

BUDGETWATCH

March 2017 Flash Report

Summary of February Budgetwatch (reporting on operations through January and subsidies through February):

Overall, preliminary results early in 2017 were favorable. In January, higher toll revenue offset lower subway and bus passenger revenue. Preliminary expenses were slightly favorable; but some of that was likely the result of timing. Overtime costs were close to budget. While much of the debt service savings were timing-related, there were also some real savings from lower variable rates. Overall subsidies were favorable: PMT collections through February were \$29 million, or almost 10%, positive (although that could be impacted by the timing of bonuses); and, very strong real estate transaction tax collections in January drove favorable February YTD collections.

Overall Latest Condition (reporting on operations through February and subsidies through March):

Passenger revenues were \$7.6 million below Budget in February, which increased the unfavorable YTD variance to \$14.4 million. This was mainly the result of lower subway and bus ridership (partially from adverse weather impacts). Commuter revenue was on target for the month and YTD. Toll revenue continues to perform well, as positive results in February increased the YTD variance to \$8.4 million, or 3.2%. Expenses in February were \$21 million favorable, as were YTD results, which were \$38.6 million favorable (1.9%). Some of that variance is timing-related. Debt Service costs were favorable for the month and YTD due to lower rates and the timing of debt service deposits.

This month's Budgetwatch is reporting combined Subsidies as being unfavorable by \$61 million-through March; however, as explained below, \$58 million of that variance is due to timing (mostly in the PMT) that will be made up with higher April receipts. When adjusted to reflect this delay in transfers from the State, PMT results were \$30 million favorable YTD; however, they are being offset by lower real estate transaction tax collections. After a very positive month of January (\$31 million favorable), this marks a second consecutive month of weak real estate-related tax collections.

Overall, preliminary net results were unfavorable for the month but remain favorable YTD. However, a continuation of monthly below-Budget receipts in Real Estate would quickly erode these net positive results.

Passenger and Toll Revenues

	YTD February 2017 (\$ in millions)				Month of February 2017 (\$ in millions)				
	Actual	Adopted Budget	Diff	% Diff	Actual	Adopted Budget	Diff	% Diff	
NYCT:					NYCT:				
Subway	\$513.0	\$522.3	(\$9.3)	-1.8%	Subway	\$247.1	\$251.4	(\$4.3)	-1.7%
Bus	144.7	149.9	(5.2)	-3.5%	Bus	70.4	73.4	(3.0)	-4.1%
Other	14.9	15.3	(0.4)	-2.3%	Other	7.4	7.6	(0.2)	-2.2%
NYCT	\$672.6	\$687.5	(\$14.9)	-2.2%	NYCT	\$324.9	\$332.4	(\$7.5)	-2.2%
MTA Bus	32.5	33.9	(1.4)	-4.1%	MTA Bus	15.9	16.4	(0.4)	-2.6%
LIRR	109.9	107.5	2.4	2.2%	LIRR	53.8	52.8	1.0	1.9%
MNR	110.1	110.6	(0.5)	-0.5%	MNR	53.5	54.2	(0.7)	-1.3%
Sub-total	\$925.1	\$939.5	(\$14.4)	-1.5%	Sub-total	\$448.2	\$455.8	(\$7.6)	-1.7%
B&T	270.9	262.5	8.4	3.2%	B&T	129.8	127.4	2.4	1.9%
Total	\$1,196.0	\$1,202.0	(\$6.0)	-0.5%	Total	\$578.0	\$583.2	(\$5.2)	-0.9%

In February, **passenger revenues** were \$7.6 million, or 1.7%, unfavorable. NYCT and MTA Bus operations were both unfavorable due to lower subway and bus ridership attributable to inclement weather. At the Commuter Railroads, higher revenue at the LIRR was mostly offset by lower revenue at MNR. Overall YTD results were also unfavorable primarily as a result of lower subway and bus ridership - partially the result of inclement weather. For the commuter railroads, both railroads had comparable revenue totals; however, the LIRR budget variance was favorable when compared with Metro-North because the LIRR calendarized forecast assumed greater winter weather impacts. **Toll revenues** were favorable for both the month and YTD, with higher-than-anticipated traffic.

Total Operating Expenses before Non-Cash Liability Adjustments

YTD February 2017 (\$ in millions)					Month of February 2017 (\$ in millions)				
	Adopted		Diff	%Diff		Adopted		Diff	%Diff
	Actual	Budget			Actual	Budget			
NYCT	\$1,340.1	\$1,348.2	\$8.1	0.6%	NYCT	\$652.5	\$662.3	\$9.9	1.5%
MTA Bus	113.1	117.6	4.5	3.8%	MTA Bus	55.5	56.1	0.7	1.2%
LIRR	241.1	255.7	14.6	5.7%	LIRR	123.2	127.5	4.3	3.4%
MNR	203.2	213.1	9.9	4.7%	MNR	98.2	103.2	5.0	4.9%
B&T	<u>71.6</u>	<u>73.1</u>	<u>1.5</u>	<u>2.0%</u>	B&T	<u>33.6</u>	<u>34.5</u>	<u>0.9</u>	<u>2.6%</u>
Total	\$1,969.1	\$2,007.7	\$38.6	1.9%	Total	\$962.9	\$983.7	\$20.7	2.1%

