MTA 2013
Final Proposed Budget
November Financial Plan 2013 – 2016

Volume 1
November 2012

Metropolitan Transportation Authority

OVERVIEW

MTA 2013 FINAL PROPOSED BUDGET
NOVEMBER FINANCIAL PLAN 2013-2016
VOLUME 1

The MTA's November Plan is divided into two volumes. Volume 1 consists of financial schedules supporting the complete MTA-Consolidated Financial Plan, including an Executive Summary, baseline and below-the-line Fare/Toll Increases, MTA Initiatives, MTA Re-estimates, and Policy Actions. 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 financial and position schedules as well as narratives that support the baseline projections included in the 2013 Final Proposed Budget and the Financial Plan for 2013 through 2016. 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

<u>Executive Summary</u>

The 2012 November Financial Plan (the “November Plan” or “Plan”) includes the 2012 November Forecast, 2013 Final Proposed Budget and a Financial Plan for the years 2014-2016.

Background

On October 29, 2012, Tropical Storm Sandy made landfall just south of Atlantic City, New Jersey, as a post-tropical cyclone. Its accompanying storm surge and high winds caused widespread and unprecedented damage to the physical transportation assets operated by the MTA and its affiliates and subsidiaries. Preliminary estimates of damage to the MTA are $5 billion from infrastructure damage, lost revenue and increased operating costs. While the MTA expects to recoup most of these costs over the next few years from insurance or the Federal Government (FEMA and others), there will be both immediate and long-term strains on the agencies’ resources.

While the financial impacts from Sandy are large, they will not alter the long-term financial strategy of the MTA. Since 2010, our Plans have been consistent, disciplined, and totally transparent. This financial strategy, which stands us in good stead post Sandy, includes continuous pursuit of recurring cost reductions, “net-zero” wage growth, biennial fare and toll increases, and increased reserves and liquidity, while addressing long-term healthcare, pension and debt service vulnerabilities. Plans do not include budget-driven service reductions. In fact, the MTA announced a service investment package totaling $29.5 million in July. Beginning in 2015, this Plan also includes $250 million annually as a “down payment” for the 2015 – 2019 Capital Program. This amount is being funded from debt service savings achieved in the 2012 refunding program and re-estimates of debt service attributable to lower interest rates and cash flow requirements on approved, but unissued, bonds.

The strategies employed in these Plans have positioned the MTA to meet the challenges of this Financial Plan period. MTA will be able to absorb the financial impacts of Sandy, which include the 2012 operating loss, projected increased debt service on bridge financing and estimated unreimbursed infrastructure losses, while also maintaining budgetary balance through 2013 and manageable out-year deficits.

What Has Changed Since The July Plan?

The July Plan was balanced through 2013 with manageable out-year deficits. Since then, there have been both favorable and unfavorable changes that, combined, have resulted in a net favorable re-estimate.

Favorable changes include:

- Lower debt service expenses;

- Higher real estate subsidies;
- Additional paratransit savings; and
- Favorable Agency results in 2012 (related both to spending reductions and the timing of certain expenditures) and higher operating revenue.

Offsetting those results are higher projected costs and an unfavorable payroll cash adjustment:

- Higher health and welfare costs;
- Higher overtime expenses;
- Increase in electric power costs; and
- Payroll adjustment for 27th pay period in 2014.

Taken in total, these changes result in a net improvement to MTA's cash balance in 2012, a modest worsening in 2013, and improvements in 2014, 2015 and 2016. A reconciliation of the Plan-to-Plan changes can be found in Section II of this volume, with further detail provided in Volume 2.

Financial Impact of Tropical Storm Sandy

The Financial Plan, however, needed to be reconsidered in light of the destruction left by Sandy. Computation and estimation of Sandy-related losses is ongoing and it is too early to have more than highly provisional estimates. Early estimates have put MTA losses at $5 billion dollars including: an estimated $4.75 billion in damages to MTA's infrastructure; and an estimated $268 million operating loss (lost fare and toll revenue along with expenses necessary to prepare for and re-establish service after Sandy).

Losses will be covered by a combination of insurance, federal programs (including FEMA) and MTA resources.

> <u>Infrastructure damage</u>: After insurance ($1.075 billion of maximum coverage) and standard FEMA recoveries (75% of approved loss), an estimated $950 million of infrastructure damage may need to be covered by MTA.
>
> <u>Operating loss</u>: MTA anticipates substantial recoveries from business interruption/extra expense insurance coverage and FEMA.

While MTA expects to receive advances from insurers and the Federal Government, final settlement could take 2 to 3 years. While the operating loss will hit the MTA's 2012 budget, multi-year expenditures will begin immediately and bridge loan financing will be necessary until reimbursement is received.

MTA expects that the 2012 operating loss will be funded internally. Favorable MTA Agency results (related both to actual spending reductions and the timing of certain expenditures as well as higher operating revenues), lower than budgeted debt service and higher than expected subsidies, in combination with the release of the remaining

$63 million in the General Reserve and a $75 million internal loan will enable the MTA to balance the 2012 budget. Proceeds from insurance and Federal reimbursements are expected to cover most of this loss and enable the MTA to repay the internal loan in 2015.

The infrastructure losses will require external borrowing, which will increase debt service next year and beyond. For example, assuming the MTA issues recovery anticipation notes of $2.9 billion in 2013 and an additional $1.9 billion in 2014, annualized debt service costs are estimated to increase by $29 million in 2013 and $48 million in 2014 until the notes are repaid from insurance or federal reimbursements or proceeds of bonds. If bonds are issued in 2016 to take out anticipation notes related to unreimbursed losses of $950 million, estimated debt service will increase to $62 million annually. Additional recurring cost reductions would be required to offset this increase in debt service. MTA has reflected both this estimated additional debt service and additional annual MTA Efficiency targets of $25 million in 2013 increasing to $75 million in 2015 in the Financial Plan.

Other Significant Elements of the Plan

The November Plan continues to respond to the financial challenges facing the MTA while also investing in customer priorities.

Service investments/service support. The Plan retains the $29.5 million in annual MTA service investments that were announced in July, restoring, extending and adding service on bus, subway and commuter rail lines to better serve customers. These investments will connect customers across the MTA's service area, enhance access to mass transit, accommodate ridership growth and attract new transit riders. In addition, Agencies will continue to make necessary service adjustments to meet frequency and loading guidelines.

The service investments come at a time when ridership on the MTA network is steadily increasing. Subway ridership has reached levels not seen since the 1940s, while commuter train ridership is approaching all-time records. Ridership growth is especially pronounced outside of the traditional rush hours, prompting increased investment in night, weekend and off-peak weekday service. Implementation of the service investments has already begun and will continue over the next year.

In addition to the $29.5 million service investment package announce in July, the Plan includes additional service by MTA Bus to address schedule gaps and overcrowding. It is also adding a new route in Queens to enhance service to LaGuardia Airport.

