



New York City Council

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Finance Division

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Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Metropolitan Transportation Authority

June 2, 2011

The Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

The Committee on Transportation

Hon. James Vacca, Chair

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Metropolitan Transportation Authority (MTA)

The Metropolitan Transportation Authority (the “Authority” or “MTA”) was established under the New York State Public Authorities Law in 1965 as a public benefit corporation. The Authority has responsibility for developing and implementing a unified public transportation policy for New York City and the seven New York metropolitan-area counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. It carries out these responsibilities through its subsidiary and affiliate entities that include the New York City Transit Authority (NYCTA) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA); the Staten Island Rapid Transit Operating Authority (SIRTOA); The Long Island Rail Road Company (LIRR); the Metro-North Commuter Railroad Company (MNCRC); the Metropolitan Suburban Bus Authority (MSBA); the MTA Bus Company; and the MTA Capital Construction Company. Another affiliate of the MTA, the former Triborough Bridge and Tunnel Authority (TBTA), which is now called the MTA Bridges and Tunnels (B&T), is empowered to construct and operate toll bridges and tunnels and other public facilities in New York City. The revenues from all authorities and subsidiaries support the organization as a whole.

MTA Financial Plan 2011-2014

MTA Consolidated Statement of Operations By Category

(\$ in millions)

Non-Reimbursable	2009 Actual	2010 Final Estimate	2011 Adopted Budget	2012 Projected	2013 Projected	2014 Projected
Operating Revenue						
Farebox	\$4,350	\$4,572	\$4,980	\$5,090	\$5,165	\$5,234
Toll Revenue	1,332	1,417	1,530	1,540	1,542	1,546
Other Revenue	461	499	523	549	581	617
Capital & Other Reimburse.	0	0	0	0	0	0
Total Operating Revenue	\$6,144	\$6,488	\$7,033	\$7,179	\$7,288	\$7,397
Operating Expenses						
Labor Expenses	\$6,914	\$6,902	\$7,091	\$7,430	\$7,684	\$8,032
Non-Labor Expenses	2,612	2,706	2,821	2,991	3,201	3,428
Other Expenses Adjustment	(15)	(27)	(22)	(20)	(21)	(22)
General Reserve	0	0	100	100	100	100
Total Operating Expenses Before Non-Cash Liability Adj.	\$9,512	\$9,581	\$9,990	\$10,502	\$10,964	\$11,538
Depreciation	\$1,941	\$2,032	\$2,125	\$2,208	\$2,290	\$2,364
Other Post-Employment Benefit	1,136	1,180	1,241	1,265	1,293	1,321
Environmental Remediation	6	12	10	10	10	11
Total Operating Expenses	\$12,594	\$12,805	\$13,366	\$13,986	\$14,558	\$15,234
Net Operating Deficit	(\$6,451)	(\$6,317)	(\$6,333)	(\$6,806)	(\$7,270)	(\$7,837)
Subsidies	\$4,137	\$4,906	\$5,219	\$5,513	\$5,762	\$6,003
Debt Service	(1,404)	(1,781)	(2,043)	(2,215)	(2,392)	(2,583)
Deficit After Subsidies & Debt	(\$3,718)	(\$3,192)	(\$3,157)	(\$3,508)	(\$3,900)	(\$4,417)
Conversion to Cash						
Non-Cash Liability Adjs.	3,083	3,223	3,376	3,484	3,594	3,696
GASB Account	(54)	(65)	(47)	(60)	(63)	(66)
All Other	556	(29)	(208)	(280)	(205)	(275)
Cash Bal. Before Prior-Yr. Carryover	(\$133)	(\$63)	(\$36)	(\$365)	(\$575)	(\$1,061)
Policy Actions & Adjustments	\$0	(\$65)	\$37	\$114	\$537	\$580
Cash Management Actions	0	0	0	0	0	0
Prior Year Carryover	263	130	2	3	0	0
Net Cash Surplus/(Deficit)	\$130	\$2	\$3	(\$247)	(\$37)	(\$482)

Source: Metropolitan Transportation Authority

The Calendar Year (CY) 2011 Adopted Budget for the MTA includes a Four-Year Financial Plan for the years 2011 through 2014. A Preliminary Budget was issued by the Authority in July of 2010 for public review and comments before issuing a Final Budget in late November that was presented to the MTA Board for a final vote on December 15, 2010.