Expenses for February were favorable by \$20.7 million, or 2.1%. NYCT was favorable by \$9.9 million reflecting lower non-labor expenses (electric power, professional services and paratransit service contracts partially offset by materials & supplies) and lower labor expenses (mainly payroll partially offset by health & welfare and overtime). MNR was favorable by \$5.0 million largely due to the timing of contracted services expenses and lower electric power rates. The LIRR's favorable variance of \$4.3 million was mostly due to lower timing-related expenses for materials & supplies, partially offset by higher timing-related expenses for professional service contracts and maintenance contracts, and lower labor costs (particularly for payroll and OPEB Current Payment). B&T was favorable by \$0.9 million mainly due to vacancies, while MTA Bus was favorable primarily due to lower maintenance and other operating expenses.

Overall, YTD preliminary expenses were \$38.6 million, or 1.9%, favorable. The LIRR was favorable by \$14.6 million, reflecting lower labor costs (particularly payroll, OPEB Current Payment and Health and Welfare) and materials and supplies (timing), partially offset by higher maintenance and professional services. MNR was favorable by \$9.9 million, mainly due to lower energy and contracted services. NYCT was \$8.1 million favorable primarily due to lower non-labor costs for paratransit service contracts, electric power, maintenance and professional services partially offset by higher materials & supplies expenses. MTA Bus was favorable primarily due to lower expenses for fuel, maintenance and professional services while B&T was favorable by \$1.5 million, mainly due to vacancies and lower overtime.

Overtime

YTD February 2017 (\$ in millions)					Month of February 2017 (\$ in millions)				
	Adopted		Diff	%Diff		Adopted		Diff	%Diff
	Actual	Budget			Actual	Budget			
NYCT	\$86.1	\$81.5	(\$4.5)	-5.6%	NYCT	\$40.9	\$39.0	(\$2.0)	-5.1%
MTA Bus	10.3	9.4	(1.0)	-10.2%	MTA Bus	5.0	4.5	(0.4)	-9.5%
LIRR	23.1	23.6	0.4	1.9%	LIRR	12.4	12.2	(0.2)	-1.8%
MNR	15.2	16.8	1.6	9.5%	MNR	7.6	7.9	0.3	3.7%
B&T	<u>4.9</u>	<u>5.0</u>	<u>0.1</u>	<u>2.2%</u>	B&T	<u>2.3</u>	<u>2.4</u>	<u>0.1</u>	<u>3.6%</u>
Total	\$139.6	\$136.3	(\$3.3)	-2.4%	Total	\$68.3	\$66.0	(\$2.3)	-3.4%

Preliminary overtime expenses for the month were \$2.3 million, or 3.4%, unfavorable. NYCT and MTA Bus were unfavorable by \$2.0 million and \$0.4 million, respectively. The LIRR was slightly unfavorable mostly due to higher maintenance overtime, while MNR and B&T were slightly favorable. YTD preliminary overtime expenses were \$3.3 million, or 2.4%, unfavorable, also due primarily to required overtime at NYCT and MTA Bus. The unfavorable NYCT variance is under review. The MTA Bus unfavorable variance was mostly due to running time/traffic and vacancy/absentee coverage requirements. These results were partially offset by favorable variances at MNR due to lower weather events, and at B&T due to timing and fewer coverage requirements across multiple categories. The LIRR was slightly favorable.

Debt Service

Debt Service expenses for February were \$221.5 million, which was \$9.2 million, or 4.0%, favorable primarily from lower than budgeted variable interest rates and the timing of deposits. Year-to-Date Debt Service expenses of \$411.2 million were \$51.3 million, or 11.1%, favorable; the favorable variance resulted from the items noted above and a favorable \$32 million timing variance from 2016.

State Dedicated Taxes and Fees

YTD March 2017 (\$ in millions)					Month of March 2017 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	%Diff		Actual	Budget	Diff	%Diff
MMTOA	\$0.0	\$0.0	\$0.0	0.0%	MMTOA	\$0.0	\$0.0	\$0.0	0.0%
PBT	147.2	151.8	(4.6)	-3.0%	PBT	37.6	44.2	(6.6)	-15.0%
PMT ¹	395.9	421.1	(25.2)	-6.0%	PMT ¹	65.9	119.8	(54.0)	-45.0%
MTA Aid ²	63.2	69.5	(6.3)	-9.1%	MTA Aid ²	63.2	69.5	(6.3)	-9.1%
Total	\$606.3	\$642.4	(\$36.1)	-5.6%	Total	\$166.7	\$233.6	(\$66.9)	-28.7%