Addressing new needs**.** While maintaining its focus on cost reduction, the MTA continues to improve the reliability and performance of its fleet and infrastructure through increased maintenance and better business practices. In the July Plan there was a strong emphasis on addressing customer priorities by enhancing service reliability, investing in the station environment, and making more and better travel information readily available. While this emphasis continues, the November Plan also increases resources to address additional maintenance needs. NYC Transit is establishing a scheduled maintenance program to extend the useful life of its 120-car non-revenue work car fleet, adding more refuse trains and crews for station platform trash removal, and improving security with increased inspection of ancillary rooms in stations and tunnels. MTA Bus is revising its bus overhaul programs to ensure sufficient fleet as a consequence of the delay in the procurement of new buses.

***Additional support for Capital Program*.** This plan continues to provide “Pay-As-You-Go” funds included in the approved 2010-2014 Capital Program. Beginning in 2015, it includes an additional $250 million annually as a “down payment” in support of the 2015-2019 capital program. This support is largely attributable to debt service savings derived from the 2012 refunding program as well as re-estimates of assumed interest rates and cash flow requirements.

Driving down costs through expense reductions and efficiencies. The Plan continues the strategy developed in 2010 to “make every dollar count.” The November Plan raises the “to be identified” annual savings targets by $25 million in 2013, increasing to $75 million per year in 2015. This results in annual, recurring savings of over $800 million in 2013, growing to $1.2 billion by 2016.

The MTA continues to control discretionary expense growth. In fact, after adjustments for service expansion, wage growth (after the expected three years of “net zero”), and additional maintenance programs, projected 2013 spending is essentially flat compared with 2012 (up 0.6%), and is actually lower than 2011 in absolute dollars. However, non-discretionary expenses (i.e., pensions, health & welfare, energy, paratransit and debt service), continue to grow at a significantly greater rate.

Three years of “net-zero” wage growth. The November Plan baseline continues to capture three years of “net-zero” wage growth for represented employees. To achieve net zero, wage increases may be granted if offset by savings from work rules or other non-wage concessions. Non-represented employees are already in their fourth year of real zero wage growth.

In 2012, the State’s largest unions agreed to contracts that include three years of zero wage increases as well as contributions towards health care benefits; similarly, this Plan assumes that the “three net-zero” contracts will be achieved through collective bargaining with MTA’s unions.

Continue moderate biennial fare/toll increases. The Plan continues to project moderate biennial fare/toll increases to help offset continuing growth in non-discretionary expenses: pensions, health care, energy, paratransit and debt service. The 2013 fare/toll increase is projected to produce annualized revenue of $450 million, while the 2015 increase will net $500 million annualized. Over the Plan period, fare and toll increases equate to only 38% of the increase in these non-discretionary expenses, with remainder coming largely from dedicated tax and subsidy growth, and continuing cost efficiencies.

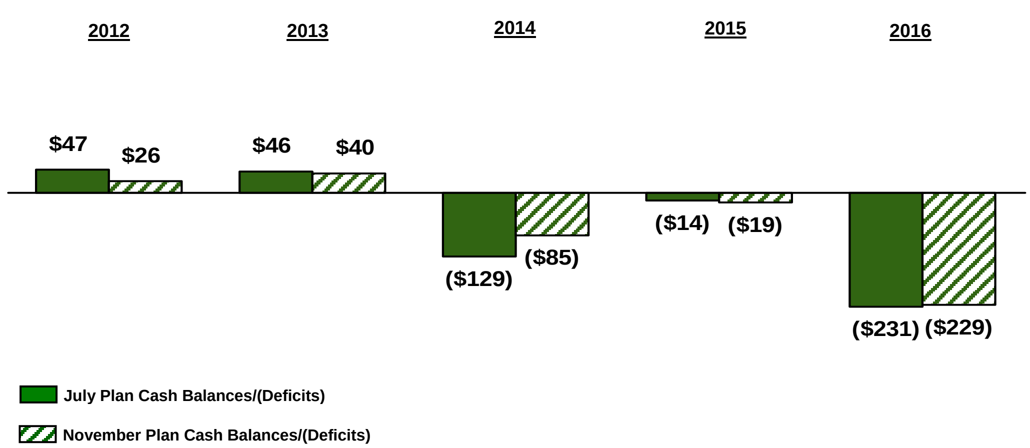
Consistent with the July Plan, MTA will seek to use its improved finances to push back the start date for both the 2013 and 2015 increases to the beginning of March, reducing the impact of these increases on customers.

Increasing General Reserve and OPEB deposits. Consistent with prior plans, this Plan includes a General Reserve that approximates 1% of the MTA's annual operating budget. This year, the General Reserve has helped to provide the liquidity needed for the short-term funding of losses occasioned by Sandy.

The Plan continues to make annual payments to address the increasing OPEB liability, with $250 million transferred from the OPEB account held by MTA into the OPEB Trust. From the remaining balance of $210 million in the account, the MTA expects to borrow $75 million from remaining OPEB funds to offset Sandy impacts until reimbursement is received and the internal loan is repaid, at which time it is anticipated that such monies will be transferred into the OPEB Trust.

The "Bottom Line"

The MTA's projected near term operating results have slightly worsened from the July Plan, while projecting modest improvements in total out-year deficits. As stated earlier, MTA finances have improved as a result of favorable results and re-estimates of operating revenues and expenses and additional increases in MTA savings targets. This has created the financial capacity to absorb the immediate and longer term impacts of Sandy, continue to fund new service and other investments presented in the July Plan, and maintain the projected 2013 and 2015 fare/toll increases at the moderate yields first presented in the July 2010 Plan.



Risks to the Plan

The November Plan reflects the commitment to continually improve MTA's financial and operating performance and respond to customer concerns and needs. As with the July Plan, however, this commitment must be tempered by the reality that out-year deficits remain and there are risks inherent in this Plan. This Plan continues to assume that labor settlements will include three years of net-zero wage growth. It assumes there will be a continued focus on cost reductions and that those efforts will be successful. The Plan assumes that State budget actions will reflect full remittance to the MTA of all funds collected on its behalf.

Additionally, while there have been indications of regional economic recovery, the effects of Sandy are unknown and the national recovery remains tepid. Should the recovery falter and adversely affect the regional economy, the MTA has limited financial reserves to offset lower-than-expected operating revenues, taxes and subsidies. Of more immediate concern on a national level are upcoming negotiations between the White House and the Congress regarding strategies to reduce the federal budget deficit and the impact that any agreement ultimately reached may have on ongoing support for the MTA Capital Program and the scope of post-Sandy disaster relief. There are also vulnerabilities beyond the Plan period including rising employee and retiree healthcare costs, the risk of lower investment returns on pensions, and the possibility of higher interest rates, which would have a significant impact on debt service payments to support the MTA capital program.

Impact of Tropical Storm Sandy

As Sandy made its approach toward the New York City metropolitan area, bringing with her the potential for widespread flooding from its storm surge and severe wind damage, the MTA was directed by Governor Andrew M. Cuomo to begin planning for an orderly suspension of all subway, bus and commuter rail service starting at 7 p.m. on Sunday, October 28, 2012. In MTA's history, this is only the second time the full network has been shut down preemptively in connection with a weather event.

The MTA Hurricane Plan calls for suspending service hours before the approach of sustained winds of 39 mph and higher, to give MTA crews time to prepare rail and subway cars, buses, tunnels, yards and buildings. Preparations include readying recovery equipment, clearing drainage areas, moving vehicles from low-lying areas at bus depots and rail yards and sealing of some tunnel access points.