Budget Balancing Actions

- ☑ The Calendar Year 2011 (CY) Adopted Budget includes gap closing actions that are expected to produce annual recurring savings in excess of \$521 million.
- ☑ The gap actions include a 15-percent cut in administrative positions, the freezing of management wages, reduction in overtime spending, and renegotiation of certain contracts with major suppliers.
- ☑ On December 30, 2010, the MTA implemented a new 7.5-percent fare and toll increases that is expected to yield \$411 million in 2011, and growing to \$438 million by 2014. Another 7.5-percent fare and toll increase is planned for 2013 and is expected to yield \$454 million in 2013 and \$470 million in 2014.
- ☑ The 2011 Adopted Budget is balanced and reflects a net cash surplus of \$3 million. However, outlook for the outyears is bleak as real estate activity and other dedicated taxes that are major sources of revenue for the Authority remain flat or continue to decline.
- ☑ The Calendar Year 2011-2014 Financial Plan includes end-of-year cash deficits of \$247 million in 2012, \$37 million in 2013 and \$482 million in 2014. As in the past years, the deficits are primarily attributed to increasing pension and healthcare costs and the depletion of non-recurring resources.

MTA Capital Program

CAPITAL BUDGET SUMMARY

2010-2014 MTA Proposed Capital Program (\$ in millions)

Program Elements	Proposed
Core Capital Programs	
New York City Transit Authority	\$12,841
Long Island Rail Road	2,554
Metro-North Railroad	1,703
MTA Bus	325
MTA Wide Security Program	335
MTA Interagency	315
Core Subtotal	\$18,073
Network Expansion Projects	5,739
Total CPRB Program	\$23,812
Bridges & Tunnels	2,453
Total 2010-2014 Capital program	\$26,265

Source: Metropolitan Transportation Authority

Numbers may not total due to rounding

The MTA's revised 2010-2014 Capital Plan, as approved by the Authority's Board and the Capital Program Review Board (CPRB), is \$26.3 billion (including CPRB Program and Bridges and Tunnels). The Plan seeks to rebuild the system's core infrastructure and expand the region's transit network. The original Plan of \$28.1 billion proposed by the MTA was vetoed by the CPRB without prejudice on December 31, 2009 to allow the MTA additional time to resolve full funding issues relating to the program, particularly federal funding assumptions made by the Authority.

Subsequently, the Authority revised the Plan by lowering its assumptions for federal funding by \$1.8 billion. However, since a comparable amount of savings was achieved through funding reductions the projected funding gap of \$9.9 billion for the 2010-2014 Capital Program continues to exist. This is, in part, because the bailout package approved by the State Legislature in 2009 to provide recurring revenues can only support debt service of \$6 billion for the Capital Plan. This amount, when combined with other available streams of revenue would only allow the MTA to fully fund the first two years out of five of its Capital Program.

While the MTA has invested more than \$64 billion in the past 29 years to bring the regional transit system to a state of good repair, the precarious funding condition it now faces could erode the gains of the past and hinder desperately needed system-wide expansion projects such as the Second Avenue Subway.

For the New York City Transit Authority (NYCTA), the 2010-2014 Capital Plan seeks to commit \$12.8 billion in core programs to maintain a state of good repair. Of that amount, approximately \$4.2 billion, or 33 percent, is allocated for subway cars, buses, and track replacement. The Plan also includes \$2.3 billion for the rehabilitation of passenger stations.

Signals and Communications constitute the single largest investment category proposed by the NYCTA. The 2010-2014 Capital Plan includes \$3.2 billion for signals and communications.

