

MTA ANNUAL DISCLOSURE STATEMENT UPDATE
(2017 ADS Third Quarterly Update)
March 12, 2018

This Metropolitan Transportation Authority (“MTA”) Annual Disclosure Statement Update (including Attachment A hereto, “Third Quarterly Update”) is dated March 12, 2018, is the third quarterly update to the Annual Disclosure Statement (“ADS”) of MTA, dated April 28, 2017, as supplemented June 22, 2017 and July 5, 2017, and as further supplemented by the first quarterly update (the “First Quarterly Update”) dated August 14, 2017 and the second quarterly update (the “Second Quarterly Update”) dated November 17, 2017, and contains information only through its date. MTA expects to file this Third Quarterly Update with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system and may incorporate such information herein by specific cross-reference. Such information, together with the complete February Plan hereinafter referred to, is also posted on the MTA website under “MTA Info – Financial Information” at www.mta.info. No statement on MTA’s website or any other website is included by specific cross-reference herein. All of the information in this Third Quarterly Update is accurate as of its respective date. MTA retains the right to update and supplement specific information contained herein as events warrant.

The factors affecting MTA’s financial condition are complex. This Third Quarterly Update contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “anticipate” or other similar words. The forward looking statements contained herein are based on MTA’s expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete, imprecise or not reflective of future actual results. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the preceding paragraph, MTA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events occur that change the conditions or circumstances on which such statements are based. These forward-looking statements speak only as of the date of this Third Quarterly Update.

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Introduction

This update, dated March 12, 2018 (the “Third Quarterly Update”), is the third quarterly update to the Annual Disclosure Statement (“ADS”) of the Metropolitan Transportation Authority (“MTA”), dated April 28, 2017, as supplemented June 22, 2017 and July 5, 2017, and as further supplemented by the first quarterly update (the “First Quarterly Update”) dated August 14, 2017 and the second quarterly update (the “Second Quarterly Update”) dated November 17, 2017. This Third Quarterly Update contains information only through March 12, 2018, and should be read in its entirety, together with the ADS as so previously updated and supplemented. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the ADS.

In this Third Quarterly Update, readers will find:

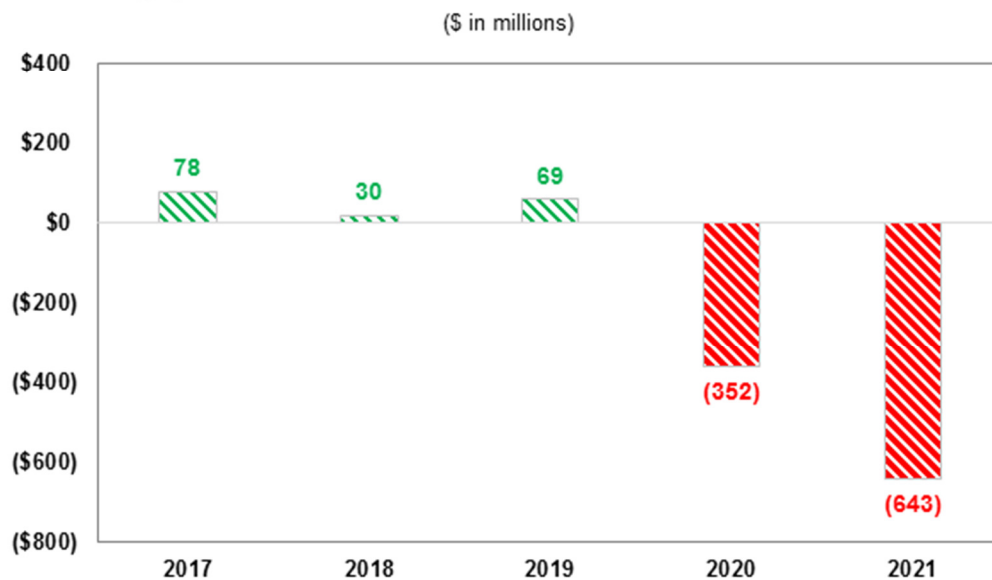
1. A summary of recent events and changes to MTA’s 2018-2021 Financial Plan released by MTA in February 2018, made since the date of the ADS, to reflect provisions of the 2018 MTA February Financial Plan presented to, and approved by, the MTA Board on February 22, 2018 (the “February Plan”). The complete February Plan is posted on MTA’s website under “MTA Info – Financial Information – Budget and Financial Statements” at www.mta.info. No statement on MTA’s website or any other website is included by specific cross-reference herein. The updated information reflected in the February Plan includes revised projections for fiscal years 2017 through 2021.
2. **Attachment A** to this Third Quarterly Update, which presents the MTA February Plan in tabular form and includes Financial Plan tables that summarize MTA’s February Plan for fiscal year 2016 (actual), final estimate for 2017 and projected receipts and expenditures for fiscal years 2018 through 2021, in each case prepared by MTA management.

The November Plan

The November Plan, which was approved by the Board in December 2017, projected small cash balances through 2019, with deficits of \$352 million in 2020 and \$643 million in 2021. The November Plan reflected: \$1.14 billion in lower real estate revenues since the 2017 adopted budget, an average annual decline of \$229 million; proposed 4 percent fare/toll increases in 2019 and 2021, consistent with previous plans; annual recurring cost savings targets increasing from \$214 million in 2018 to \$418 million in 2021; the use of some reserves to offset expenses; and a fully funded Subway Action Plan.



**The 2017 November Plan projected small cash balances through 2019
with gaps of \$352 million and \$643 million in 2020 and 2021**



Changes to the November Plan

Consistent with the MTA budget process and, as presented in tabular form in **Attachment A**, the July and November Plans are formatted to highlight for the Board (and other stakeholders) certain policy actions and other adjustments. Until these items have been approved by the Board, MTA excludes their financial impact from the “Statement of Operations” (see **Attachment A** at page II-3, also referred to as “the baseline”). Instead, these items are captured individually, and in total, on the “Plan Adjustments” page that follows the Statement of Operations (see **Attachment A** at page II-4). These Plan Adjustments are also referred to as being “below-the-baseline”. Analyzed together, the Statement of Operations and Plan Adjustments tabular presentations in **Attachment A** produce the cash balance and gap projections captured above.

With Board approval secured at the February meeting, certain of these Plan Adjustments are now included within February Plan Agency and MTA-wide Statements of Operations (they have been moved to within the baseline). These re-categorizations had no impact on the bottom line and are explained below under “Additional Information” in this Third Quarterly Update.