NYCT began curtailing subway service beginning at 7 p.m. and bus service within the following two hours. Long Island Rail Road and Metro-North Railroad started their final trains by 7 p.m. from terminal locations. Subway and rail road stations were closed after the last trains passed through stations. By 7 p.m. on Monday, October 29, 2012, almost all MTA Bridge and Tunnel crossings also had been closed down because of high winds.

On Tuesday, October 30, 2012, in the aftermath of Sandy, MTA officials learned of the significant damage to the transportation network. Damage to major infrastructure included:

NYCT

- Flooding in seven East River subway tunnels
- Flooding of the South Ferry/Whitehall Street Station from track to ceiling
- Significant damage to the Rockaway Line
- Damage to signals, tracks and other infrastructure elements, such as tunnel lighting, vents, pumps, structures, communications and power as a result of flooding
- Flooding in six bus depots and three subway yards

LIRR

- Downed trees, power lines and other debris on rail tracks
- Flooding in Long Island Rail Road's West Side Yards
- Flooding of two of the four East River tunnels
- Damage to substations

MNR

- Downed trees, power lines and other debris on rail tracks
- Loss of power from 59th Street in Manhattan to Croton-Harmon on the Hudson Line and to New Haven on the New Haven Line
- Damage to substations

B&T

- Flooding in the Hugh L. Carey Tunnel (formerly the Brooklyn-Battery Tunnel) from end to end
- Flooding in the Queens Midtown Tunnel

MTA Bus

- Damage to the Far Rockaway Depot

In spite of the widespread and unprecedented damage to the physical transportation assets operated by the MTA and its affiliates and subsidiaries, all but one of MTA's seven bridges were re-opened on October 30, 2012 and partial bus service began operating on October 30th at 5 p.m. on a Sunday schedule. By the following day, Local, Limited-Stop and Express Bus services were operating as close to a normal weekday schedule as possible, with Long Island Rail Road and Metro-North beginning to provide limited service on parts of their respective networks and the Cross Bay Veterans Memorial Bridge, the only MTA bridge still closed, was re-opened. Beginning on Thursday, November 1, 2012, limited subway service was restored, along with enhanced commuter rail service. During each additional day, the MTA continued to restore service across its transportation network, as crews worked to pump out flooded tunnels, repair signals and test equipment. By Friday, November 9, 2012, the Queens Midtown Tunnel was re-opened to passenger vehicles in time for Friday morning's rush hour, while subway and commuter rail service continued to be restored. Beginning Monday morning on November 19th, both tubes of the Hugh L. Carey Tunnel opened to cars and buses in both directions around the clock.

Preliminary estimates of damage put MTA losses at $5.02 billion; of that amount, $4.75 billion reflects infrastructure damage, with the remaining $268 million from lost revenue and increased operating costs. The financial impacts by Agency are detailed in the following table:

METROPOLITAN TRANSPORTATION AUTHORITY

Projected Financial Impact of Tropical Storm Sandy

($ in millions)

	Operating Impact			Capital Impact	Total Impact
	Revenue Loss	Expenses	Total		
NYCT	$85.3	$62.7	$148.0	$3,389.0	$3,537.0
LIRR	4.5	16.6	21.1	267.0	288.1
MNR	5.3	21.7	27.0	188.0	215.0
B&T	24.8	34.1	59.0	778.0	837.0
MTAHQ	0.1	6.0	6.1	-	6.1
SIR	0.2	0.7	0.9	60.0	60.9
MTA Bus	4.1	2.0	6.2	25.0	31.2
MTA CC	-	-	-	47.8	47.8
Total	**$124.3**	**$143.9**	**$268.2**	**$4,754.8**	**$5,023.0**

The MTA has identified losses from Sandy that are preliminarily estimated to be $5.02 billion from damage to infrastructure ($4.75 billion) and operating losses ($268 million). It should be noted that the computation and estimation of Sandy-related losses is on-going; it is too early to have more than highly provisional estimates. Ultimate losses will be covered by a combination of insurance, federal programs (including FEMA) and, MTA resources. While the MTA expects to receive advances from insurers and the Federal Government, final settlement could take 2 to 3 years. The standard reimbursement by FEMA is 75% of approved losses which means that unless FEMA increases its reimbursement percentage, MTA could be exposed to approximately $950 million based upon the current loss estimate. Operating losses will hit the 2012 budget. Multi-year infrastructure expenditures will begin immediately and bridge loan financing will be necessary until reimbursement is received.

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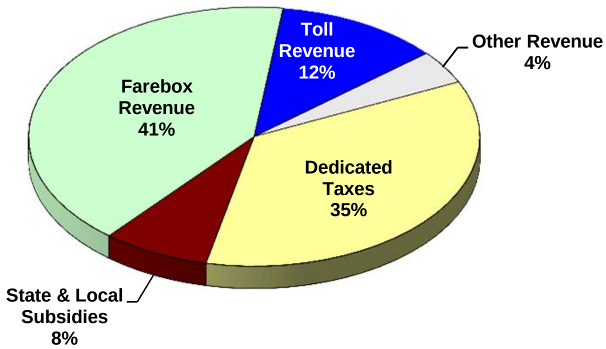
II. MTA Consolidated 2012-2016 Financial Plan

MTA 2013 Final Proposed Budget
Baseline Expenses After Below-the-Line Adjustments [1]
Non-Reimbursable

Where the Dollars Come From …

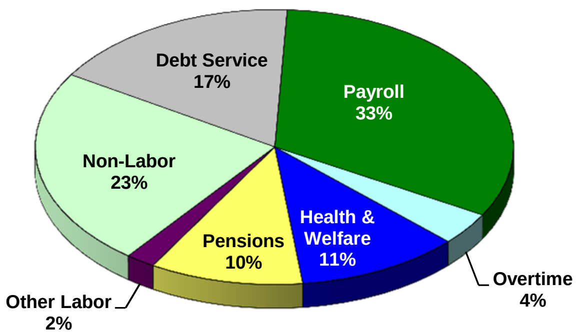


By Revenue Source ($ in millions)	
Farebox Revenue*	$5,491
Toll Revenue*	1,585
Other Revenue	561
Dedicated Taxes	4,743
State & Local Subsidies	1,031
Total	$13,411

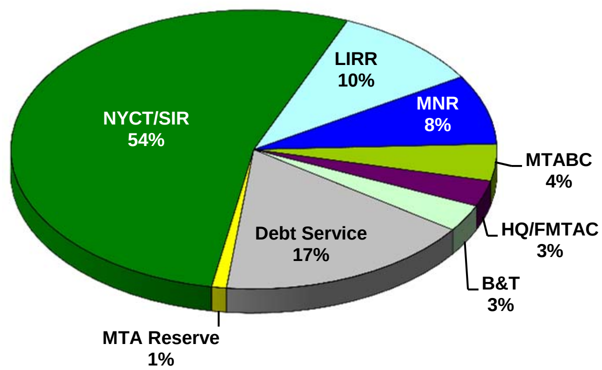
* includes the Below-the-Line Adjustments that impact Revenue

Where the Dollars Go …

By Expense Category



By MTA Agency



By Expense Category includes below-the-line adjustments[1] ($ in millions)	
Payroll	$4,276
Overtime	506
Health & Welfare	1,459
Pensions	1,366
Other Labor	261
Non-Labor	3,082
Debt Service	2,246
MTA Below-the-Line Expense Adj.[1]	-25
Total	$13,173

By MTA Agency[2] includes below-the-line adjustments ($ in millions)	
NYCT/SIR	$7,063
LIRR	1,319
MNR	1,065
MTABC	563
HQ/FMTAC	397
B&T	414
Debt Service	2,246
MTA Reserve	130
MTA Below-the-Line Adjustments[3]	-25
Total	$13,173

Expenses exclude Depreciation, OPEB obligation and Environmental Remediation.

