed budget for the upcoming year and projections for the three out-years.

December Adopted Budget

In December, the November Plan is updated to capture further developments, risks and actions that are necessary to ensure budget balance and is presented to the MTA Board for review and approval.

February Plan

Finally, in the Adopted Budget below-the-line policy issues are moved into the baseline and technical adjustments are made. This results in what is called the February Plan. The Adopted Budget is allocated over the period of 12 months and becomes the basis in which monthly results are compared.

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