New York City Council

BUDGET REPORT

Finance Division

March 2009

Analysis of the Calendar Year 2009 Budget for the Metropolitan Transportation Authority

Thursday, March 12, 2009

Hon. Christine C. Quinn
Speaker

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Committee on Finance

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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 it 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 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.

BUDGET HIGHLIGHTS

Today, the MTA continues to face serious financial difficulties as the local and national economy spirals downward. Last July, the Authority released its Preliminary Budget (July Plan) for Calendar Year 2009. The July Plan contained massive operating budget gaps totaling $1.1 billion in 2009, $1.9 billion in 2010, $2.1 billion in 2011, and $2.3 billion in 2012, in addition to a $15 billion shortfall in the Authority's 2010-2014 Capital Plan. The enormity of the budget gap sent shock waves to New Yorkers, and set off alarm bells to many who remember the dilapidated condition of the transit system in the 1970s.

Consequently, the Governor appointed a 13-member commission, led by former MTA Chairperson, Dick Ravitch, charged with the task of identifying new revenue sources to help the MTA finance its operations for the next ten years. The Ravitch Commission, as it was called, after deliberating for several months, issued its recommendations on December 4, 2008. The recommendations included several new revenue sources, including a mobility tax on employer payrolls and tolls on the East River and Harlem River crossings. However, the Commission's recommendations require State and/or City legislation and it is not clear at this juncture how much revenue, if any, the Authority would realize in 2009 or in the outyears as a result of these recommendations.

Because the MTA is required to adopt a balanced budget by December 31st, despite the uncertainty of the State's approval of the Ravitch Commission recommendations, on December 17, 2008, the MTA presented a final budget for Calendar Year 2009 to the Board for its ratification. The Adopted Budget contains various gap closing actions, including fare and toll hikes in 2009, generating 23 percent more revenue. This is a risk in the budget because the Authority is required to conduct public hearings before any final actions on fare and/or increases take place. Thus, Board approval of hikes must be acted on separately at the conclusion of the public hearings in early 2009. It is anticipated that the State legislature will act on the Ravitch Commission recommendations at that time as well. Until then, the MTA's ability to maintain and improve service quality, and move forward on capital programs remains in the balance.

Lastly, another tremendous factor that will impact the MTA's financial picture in the coming months is the $787 billion stimulus bill. Although the stimulus bill does not include operating funds for mass transit, it does provide relief by way of funding for construction projects. Any amount of funding to the MTA for capital projects should relieve pressure on its operating budget, specifically on its debt service payments and could help stave off more sever service cuts and fare hikes in the future.

MTA Financial Plan 2009-2012

MTA Consolidated Statement of Operations – Including MTA Bus Company

($ in millions)