[1] *The below-the-line adjustments have not yet been allocated to generic expense categories.*

[2] *MTA Capital Construction is not included in the above charts, as its budget contains reimbursable expenses only.*

[3] *The below-the-line adjustments have not been allocated to specific Agencies as yet.*

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2013-2016
MTA Consolidated Statement Of Operations By Category
($ in millions)

Line No.	Non-Reimbursable	2011 Actual	2012 November Forecast	2013 Final Proposed Budget	2014	2015	2016
10	***Operating Revenue***						
11	Farebox Revenue	$4,999	$5,110	$5,173	$5,260	$5,333	$5,396
12	Toll Revenue	1,502	1,505	1,499	1,503	1,508	1,519
13	Other Revenue	510	536	561	594	633	680
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	**Total Operating Revenue**	**$7,011**	**$7,151**	**$7,234**	**$7,357**	**$7,473**	**$7,595**
17	***Operating Expense***						
18	**Labor Expenses:**						
19	Payroll	$4,160	$4,207	$4,276	$4,314	$4,421	$4,529
20	Overtime	539	527	506	495	504	513
21	Health & Welfare	810	863	979	1,045	1,132	1,239
22	OPEB Current Payment	394	428	480	521	571	626
23	Pensions	1,075	1,329	1,366	1,393	1,449	1,483
24	Other-Fringe Benefits	582	550	561	573	590	606
25	Reimbursable Overhead	(324)	(317)	(300)	(298)	(292)	(297)
26	**Sub-total Labor Expenses**	**$7,235**	**$7,586**	**$7,869**	**$8,043**	**$8,375**	**$8,699**
28	**Non-Labor Expenses:**						
29	Electric Power	$457	$502	$561	$596	$635	$679
30	Fuel	283	264	270	266	264	280
31	Insurance	14	20	32	45	53	65
32	Claims	316	190	198	213	221	233
33	Paratransit Service Contracts	349	367	385	420	426	494
34	Maintenance and Other Operating Contracts	451	498	540	551	582	607
35	Professional Service Contracts	226	274	277	274	271	275
36	Materials & Supplies	438	470	493	510	565	573
37	Other Business Expenses	170	121	152	158	163	168
38	**Sub-total Non-Labor Expenses**	**$2,704**	**$2,707**	**$2,907**	**$3,032**	**$3,178**	**$3,374**
40	**Other Expense Adjustments:**						
41	Other	($2)	$58	$45	$46	$46	$49
42	General Reserve	0	0	130	135	140	150
43	**Sub-total Other Expense Adjustments**	**($2)**	**$58**	**$175**	**$181**	**$186**	**$199**
45	**Total Operating Expense before Non-Cash Liability Adj.**	**$9,937**	**$10,351**	**$10,952**	**$11,255**	**$11,740**	**$12,273**
47	Depreciation	$2,019	$2,182	$2,252	$2,329	$2,425	$2,525
48	OPEB Obligation	1,707	1,721	1,774	1,845	1,919	1,996
49	Environmental Remediation	59	5	6	6	6	6
51	**Total Operating Expense after Non-Cash Liability Adj.**	**$13,722**	**$14,259**	**$14,983**	**$15,436**	**$16,090**	**$16,799**
53	**Net Deficit Before Subsidies and Debt Service**	**($6,711)**	**($7,108)**	**($7,749)**	**($8,078)**	**($8,617)**	**($9,204)**
55	Conversion to Cash Basis: Non-Cash Liability Adjs.	$3,785	$3,908	$4,032	$4,180	$4,350	$4,527
57	Debt Service (excludes Service Contract Bonds)	(1,934)	(2,072)	(2,246)	(2,401)	(2,547)	(2,785)
59	**Total Operating Expense with Debt Service**	**$11,870**	**$12,423**	**$13,198**	**$13,657**	**$14,287**	**$15,058**
61	Dedicated Taxes and State/Local Subsidies	$5,151	$5,500	$5,775	$6,006	$6,279	$6,509
63	**Net Deficit After Subsidies and Debt Service**	**$292**	**$227**	**($190)**	**($293)**	**($535)**	**($954)**
65	Conversion to Cash Basis: GASB Account	(38)	(77)	(83)	(88)	(90)	(94)
66	Conversion to Cash Basis: All Other	(117)	(192)	(178)	(292)	(106)	(71)
68	**CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER**	**$137**	**($42)**	**($451)**	**($673)**	**($732)**	**($1,120)**
69	**ADJUSTMENTS**	**0**	**(228)**	**464**	**549**	**712**	**891**
70	**PRIOR-YEAR CARRY-OVER**	**160**	**297**	**26**	**40**	**0**	**0**
71	**NET CASH BALANCE**	**$297**	**$26**	**$40**	**($85)**	**($19)**	**($229)**

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2013-2016
Plan Adjustments
($ in millions)

		2012 November Forecast	2013 Final Proposed Budget	2014	2015	2016
Cash Balance Before Prior-Year Carry-over		**($42)**	**($451)**	**($673)**	**($732)**	**($1,120)**
Fare/Toll Increases:						
Fare/Toll Yields on 3/1/13		-	382	465	473	476
Fare/Toll Yields on 3/1/15		-	-	-	425	515
	Sub-Total	**$0**	**$382**	**$465**	**$897**	**$991**
MTA Initiatives:						
Unidentified MTA Efficiencies		-	25	50	75	120
MetroCard Green Fee and Cost Savings		-	20	20	20	20
	Sub-Total	**$0**	**$45**	**$70**	**$95**	**$140**
MTA Re-estimates:						
Move from Madison Avenue (Headquarters)		(15)	(44)	(22)	10	71
Residual LI Bus Costs - Responsibility of Nassau County		(20)	20	-	-	-
	Sub-Total	**($35)**	**($24)**	**($22)**	**$10**	**$71**
Policy Actions:						
(Operating Loss)/Recovery from Tropical Storm Sandy		*(268)*	*90*	*83*	*83*	-
Financing of Tropical Storm Sandy Repairs		-	*(29)*	*(48)*	*(48)*	*(62)*
OPEB Loan in 2012; repaid in 2015		*75*	*0*	*0*	*(75)*	*0*
Support for 2015-2019 Capital Program		-	-	-	*(250)*	*(250)*
	Sub-Total	**($193)**	**$61**	**$35**	**($290)**	**($312)**
TOTAL ADJUSTMENTS		**($228)**	**$464**	**$549**	**$712**	**$891**
Prior-Year Carry-Over		297	26	40	0	0
Net Cash Surplus/(Deficit)		**$26**	**$40**	**($85)**	**($19)**	**($229)**