MTA Capital Program Funding

MTA 2010-2014 Capital Program

Funding Sources (\$in millions)

Currently Projected Cost	2010-2011	2012-2014	Total Proposed
Total CPRB Program Cost	\$9,142	\$14,670	\$23,812
Current Projected Funding Source:			
Federal Formula	2,188	4,227	\$6,415
Federal Security	90	135	225
City Capital Funds	200	300	500
MTA Bus Federal & City Match	64	96	160
MTA Bonds (Payroll Mobility Tax)	6,000	0	6,000
Asset Sales/Pay-As-You-Go Capital	600	0	600
Total CPRB Funds Available	\$9,142	\$4,758	\$13,900
Funding Gap	\$0	\$9,912	\$9,912
Bridges & Tunnels Dedicated Funds	\$954	\$1,499	2,453

Funding Assumptions Include:

Federal Security Funding: The MTA is assuming 2010-2014 Department of Homeland Security (DHS) funding of \$225 million. This amount is consistent with its current security grant funding receipts.

New York City Funds: The 2010-2014 Plan assumes an annual contribution of \$100 million, an increase of \$20 million over the current annual contribution amount of \$80 million. Given the City's current financial conditions, this could be a risky assumption.

MTA Bus Funding - Federal and City Match: With the MTA takeover of the City private bus franchise in 2004, federal funds previously allocated to the City for these properties are now transferred annually to the MTA. The City also provides the match required for grant funding.

MTA Bonds (Payroll Mobility Tax): During its 2009 session, the New York State legislature approved new revenue sources adequate to support debt service on \$6 billion of new bonds for the first two years of the program. No such funding exists going forward.

Other Funds: The MTA anticipates \$600 million in asset sales, pay-as-you-go Capital or other non-bond sources. This funding only supports the first two years of the program.

Future State and Local Funding: The MTA plans to work with its funding partners to identify additional funding of \$9.9 billion needed to close the \$9.9 billion gap identified in the 2010-2014 Capital Plan.

New York City Transit Authority (NYCTA)

Mission Statement

The New York City Transit Authority (NYCTA), a subsidiary of the Metropolitan Transportation Authority (MTA), provides bus and subway service to New York City. The NYCTA is responsible for providing safe, clean, and reliable public transportation services to all persons traveling within the City. The NYCTA employs approximately 45,000 workers who are responsible for the operation and maintenance of 4,561 buses, 6,380 subway cars and 468 passenger stations in four boroughs, nearly 660 miles of subway, in addition to a 22-station rail system in Staten Island. Over 2.3 billion people ride the City's buses and subways each year.

NYCTA Financial Plan 2011-2014

February Financial Plan (\$ in millions)

Non-Reimbursable and Reimbursable	2009 Actual	2010 Final Estimate	2011 Adopted Budget	2012 Projected	2013 Projected	2014 Projected
Operating Revenue						
Farebox	\$3,132.8	\$3,302.5	\$3,357.8	\$3,433.4	\$3,482.0	\$3,528.0
Other Revenue	252.0	277.3	294.9	319.8	346.7	377.4
Capital & Other Reimbursement	938.4	962.8	954.8	941.6	932.2	949.2
Total Operating Revenue	\$4,323.2	\$4,542.7	\$4,856.3	\$4,935.7	\$4,990.3	\$5,081.2
Operating Expenses						
Labor Expenses	\$5,422.9	\$5,461.6	\$5,572.5	\$5,759.4	\$5,890.5	\$6,145.7
Non-Labor Expenses	1,614.5	1,602.4	1,680.5	1,810.0	1,970.9	2,150.3
Other Adjustments		0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER *1	\$7,037.4	\$7,064.0	\$7,253.0	\$7,569.4	\$7,861.4	\$8,296.0
Depreciation	\$1,231.0	\$1,325.0	\$1,400.0	\$1,475.0	\$1,550.0	\$1,625.0
Other Post Employment Benefit	828.3	879.6	918.8	929.9	943.8	962.6
Environmental Remediation	(1.5)	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	\$9,095.2	\$9,268.6	\$9,571.8	\$9,974.3	\$10,355.2	\$10,883.6
Net Operating Deficit/(Deficit)	(\$4,772.0)	(\$4,725.9)	(\$4,715.5)	(\$5,038.6)	(\$5,364.9)	(\$5,802.4)
Projected Gross Subsidies	\$2,970.9	\$3,366.9	\$3,210.5	\$3,410.2	\$3,517.3	\$3,650.5
Deficit after Projected Subsidies	(\$1,801.1)	(\$1,359.0)	(\$1,505.0)	(\$1,628.4)	(\$1,847.6)	(\$2,151.9)
Conversion to Cash						
Depreciation, OPEB & ER	\$2,057.8	\$2,204.6	\$2,318.8	\$2,404.9	\$2,493.8	\$2,587.6
Net Cash Surplus/(Deficit) *2	\$256.7	\$845.6	\$813.8	\$776.5	\$646.2	\$435.7