The First MMTOA payment for the year is not expected until May. Petroleum Business Tax (PBT) receipts for March were \$6.6 million (15.0%) unfavorable; YTD receipts for PBT were unfavorable by \$4.6 million (3.0%). The unpredictability of month-to-month PBT receipts makes it difficult to ascertain if the unfavorable YTD variance is real or timing-related; the YTD variance continues to reflect the non-seasonal nature of PBT receipts while monthly forecasts are based on prior year experience. March Payroll Mobility Tax (PMT) collections were unfavorable by \$54.0 million (45.0%), and YTD collections were unfavorable by \$25.2 million (6.0%). **It is important to note that the March payment to the MTA reflects an incomplete month of transferred receipts due to the early certification of MTA PMT that was needed to facilitate the close of the State Fiscal Year; as a result, some \$55 million of March receipts will be transferred in April. Had the March payment included these collections, March results would have been slightly favorable and YTD results would have been favorable by \$29.9 million (7.1%).** As reported last month, early year collections may have been favorable impacted by the timing of bonus payments in the financial industry, which traditionally are paid during the first four months of the year, but with some variability in the exact timing. The first quarterly MTA Aid receipt payment was unfavorable by \$6.3 million (9.1%); this payment was also impacted by the State's delay in transferring a portion of the receipts collected during the period, which if included would have reduced the unfavorable variance to \$3.5 million (5.1%).

Real Estate Transaction Taxes

YTD March 2017 (\$ in millions)					Month of March 2017 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	%Diff		Actual	Budget	Diff	%Diff
MRT	\$117.1	\$114.2	\$2.9	2.5%	MRT	\$33.7	\$38.1	(\$4.3)	-11.4%
NYC Urban	\$167.8	196.0	(\$28.2)	-14.4%	NYC Urban	\$31.0	65.3	(\$34.3)	-52.5%
Total	\$284.9	\$310.2	(\$25.3)	-8.2%	Total	\$64.8	\$103.4	(\$38.6)	-37.4%

Total real estate transaction taxes for March were \$38.6 million (37.4%) unfavorable to Budget, and the YTD variance was unfavorable by \$25.3 million (8.2%). After a very positive month of January (\$31 million favorable), this marks a second consecutive month of weak collections. When compared with last year through March, real estate taxes were \$81.7 million (22.3%) lower; Urban Tax was off last year's level by \$87.8 million, or 34.4%, while MRT is running ahead of last year by \$6.1 million, or 5.5%. It should be noted that 2016 Urban Tax receipts were augmented by the impact of the Stuyvesant Town/Peter Cooper Village transaction

Regional Mortgage Recording Tax³ receipts for March were \$4.3 million, or 11.4%, unfavorable; MRT-1 was unfavorable by \$3.7 million, and MRT-2 receipts were unfavorable by \$0.6 million. YTD MRT receipts were favorable by \$2.9 million (2.5%), with MRT-1 receipts \$1.5 million favorable and MRT-2 receipts \$1.3 million favorable.

New York City Urban Tax⁴ receipts for March were \$34.3 million, or 52.5%, unfavorable, and YTD Urban Tax receipts were \$28.2 million (14.4%) unfavorable due to lower real estate activity. Monthly total Urban Tax receipts were at its lowest level since March 2014; similarly, receipts for the MRT portion of the Urban Tax was last this low in March 2014 while receipts from the Real Property Transfer Tax (RPTT) portion of the Urban Tax last fell this low in May 2013. For March, RPTT receipts were unfavorable by \$28.8 million, or 66.1%, while MRT receipts were \$5.5 million or 25.2% unfavorable. YTD, RPTT receipts were \$25.5 million (19.5%) unfavorable, while MRT receipts were \$2.7 million (4.2%) unfavorable.

¹ PMT replacement funds, that are expected to total \$244.3 million for the year, are excluded from the results reported in this table.

² MTA Aid includes the License Fee, Vehicle Registration Fee, Taxi Fee and Automobile Rental Fee.

³ Mortgage Recording Taxes consist of two separate taxes on mortgages recorded in the twelve-county region: MRT-1 is a tax on all mortgages, while MRT-2 is also imposed on residential real estate structures containing up to six dwelling units.

⁴ New York City Urban Taxes are imposed on commercial property and apartment building transactions within New York City. The MRT component is imposed on mortgages exceeding \$500,000, and the Real Property Transfer Tax component is imposed on transfers exceeding \$500,000.