METROPOLITAN TRANSPORTATION AUTHORITY

November Financial Plan 2013-2016

MTA Consolidated Cash Receipts and Expenditures

($ in millions)

Line No	Cash Receipts and Expenditures	2011 Actual	2012 November Forecast	2013 Final Proposed Budget	2014	2015	2016
10	**Receipts**						
11	Farebox Revenue	$5,046	$5,133	$5,226	$5,307	$5,380	$5,444
12	Other Operating Revenue	524	615	587	623	662	708
13	Capital and Other Reimbursements	1,285	1,564	1,444	1,436	1,415	1,427
14	**Total Receipts**	**$6,856**	**$7,312**	**$7,257**	**$7,366**	**$7,458**	**$7,578**
16	**Expenditures**						
17	***Labor:***						
18	Payroll	$4,484	$4,611	$4,651	$4,766	$4,761	$4,863
19	Overtime	630	616	578	578	573	583
20	Health and Welfare	858	899	1,011	1,079	1,167	1,273
21	OPEB Current Payment	369	419	463	504	553	607
22	Pensions	1,092	1,325	1,383	1,408	1,461	1,498
23	Other Fringe Benefits	609	648	651	672	680	697
24	Contribution to GASB Fund	38	77	83	88	90	94
25	Reimbursable Overhead	0	0	0	0	0	0
26	**Total Labor Expenditures**	**$8,080**	**$8,596**	**$8,822**	**$9,095**	**$9,287**	**$9,614**
28	***Non-Labor:***						
29	Electric Power	$442	$541	$554	$594	$633	$676
30	Fuel	266	261	263	260	258	274
31	Insurance	(9)	64	36	49	59	66
32	Claims	221	176	179	190	192	200
33	Paratransit Service Contracts	361	365	383	418	424	492
34	Maintenance and Other Operating Contracts	473	516	530	526	530	547
35	Professional Service Contracts	208	288	284	287	282	283
36	Materials & Supplies	512	581	611	648	681	693
37	Other Business Expenditures	134	144	161	164	167	172
38	**Total Non-Labor Expenditures**	**$2,606**	**$2,937**	**$3,002**	**$3,134**	**$3,226**	**$3,403**
40	***Other Expenditure Adjustments:***						
41	Other	$30	$62	$101	$97	$100	$118
42	General Reserve	0	0	130	135	140	150
43	**Total Other Expenditure Adjustments**	**$30**	**$62**	**$231**	**$232**	**$240**	**$268**
45	**Total Expenditures**	**$10,716**	**$11,595**	**$12,055**	**$12,462**	**$12,753**	**$13,285**
47	**Net Cash Deficit Before Subsidies and Debt Service**	**($3,860)**	**($4,283)**	**($4,798)**	**($5,095)**	**($5,295)**	**(5,707)**
49	Dedicated Taxes and State/Local Subsidies	$5,294	$5,698	$5,962	$6,179	$6,447	$6,685
50	Debt Service (excludes Service Contract Bonds)	(1,297)	(1,457)	(1,615)	(1,757)	(1,884)	(2,097)
52	Net Cash Balance from Previous Year	160	297	255	$0	$0	$0
54	**Baseline Net Cash Surplus/(Deficit)**	**$297**	**$255**	**($196)**	**($673)**	**($732)**	**($1,120)**
56	**CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER**	**$137**	**($42)**	**($451)**	**($673)**	**($732)**	**($1,120)**
57	**BASELINE PRIOR-YEAR CARRY-OVER**	**0**	**0**	**0**	**0**	**0**	**0**
58	**ADJUSTMENTS**	**0**	**(228)**	**464**	**549**	**712**	**891**
59	**PRIOR-YEAR CARRY-OVER**	**160**	**297**	**26**	**40**	**0**	**0**
60	**NET CASH BALANCE**	**$297**	**$26**	**$40**	**($85)**	**($19)**	**($229)**

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2013-2016
MTA Consolidated November Financial Plan Compared with July Financial Plan
Cash Reconciliation
($ in millions)

	Favorable/(Unfavorable)				
	2012	**2013**	**2014**	**2015**	**2016**
JULY FINANCIAL PLAN 2013-2016 NET CASH SURPLUS/(DEFICIT)	**$47**	**$46**	**($129)**	**($14)**	**($231)**
Savings Programs	**$20**	**$11**	**$21**	**$34**	**$54**
2012 BRP - Additional Paratransit Savings	*24*	*31*	*34*	*40*	*53*
2012 BRP - Other	*6*	*2*	*2*	*2*	*2*
Bus Evasion	*(9)*	*(22)*	*(15)*	*(8)*	*(1)*
New Needs/Investments	**($8)**	**($34)**	**($39)**	**($39)**	**($32)**
Maintenance	*(3)*	*(15)*	*(19)*	*(20)*	*(13)*
Service/Service Support	*(3)*	*(9)*	*(12)*	*(13)*	*(13)*
All Other	*(2)*	*(10)*	*(8)*	*(6)*	*(6)*
Agency Baseline Adjustments	**$27**	**($158)**	**($191)**	**($60)**	**($29)**
Farebox/Toll Revenue	*29*	*14*	*13*	*8*	*24*
Other Revenue	*(7)*	*(8)*	*(12)*	*(13)*	*(13)*
Energy	*12*	*(20)*	*(29)*	*(11)*	*(5)*
Health & Welfare	*(20)*	*(53)*	*(52)*	*(56)*	*(59)*
Pension	*(47)*	*(10)*	*9*	*5*	*(17)*
Payroll Adjustment - 27th Pay Period	*(1)*	*(19)*	*(119)*	*(2)*	*(0)*
East Side Access Delay to 2019	*0*	*(0)*	*17*	*13*	*48*
Timing and Other Baseline Re-estimates	*61*	*(62)*	*(18)*	*(5)*	*(7)*
Changes in Subsidies	**$9**	**$63**	**$44**	**$36**	**$39**
Petroleum Business Tax (PBT) Receipts	*(17)*	*0*	*0*	*0*	*0*
Real Estate Revenue	*31*	*17*	*15*	*14*	*15*
All Other	*(5)*	*47*	*30*	*22*	*24*
Other Subsidy Adjustments	**$42**	**$33**	**$38**	**$57**	**$73**
CDOT Subsidy Impact	*2*	*6*	*3*	*5*	*6*
B&T Operating Surplus Transfer	*40*	*27*	*35*	*52*	*67*
Debt Service Adjustments	**$26**	**$63**	**$131**	**$201**	**$137**
Debt Service	*26*	*63*	*131*	*201*	*137*
General Reserve	**$62**	**$0**	**$0**	**$5**	**$0**
MTA Initiatives/Policy Actions	**($199)**	**$37**	**$46**	**($238)**	**($240)**
July Plan Unidentified Efficiencies - Captured in Baseline [1]	*0*	*(30)*	*(30)*	*(30)*	*(30)*
New Unidentified MTA Efficiencies [2]	*0*	*25*	*50*	*75*	*75*
Move from Madison Avenue Headquarters	*(6)*	*(18)*	*(9)*	*7*	*27*
(Operating Loss)/Recovery from Tropical Storm Sandy	*(268)*	*90*	*83*	*83*	*0*
Financing of Tropical Storm Sandy Repairs	*0*	*(29)*	*(48)*	*(48)*	*(62)*
OPEB Loan in 2012; repaid in 2015	*75*	*0*	*0*	*(75)*	*0*
Support for 2015-2019 Capital Program	*0*	*0*	*0*	*(250)*	*(250)*
Prior-Year Carry-Over (Adjusted)	***0***	***(21)***	***(6)***	***0***	***0***
NOVEMBER FINANCIAL PLAN 2013-2016 NET CASH SURPLUS/(DEFICIT)	**$26**	**$40**	**($85)**	**($19)**	**($229)**