	2007 Actual	2008 Final Forecast	2009 Final Proposed	2010 Projected	2011 Projected	2012 Projected
Operating Revenue						
Farebox	$3,995	$4,246	$4,229	$4,252	$4,319	$4,390
Toll Revenue	1,251	1,273	1,264	1,264	1,268	1,275
Other Revenue	480	460	479	500	526	556
Capital & other Reimburse	0	0	0	0	0	0
Total Operating Revenue	**$5,726**	**$5,979**	**$5,971**	**$6,016**	**$6,113**	**$6,221**
Operating Expenses						
Labor Expenses	$6,252	$6,653	$6,908	$7,128	$7,339	$7,552
Non-Labor Expenses	2,320	2,676	2,971	3,099	3,228	3,391
Other Expenses Adjustment	(18)	(11)	(11)	(5)	(5)	(6)
General Reserve	0	0	75	75	75	75
Depreciation	1,687	1,755	1,905	2,015	2,082	2,144
Other Post Employment Benefit	1,291	1,313	1,379	1,436	1,495	1,556
Environmental Remediation	0	38	8	8	8	9
Total Operating Expenses	**$11,533**	**$12,424**	**$13,235**	**$13,756**	**$14,223**	**$14,721**
Net Operating Deficit	**($5,807)**	**($6,445)**	**($7,263)**	**($7,739)**	**($8,110)**	**($8,500)**
Subsidies	$4,559	$4,289	$4,095	$4,102	$4,205	$4,335
Debt Service	(1,712)	(1,504)	(1,474)	(1,912)	(2,050)	(2,266)
Deficit after Subsidies & Debt	**($2,959)**	**($3,660)**	**($4,641)**	**($5,549)**	**($5,955)**	**($6,431)**
Conversion to Cash						
Depreciation	$1,687	$1,755	$1,905	$2,015	$2,082	$2,144
OPEB	1,291	1,313	1,379	1,436	1,495	1,556
GASB Account	(71)	(57)	(60)	(63)	(66)	(69)
All Other	(389)	314	213	(4)	65	69
Environmental Remediation	0	38	8	8	8	9
Cash Bal. Before Prior-Yr. Carryover	**($442)**	**($297)**	**($1,197)**	**($2,157)**	**($2,370)**	**($2,722)**
Updated Forecast	$0	($86)	($243)	($237)	($277)	($250)
Policy & GAP Closing Actions	0	155	1,238	2,063	2,193	2,364
Prior Year Carryover	937	495	268	65	0	0
Net Cash Surplus/(Deficit)	**$495**	**$268**	**$65**	**($266)**	**($454)**	**($608)**

MTA BUDGET OVERVIEW

The Expense Plan

The Calendar Year 2009 Adopted Budget for the MTA includes a four-year financial plan for the years 2009 through 2012. Due to lower than estimated State dedicated taxes and real estate taxes, the adopted plan, when compared to the July 2008 plan, reflects an increase in the deficit of $38 million in 2008, going from $345 million to $383 million, and an increase of $298 million in 2009, going from $1.1 billion to $1.4 billion. The budget deficits for 2010, 2011, and 2012 now stands at $2.4 billion, $2.6 billion, and $3 billion respectively, and is a reflection of a continued contraction in the region's economy.

The 2009 Adopted Budget contains gap closing actions totaling $1.2 billion in calendar year 2009, growing to $2.1 billion in 2010 and $2.4 billion by 2012. In addition, lower than anticipated dedicated transit taxes have adjusted revenues downward by $86 million in 2008, $243 million in 2009, $237 million in 2010, $277 million in 2011 and $250 million in 2012. The 2009 Adopted Budget remains balanced through the calendar year with an anticipated net cash surplus of $65 million, however, outlook for the outyears remains bleak as real estate activity and other dedicated taxes that are major sources of revenue for the Authority continue to decline.

After taking into account all proposed gap-closing measures, the MTA 2009 Adopted Budget reflects an end-of-year cash deficit of $266 million in 2010, $454 million in 2011 and $608 million in 2012. Rising debt service costs, increasing pension and healthcare expenses and the depletion of non-recurring resources continue to be the major causes of the Authority's budgetary problems. As part of the gap-closing measures, the MTA anticipates a 23 percent increase in farebox and toll revenue beginning June 1, 2009. As proposed, the increase in fare and tolls if implemented would yield $670 million in 2009 and $1.1 billion in 2010.

Lastly, in an effort to generate savings the Authority will consolidate its back-office operations with the new Business Service Center. This action will generate savings of $1 million in 2009 and $3 million in 2010 and the outyears. In addition, the Plan anticipates an annual increase in revenues of $10 million from charging official city, state and county vehicles bridge tolls and $53 million in 2009 only as a result of labor contract negotiations.

The Capital Plan

The MTA's current capital plan will end in December 2009 and a new capital program for 2010-2014 will begin. The 2010-2014 Capital Plan is expected to have a funding gap of at least $15 billion as was the case in the Authority's $32 billion capital program proposed last year during the congestion pricing debate. Because of the failure of congestion pricing in the State legislature, the funding gap remains.