The February Plan also captures baseline changes that were not included in the November Plan:

New York State Subsidy – The Governor’s State Fiscal Year 2018 Executive Budget released on January 16, 2018, as amended (the “Executive Budget”), would, if enacted by the Legislature as proposed, increase State fiscal year-over-year operating support to MTA by \$334 million, and includes \$254 million to fulfill the Governor’s proposal to fund half the cost of the

Subway Action Plan (as defined and described in the Second Quarterly Update). Overall funds levels as proposed, however, are lower than MTA management assumptions included in the November Plan and discussed in the Second Quarterly Update. The State appropriation to MTA for Metropolitan Mass Transportation Operating Assistance (“MMTOA”) would be \$19 million higher than the previous State fiscal year, but in the November Plan MTA had assumed growth of \$80 million, resulting in a \$61 million shortfall. The February Plan reflects the Executive Budget MMTOA appropriation. MTA has also modified its MMTOA forecasts for 2019 through 2021 to reflect the latest projections provided by the State Division of Budget; this change reduces projected MMTOA receipts from the November Plan by \$133 million in 2019, \$138 million in 2020 and \$135 million in 2021. The Executive Budget also does not include the restoration of \$65 million of PMT Replacement funding that was assumed in the November Plan. The State Division of Budget has, however, expressed the intention to provide \$65 million in additional capital funding in 2018, allowing MTA to re-program \$65 million of projected MTA pay-as-you-go (“PAYGO”) resources to operating needs. The State has made no commitment to the restoration of funds beyond 2018. The February Plan assumes the full restoration of PMT Replacement funding for 2019 through 2021. Other differences from MTA assumptions in the November Plan include the appropriations for MTA Aid, which is \$4 million lower, and the appropriation for the Petroleum Business Tax, which is \$8 million higher. The combined impact of the Executive Budget, if enacted as proposed, and the MMTOA adjustments on MTA operating budget and February Plan are detailed below:

Projected New York State Executive Budget Impacts to MTA

	(in millions)			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Metropolitan Mass Transportation Operating Assistance (MMTOA)	(\$61)	(\$133)	(\$138)	(\$135)
Petroleum Business Tax	8	0	0	0
MTA Aid Trust Account Revenues	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Impact	(\$57)	(\$133)	(\$138)	(\$135)

Subway Action Plan – In December, the MTA Board-approved budget for 2018 assumed the Subway Action Plan would be fully funded by both the State and the City of New York, further stating, “Recommended changes to the scope of the Subway Action Plan in the February Plan [will] be made to match available funding, as well as authorization to make corresponding changes to the Budget.” As noted above, the Executive Budget proposes \$254 million in funding intended to cover half of the operating expenses and \$174 million to cover half of the capital funding of the original Subway Action Plan. In January, the MTA Board, in response to its request for alternative reductions in other areas to advance a fully funded Subway Action Plan, was presented with expense reallocations; those alternatives included extensive service cuts, for which no Board support has been received. On February 1, 2018, the City of New York’s 2019 preliminary budget was released, and did not include funding for the Subway Action Plan. Reflecting this shortfall in funding, MTA is recommending a phase-in of the Subway Action Plan to match available funding from the State, prioritizing the elements most critical to reducing delays and improving service reliability. The principal change from the original Subway Action Plan is delaying the hiring of additional workers, relying on improved internal efficiencies.

Debt Service Savings – Advance refundings of outstanding MTA bonds undertaken in December 2017 resulted in net debt service savings of \$161 million over the February Plan period that are captured in the baseline financial plan. In addition, \$1.7 billion of capital cash balances will be drawn down in lieu of additional bonding in 2018, which will generate \$252 million in debt service savings over the February Plan period. These savings are captured below-the-baseline.

Other Technical Adjustments – The February Plan includes timing and other minor technical adjustments impacting expenses and subsidies that have been incorporated into the baseline, including the item highlighted below, as well as others that are detailed further in individual Related Entity sections in the full February Plan.

Contracts have been settled for the vast majority of represented employees at MTA New York City Transit, MTA Bus, MTA Staten Island Railway and the commuter railroads with terms that include a commutation pass benefit. As a result, and as reflected in Related Entity reconciliation tables included in the February Plan, the cross-agency billing between MTA New York City Transit and the commuter railroads, for the estimated value of these passes, has been discontinued. This change will have no impact on MTA consolidated bottom line financial plan.

February Plan Summary

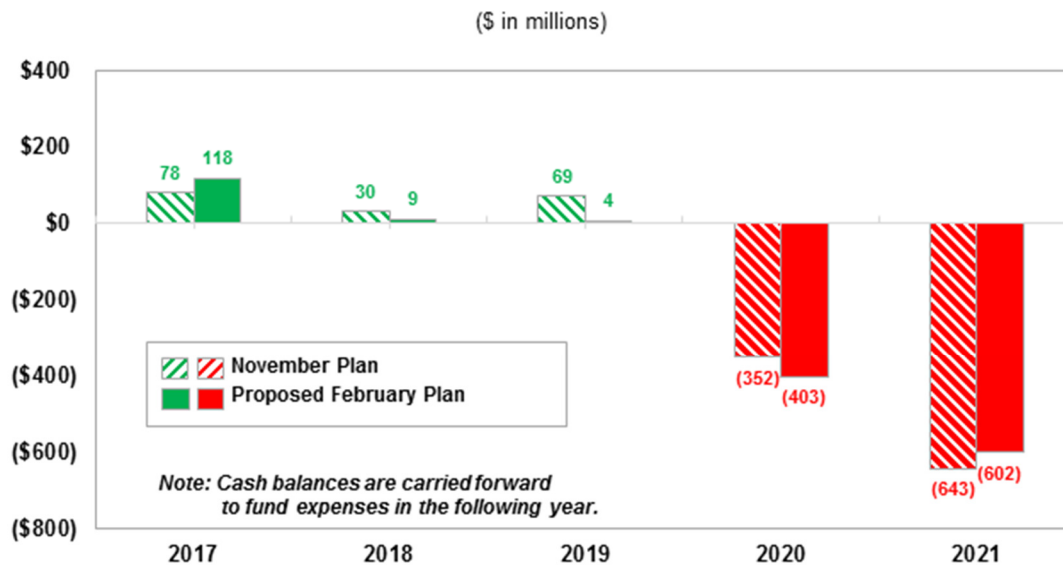
The purpose of the February Plan is to incorporate Board-approved MTA adjustments on a consolidated basis in the November Plan into the Related Entities' financial plan baseline budgets and forecasts. It also establishes a 12-month allocation of the 2018 adopted budget for financials, utilization and positions, which will be compared with actual results. *Unlike the July Plan and the November Plan, the February Plan does not include any new proposals or programs.*

The February Plan reflects a phase-in of the Subway Action Plan to match available funding. It also captures subsidy forecasts that are lower than those projected in the November Plan. On the positive side, the February Plan captures favorable 2017 results at MTA Bridges and Tunnels as well as projected debt service savings from advance refunding transactions undertaken in December 2017 and the draw-down of capital cash balances in lieu of additional bonding. The February Plan also captures minor timing and other technical adjustments to MTA and Related Entity forecasts.