[1] *The July Financial Plan included $30 million per year in unidentified MTA Efficiencies, growing to $75 million in 2016. In this Plan, additional Paratransit savings have been identified and are included within the baseline forecast. Therefore, the $30 million in annual unidentified MTA Efficiency savings have been eliminated.*

[2] *To address losses from Tropical Storm Sandy, the November Plan is including additional unspecified savings targets of $25 million in 2013, $50 million in 2014, and $75 million in 2015 and beyond. In 2016, when the $75 million is combined with the remaining $45 million in unspecified savings from the July Plan, it results in a total savings reduction target of $120 million.*

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2013-2016
Consolidated Subsidies
Cash Basis

($ in millions)

	2011 Actual	2012 November Forecast	2013 Final Proposed Budget	2014	2015	2016
Subsidies						
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA)	$1,306.6	$1,343.4	$1,488.2	$1,568.0	$1,640.1	$1,690.6
Petroleum Business Tax (PBT) Receipts	619.6	605.1	630.9	635.6	638.0	639.7
Mortgage Recording Tax (MRT)	244.8	278.4	323.7	368.5	413.6	439.1
MRT Transfer to Suburban Counties	(2.6)	(1.8)	(2.4)	(3.1)	(4.1)	(5.0)
Use of MRT Balances	0.0	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Enhanced Security Training	0.0	0.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)
Interest	4.2	4.3	4.5	4.7	4.9	5.1
Urban Tax	352.9	383.9	431.9	472.4	516.4	563.6
Investment Income	0.4	1.0	1.0	1.0	1.1	1.1
	$2,491.0	**$2,579.4**	**$2,842.7**	**$3,012.1**	**$3,175.1**	**$3,299.4**
New State Taxes and Fees						
Payroll Mobility Tax	$1,415.0	$1,261.4	$1,248.0	$1,315.1	$1,384.7	$1,452.4
Payroll Mobility Tax Replacement Funds	0.0	255.0	310.0	310.0	310.0	310.0
MTA Aid	303.2	306.1	310.7	315.4	320.1	324.9
	$1,718.3	**$1,822.5**	**$1,868.8**	**$1,940.5**	**$2,014.8**	**$2,087.4**
State and Local Subsidies						
State Operating Assistance	$190.5	$187.9	$187.9	$187.9	$187.9	$187.9
Local Operating Assistance	223.3	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy	4.6	0.0	0.0	0.0	0.0	0.0
CDOT Subsidy	89.1	79.8	101.8	85.2	89.1	92.9
Station Maintenance	153.2	155.7	157.9	160.7	163.8	166.9
AMTAP	5.6	0.0	0.0	0.0	0.0	0.0
	$666.2	**$611.3**	**$635.6**	**$621.8**	**$628.7**	**$635.7**
Other Subsidy Adjustments						
Interagency Loan	($269.0)	$0.0	($6.0)	($6.0)	($6.0)	($6.0)
NYCT Charge Back of MTA Bus Debt Service	(11.1)	(11.8)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts Program - Gain/(Loss)	(101.6)	3.1	3.0	0.4	0.0	0.0
MNR Repayment for 525 North Broadway	(7.3)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Repayment of Loan to Capital Financing Fund	0.0	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Committed to Capital	(21.4)	(131.8)	(123.6)	(84.8)	(38.1)	0.0
	($410.5)	**($242.9)**	**($240.5)**	**($204.4)**	**($158.1)**	**($119.9)**
Sub-total Dedicated Taxes & State and Local Subsidies	**$4,465.0**	**$4,770.4**	**$5,106.5**	**$5,370.0**	**$5,660.5**	**$5,902.5**
City Subsidy for MTA Bus	$292.1	$389.7	$371.6	$367.4	$390.1	$414.6
City Subsidy for SIRTOA	0.0	21.1	33.6	30.7	29.7	32.9
Total Dedicated Taxes & State and Local Subsidies	**$4,757.1**	**$5,181.1**	**$5,511.7**	**$5,768.1**	**$6,080.3**	**$6,350.1**
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	$509.7	$526.3	$450.5	$411.2	$367.1	$334.6
MTA Subsidy to Subsidiaries	27.2	(9.9)	0.0	0.0	0.0	0.0
	$537.0	**$516.5**	**$450.5**	**$411.2**	**$367.1**	**$334.6**
GROSS SUBSIDIES	**$5,294.1**	**$5,697.6**	**$5,962.2**	**$6,179.3**	**$6,447.4**	**$6,684.7**

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

	2012	2013	2014	2015	2016
Subsidies					
Dedicated Taxes					
Metropolitan Mass Transportation Operating Assist (MMTOA)	$0.0	$0.0	$0.0	$0.0	$0.0
Petroleum Business Tax (PBT) Receipts	(18.4)	0.0	0.0	0.0	0.0
Mortgage Recording Tax (MRT)	21.8	27.8	26.6	26.7	28.9
MRT Transfer to Suburban Counties	0.0	1.4	2.3	3.2	1.3
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0
Urban Tax	7.9	(10.9)	(11.8)	(12.9)	(14.1)
Investment Income	0.0	0.0	0.0	0.0	0.0
	$11.2	**$18.3**	**$17.0**	**$17.1**	**$16.2**
New State Taxes and Fees					
Payroll Mobility Tax	$0.0	$0.0	$0.0	$0.0	$0.0
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0	0.0
MTA Aid	0.0	0.0	0.0	0.0	0.0
	$0.0	**$0.0**	**$0.0**	**$0.0**	**$0.0**
State and Local Subsidies					
State Operating Assistance	$0.0	$0.0	$0.0	$0.0	$0.0
Local Operating Assistance (18-b)	0.0	(0.0)	0.0	0.0	0.0
Nassau County Subsidy (includes 18-b local match)	0.0	0.0	0.0	0.0	0.0
CDOT Subsidy	2.4	6.2	3.5	5.2	5.6
Station Maintenance	0.0	0.0	0.0	0.0	0.0
AMTAP	0.0	0.0	0.0	0.0	0.0
	$2.4	**$6.2**	**$3.5**	**$5.2**	**$5.6**
Other Subsidy Adjustments					
Inter-Agency Loan	$0.0	($6.0)	($6.0)	($6.0)	($6.0)
NYCT Charge Back of MTA Bus Debt Service	(0.3)	0.0	0.0	0.0	0.0
Forward Energy Contracts Program - Initiated in 2011	6.5	8.2	0.3	0.0	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	0.0	0.0	0.0	0.0	0.0
Committed to Capital	0.0	0.0	0.0	0.0	0.0
	$6.1	**$2.2**	**($5.7)**	**($6.0)**	**($6.0)**
Sub-total Dedicated Taxes & State and Local Subsidies	**$19.8**	**$26.7**	**$14.8**	**$16.2**	**$15.8**
City Subsidy for MTA Bus	$8.9	$36.6	$34.5	$28.4	$30.1
City Subsidy for SIRTOA	(30.2)	6.2	(1.4)	(3.5)	(1.4)
Total Dedicated Taxes & State and Local Subsidies	**($1.5)**	**$69.5**	**$47.9**	**$41.2**	**$44.5**
Inter-agency Subsidy Transactions					
B&T Operating Surplus Transfer	$39.6	$27.2	$34.7	$51.6	$67.5
MTA Subsidy to Subsidiaries	12.8	0.0	0.0	0.0	0.0
	$52.4	**$27.2**	**$34.7**	**$51.6**	**$67.5**
GROSS SUBSIDIES	**$50.8**	**$96.8**	**$82.6**	**$92.8**	**$111.9**