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New York City Employment

Sectors with Year-over-Year Employment Gains

- Construction, Mining, Natural Resources
- Professional & Business Services
- Leisure & Hospitality
- Government
- Transportation, Utilities
- Education & Health Services
- Other Services

Sectors with Year-over-Year Employment Losses

- Manufacturing
- Information
- Trade
- Financial Activities

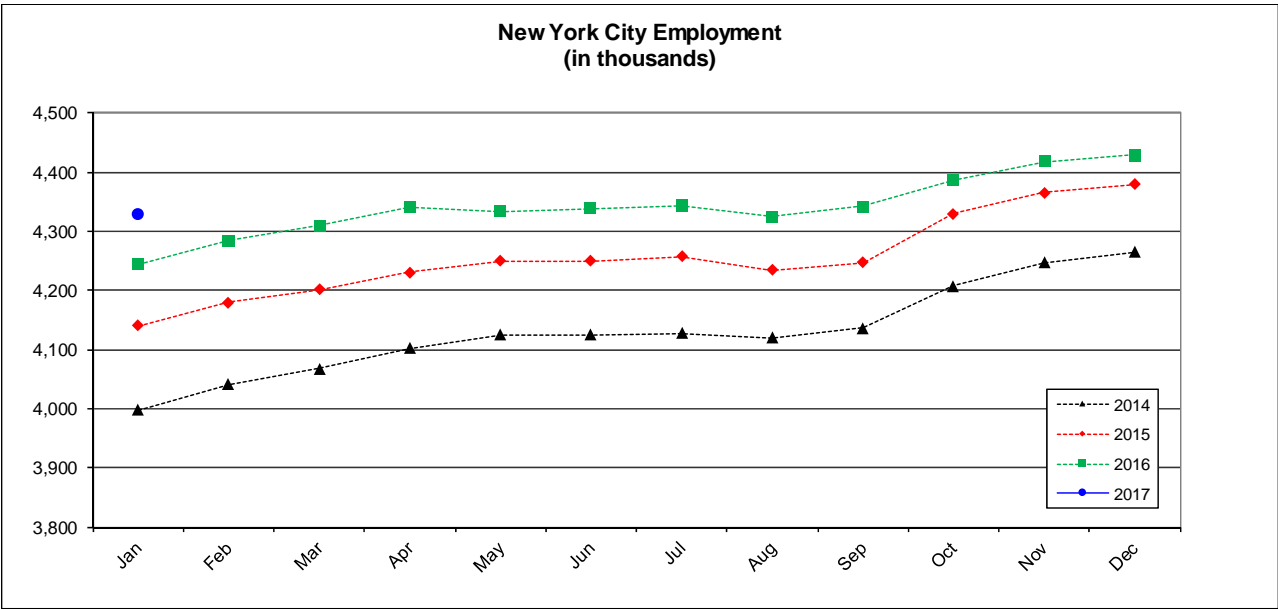
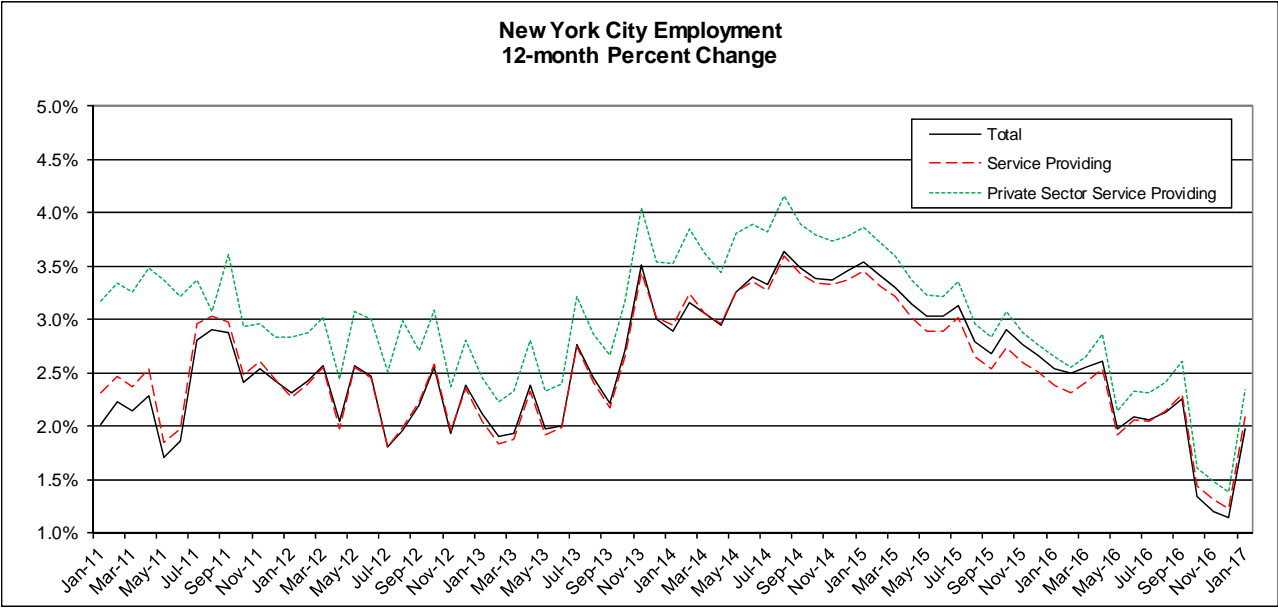
New York City Employment (in thousands)				Jan-17 versus			
	Prelim Jan-17	Revised Dec-16	Jan-16	Dec-16		Jan-16	
				Net	Pct	Net	Pct
Total Employment	4,328.6	4,429.3	4,244.6	(100.7)	-2.3%	84.0	2.0%
Goods Producing	216.0	223.0	215.9	(7.0)	-3.1%	0.1	0.0%
Construction, Mining, Nat Res	143.9	148.1	139.6	(4.2)	-2.8%	4.3	3.1%
Manufacturing	72.1	74.9	76.3	(2.8)	-3.7%	(4.2)	-5.5%
Service Providing	4,112.6	4,206.3	4,028.7	(93.7)	-2.2%	83.9	2.1%
Transportation, Utilities	134.7	139.9	135.2	(5.2)	-3.7%	(0.5)	-0.4%
Trade	490.2	510.3	493.3	(20.1)	-3.9%	(3.1)	-0.6%
Information	191.8	196.6	185.7	(4.8)	-2.4%	6.1	3.3%
Financial Activities	461.2	463.3	462.7	(2.1)	-0.5%	(1.5)	-0.3%
Professional & Business Svcs	725.5	741.0	703.3	(15.5)	-2.1%	22.2	3.2%
Education & Health Svcs	953.2	967.5	906.1	(14.3)	-1.5%	47.1	5.2%
Leisure & Hospitality	427.5	439.6	419.5	(12.1)	-2.8%	8.0	1.9%
Other Services	187.5	189.6	184.0	(2.1)	-1.1%	3.5	1.9%
Government	541.0	558.5	538.9	(17.5)	-3.1%	2.1	0.4%