The February Plan includes funding for a phased-in Subway Action Plan and funds all of the other programs that were included in the November Plan. Year-ending cash positions have changed from the November Plan. The February Plan is projecting year-end cash balances of \$118 million in 2017, \$9 million in 2018 and \$4 million in 2019, with projected cash deficits of \$403 million in 2020 and \$602 million in 2021. The February Plan notes that, new sources of operating or acceleration of State/City capital funding will be necessary to reduce these out-year deficits.



New sources of funding are necessary to reduce out-year deficits



The following February Plan Adjustments remain below-the-baseline and therefore are not captured within Related Entity baseline forecasts in the financial plan:

Fare and Toll Increase in March 2019 – A \$321 million annualized consolidated farebox and toll increase is assumed for implementation in March 2019, and is estimated to yield 4%, for an additional \$274 million in 2019 and \$323 million in both 2020 and 2021. Factoring in MTA Bus, MTA Staten Island Railway and MTA Bridges and Tunnels adjustments included in “Subsidy Impacts of the 2019 Fare/Toll Increase” (see **Attachment A** at page II-4), the net increase to MTA is \$263 million in 2019, \$313 million in 2020, and \$314 million in 2021, which is unchanged from the estimate in the November Plan.

Fare and Toll Increase in March 2021 – A \$336 million annualized consolidated farebox and toll increase is assumed for implementation in March 2021, and is estimated to yield 4%, for an additional \$286 million in 2021. Factoring in the MTA Bus, MTA Staten Island Railway and MTA Bridges and Tunnels adjustments included in “Subsidy Impacts of the 2019 Fare/Toll Increase” (see **Attachment A** at page II-4), the net increase to MTA is \$276 million in 2021, which is unchanged from the estimate in the November Plan.

MTA Efficiencies – To Be Implemented – MTA is committed to continuing its program of identifying efficiencies that result in overall recurring savings for the organization. In the 2017 July Plan, MTA successfully identified and captured savings of \$89 million in 2017 and 2018, \$97 million in 2019, \$110 million in 2020 and \$124 million in 2021. Accordingly, MTA increased savings targets last July by \$150 million in 2018 with incremental \$50 million per year increases in the savings target thereafter, growing to \$300 million in 2021. In the November

Plan, MTA identified additional savings of \$27 million in 2017, \$14 million per year for 2018 through 2020, and \$15 million in 2021. Unidentified savings targets remaining are \$214 million in 2018, \$309 million in 2019, \$388 million in 2020 and \$418 million in 2021. MTA efficiencies that remain below-the-line are intended to reduce future deficits and will be incorporated into Related Entity baseline financial plans as they are developed. While these targets will be harder to achieve, MTA management remains committed to meeting them and is in the process of identifying savings to meet its 2018 target. When combined with savings programs that have already been implemented, meeting these targets would increase the level of annual savings to \$2.3 billion per year by 2021.

Policy Actions

State Capital Funding Reprogrammed for Operating Needs – The State Division of Budget has expressed the intention to provide \$65 million in additional capital funding this year, allowing MTA to re-program \$65 million of PAYGO for operating needs.

Restoration of PMT Replacement Funds – The \$65 million restoration of PMT Replacement funding assumed in the July Plan and November Plan was not included in the Executive Budget. The State Division of Budget has given no commitment to the restoration of funds beyond 2018. MTA will continue to negotiate with the State for the full restoration of the PMT Replacement funding and the February Plan assumes its full restoration for 2019 through 2021.

GASB 45 OPEB Fund Reserves - Suspend Planned Contributions – Planned contributions to the GASB 45 OPEB reserves have been suspended (providing financial plan benefit of \$100 million over the February Plan period).

MTA Bridges and Tunnels Necessary Reconstruction - Suspend Planned Contributions – Planned contributions to the MTA Bridges and Tunnels Necessary Reconstruction Reserve Fund have been suspended (providing financial plan benefit of \$213 million over the February Plan period).

Phased-In Subway Action Plan:

- **Remove Subway Action Plan from MTA New York City Transit Baseline Financial Plan:** The February Plan includes all of the projected costs and funding assumptions of the phased-in Subway Action Plan. Since the projected operating expenses associated with the Subway Action Plan are also included in the MTA New York City Transit baseline financial plan, this entry is necessary to eliminate a double-count.
- **Subway Action Plan – Operating Costs:** The February Plan captures the projected operating expenses associated with implementing the phased-in Subway Action Plan.
- **Pre-Funding of 2017 Capital Expenses:** The operating budget temporarily funded 2017 capital costs that are expected to be paid back from the Capital Program in 2018.

- Additional State Funding for Subway Action Plan: The February Plan captures the value of Subway Action Plan funding included in the Executive Budget and includes the reimbursement for MTA's advance funding in 2017 and early 2018.
- Drawdown/Redeposit GASB 45 OPEB Reserves: Reserves were required to provide advance cash-flow funding of the Subway Action Plan in 2017. Funds are assumed to be restored in 2018 upon the reimbursement from the State.

MTA Re-Estimates

Favorable 2017 MTA Bridges and Tunnels Results - Operating results (audited) were \$28 million better than projected in the November Plan, reflecting higher toll revenue and lower operating expenses.

Drawdown on Cash Balances in Lieu of Issuing Bonds – As mentioned above under sub-heading “Debt Service Savings”, \$1.7 billion of capital cash balances will be drawn down in lieu of additional bonding in 2018, which will generate \$252 million in debt service savings over the February Plan period.

Additional Information

The following February Plan adjustments derived from the July Plan and the November Plan have been incorporated into the baseline forecast of the February Plan:

Policy Actions from the July 2017 Plan – To address unfavorable changes, most notably the reduction in real estate transaction tax revenue, the July Plan included the following adjustment:

- Drawdown of 2017 MTA General Reserve – Draw down \$135 million of the \$155 million in MTA's 2017 general reserve.