The Authority's Capital Program for 2005-2009, although in its last year, continues to present significant budgetary problems. This is due in part to the proliferation of construction projects in the region resulting in increased demand, not only for construction materials and equipment, but for qualified labor. These unanticipated events, in conjunction with construction management inefficiencies, have resulted in severe construction cost over-runs. These cost over-runs are evidenced in the Authority's recently amended 2005

– 2009 Capital Plan which recognized more than $1 billion in project cost increases. These cost over-runs, if not contained or managed effectively, could put the Authority's future capital plans in peril.

The Authority expects to borrow approximately $9.3 billion to help finance the 2005-2009 Capital Plan of $21.1 billion. The debt service on these bonds was projected to grow from $116 million in 2008 to over $600 million by 2015. Combined with past capital plans, the total debt service will grow from $1.5 billion in 2009 to $1.9 billion in 2010, and will reach $2.3 billion by 2012.

Therefore, it is conceivable that in the absence of additional federal, State and City funding, the Authority will continue to seek to close its operating budget gaps through a combination of service cuts, agency efficiencies and fare and toll increases.

New York City Transit (NYCT)

Mission Statement

The New York City Transit (NYCT), a subsidiary of the Metropolitan Transportation Authority (MTA), provides bus and subway service to New York City. The NYCT is responsible for providing safe, clean, and reliable public transportation services to all persons traveling within the City. The NYCT employs approximately 40,000 workers who are responsible for the operation and maintenance of 3,700 buses and 5,900 subway cars. Over 1.5 billion people ride the City's buses and subways each year.

NYCT Financial Plan 2009-2012

($ in millions)

	2007 Actual	2008 Final Forecast	2009 Final Proposed	2010 Projected	2011 Projected	2012 Projected
Operating Revenue						
Farebox	$2,855.4	$3,030.4	$3,010.1	$3,026.7	$3,072.2	$3,121.3
Other Revenue	303.9	295.2	308.3	325.2	346.2	370.8
Capital & Other Reimbursemt-	829.3	875.2	894.6	870.1	847.9	861.1
Total Operating Revenue	**$3,988.5**	**$4,200.8**	**$4,213.0**	**$4,222.0**	**$4,266.3**	**$4,353.2**
Operating Expenses						
Labor Expenses	$4,884.8	$5,241.7	$5,422.4	$5,550.8	$5,660.1	$5,797.4
Non-Labor Expenses	1,341.9	1,550.3	1,717.8	1,832.6	1,935.0	2,057.8
Other Expenses Adjustment		0	0	0	0	0
Operating Expenses Before Depreciation, OPEB & ER 1	**$6,226.7**	**$6,792.0**	**$7,140.2**	**$7,383.4**	**$7,595.1**	**$7,855.2**
Depreciation	$1,061.1	$1,109.3	$1,185.2	$1,266.5	$1,321.5	$1,376.5
Other Post Employment Benef	991.3	1,009.5	1,055.4	1,098.9	1,144.8	1,191.6
Environmental Remediation	0.0	18.0	0.0	0.0	0.0	0.0
Total Operating Expenses	**$8,279.2**	**$8,928.8**	**$9,380.8**	**$9,748.8**	**$10,061.4**	**$10,423.3**
Net Operating Deficit/(Deficit)	**($4,290.6)**	**($4,728.0)**	**($5,167.8)**	**($5,526.7)**	**($5,795.1)**	**($6,070.2)**
Projected Subsidies	$2,716.0	$2,708.5	$2,459.7	$2,367.5	$2,404.8	$2,469.8
Program to Eliminate the Gap	0.0	9.9	61.0	121.5	188.5	237.9
Deficit after Projected Subsidies	**($1,574.6)**	**($2,009.6)**	**($2,647.1)**	**($3,037.7)**	**($3,201.8)**	**($3,362.5)**
Conversion to Cash						
Depreciation, OPEB & ER	$2,052.4	$2,136.8	$2,240.6	$2,365.4	$2,466.3	$2,568.1
Net Cash Surplus/(Deficit) 2	**$477.8**	**$127.2**	**($406.5)**	**($672.3)**	**($735.5)**	**($794.4)**