Preliminary January 2017 employment in New York City shows a gain of 84.0 thousand jobs (2.0%) when compared to last January's employment level. This marks the seventy-eighth consecutive month in which employment has improved over its level from one year earlier. The Education & Health Services and the Professional and Business Services sectors experienced the greatest gains in the number of jobs among the major sectors, adding 47,100 and 22,200 jobs, respectively, over the past twelve months.

Employment in New York City's service-providing sectors increased by 83.9 thousand jobs (2.1%) over the January 2016 level. Private-sector service-providing employment in New York City increased by 81.8 thousand jobs (2.3%), the eighty-third consecutive month of year-to-year improvement.

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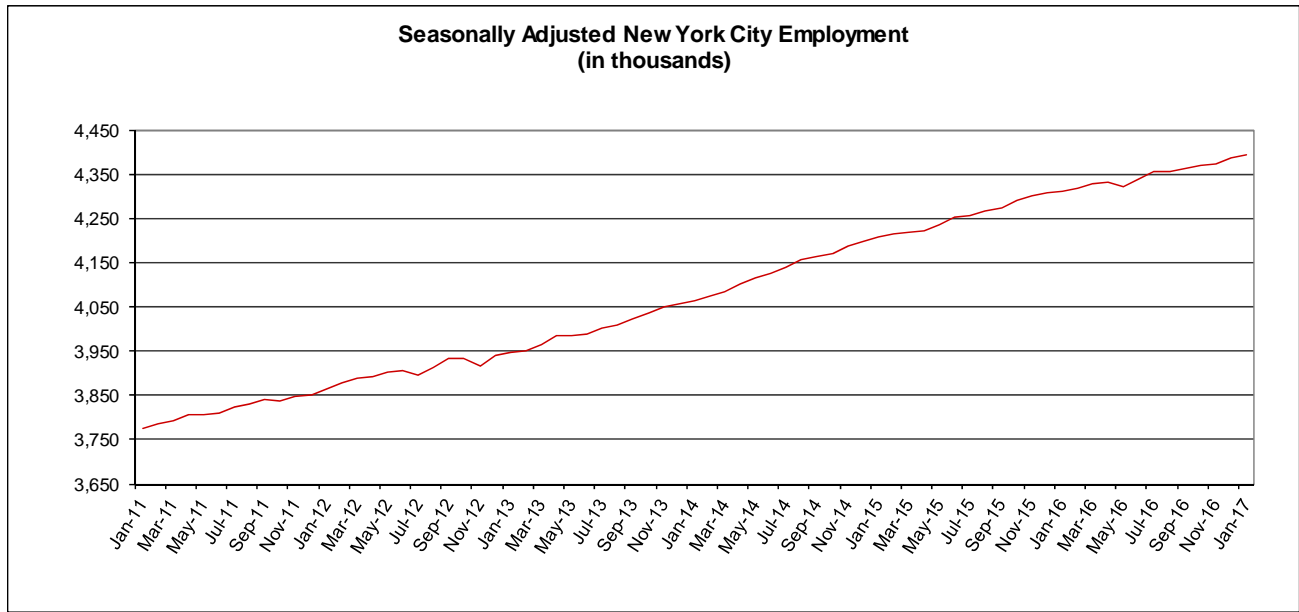
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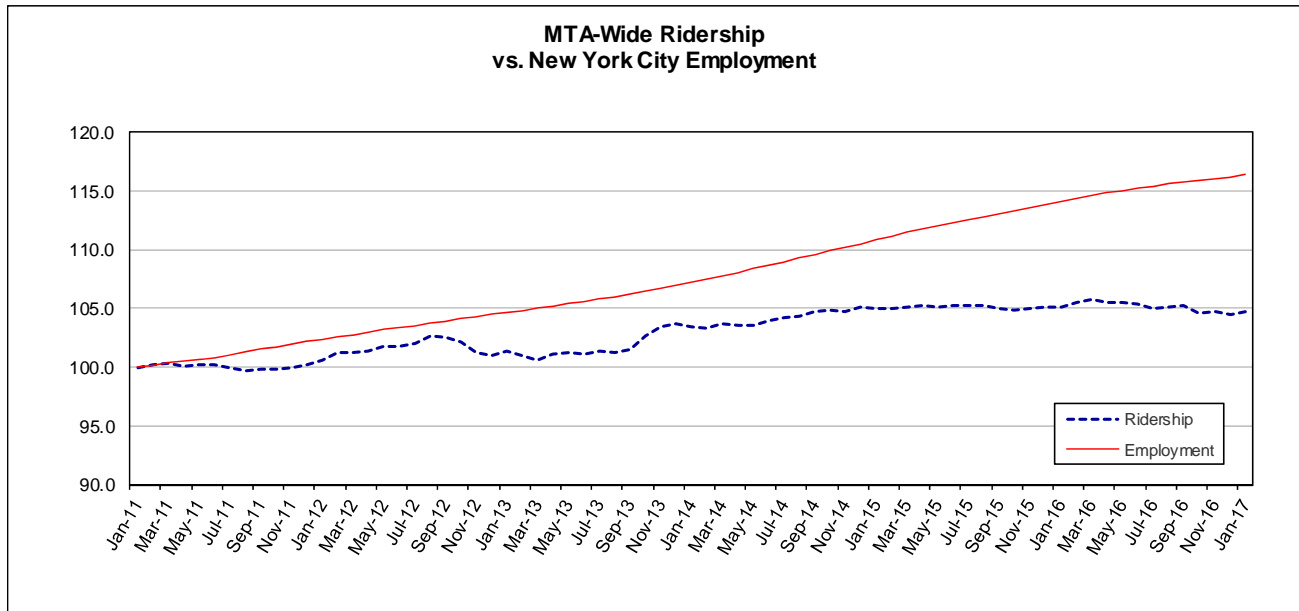
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In January, seasonally adjusted New York City employment of 4.39 million was higher than in January 2016 by 80.0 thousand jobs (1.9%), and was higher than last month by 5.1 thousand jobs (0.1%).