Source: Metropolitan Transportation Authority

Note: *1- Excludes Debt Service, *2 - Excludes Prior Year Balance & Interagency Transfers

- **Budget.** As approved by the MTA Board of Directors, the NYCT Operating Budget (reimbursable and non-reimbursable) before depreciation and other post-employment benefits is approximately \$7.3 billion for Calendar Year (CY) 2011. Of that amount, \$5.6 billion is for labor costs and \$1.7 billion is for non-labor expenses. In addition, the Adopted Budget includes non-cash depreciation expenses of \$1.4 billion and other post-employment benefit expenses, in accordance with GASB number 45, of \$918.8 million. The budget funds 45,577 positions, of which 5,067 are reimbursable and 40,510 are non-reimbursable. Reimbursable positions are those positions generally paid with Capital funds.
- **Operating Revenue/Expense Projections.** The NYCT projects approximately \$4.9 billion in operating revenues for CY 2011, which is primarily derived from farebox revenues of \$3.4 billion, Capital and other reimbursements of \$954.8 million and other revenues of \$294.9 million. These funds will support the NYCT's proposed reimbursable and non-reimbursable expenditures of \$7.3 billion, excluding depreciation and other post-employment benefits, in 2011.
- **Transit Tax Revenue.** The NYCT is funded, in part, with tax revenues from the Metropolitan Mass Transportation Operating Assistance Account (Metro Account), Petroleum Business Tax (PBT), Mortgage Recording Tax, and the Urban Mass Transportation Operating Account (Urban Account). The revenue from these accounts is projected to be \$1.7 billion in CY 2011, which is \$156 million more than the CY 2010 amount of \$1.6 billion but \$429 million less than the CY 2008 amount of \$2.1 billion. The Urban Account consists of two separate taxes - a Mortgage Recording Tax (MRT) and a Real Property Transfer Tax (RPTT) imposed on New York City commercial real property transactions of more than \$500,000. For 2011 through 2013, total Dedicated Taxes and State & Local Subsidies, on an accrual basis, are projected to fall short, and compared to the 2010 February Plan, by \$238 million in 2011, \$242 million in 2012, and \$267 million in 2013, due primarily to lower Payroll Mobility Tax (PMT) and real estate forecasts.
- **New State Taxes and Fees.** The Adopted 2011 Plan includes a set of new taxes, fees and surcharges enacted by the State in 2009 for the benefit of the MTA. For the NYCT, subsidies from the new State taxes are projected to be \$1.2 billion in CY 2011 - slightly lower than the CY 2010 amount of \$1.3 billion.
- **The City's Contribution.** For CY 2011, the City's contribution, excluding Capital commitments, to the NYCT's budget is expected to be approximately \$716.7 million. The City's subsidy is comprised of the following: \$45 million for the reduced student fare; \$14 million for the reduced fare for the elderly and the disabled; \$105 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$308.7 million for private bus subsidy; and \$86 million for the maintenance and operation of Long Island Railroad and Metro North Railroad stations in the City.
- **Paratransit.** Pursuant to an agreement between the City and the MTA, the NYCT assumed operating responsibility for all paratransit services required under the Americans with Disability Act of 1990. The City reimburses the NYCT for thirty-three percent of net paratransit operating expenses less fare revenues and urban tax proceeds. Total paratransit revenue is expected to be \$122.6 million in CY 2011, which includes \$105 million from City reimbursements.