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 benefit is approximately $7.1 billion for Calendar Year (CY) 2009. Of that amount, $5.4 billion is for labor costs, $1.7 billion is for non-labor expenses. In addition, the Adopted Budget contains non-cash depreciation expenses of $1.2 billion and other post-employment benefit expenses, in accordance with GASB number 45, of $1 billion. The budget provides for 49,544 positions, of which 5,431 are reimbursable and 44,113 are non-reimbursable. Reimbursable positions are those positions generally paid with capital funds.

- **Operating Revenue / Expense Projections.** For CY 2009, the NYCT operating revenues are projected to be $3.3 billion, which are largely farebox revenues of $3 billion and fare reimbursements of $104 million. Also included in operating revenues are other operating revenues of $111 million and paratransit reimbursements of $94 million. These funds will support the NYCT's proposed non-reimbursable expenditures of $6.2 billion, excluding depreciation and other post employment benefits, in 2009.

- **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). Combined, the revenue from these accounts is projected to be $2 billion in CY 2009, which is $179 million less than the CY 2008 amount of approximately $2.2 billion. Urban Account consist of two separate taxes - a Mortgage Recording Tax (MRT) and a Real Property Transfer Tax (RPTT) imposed on NYC commercial real property transactions of more than $500,000. Current forecasts project a 34.9 percent decrease for commercial MRT receipts and a 26.9 percent decrease for RPTT in 2009 due to continued weakness in the real estate market.

- **The City's Contribution.** For CY 2009, the City's contribution, excluding capital commitments, to the NYCT's budget is expected to be approximately $667 million. It is comprised of the following: $45 million for the school fare subsidy; $14 million for the elderly and disabled subsidy; $69 million for paratransit reimbursement; $158 million to match State Operating Assistance; $299 million for private bus subsidy; and $82 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 $107 million in CY 2009, which includes $69.5 million from City reimbursements.

- **State Subsidies.** For CY 2009, the State's subsidy to the NYCT's budget is expected to be $203 million. Of this amount, $45 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 billion expected in 2009.

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.

The proposed Calendar Year 2009 budget, the fourth comprehensive budget for the MTABC, reflects the restoration of overall headcount to pre-transition levels and a readjustment of non-operating positions to address the needs of the MTABC.

MTA Bus Financial Plan 2009-2012

($ in millions)

	2007 Actual	2008 Final Forecast	2009 Final Proposed	2010 Projected	2011 Projected	2012 Projected
Operating Revenue						
Farebox	$139.8	$153.8	$153.0	$153.6	$155.0	$156.6
Other Revenue	21.9	23.0	23.0	23.0	23.0	23.0
Capital & Other Reimbursemt-	0.0	0.0	32.4	23.8	23.0	23.5
Total Operating Revenue	**$161.7**	**$176.8**	**$208.4**	**$200.5**	**$201.1**	**$203.1**
Operating Expenses						
Labor Expenses	$297.7	$324.7	$339.9	$348.6	$358.7	$369.1
Non-Labor Expenses	119.8	141.1	167.6	154.5	155.4	161.2
Other Expenses Adjustment		0	0	0	0	0
Operating Expenses Before Depreciation & GASB Adjs. 1	**$417.5**	**$465.8**	**$507.6**	**$503.1**	**$514.2**	**$530.3**
Depreciation	$29.9	$29.5	$37.1	$40.2	$42.2	$42.2
Other Post Employment Benef	45.7	45.4	51.7	53.6	55.5	57.8
Total Operating Expenses	**$493.1**	**$540.7**	**$596.4**	**$596.9**	**$611.9**	**$630.3**
Net Operating Surplus/(Deficit)	**($331.4)**	**($363.9)**	**($387.9)**	**($396.4)**	**($410.8)**	**($427.2)**
Program to Eliminate the Gap	$0	$2.6	$6.5	$11.2	$17.2	$22.8
Deficit after GAP Actions	**($331.4)**	**($361.3)**	**($381.4)**	**($385.1)**	**($393.6)**	**($404.4)**
Conversion to Cash						
Depreciation &OPEB	$75.6	$74.9	$88.8	$93.8	$97.7	$100.0
Net Cash Surplus/(Deficit) 2	**($255.8)**	**($286.4)**	**($292.6)**	**($291.3)**	**($295.9)**	**($304.4)**