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III. Adjustments

III. ADJUSTMENTS

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

Fare/Toll Increases

2013 Increased Fare and Toll – A $450 million annualized increase in MTA consolidated farebox and toll revenues is proposed for implementation on March 1, 2013. Consolidated fare and toll revenues, excluding MTA Bus and SIR revenues, are expected to increase by $382 million in 2013, $465 million in 2014, $473 million in 2015 and $476 million in 2016. MTA Bus revenue is expected to increase by $12 million in 2013 and by $14 million a year for 2014 through 2016, while SIR revenue is expected to increase $0.5 million each year. These additional MTA Bus and SIR revenues will be used to hold down the NYC subsidies that cover the costs associated with these operations.

These projections are unchanged from the July Plan. Compared with the February Plan, revenue is $67 million lower in 2013 and $1 million lower in 2014, followed by a $1 million increase in 2015. The changes are primarily due to a shift in the implementation date, from January to March, of the fare and toll changes, as well as modest changes in the baseline fare and toll projections since the February Plan. MTA Bus and SIR farebox revenue from this action is also unchanged from the July Plan. Compared with the February Plan, MTA Bus farebox revenue is $2 million lower in 2013 and marginally higher– by $0.1 million a year – for both 2014 and 2015, while SIR farebox revenue from this action is less than $0.1 million lower for each year.

2015 Increased Fare and Toll – A $500 million annualized consolidated farebox and toll increase is proposed for implementation on March 1, 2015, and is estimated to yield an additional $425 million in 2015 and $515 million in 2016, excluding yield increases for MTA Bus and SIR. The farebox revenue increase at MTA Bus is expected to generate additional revenue of $13 million in 2015 and $15 million in 2016, and SIR's farebox revenue is projected to increase $0.5 million each year. These additional revenues will be used to hold down the NYC subsidies to MTA Bus and SIR.

Compared with the July Plan, projected fare and toll revenue increases from this proposed action are unchanged. As with the 2013 increase, the implementation date for the 2015 increase has also been shifted from January to March; as a result of this delay, the MTA consolidated projections are $72 million unfavorable compared with the February Plan estimate, while MTA Bus farebox revenue is $2 million lower and SIR farebox revenue is less than $0.1 million lower.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions

Including the Impact of 2013 & 2015 Fare & Toll Yield Increases

		2012 November Forecast	2013 Final Proposed Budget	2014	2015	2016
Fare Revenue						
Long Island Rail Road	Baseline	$584.723	$594.650	$598.780	$603.006	$605.983
	3/2013 Fare Yield	0.000	37.633	44.683	44.999	45.221
	3/2015 Fare Yield	0.000	0.000	0.000	41.480	49.152
		$584.723	**$632.283**	**$643.463**	**$689.484**	**$700.356**
Metro-North Railroad [1]	Baseline	$600.100	$624.152	$650.684	$665.296	$677.861
	3/2013 Fare Yield [2]	0.000	25.685	31.314	32.044	32.658
	3/2015 Fare Yield [2]	0.000	0.000	0.000	28.730	34.590
		$600.100	**$649.837**	**$681.998**	**$726.071**	**$745.108**
MTA Bus Company	Baseline	$183.024	$184.163	$185.883	$187.673	$188.612
	3/2013 Fare Yield [3]	0.000	11.655	13.871	14.005	14.075
	3/2015 Fare Yield [3]	0.000	0.000	0.000	12.910	15.298
		$183.024	**$195.818**	**$199.755**	**$214.588**	**$217.985**
New York City Transit [4]	Baseline	$3,632.193	$3,677.284	$3,728.853	$3,781.504	$3,810.635
	3/2013 Fare Yield	0.000	232.491	278.262	282.191	284.365
	3/2015 Fare Yield	0.000	0.000	0.000	259.863	309.084
		$3,632.193	**$3,909.775**	**$4,007.115**	**$4,323.558**	**$4,404.084**
Staten Island Railway	Baseline	$5.624	$5.681	$5.770	$5.848	$5.912
	3/2013 Fare Yield [3]	0.000	0.360	0.431	0.436	0.441
	3/2015 Fare Yield [3]	0.000	0.000	0.000	0.403	0.480
		$5.624	**$6.041**	**$6.201**	**$6.687**	**$6.833**
Total Farebox Revenue	*Baseline*	*$5,005.665*	*$5,085.930*	*$5,169.970*	*$5,243.327*	*$5,289.002*
	3/2013 Fare Yield	*0.000*	*307.825*	*368.561*	*373.675*	*376.759*
	3/2015 Fare Yield	*0.000*	*0.000*	*0.000*	*343.386*	*408.604*
		$5,005.665	***$5,393.755***	***$5,538.531***	***$5,960.388***	***$6,074.366***
Toll Revenue						
Bridges & Tunnels	Baseline	$1,506.970	$1,501.879	$1,507.176	$1,512.707	$1,523.524
	3/2013 Toll Yield [5]	0.000	85.934	110.773	112.843	113.611
	3/2015 Toll Yield [5]	0.000	0.000	0.000	94.078	121.670
		$1,506.970	**$1,587.813**	**$1,617.948**	**$1,719.628**	**$1,758.804**
TOTAL FARE & TOLL REVENUE						
	Baseline	$6,512.634	$6,587.808	$6,677.145	$6,756.034	$6,812.526
	3/2013 Fare Yield	*0.000*	*393.759*	*479.333*	*486.518*	*490.370*
	3/2015 Fare Yield	*0.000*	*0.000*	*0.000*	*437.464*	*530.275*
		$6,512.634	***$6,981.568***	***$7,156.479***	***$7,680.016***	***$7,833.171***

1 MNR baseline utilization figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

2 MNR utilization changes from the fare yield increases reflect impacts to both East-of-Hudson and West-of-Hudson utilization.