- **State Subsidies.** For CY 2011, the State’s subsidy to the NYCT’s budget is expected to be \$183 million. Of this amount, \$25 million is for school fare reimbursement and \$158 million is to match City operating assistance. This funding does not include State dedicated tax revenues of \$2.9 billion expected in 2011.

NYCTA Capital Budget Summary

- ☑ Capital expenditures for the NYCTA are coordinated by the MTA.
- ☑ NYCTA's Capital program includes major infrastructure improvements to subway stations (for example, track and signal replacements and upgrading of security), modernization of subway stations, major equipment replacements and the implementation of an Automated Fare System.
- ☑ The MTA Five-Year 2010-2014 Capital Program of \$26.3 billion includes \$1.8 billion for network expansion and security upgrades for NYCTA.
- ☑ The 2010-2014 Capital Program includes City funding of approximately \$500 million.

FY 2012 Executive Capital Commitment Plan

Dollars in thousands

	2011	2012	2013	2014	2015	2012-2015
MTA Bus (MT)	\$18,696	\$8,466	\$0	\$0	\$0	\$8,466
Staten Island Rail (ST)	2,342	1,900	\$900	\$900	\$900	\$4,600
New York City Transit (T)	\$222,771	\$105,600	\$99,100	\$99,100	\$99,100	\$402,900
TOTAL	\$243,809	\$115,966	\$100,000	\$100,000	\$100,000	\$415,966

The Fiscal 2012 Executive Capital Commitment Plan includes approximately \$416 million in Fiscal 2012 -2015 for the New York City Transit Authority (including City and Non-City funds). This represents approximately 1.5 percent of the City’s total \$28.1 billion Executive Plan for Fiscal 2012-2015. The agency’s Executive Commitment Plan for Fiscal 2012-2015 is 65.5 percent more than the \$251.3 million scheduled in the September Commitment Plan, an increase of \$164.7 million.

Over the past five years (2006-2010) the NYCTA has only committed an average of 63.6 percent of its annual Capital Plan. Therefore, it is assumed that a portion of the agency’s Fiscal 2011 Capital Plan will be rolled into Fiscal 2012, thus increasing the size of the Fiscal 2012-2015 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2011 has decreased from \$251.9 million to \$243.8 million, a reduction of \$8.1 million or 3.2 percent.

Currently, the NYCTA’s appropriations total \$365.2 million in City-funds for Fiscal 2011. These appropriations are to be used to finance the remaining portion (\$176.6 million) of the agency’s \$211.6 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$188.6 million more, or over two times the funding it needs, to meet its remaining Capital Commitment Program for the current fiscal year.

2011-2015 Commitment Plan: Adopted and Executive Budgets

Thousands of Dollars

	FY11	FY12	FY13	FY14	FY15	Total FY12 -FY15
Adopted						
Total Capital Plan	\$251,872	\$118,700	\$40,000	\$40,000	\$52,612	\$251,312
Executive						
Total Capital Plan	\$243,809	\$115,966	\$100,000	\$100,000	\$100,000	\$415,966
Change						
Level	(\$8,063)	(\$2,734)	\$60,000	\$60,000	\$47,388	\$164,654
Percentage	-3.20%	-2.30%	150.00%	150.00%	90.07%	65.52%

Ten-Year Capital Strategy

The NYCT’s Fiscal 2012-2021 Ten-Year Capital Strategy totals approximately \$656 million, of which \$651.7 is City funds and \$4.2 million is State funds. Of the proposed funding, \$400 million will be committed to ongoing track improvements and rehabilitation projects and \$242.9 million will support various subway and bus projects. The State funding of \$4.2 million is for MTAB-related Capital projects in Fiscal 2012.