Ridership and Employment

In December 2008, the twelve-month moving average for employment began to decline after increasing in 56 of the previous 59 months. For sixteen consecutive months – though March 2010 – the twelve-month moving average fell, and employment levels declined by 3%. Since then, the twelve-month monthly employment average has increased with almost no interruption. Considering the more recent period since January 2011, while the twelve-month average for employment has increased 16.4%, annualized (12-month average) MTA-wide ridership has grown by 4.7%. The twelve-month average for ridership in January 2017 was 0.4% lower than one year earlier.



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Consumer Price Index

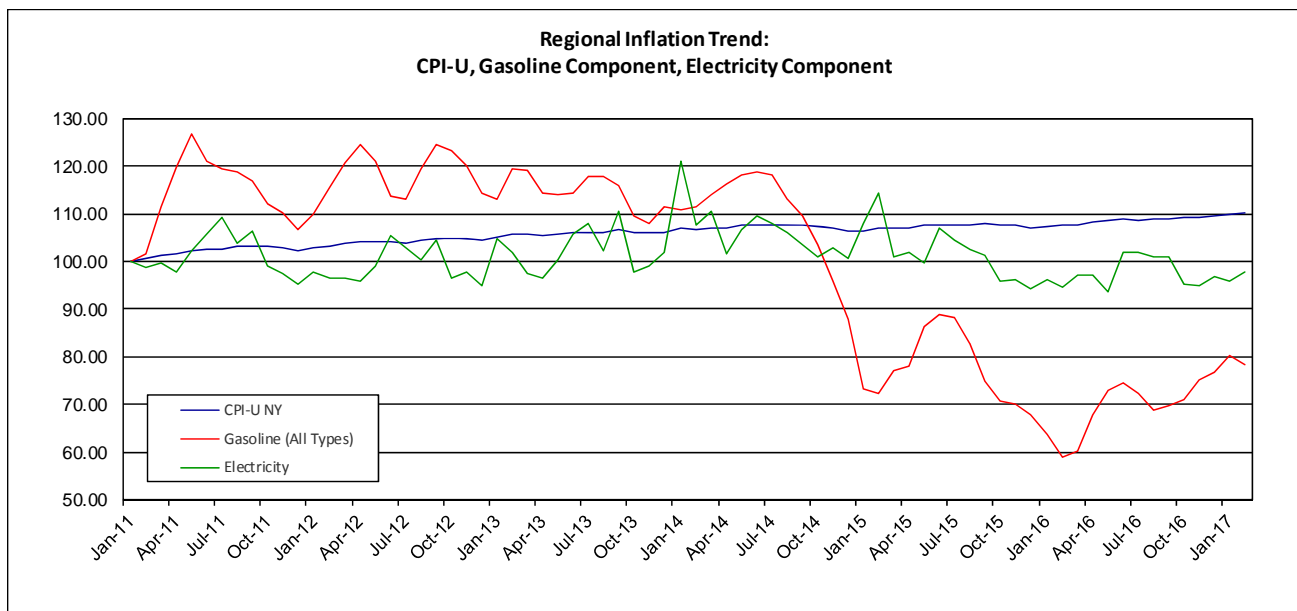
Goods Reporting Month-over-Month Price Increases