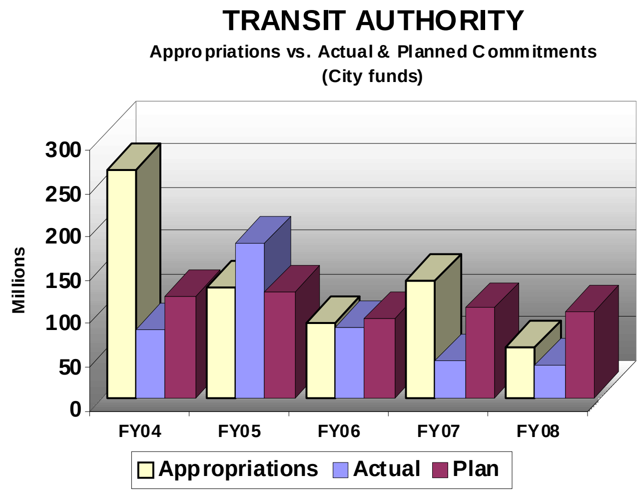
Source: Metropolitan Transportation Authority Note: 1**- Excludes Debt Service,** 2 **- Excludes Prior Year Balance & Interagency Transfers**

- **Operating Revenue / Expense Projections.** For CY 2009, the MTABC operating revenue is projected to be $157 million, which is largely farebox revenue of $153 million and other operating revenue of $23 million. The budget projects the combined reimbursable and non-reimbursable expenses before depreciation to be $507.6 million for CY 2009. These expenses include $339.9 million in labor costs and $167.6 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be $37.1 million and $51.7 million respectively.

Fiscal 2010 Capital Plan

Agency Overview

The Metropolitan Transportation Authority New York City Transit (NYCT) operates one of the largest public transportation systems in the world. The Metropolitan Transportation Authority (MTA), the parent corporation of New York City Transit, is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and seven adjacent counties. The MTA operates five agencies: New York City Transit, Long Island Rail Road, Metro North Rail Road, Bridges and Tunnels, and Long Island Bus.



The New York City subway system operates on more than 700 miles of track in over 238 directional route-miles serving the boroughs of Manhattan, the Bronx, Queens, and Brooklyn. The Staten Island Rapid Transit Authority (SIRTOA) operates a 14-mile rapid transit line linking 22 communities and the Staten Island-Manhattan Ferry service. The Authority's bus system, including the newly created MTA Bus, serves all five boroughs. On average, the combined transit (6,200 subway cars) and bus systems (5,600 buses) transport over 2.3 billion riders annually.

Capital expenditures for the NYCT are coordinated by the MTA. NYCT'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.

Current Budget Summary

The January 2009 Capital Commitment Plan includes $469.2 million in Fiscal 2009-2013 for the Transit Authority in City and Non-City funds. This represents less than one percent of the City's total $50.5 billion January Plan for Fiscal 2009-2013. There exist only a slight increase between the agency's January Commitment Plan for Fiscal 2009-2013 and the $463 million September Commitment Plan, an increase of $6.1 million. This increase is primarily due to the addition of $14 million in the January Commitment Plan for various transit projects and purchase offset by $7 million funding reduction for bus purchases. The Plan also contains a reduction in City funds of $44.3 million and an increase in Non-City funds of $32.2 million for the Number 7 Subway Line extension.