Policy Actions from the November 2017 Plan – In addition to the July Plan policy action noted above, the November Plan included the following actions:

- Drawdown of GASB 45 OPEB Reserves – The \$149 million GASB 45 OPEB Reserve is being used to fund 2017 and early 2018 portions of the Subway Action Plan until reimbursement is received from the State or other stakeholders, and then is projected to be used to offset operating expenses in 2018.
- Drawdown Remaining 2017 General Reserve – The remaining \$20 million from the 2017 MTA general reserve will also be used in advance of reimbursement for the Subway Action Plan, and then is projected to be applied to offset 2018 operating expenses.

Challenges Going Forward

Challenges and risks facing MTA in implementing the February Plan goals include:

Secure new sustainable funding for operations and capital. The February Plan assumes projected fare and toll increases of 4% in each of 2019 and 2021 and aggressive cost cutting, yet still projects deficits of \$403 million in 2020 and \$602 million in 2021. Without additional recurring revenue or substituting MTA capital funding with accelerated State and City of New York capital funding, the revenue shortfall in the February Plan will impact MTA's ability to service additional debt. The February Plan includes MTA funded capital expenditures of approximately \$9.6 billion, reflecting the projected use of non-bond proceeds of \$1.7 billion in 2018 with another \$7.9 billion of new Transportation Revenue Bonds over the remaining February Plan period. The new debt is projected to increase debt service in 2019 by nearly \$90 million growing to \$250 million in 2020, \$400 million by 2021 and approximately \$470 million by 2022. For the February Plan years 2020 and 2021, new debt service represents nearly 65% of the total projected February Plan deficit.

Secure full funding for the Subway Action Plan. The full implementation of the Subway Action Plan will provide critical and measurable improvements to the performance of the subway system and in the quality of service provided to MTA New York City Transit customers. MTA has received a commitment from Governor Cuomo for the State of New York to fund half of the Subway Action Plan's cost. As noted above, in the absence of an additional funding commitment to fully fund the Subway Action Plan, the February Plan was adjusted commensurate with available funding.

Biennial fare and toll increases. While MTA management will continue to work to control costs, combined fares and tolls only cover approximately half of operating costs and a little more than a third of total costs, including capital costs. Moreover, many costs are dependent on pricing factors beyond MTA's direct control (*e.g.*, energy, health and welfare and pensions). If projected fare and toll increases are not implemented, MTA's financial situation will quickly deteriorate as revenue will not keep pace with inflation and other cost growth.

Achieve cost reduction targets. Efforts to reduce costs will continue, but it becomes increasingly challenging as many of the previously identified opportunities to achieve cost savings have been realized. Unidentified savings targets are \$214 million in 2018, \$309 million in 2019, \$388 million in 2020, and \$418 million in 2021.

Increased investments in maintenance/operations and customer experience enhancements. MTA management's challenge is to continue maintaining and improving operations, even as ridership growth has put more demands on aging infrastructure, including MTA New York City Transit's 113-year old subway system.

General economic conditions. The finances of MTA are highly influenced by economic factors. Passenger and toll revenues, dedicated taxes and subsidies (including real estate transaction tax revenue), debt service, pensions and energy costs are all impacted by the health of the national and regional economies. If the economic assumptions reflected in the February Plan are not realized, the February Plan projected results could be adversely affected.

Potential impact of changes in federal law. MTA's finances are also influenced by federal public transportation funding levels and provisions and by federal tax law. The Presidential administration and Congress are currently considering budgetary and programmatic changes in law relating to federal public transportation and infrastructure finance. Enacted

federal tax reform includes changes in personal and corporate tax rates and deductions, which adversely impact MTA's opportunities for federal tax exempt financing, particularly the prohibition of advance refundings for debt service savings effective in 2018. The limitation of itemized deductions for state and local income and property taxes to \$10,000, may also adversely impact the New York region's real estate market and levels of MTA real estate related tax subsidies. Although MTA management is monitoring federal legislative activity, at this time it is not possible to assess the financial or programmatic impacts upon MTA's finances of current federal proposals and enacted tax law changes.

Potentially higher interest rates than forecast. Since 2008, MTA has benefitted from historically low interest rates. In December 2015, the Federal Open Markets Committee ("FOMC") increased the federal funds rate for the first time since late 2008, by a quarter point to a target range of 0.25% to 0.50%. This increase has been followed by additional quarter point increases in December 2016, March 2017, June 2017 and finally to 1.50% in December 2017. The FOMC continues to expect that, with gradual adjustments in the stance of monetary policy, economic activity and labor market conditions will lead inflation to stabilize around the FOMC's 2 percent objective. While the February Plan includes interest rate assumptions in line with the FOMC's recent actions and policy statements on future actions, a sudden and unexpected increase in economic activity may result in inflationary growth beyond the FOMC's inflation target, which in turn could lead to a further increasing of the federal funds rate. Such an increase could lead to an increase in interest rates for MTA capital borrowing which are higher than projected in the February Plan.

Management Changes

Andrew Byford assumed the position of President of MTA New York City Transit in January, 2018. He formerly served as Chief Executive Officer of the Toronto Transit Commission.

Helene Fromm was appointed Chief of Staff of MTA. Previously, Ms. Fromm served as Acting General Counsel to MTA.

Thomas J. Quigley, Esq., previously a lawyer in private practice, was appointed General Counsel to MTA.

Finally, Catherine Rinaldi was named President of MTA Metro-North Railroad. Ms. Rinaldi has over fifteen years of experience with MTA and most recently served as Acting President of MTA Metro-North Railroad.

Recent Litigation

A putative class action lawsuit was filed in the Southern District of New York on February 16, 2018 (*Farina v. MTA, TBTA, Transworld Systems, Inc. and Conduent*) ("Farina"). MTA Bridges and Tunnels and MTA were served on February 21, 2018.

The representative plaintiff in *Farina* alleges that the \$100.00 violation fee allegedly imposed for each toll violation at MTA's bridges and tunnels is excessive and defendants' fee policies, practices and collection methods are illegal and unconstitutional because they allegedly

violate the Eighth Amendment; the Procedural and Substantive Due Process clauses of the United States Constitution; Section I, Article 5 and the Equal Protection clause of the New York State Constitution; and the Fair Debt Collection Practices Act. Defendants are also alleged to have committed deceptive business practices in violation of New York General Business Law §§349-350, unjust enrichment and tortious interference with E-ZPass agreements.