3 MTA Bus and SIR revenues from Fare Yield will be used to reduce NYC subsidies to MTA Bus and SIR.

4 Excludes Paratransit Operations.

5 Reflects 10% delay in the distribution of surplus toll revenues per MTA Board resolution. This has no impact on traffic.

MTA Initiatives:

New MTA Efficiencies – In 2009 and 2010, the MTA introduced a number of savings initiatives and programs categorized as MTA Efficiencies. These included operational consolidations, strategic initiatives, and improved MTA-wide business practices. When combined with new recurring savings initiatives, these efficiencies are now projected to yield $809 million of recurring savings in 2013, growing to more than $1.2 billion annually by 2016.

The baseline November Plan (Volume II) incorporates certain MTA Efficiencies that were introduced below-the-line (Volume I) in the July Plan, including the savings from the introduction at NYCT of the paratransit fare incentive program, and the bus fare evasion program. It also captures additional paratransit reductions that were used to meet an unspecified deficit reduction target from July.

This Plan also includes the following new MTA Efficiencies that remain "below-the-line":

> Unidentified Savings – In the July Plan, the MTA had set a target of $30 million in annual to-be-identified savings beginning in 2013. This target had a $45 million "bump-up" in 2016, increasing the value to $75 million. The $30 million target was met by the additional paratransit savings previously mentioned. However, to address projected deficits created by Tropical Storm Sandy (see below), a new set of savings targets is being introduced in this Plan. Beginning in 2013, the MTA will identify $25 million in additional annual savings that will grow to $75 million by 2015. In 2016, the $45 million remaining in unspecified reduction from July results in a total reduction target of $120 million.

MetroCard Green Fee and Cost Savings – As described in previous Plans, the MTA is implementing a $1.00 "green" fee for each new MetroCard bought in the subway system in an effort to reduce the cost attributable to the high volume of MetroCards produced and discarded. The implementation of the "green" fee has been delayed from 2012 to 2013, at which time it is projected to result in annual savings of $20 million.

MTA Re-Estimates:

Move from Madison Avenue Headquarters – The MTA intends to sell or lease its valuable Madison Avenue Headquarter buildings and consolidate offices at 2 Broadway. The disposition is expected to yield significant resources and ultimately result in lower net operating costs. The relocation of MTA and Metro-North employees is expected to result in operating cash expenditures in 2012-2015 that will be reimbursed from the disposition proceeds in 2015 and 2016. The net proceeds, after reimbursement to the operating budget, will be used to help fund the MTA Capital Program.

Residual LI Bus Costs - Responsibility of Nassau County – The lease and operating agreement between Nassau County and the Metropolitan Suburban Bus Company (LI Bus) was terminated effective December 31, 2011. Under the agreement, expenses incurred after the termination date in connection with the wind-down of LI Bus will primarily be the responsibility of Nassau County. In addition, certain residual costs including those for unemployment insurance, OPEB current payment, worker's compensation, and claims are also the responsibility of Nassau County. In total, the MTA estimates that in 2012 it will pay approximately $20 million in expenditures that are the legal responsibility of Nassau County. The Plan assumes a full reimbursement by Nassau County in 2013.

Policy Actions:

The MTA has identified losses from Sandy that are preliminarily estimated to be $5 billion from damage to infrastructure ($4.75 billion) and operating losses ($268 million). It should be noted that the computation and estimation of Sandy-related losses is on-going; it is too early to have more than highly provisional estimates. Ultimate losses will be covered by a combination of insurance ($1.075 billion of maximum coverage), federal programs (including FEMA) and, MTA resources. While the MTA expects to receive advances from insurers and the Federal Government, final settlement could take 2 to 3 years. The standard reimbursement by FEMA is 75% of approved losses which means that unless FEMA increases its reimbursement percentage, MTA could be exposed to approximately $950 million based upon the current loss estimate. Operating losses will hit the 2012 budget. Multi-year infrastructure expenditures will begin immediately and bridge loan financing will be necessary until reimbursement is received. MTA would issue long-term bonds for the portion of the infrastructure losses not reimbursed by third parties. Additional recurring cost reductions will be required to offset the increase in debt service. MTA has built into the November Plan annual recurring MTA Efficiency targets of $25 million in 2013 increasing to $75 million by 2016, as described above. The following three Policy Actions address these losses and outline proposed funding solutions.

1. (Operating Loss)/Recovery from Tropical Storm Sandy – At this time, the MTA estimates a loss of $268 million, including the additional expenses necessary to prepare for and then re-establish service after Sandy of $144 million, and lost fare and toll revenue of $124 million. FEMA has pledged to cover 100% of approved Sandy-related expenses incurred through November 14. Business interruption/extra expense insurance is anticipated to cover a substantial portion of remaining losses. Recoveries are expected over the 2013-2015 period.

2. Financing of Tropical Storm Sandy Repairs - The infrastructure losses will require external borrowing, increasing debt service. While MTA has not finalized its Sandy plan of finance, for Financial Plan purposes, it assumes the issuance of $2.9 billion recovery anticipation notes in 2013, and an additional $1.9 billion of notes in 2014. Annual debt service costs are estimated to increase by $29 million in 2013 and $48 million in 2014 and 2015 until the notes are repaid from insurance or Federal reimbursements or long-term bonds. Assuming $950 million

of unreimbursed losses financed with 30-year bonds, debt service in 2016 and beyond would increase to $62 million.

3. OPEB Loan in 2012; repaid in 2015 – Despite the $268 million loss from Sandy, the MTA expects to close 2012 on a "self-sustaining" basis as a result of Agency underspending (real and timing), lower than budgeted debt service, higher than budgeted operating revenues and subsidies, the release of the remaining 2012 General Reserve, and a $75 million internal loan from the OPEB account to be repaid from final reimbursement expected to be received in 2015.

Support for 2015-2019 Capital Program – Unrelated to Sandy, this Plan continues to provide "Pay-As You-Go" funds to the 2012 – 2014 Capital Program, and beginning in 2015 includes an additional $250 million annually as a "down payment" in support of the 2015 – 2019 Capital Program. This additional support is available as a result of lower than projected debt service attributable to savings derived from the 2012 refunding program and lower projected debt service on authorized but unissued debt based upon re-estimates of interest rates and cash flow requirements.

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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, Joseph J. Lhota, 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: Joseph J. Lhota

Joseph J. Lhota
Chairman and Chief Executive Officer

Dated: November 19, 2012

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V. Other

The MTA Budget Process

MTA budgeting is a rigorous and thorough process that begins in the spring 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 future calendar years.

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

- Volume I supports the complete financial plan, including the baseline as well as policy items and below-the-line gap closing 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.

<u>July Plan</u>
The July Financial Plan provides the opportunity for the MTA to present a revised forecast of the current years finances, a preliminary presentation of the following years proposed budget, and a three-year reforecast 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 is allocated over the period of 12 months and becomes the basis in which monthly results are compared for the remainder of the year.

<u>November Plan</u>
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.

<u>December Adopted Budget</u>
In December, the November Plan is updated to capture further developments, risks and actions that are necessary to ensure budget balance, which is ultimately presented to the MTA Board for review and approval of the budget for the upcoming year.

<u>February Plan</u>
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 current year (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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