Over the past 29 years, the MTA has committed close to \$50 billion to fund the NYCT Capital Program. As discussed earlier, the 2010-2014 Capital Program was approved by the MTA Board and the Capital Program Review Board (CPRB) last June. However, the CPRB only authorized the first two years of the Program that was fully funded. At this time, it is difficult to predict if the 2010-2014 Capital Program will be fully funded. The MTA’s 2010-2014 CPRB approved Capital Program contains \$23 billion, of which \$12.8 billion would be invested in the NYCT core system. If the MTA’s Capital Program is not fully funded, its ability to meet its operating needs could be seriously impaired.

The MTA Bus Company (MTABC)

The MTA Bus Company was created in September 2004 pursuant to an agreement between the City of New York and the MTA to consolidate the operations of seven private franchise bus companies. The purpose of the takeover was to improve the quality and efficiency of bus service formerly provided by the private bus franchise operators. The agreement calls for the City to pay MTABC the difference between the actual cost of operating the bus routes and all revenues and subsidies received by the MTABC and allocable to the operation of the bus routes. As a result, the costs of MTABC operations are fully reimbursable by the City to the MTA.

With a fleet of over 1,300 buses, the MTABC operates the tenth largest transit fleet in the nation providing service to over 100 million riders per year on 80 routes across the City.

MTA Bus Financial Plan 2010-2013

(\$ in millions)

Non-Reimbursable and Reimbursable	2009 Actual	2010 Final Estimate	2011 Adopted Budget	2012 Projected	2013 Projected	2014 Projected
Operating Revenue						
Farebox	\$160.0	\$167.8	\$182.2	\$184.9	\$187.3	\$189.7
Other Revenue	21.4	17.7	18.8	19.0	19.4	19.8
Capital & Other Reimbursements	0.1	6.5	7.2	7.3	7.4	7.5
Total Operating Revenue	\$181.5	\$192.0	\$208.2	\$211.2	\$214.1	\$217.0
Operating Expenses						
Labor Expenses	\$339.1	\$363.1	\$382.7	\$393.6	\$400.5	\$405.9
Non-Labor Expenses	119.0	145.9	139.2	140.6	148.1	156.2
Operating Expenses Before Depreciation & GASB Adjs. 1	\$458.1	\$509.0	\$521.9	\$534.2	\$548.6	\$562.1
Depreciation	\$36.5	\$40.2	\$42.2	\$42.2	\$42.2	\$42.2
Other Post Employment Benefit	47.1	54.4	54.6	55.4	56.3	56.9
Environmental Remediation	2.0	0	0	0	0	0
Total Operating Expenses	\$543.7	\$603.6	\$618.7	\$631.8	\$647.1	\$661.2
Net Operating Surplus/(Deficit)	(\$362.2)	(\$411.6)	(\$410.5)	(\$420.6)	(\$433.0)	(\$444.2)
Post-2010 Program to Eliminate the Gap	\$0	\$0	\$0	\$0	\$0	\$0
Deficit after GAP Actions	(\$362.2)	(\$411.6)	(\$410.5)	(\$420.6)	(\$433.0)	(\$444.2)
Conversion to Cash						
Depreciation & OPEB	\$85.6	\$94.6	\$96.8	\$97.6	\$98.5	\$99.1
Net Cash Surplus/(Deficit) 2	(\$276.6)	(\$317.0)	(\$313.7)	(\$323.0)	(\$334.5)	(\$345.1)

Source: Metropolitan Transportation Authority

Note: 1 - Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers & Subsidies

- Operating Revenue/Expense Projections.** The MTABC's operating revenue for CY 2011 is projected to be \$208.2 million, which includes farebox revenue of \$182.2 million, Capital and other reimbursement of \$7.2 million, and other operating revenue of \$18.8 million. The budget projects the combined reimbursable and non-reimbursable expenses before depreciation to be \$521.9 million for CY 2011. These expenses include \$382.7 million in labor costs and \$139.2 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$42.2 million and \$54.6 million respectively.