The representative plaintiff on behalf of a putative class of persons and entities who have E-ZPass accounts or received a Tolls by Mail bill and have been assessed a fee (with certain limited exceptions) seeks declaratory and injunctive relief invalidating the fees and defendants' policies, practices and collection methods and payment of restitution to the class; disgorgement of ill-gotten gains; punitive, treble, statutory and exemplary damages; and attorneys' fees.

Putative class action lawsuits were also filed in the Southern District of New York on February 20, 2018 (*Gardner v. MTA, TBTA, Port Authority of New York and New Jersey, Allianceone Receivables Management, Inc. and Conduent*) ("*Gardner*") and on March 5, 2018 (*Troiano v. MTA, TBTA, Port Authority of New York and New Jersey, New York State Thruway Authority, Transworld Systems, Inc., Allianceone Receivables Management, Inc. and Conduent*) ("*Troiano*"). MTA and MTA Bridges and Tunnels were served in *Gardner* on March 6, 2018, but have not yet been served in *Troiano*.

The allegations regarding MTA and MTA Bridges and Tunnels are substantially the same in all three actions, except that *Gardner* and *Troiano* also allege that the \$50.00 administrative fee for misuse of an E-ZPass tag is excessive and improper. MTA Bridges and Tunnels and MTA are vigorously defending all three actions.

Rating Action

On March 12, 2018, S&P Global Ratings downgraded MTA's Transportation Revenue Bonds from "AA-" to "A+", under its Mass Transit Enterprise Ratings criteria.

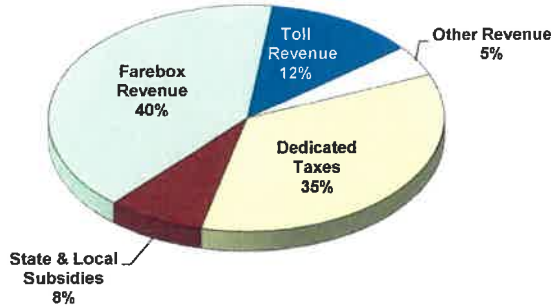
Attachment A to MTA Annual Disclosure Statement
Third Quarterly Update
March 12, 2018

MTA February Plan

This **Attachment A** to the 2017 ADS Third Quarterly Update sets forth MTA February Plan in tabular form and includes Financial Plan tables that summarize MTA's February Plan for fiscal year 2016 (Actual), Final Estimate for 2017 and projected receipts and disbursements for fiscal years 2018 (Final Proposed Budget) through 2021, in each case prepared by MTA management. The complete February Plan is posted on MTA's website under "MTA Info – Financial Information – Budget and Financial Statements" at www.mta.info. No statement on MTA's website or any other website is included by specific cross-reference herein.

**MTA 2018 Proposed Budget
Baseline Expenses Before Below-the-Line Adjustments
Non-Reimbursable**

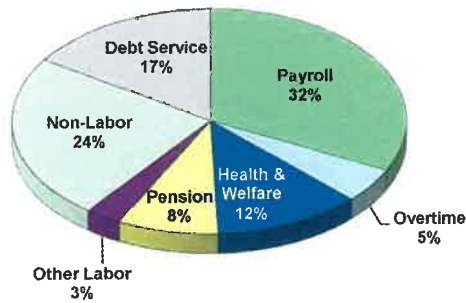
Where the Dollars Come From ...



By Revenue Source (\$ in millions)	
Farebox Revenue	\$6,277
Toll Revenue	1,923
Other Revenue	685
Dedicated Taxes	5,434
State & Local Subsidies	1,224
Total ¹	\$15,544

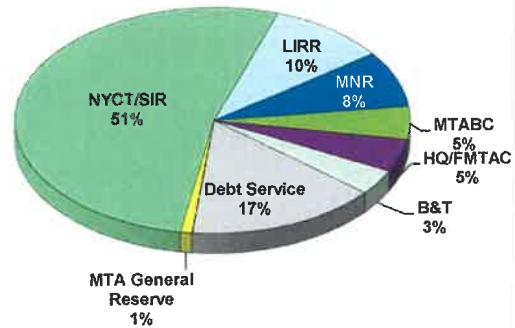
Where the Dollars Go ...

By Expense Category



By Expense Category ² (\$ in millions)	
Payroll	\$5,360
Overtime	829
Health & Welfare	2,002
Pension	1,351
Other Labor	492
Non-Labor	3,935
Debt Service	2,604
Total ¹	\$16,573

By MTA Agency



By MTA Agency ² (\$ in millions)	
NYCT/SIR	\$8,695
LIRR	1,620
MNR	1,339
MTABC	773
HQ/FMTAC	785
B&T	596
Debt Service	2,604
MTA General Reserve	160
Total ¹	\$16,573

¹ Totals may not add due to rounding.

² Expenses exclude Depreciation, OPEB Obligation and Environmental Remediation. MTA Capital Construction is not included, as its budget contains reimbursable expenses only.

Note: The revenues and expenses reflected in these charts are on an accrued basis and exclude cash adjustments, carry-over balances and those "below-the-line" adjustments that are captured in Volume 1. Any comparison of revenues versus expenses will not directly correspond to the cash balances reflected in the Statement of Operations.

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018-2021
MTA Consolidated Statement Of Operations By Category
(\$ in millions)