Over the past five years, the Transit Authority has committed on average 78.8 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2009 Capital Plan will be rolled into Fiscal 2010, thus greatly increasing the size of the Fiscal 2009-2013 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has increased from $196.2 million to $202.4 million, an increase of $6.2 million or 3.2 percent.

Currently, NYCT's appropriations total $253.9 million in City funds for Fiscal 2009. These appropriations will finance the NYCT's $67.3 million city-funded Fiscal 2009 capital commitment program. The agency has over three times more funding than it needs to meet its entire capital commitment program for the current fiscal year. Projects funded in the Plan for Fiscal 2009 include the reconstruction of pedestrian underpass at Atlantic and Flatbush for $4 million, track and rail reconstruction projects for $35 million, and $27 million for bus purchases.

Preliminary Ten Year Capital Strategy

The NYCT's Fiscal 2010-2019 Preliminary Ten-Year Capital Strategy, as proposed by the City, is divided into three program areas as illustrated by the chart on page 11. In the Plan, the City will contribute $707.5 million to the Authority. Of that amount, $350 million will be committed to track work, $352.2 million to various transit improvement project, and $5.2 million to the Staten Island Rapid Transit Authority (SIRTOA).

In January the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – Fiscal 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The capital cut would eliminate nearly $7 billion worth of planned commitments from the current Plan.

The Transit Authority's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY – CAPITAL BUDGET
($ in millions)

	FY04	FY05	FY06	FY07	FY08
CITY	$80	$180	$83	$43	$40
NON-CITY	0	0	0	0	0
TOTAL	$80	$180	$83	$43	$40

The Adopted Five-Year Capital Plan is shown below:

ADOPTED FIVE YEAR CAPITAL BUDGET – NOVEMBER 2008
($ in millions)

	FY09	FY10	FY11	FY12	FY13	FY’s 09-13
CITY	$132.4	$72.0	$59.8	$55.2	$79.8	$399.2
NON-CITY	63.8	0	0	0	0	63.8
TOTAL	$196.2	$72.0	$59.8	$55.2	$79.8	$463.0

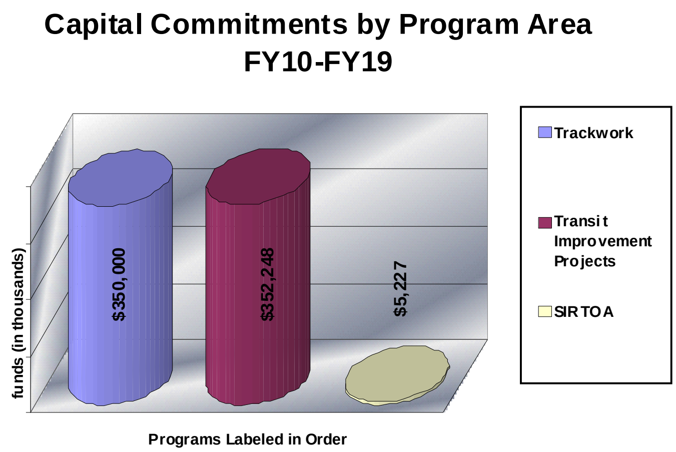
The Preliminary Five-Year Capital Plan is shown below:

PRELIMINARY FIVE YEAR CAPITAL PLAN – JANUARY 2009
($ in millions)

	FY09	FY10	FY11	FY12	FY13	FY’s 09-13
CITY	$138.5	$72.0	$59.8	$55.2	$79.8	$405.3
NON-CITY	63.9	0	0	0	0	63.9
TOTAL	$202.4	$72.0	$59.8	$55.2	$79.8	$469.2