- Apparel
- Electricity
- Transportation

Goods Reporting Month-over-Month Price Declines

- Food
- Gasoline
- Medical Care

				Feb-17 versus			
				Jan-17		Feb-16	
	Feb-17	Jan-17	Feb-16	Net	Pct	Net	Pct
Regional CPI-U	267.66	266.92	260.88	0.75	0.3%	6.79	2.6%
Medical Care Component	474.26	474.45	457.22	(0.19)	0.0%	17.04	3.7%
Electricity Component	178.30	174.82	172.53	3.47	2.0%	5.77	3.3%
Gasoline (all grades) Component	194.68	199.14	146.46	(4.46)	-2.2%	48.22	32.9%
National CPI-U	243.60	242.84	237.11	0.76	0.3%	6.49	2.7%

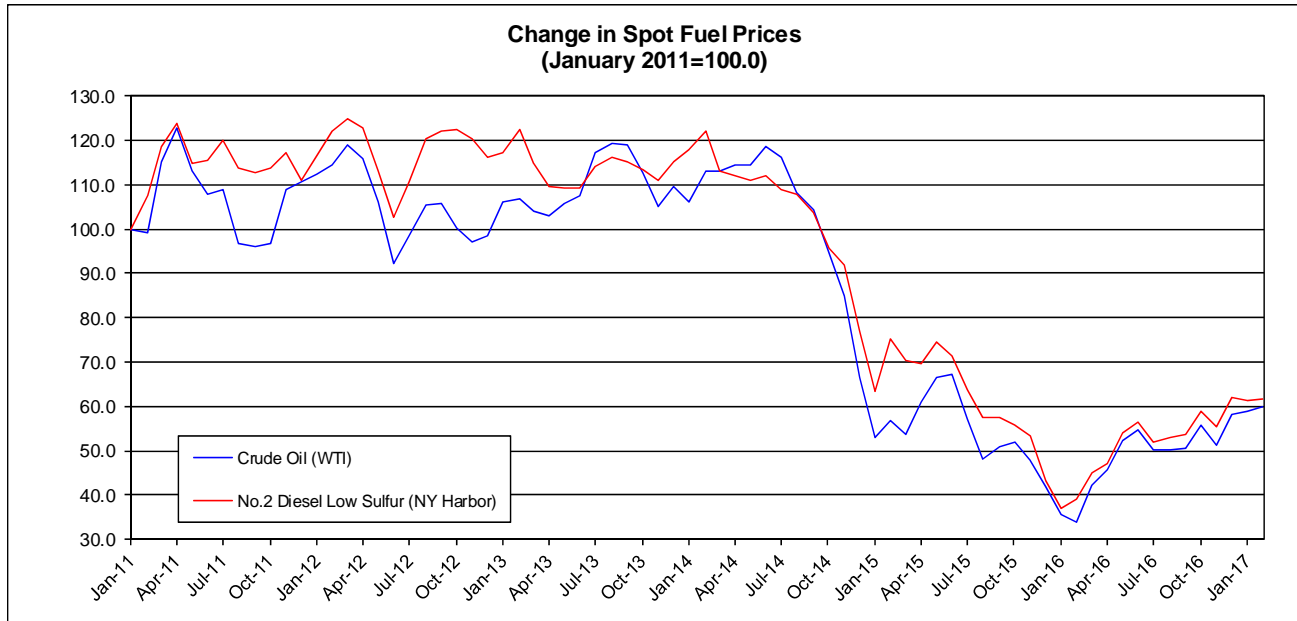


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Fuel Prices

Fuel - Spot Prices <i>NY Harbor, except Crude Oil (WTI)</i>	Latest Price				Feb-17 versus	
	03/06/17	Feb-17	Jan-17	Feb-16	Jan-17	Feb-16
Crude Oil (\$/bbl)	53.19	53.47	52.50	30.32	1.8%	76.4%
Conventional Regular Gasoline (\$/gal)	1.50	1.55	1.62	1.06	-4.4%	46.3%
Low Sulfur No.2 Diesel Fuel (\$/gal)	1.59	1.63	1.62	1.04	0.1%	56.9%
No.2 Heating Oil (\$/gal)	1.56	1.56	1.55	0.97	0.7%	60.7%