Line No.	Non-Reimbursable	Actual 2016	November Forecast 2017	Final Proposed Budget 2018	2019	2020	2021
10	Operating Revenue						
11	Farebox Revenue	\$6,050	\$6,172	\$6,277	\$6,308	\$6,347	\$6,353
12	Toll Revenue	1,870	1,906	1,923	1,937	1,946	1,953
13	Other Revenue	688	668	685	697	730	732
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	Total Operating Revenue	\$8,608	\$8,747	\$8,886	\$8,942	\$9,023	\$9,038
17	Operating Expense						
18	Labor Expenses:						
19	Payroll	\$4,839	\$5,040	\$5,360	\$5,552	\$5,676	\$5,799
20	Overtime	771	879	829	806	819	849
21	Health & Welfare	1,172	1,214	1,364	1,469	1,556	1,655
22	OPEB Current Payment	562	569	638	692	751	816
23	Pensions	1,370	1,326	1,351	1,371	1,369	1,384
24	Other-Fringe Benefits	948	892	918	951	985	1,015
25	Reimbursable Overhead	(425)	(476)	(426)	(410)	(388)	(384)
26	Total Labor Expenses	\$9,238	\$9,444	\$10,033	\$10,433	\$10,768	\$11,133
28	Non-Labor Expenses:						
29	Electric Power	\$406	\$444	\$505	\$519	\$547	\$604
30	Fuel	125	147	153	152	177	187
31	Insurance	(21)	30	30	33	38	44
32	Claims	464	314	320	328	329	330
33	Paratransit Service Contracts	384	391	416	440	467	492
34	Maintenance and Other Operating Contracts	631	746	858	780	783	810
35	Professional Service Contracts	401	573	518	466	460	458
36	Materials & Supplies	586	617	719	709	730	728
37	Other Business Expenses	193	209	206	217	225	230
38	Total Non-Labor Expenses	\$3,168	\$3,471	\$3,726	\$3,644	\$3,757	\$3,883
40	Other Expense Adjustments:						
41	Other	\$47	\$52	\$49	\$50	\$52	\$53
42	General Reserve	0	155	160	165	175	180
43	Total Other Expense Adjustments	\$47	\$207	\$209	\$215	\$227	\$233
45	Total Operating Expense before Non-Cash Liability Adj.	\$12,454	\$13,122	\$13,968	\$14,292	\$14,752	\$15,249
47	Depreciation	\$2,443	\$2,615	\$2,674	\$2,741	\$2,808	\$2,870
48	OPEB Liability Adjustment	1,562	1,681	1,776	1,871	1,975	2,084
49	GASB 68 Pension Expense Adjustment	(219)	(172)	(235)	(228)	(246)	(284)
50	Environmental Remediation	12	4	6	6	6	6
51		\$3,798	\$4,128	\$4,222	\$4,390	\$4,542	\$4,677
52	Total Operating Expense after Non-Cash Liability Adj.	\$16,252	\$17,250	\$18,190	\$18,681	\$19,294	\$19,926
54	Conversion to Cash Basis: Non-Cash Liability Adj.	(\$3,798)	(\$4,128)	(\$4,222)	(\$4,390)	(\$4,542)	(\$4,677)
56	Debt Service (excludes Service Contract Bonds)	2,459	2,525	2,604	2,800	3,029	3,225
58	Total Operating Expense with Debt Service	\$14,912	\$15,647	\$16,573	\$17,092	\$17,781	\$18,474
60	Dedicated Taxes and State/Local Subsidies	\$6,666	\$6,470	\$6,659	\$6,949	\$7,119	\$7,340
62	Net Surplus/(Deficit) After Subsidies and Debt Service	\$362	(\$430)	(\$1,028)	(\$1,201)	(\$1,639)	(\$2,097)
64	Conversion to Cash Basis: GASB Account	0	0	(8)	(18)	(29)	(42)
65	Conversion to Cash Basis: All Other	(594)	88	9	207	97	24
67	CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER	(\$232)	(\$342)	(\$1,028)	(\$1,012)	(\$1,572)	(\$2,114)

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018-2021
MTA Consolidated Accrued Statement of Operations By Agency
(\$ in millions)

Line No	Non-Reimbursable	Final					
		Actual 2016	November Forecast 2017	Proposed Budget 2018	2019	2020	2021
9	Total Operating Revenue						
10	New York City Transit	\$4,859	\$4,919	\$4,995	\$5,032	\$5,079	\$5,096
11	Bridges and Tunnels	1,895	1,925	1,942	1,956	1,965	1,972
12	Long Island Rail Road	768	787	794	798	801	804
13	Metro-North Railroad	769	799	829	833	851	836
14	MTA Bus Company	234	237	240	241	242	242
15	MTA Headquarters	61	54	59	55	58	60
16	Staten Island Railway	9	9	9	9	9	9
17	First Mutual Transportation Assurance Company	13	16	17	17	18	18
18	Other	0	0	0	0	0	0
19	Total	\$8,608	\$8,747	\$8,886	\$8,942	\$9,023	\$9,038
21	Total Operating Expenses before Non-Cash Liability Adjs. ¹						
22	New York City Transit	\$7,981	\$8,108	\$8,659	\$8,880	\$9,172	\$9,429
23	Bridges and Tunnels	465	546	596	610	621	640
24	Long Island Rail Road	1,376	1,455	1,620	1,674	1,796	1,965
25	Metro-North Railroad	1,230	1,310	1,339	1,385	1,409	1,440
26	MTA Bus Company	717	727	773	785	776	792
27	MTA Headquarters	595	699	722	696	717	728
28	Staten Island Railway	64	76	60	60	59	60
29	First Mutual Transportation Assurance Company	(23)	18	14	12	1	(11)
30	Other	47	184	185	190	201	207
31	Total	\$12,454	\$13,122	\$13,968	\$14,292	\$14,752	\$15,249
33	Depreciation						
34	New York City Transit	\$1,650	\$1,778	\$1,828	\$1,878	\$1,928	\$1,978
35	Bridges and Tunnels	135	150	137	146	156	167
36	Long Island Rail Road	334	338	341	343	346	350
37	Metro-North Railroad	236	236	247	247	247	247
38	MTA Bus Company	57	54	54	54	54	55
39	MTA Headquarters	23	52	60	65	68	65
40	Staten Island Railway	8	8	8	8	8	8
41	First Mutual Transportation Assurance Company	0	0	0	0	0	0
42	Total	\$2,443	\$2,615	\$2,674	\$2,741	\$2,808	\$2,870
44	OPEB Liability Adjustment						
45	New York City Transit	\$1,193	\$1,269	\$1,350	\$1,437	\$1,529	\$1,627
46	Bridges and Tunnels	67	72	75	79	83	87
47	Long Island Rail Road	90	88	90	93	96	99
48	Metro-North Railroad	57	58	58	58	58	58
49	MTA Bus Company	64	100	100	100	100	100
50	MTA Headquarters	85	87	94	96	101	106
51	Staten Island Railway	7	8	8	8	8	8
52	Total	\$1,562	\$1,681	\$1,776	\$1,871	\$1,975	\$2,084
54	GASB 68 Pension Expense Adjustment						
55	New York City Transit	(\$184)	(\$296)	(\$306)	(\$296)	(\$303)	(\$309)
56	Bridges and Tunnels	(7)	12	15	17	20	21
57	Long Island Rail Road	(12)	0	0	0	0	0
58	Metro-North Railroad	(10)	(7)	4	0	(7)	(24)
59	MTA Bus Company	(6)	115	46	45	40	31
60	MTA Headquarters	0	4	5	5	3	(2)
61	Staten Island Railway	(0)	0	1	1	(0)	(1)
62	Total	(\$219)	(\$172)	(\$235)	(\$229)	(\$246)	(\$284)
64	Environmental Remediation						
65	New York City Transit	\$10	\$0	\$0	\$0	\$0	\$0
66	Bridges and Tunnels	0	0	0	0	0	0
67	Long Island Rail Road	(2)	2	2	2	2	2
68	Metro-North Railroad	4	2	4	4	4	4
69	MTA Bus Company	0	0	0	0	0	0
70	Staten Island Railway	0	0	0	0	0	0
71	Total	\$12	\$4	\$6	\$6	\$6	\$6
73	Net Surplus/(Deficit) ¹						
74	New York City Transit	(\$5,791)	(\$5,940)	(\$6,536)	(\$6,867)	(\$7,246)	(\$7,630)
75	Bridges and Tunnels	1,235	1,146	1,118	1,103	1,084	1,056
76	Long Island Rail Road	(1,018)	(1,095)	(1,259)	(1,314)	(1,439)	(1,612)
77	Metro-North Railroad	(748)	(799)	(822)	(860)	(859)	(888)
78	MTA Bus Company	(598)	(759)	(734)	(743)	(729)	(735)
79	MTA Headquarters	(642)	(788)	(823)	(807)	(832)	(838)
80	Staten Island Railway	(69)	(83)	(67)	(67)	(65)	(65)
81	First Mutual Transportation Assurance Company	36	(2)	2	5	17	30
82	Other	(47)	(184)	(185)	(190)	(201)	(207)
	Total	(\$7,643)	(\$8,503)	(\$9,304)	(\$9,740)	(\$10,271)	(\$10,889)