PRELIMINARY BUDGET ISSUES

2005-2009 MTA Capital Program



The Capital Program Review Board (CPRB) approved a $21.1 billion 2005-2009 capital program in July of 2005 and subsequently, an updated version in March of 2006. The latest amendment to the 2005-2009 Capital Program was approved by the CPRB on November 7, 2008. The amendment reflects current impacts of regional construction market conditions and the Authority's new priorities since the March, 2006 amendment. The amendment brings overall funding for the 2005-2009 Program to $23.7 billion, an increase of $1.1 billion in funding of which, $1 billion is federally approved Full Funding Grant Agreement (FFGA) for Second Avenue Subway ($764 million) and East Side Access ($267 million). Overall, the amended Plan includes major program increases of $2.3 billion offset by major program deferrals of $2.4 billion. Deferred programs include 19 station rehabilitation projects, bus radio project, Jamaica Depot, and Staten Island track project.

The MTA began its first Capital Program in 1982 to rescue the system from total collapse. Since then, the MTA has committed more than $46 billion on the system to maintain a state of good repair and replacement, with emphasis on service and a well maintained fleet. The MTA will submit the next Capital Program to the CPRB by October 2009. Until then, the Authority will continue to progress its capital work programs within the scope of the 2005-2009 Capital Program.

CAPITAL BUDGET SUMMARY

2005-2009 MTA Capital Program Amendment ($ in millions)

	MTA Board Approved Plan	November 08 Amendment	Variance
Core Capital Programs			
New York City Transit	$11,219.5	$11,154.3	($65.2)
Long Island Rail	2,169.9	2,206.6	36.7
Metro-North Rail Road	1,375.5	1,410.0	34.5
CPRB Core Subtotal	$14,764.9	$14,770.9	$6.0
Security Program	495.0	495.0	0.0
Interagency	155.4	198.3	42.9
Core & Security Subtotal	$15,415.3	$15,464.2	$48.9
ESA/SAS/JFK Link	3,730.0	4,798.9	1,068.9
Total 2005-2009 CPRB Program	$19,145.3	$20,263.1	$1,117.8
City #7 Line Extension	2,100.0	2,100.0	0.0
Bridges and Tunnels	1,1202.1	1,209.1	7.0
MTA Bus	138.2	144.5	6.3
TOTAL	$22,585.6	$23,716.7	$1,131.1

Source: Metropolitan Transportation Authority

New York City Transit

For the NYCT, the proposed amended 2005-2009 Capital Plan would commit $11.1 billion in core programs, a decrease of $65.2 million from the $11.2 billion approved by the CPRB in December 2006. These funds would provide for the purchase of 1,025 state-of-the-art new subway cars, 1,357 low-emission buses, 1,387 paratransit vehicles and the rehabilitation of the Kings Highway and Newkirk stations in Brooklyn among others.

For the New York City Transit, new additions in the latest amended Capital Program include $200 million for additional B Division subway cars, $33 million for accessibility program increases, $91 million for flood control and $47 million for PA/Screens at 44 dark stations. Additionally, the amended Plan makes accommodation for project costs overruns. The costs overruns include $340 million for rehabilitation work at 23 stations, $164 million for B Division subway cars, $98 million for signals and communications work, and $220 million for the Clara Hale Depot project.

MTA-NYCT 2005-2009 Capital Program by Investment Category

($ in millions)

	MTA Board Approved Plan	November 08 Amendment	Variance
Subway Cars	$1,804.6	$2,179.3	$374.7
Buses	846.7	928.4	81.7
Passenger Stations	1,664.9	1,746.5	81.6
Tracks	1,156.2	1,189.8	33.6
Line Equipment	940.5	528.8	(411.6)
Line Structures	606.6	706.4	99.8
Signals & Communications	1,736.7	1,834.4	99.7
Power	499.2	469.1	(30.2)
Shops	306.0	45.2	(260.8)
Yards	264.1	257.8	(6.3)
Depots	591.2	517.0	(74.2)
Service Vehicles	118.9	114.4	(4.5)
Miscellaneous	598.7	577.7	(21.1)
Staten Island Railway	85.1	59.7	(25.4)
NYCT TOTAL	$11,219.5	$11,154.3	($65.2)