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Nassau, Suffolk Employment (in thousands)				Jan-17 versus			
	Prelim Jan-17	Revised Dec-16	Jan-16	Dec-16		Jan-16	
				Net	Percent	Net	Percent
Total Employment	1,306.7	1,352.2	1,278.8	-45.5	-3.4%	27.9	2.2%
Goods Producing	140.7	144.1	142.8	-3.4	-2.4%	-2.1	-1.5%
Construction, Mining, Nat Res	70.4	72.8	71.8	-2.4	-3.3%	-1.4	-1.9%
Manufacturing	70.3	71.3	71.0	-1.0	-1.4%	-0.7	-1.0%
Service Providing	1,166.0	1,208.1	1,136.0	-42.1	-3.5%	30.0	2.6%
Transportation, Utilities	43.3	46.3	41.9	-3.0	-6.5%	1.4	3.3%
Trade	238.2	245.7	228.7	-7.5	-3.1%	9.5	4.2%
Information	19.2	19.4	19.6	-0.2	-1.0%	-0.4	-2.0%
Financial Activities	71.2	71.9	71.6	-0.7	-1.0%	-0.4	-0.6%
Professional & Business Svcs	168.6	178.6	165.0	-10.0	-5.6%	3.6	2.2%
Education & Health Svcs	262.5	268.1	251.3	-5.6	-2.1%	11.2	4.5%
Leisure & Hospitality	110.6	117.5	108.6	-6.9	-5.9%	2.0	1.8%
Other Services	57.5	58.3	57.5	-0.8	-1.4%	0.0	0.0%
Government	194.9	202.3	191.8	-7.4	-3.7%	3.1	1.6%

Orange, Rockland, Westchester Employment (in thousands)				Jan-17 versus			
	Prelim Jan-17	Revised Dec-16	Jan-16	Dec-16		Jan-16	
				Net	Percent	Net	Percent
Total Employment	697.0	720.0	687.6	-23.0	-3.2%	9.4	1.4%
Goods Producing	64.9	67.1	67.0	-2.2	-3.3%	-2.1	-3.1%
Construction, Mining, Nat Res	36.2	37.8	37.4	-1.6	-4.2%	-1.2	-3.2%
Manufacturing	28.7	29.3	29.6	-0.6	-2.0%	-0.9	-3.0%
Service Providing	632.1	652.9	620.6	-20.8	-3.2%	11.5	1.9%
Transportation, Utilities	25.7	26.5	24.9	-0.8	-3.0%	0.8	3.2%
Trade	119.3	124.0	117.9	-4.7	-3.8%	1.4	1.2%
Information	12.9	13.1	13.1	-0.2	-1.5%	-0.2	-1.5%
Financial Activities	36.8	37.1	37.0	-0.3	-0.8%	-0.2	-0.5%
Professional & Business Svcs	90.6	93.6	85.7	-3.0	-3.2%	4.9	5.7%
Education & Health Svcs	149.7	153.9	145.0	-4.2	-2.7%	4.7	3.2%
Leisure & Hospitality	55.4	60.9	57.8	-5.5	-9.0%	-2.4	-4.2%
Other Services	32.2	32.9	31.2	-0.7	-2.1%	1.0	3.2%
Government	109.5	110.9	108.0	-1.4	-1.3%	1.5	1.4%

Dutchess, Putnam Employment (in thousands)				Jan-17 versus			
	Prelim Jan-17	Revised Dec-16	Jan-16	Dec-16		Jan-16	
				Net	Percent	Net	Percent
Total Employment	138.3	145.5	140.4	-7.2	-4.9%	-2.1	-1.5%
Goods Producing	17.1	17.9	17.4	-0.8	-4.5%	-0.3	-1.7%
Construction, Mining, Nat Res	7.4	8.0	7.4	-0.6	-7.5%	0.0	0.0%
Manufacturing	9.7	9.9	10.0	-0.2	-2.0%	-0.3	-3.0%
Service Providing	121.2	127.6	123.0	-6.4	-5.0%	-1.8	-1.5%
Transportation, Utilities	4.1	4.4	4.1	-0.3	-6.8%	0.0	0.0%
Trade	20.1	20.2	20.1	-0.1	-0.5%	0.0	0.0%
Information	2.0	2.0	2.0	0.0	0.0%	0.0	0.0%
Financial Activities	4.7	4.8	4.6	-0.1	-2.1%	0.1	2.2%
Professional & Business Svcs	11.1	11.6	11.0	-0.5	-4.3%	0.1	0.9%
Education & Health Svcs	34.8	38.2	35.9	-3.4	-8.9%	-1.1	-3.1%
Leisure & Hospitality	12.0	13.0	12.9	-1.0	-7.7%	-0.9	-7.0%
Other Services	7.0	7.0	6.8	0.0	0.0%	0.2	2.9%
Government	25.4	26.4	25.6	-1.0	-3.8%	-0.2	-0.8%