Notes: ¹ Excludes Debt Service

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018-2021
MTA Consolidated Cash Receipts and Expenditures
(\$ in millions)

Line No.	Cash Receipts and Expenditures	Actual 2016	November Forecast 2017	Final Proposed Budget 2018	2019	2020	2021
10	Receipts						
11	Farebox Revenue	\$6,083	\$6,190	\$6,283	\$6,314	\$6,353	\$6,358
12	Other Operating Revenue	706	715	681	819	762	745
13	Capital and Other Reimbursements	1,780	2,150	2,237	2,056	1,890	1,854
14	Total Receipts	\$8,569	\$9,056	\$9,201	\$9,188	\$9,005	\$8,957
16	Expenditures						
17	Labor:						
18	Payroll	\$5,303	\$5,529	\$5,912	\$6,075	\$6,160	\$6,267
19	Overtime	972	1,095	984	945	958	986
20	Health and Welfare	1,192	1,256	1,403	1,507	1,589	1,688
21	OPEB Current Payment	554	559	626	680	739	803
22	Pensions	1,405	1,376	1,412	1,429	1,422	1,438
23	Other Fringe Benefits	841	870	904	920	936	958
24	Contribution to GASB Fund	0	0	8	18	29	42
25	Reimbursable Overhead	(0)	0	0	0	0	0
26	Total Labor Expenditures	\$10,266	\$10,685	\$11,250	\$11,574	\$11,834	\$12,181
28	Non-Labor:						
29	Electric Power	\$405	\$443	\$500	\$514	\$541	\$598
30	Fuel	120	143	150	148	173	184
31	Insurance	(29)	34	31	32	38	38
32	Claims	295	256	252	259	261	264
33	Paratransit Service Contracts	379	391	414	438	465	490
34	Maintenance and Other Operating Contracts	578	701	761	654	636	678
35	Professional Service Contracts	406	614	593	510	470	455
36	Materials & Supplies	698	762	899	845	847	839
37	Other Business Expenditures	200	215	191	202	202	206
38	Total Non-Labor Expenditures	\$3,051	\$3,560	\$3,792	\$3,801	\$3,633	\$3,752
40	Other Expenditure Adjustments:						
41	Other	\$130	\$89	\$143	\$90	\$133	\$144
42	General Reserve	0	155	160	165	175	180
43	Total Other Expenditure Adjustments	\$130	\$244	\$303	\$255	\$308	\$324
45	Total Expenditures	\$13,446	\$14,489	\$15,345	\$15,430	\$15,775	\$16,258
47	Net Cash Deficit Before Subsidies and Debt Service	(\$4,878)	(\$5,433)	(\$6,144)	(\$6,242)	(\$6,770)	(7,301)
49	Dedicated Taxes and State/Local Subsidies	\$6,439	\$6,952	\$7,036	\$7,294	\$7,447	\$7,591
50	Debt Service (excludes Service Contract Bonds)	(\$1,793)	(\$1,860)	(\$1,920)	(\$2,063)	(\$2,250)	(\$2,404)
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$232)	(\$342)	(\$1,028)	(\$1,012)	(\$1,572)	(\$2,114)

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018-2021
MTA Consolidated Cash Statement of Operations By Agency
(\$ in millions)

Line Number		Actual	November Forecast	Final Proposed Budget	2019	2020	2021
	2016	2017	2018				
6	Cash Receipts and Expenditures						
9	Total Receipts						
10	New York City Transit	\$5,818	\$6,220	\$6,262	\$6,226	\$6,167	\$6,165
11	Long Island Rail Road	1,098	1,144	1,157	1,117	1,090	1,084
12	Metro-North Railroad	1,033	1,055	1,159	1,114	1,101	1,078
13	MTA Bus Company	238	246	248	252	253	254
14	MTA Headquarters	326	325	301	403	318	301
15	Staten Island Railway	13	14	11	11	10	10
16	Capital Construction Company	31	35	46	47	47	47
17	First Mutual Transportation Assurance Company	13	16	17	17	18	18
18	Other	-	-	-	-	-	-
19	Total	\$8,569	\$9,056	\$9,201	\$9,188	\$9,006	\$8,957
21	Total Expenditures						
22	New York City Transit	\$8,678	\$9,154	\$9,641	\$9,824	\$10,043	\$10,304
23	Long Island Rail Road	1,677	1,819	2,018	2,006	2,099	2,268
24	Metro-North Railroad	1,543	1,639	1,727	1,717	1,737	1,700
25	MTA Bus Company	669	727	757	770	761	778
26	MTA Headquarters	762	879	961	862	899	898
27	Staten Island Railway	70	84	61	61	58	59
28	Capital Construction Company	31	35	46	47	47	47
29	First Mutual Transportation Assurance Company	13	16	17	17	18	18
30	Other	3	135	118	127	114	185
31	Total	\$13,446	\$14,489	\$15,345	\$15,430	\$15,775	\$16,268
33	Net Cash Surplus/(Deficit)						
34	New York City Transit	(\$2,860)	(\$2,934)	(\$3,379)	(3,598)	(3,876)	(4,139)
35	Long Island Rail Road	(579)	(675)	(861)	(888)	(1,009)	(1,184)
36	Metro-North Railroad	(510)	(584)	(568)	(602)	(636)	(622)
37	MTA Bus Company	(431)	(481)	(509)	(518)	(508)	(524)
38	MTA Headquarters	(436)	(555)	(660)	(459)	(580)	(597)
39	Staten Island Railway	(57)	(69)	(49)	(49)	(48)	(49)
40	Capital Construction Company	-	-	-	-	-	-
41	First Mutual Transportation Assurance Company	-	-	-	-	-	-
42	Other	(3)	(135)	(118)	(127)	(114)	(185)
43	Total	(\$4,878)	(\$5,433)	(\$6,144)	(\$6,242)	(\$6,770)	(\$7,301)