Source: Metropolitan Transportation Authority

Expansion Projects

- **Number 7 Line Extension.** The Plan will invest $2.1 billion in the Number 7 Line Westside extension over five years. This project will extend the Number 7 line west from Times Square and then south along 11th Avenue, and will include a new station at 34th Street and 11th Avenue. Design work is funded through the City's capital budget; however, all construction for the Number Seven Line extension is being funded by the City through the Hudson Yard Infrastructure Development Corporation (HYDC). The funding arrangement calls for the project to be paid for, in part, with revenues from the Hudson Yard Development district and with revenues appropriated from the City's general revenue funds. In November 2007, the MTA Board approved the initial tunneling contract for the No. 7 line extension at a cost of $1.14 billion. Tunneling for the 7,100 foot-long extension is slated to begin this April and be completed by March, 2010. Baring any construction delays and cost overruns, full service is expected to commence on the extended line by December, 2013.

- **SAS/ESA/JFK Expansion.** The amended 2005-2009 Capital Plan contains funding of only $4.8 billion for the Second Avenue Subway (SAS), the East Side Access (ESA), and JFK rail link projects, even though the Board estimated the need for these projects to be $7.9 billion. According to the MTA, adjustments to each of these budgets will be made when additional federal funding becomes available. Given that recent reports on the Stimulus Program have suggested that the Authority could receive up to $2 billion, it is unclear at this time if any of the stimulus funds, which are to be used for shovel ready projects, will be applied towards the authority's current expansion projects.

The Second Avenue Subway project, which is now underway, includes a two-track line along Second Avenue starting from 125th Street to Lower Manhattan. The project includes a connection from Second Avenue through the 63rd Street tunnel to existing tracks for service to West Midtown and Brooklyn, when completed the new line will include 16 new ADA accessible stations. Including this amendment, funds totaling $3 billion have now been allocated in the MTA's 2000-2004 and 2005-2009 Capital Program for the Second Avenue Subway project.

Recently, some businesses and the Mayor have complained that the ongoing construction of the Second Avenue Subway is adversely affecting businesses located in that vicinity. However, it is not clear what relief, if any, the City or the MTA intends to provide for the affected business.

- **Security Program.** In the 2005-2009 amended Capital Program**,** the security program budget and program objectives remain unchanged at $495 million, except for proposed change in funding source. The Plan originally approved by the CPRB assumed full federal funding for the security program. In the amended Plan, due to the transfer of $1.4 million of operating funds to support Phase II capital security initiatives, the federal assumption for Phase II initiatives is reduced by the same amount. As of December 2008, the MTA has secured a total of $6.1 million in Federal Security funding.

Status of MTA 2005-2009 Capital Program Funding thru December 2008
($ in millions)

MTA Wide (excludes B&T)	2005-2009 Approved Plan	Funding Receipts thru Dec-2008
Federal formula & Flexible Funds	$5,251.5	$4,075.0
Federal New Start	3,286.2	678.5
Federal Security	352.3	6.1
Federal Other	2.0	2.0
City of New York	407.3	266.3
NYC #7 Line Extension Funds	2,100.0	366.9
NYC Match for Buses	27.6	0.0
Operating to Capital	32.1	10.8
Asset Sales/Carryover & Program Income	1,091.8	513.0
LaGuardia Airport – Board Approved	69.7	0.0
LaGuardia Airport – New Initiatives	134.8	0.0
State Transportation Bond Act	1,450.0	124.4
MTA Bonds	3,162.2	526.6
Bonds from New Sources	5,100.0	587.3
Other	40.1	5.4
TOTAL	**$22,507.6**	**$7,162.2**

Source: Metropolitan Transportation Authority