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018-2021
MTA Consolidated November Financial Plan Compared with July Financial Plan
Cash Reconciliation before Below-the-Line Adjustments
(\$ in millions)

	Favorable/(Unfavorable)				
	2017	2018	2019	2020	2021
JULY FINANCIAL PLAN 2018-2021					
CASH BALANCE BEFORE PRIOR YEAR CARRYOVER	(\$323)	(\$333)	(\$642)	(\$1,084)	(\$1,683)
Agency Baseline Adjustments	\$131	(\$249)	(\$14)	(\$134)	(\$97)
<i>Farebox/Toll Revenue</i>	(56)	(65)	(64)	(54)	(43)
<i>Other Operating Revenue</i> ¹	(17)	(22)	(34)	(34)	(35)
<i>Rates:</i>					
<i>Pensions</i>	(0)	2	0	1	4
<i>Health & Welfare (includes retirees)</i>	10	8	5	2	8
<i>Energy</i>	6	(5)	(1)	(9)	(6)
<i>Timing</i>	178	(203)	72	(31)	(4)
<i>Other Baseline Re-estimates</i> ^{2,4}	10	35	7	(10)	(21)
New Needs/Investments	(\$175)	(\$465)	(\$404)	(\$363)	(\$369)
<i>Subway Action Plan</i> ³	(100)	(408)	(342)	(301)	(301)
<i>Maintenance/Operations and Customer Experience Enhancements</i>	(65)	(42)	(32)	(24)	(35)
<i>All Other New Needs</i> ⁴	(10)	(15)	(30)	(38)	(34)
Savings Programs	\$27	\$14	\$15	\$16	\$16
<i>2017 BRP Savings</i>	27	14	15	16	16
Changes in Dedicated Taxes & State and Local Subsidies	(\$40)	(\$148)	(\$43)	(\$28)	(\$24)
<i>MMTOA</i>	(0)	(80)	(0)	(0)	(0)
<i>Real Estate Taxes</i>	(38)	(33)	(30)	(28)	(19)
<i>Other Subsidies/Cash Adjustments</i>	(3)	(35)	(13)	(0)	(6)
Other Subsidies	\$8	\$46	\$41	\$25	\$24
<i>Other Funding Agreements</i>	(3)	29	33	20	19
<i>B&T Operating Surplus Transfer</i>	11	17	8	6	6
Debt Service	\$32	\$107	\$35	(\$4)	\$18
<i>Debt Service Savings</i>	32	107	35	(4)	18
NOVEMBER FINANCIAL PLAN 2018-2021					
CASH BALANCE BEFORE PRIOR YEAR CARRYOVER	(\$342)	(\$1,028)	(\$1,012)	(\$1,572)	(\$2,114)

* Totals may not add due to rounding

¹ Changes capture adjustments to advertising and Railroad commissary revenue.

² Changes capture updated reimbursable assumptions, revised inflation forecasts, and adjustments for operating capital and cash. The B&T Operating Surplus Transfer is captured as a subsidy, while B&T's impacts are also captured in the individual reconciliation.

³ Includes programs with non-rate adjustments to pensions, health and welfare, and energy.

⁴ Includes adjustments for safety, information technology and centralized functions.

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2018 - 2021
Farebox Recovery and Operating Ratios

FAREBOX RECOVERY RATIOS

	November Forecast 2017	Final Proposed Budget 2018	Plan 2019	Plan 2020	Plan 2021
New York City Transit	37.6%	36.1%	35.2%	34.2%	33.2%
Staten Island Railway	8.3%	9.9%	9.9%	10.1%	10.1%
Long Island Rail Road	32.6%	30.8%	30.1%	28.6%	26.8%
Metro-North Railroad	40.1%	39.7%	39.0%	38.9%	38.9%
MTA Bus Company	22.2%	23.1%	23.0%	23.5%	23.3%
MTA-Wide Farebox Recovery Ratio	36.2%	34.9%	34.1%	33.3%	32.3%

FAREBOX OPERATING RATIOS

	November Forecast 2017	Final Proposed Budget 2018	Plan 2019	Plan 2020	Plan 2021
New York City Transit	56.3%	53.5%	52.4%	51.1%	49.7%
Staten Island Railway	11.4%	14.5%	14.6%	15.0%	14.7%
Long Island Rail Road	50.0%	45.1%	44.5%	41.6%	38.2%
Metro-North Railroad	55.3%	54.1%	54.2%	53.5%	54.2%
MTA Bus Company	31.6%	30.2%	29.9%	30.4%	29.8%
MTA-Wide Farebox Operating Ratio	53.6%	50.8%	50.0%	48.7%	47.2%

Farebox recovery ratio has a long-term focus. It includes costs that are not funded in the current year, except in an accounting-ledger sense, but are, in effect, passed on to future years. Those costs include depreciation and interest on long-term debt. Approximately 20% (and sometimes more) of MTA costs are not recovered in the current year from farebox revenues, other operating revenues or subsidies. That is why MTA operating statements generally show deficits. In addition, the recovery ratio allocates centralized MTA services to the Agencies, such as Security, the costs of the Inspector General, Civil Rights, Audit, Risk Management, Legal and Shared Services.

Farebox operating ratio focuses on Agency operating financial performance. It reflects the way MTA meets its statutory and bond-covenant budget-balancing requirements, and it excludes certain costs that are not subject to Agency control, but are provided centrally by MTA.

In the agenda materials for the Meeting of the Metro-North and Long Island Committees, the calculations of the farebox operating and recovery ratios for the LIRR and MNR use a revised methodology to put the railroads on a more comparable basis. Those statistics, which are included in the respective financial and ridership reports of both Agencies, differ from the statistics presented in this table.