

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Transportation on the Fiscal 2018 Executive Budget for Metropolitan Transportation Administration

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Executive Budget Summary

- The Calendar Year (CY) 2017 operating budget for the MTA is approximately \$15.6 billion and it includes approximately \$1 billion in City funds. The City's subsidies include \$45 million for the reduced student fare; \$14 million for the reduced fare for the elderly and the disabled; \$137 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$497 million for MTA bus subsidy; \$30 million for Staten Island Railway Operating Authority (SIRTOA); and \$103 million for the maintenance and operation of Long Island Railroad and Metro North Railroad stations in the City.
- The City's Fiscal 2018 Executive Budget includes \$125 million in Fiscal 2018 for the MTA Capital Program.
- The MTA 2017 Adopted Budget includes recurring cost reductions with no budget related service reductions, and includes a net cash surplus of \$24 million in Calendar Year 2017.
- The MTA Budget projects a four percent (two percent annually) fare and toll increase for March 2017 (already implemented) and for March 2019.
- The CY 2017 fare revenue is projected to be \$6.3 billion, approximately a four percent increase over the CY 2016's total of \$6 billion.
- The Adopted Plan includes additional investments of more than \$460 million that would be used to improve transit safety, service support, and the overall customer experience, including \$195 million to support capital program funded projects.
- For CY 2017, tax revenues dedicated for the MTA's use are projected to be \$6.7 billion, including \$2 billion in new State tax and fees, which includes \$1.4 billion from the Payroll Mobility Tax (PMT) and \$311 million from the State to replace funds from eliminating the PMT from school districts and small businesses.
- **2015-2019 Capital Plan.** The MTA's proposed \$29.5 billion 2015-2019 Capital Program is \$500 million more than the original Plan. The increase is attributed to increased Federal Transit Administration (FTA) New Starts funding for Phase 2 of the Second Avenue Subway (SAS 2) project.
- The City's Fiscal 2018 Executive Budget includes \$655 million over the Plan period for the MTA 2015-2019 Capital Program. The Mayor and the Governor committed an additional \$1.8 billion and \$7.3 billion, respectively, to support the Authority's Capital Program.
- **Challenges.** The continued growth in app-based livery services (e.g., Uber/Lyft) has resulted in the loss of taxi surcharge revenues. The traditional medallion taxi services collect a fifty cent surcharge that is earmarked for the MTA, while app-based service trips are not subject to the surcharge. This results in substantially less surcharge revenue for the MTA. In addition, the agency relies on federal funding grants for a good portion of its capital program. As such, based on the recently proposed federal budget by the President, it is likely that the MTA will experience some funding cuts to its capital program if the President's budget is passed as proposed.

MTA Financial Plan 2017-2020
MTA Consolidated Statement of Operations – Including MTA Bus Company

| Dollars in Millions | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------------------|-----------------------|-----------------------|------------------|------------------|-------------------|
| | Actual | Final Estimate | Adopted Budget | Projected | Projected | Projected |
| Operating Revenue | | | | | | |
| Farebox | \$5,961 | \$6,032 | \$6,271 | \$6,353 | \$6,377 | \$6,412 |
| Toll Revenue | 1,809 | 1,868 | 1,927 | 1,938 | 1,951 | 1,959 |
| Other Revenue | 689 | 683 | 708 | 728 | 757 | 785 |
| Total Operating Revenue | \$8,459 | \$8,584 | \$8,906 | \$9,020 | \$9,086 | \$9,156 |
| Operating Expenses | | | | | | |
| Labor Expenses | 8,732 | 9,130 | 9,447 | 9,776 | 10,080 | 10,402 |
| Non-Labor Expenses | 3,101 | 3,130 | 3,605 | 3,549 | 3,611 | 3,835 |
| Other Expenses Adjustment | 37 | 56 | 49 | 48 | 50 | 52 |
| General Reserve | 0 | 0 | 155 | 160 | 165 | 170 |
| Total Operating Expenses Before Non-Cash Liability Adjustment | \$11,871 | \$12,317 | \$13,256 | \$13,532 | \$13,906 | \$14,459 |
| Depreciation | 2,443 | 2,496 | 2,599 | 2,670 | 2,739 | 2,805 |
| Other Post-Employment Benefit | 1,490 | 1,850 | 1,939 | 2,008 | 2,081 | 2,158 |
| GASB 68 Pension Expense Adjustment | (410) | (188) | (94) | (104) | (101) | (130) |
| Environmental Remediation | 21 | 6 | 6 | 6 | 6 | 6 |
| Total Operating Expenses After Non-Cash Liability | \$15,414 | \$16,479 | \$17,705 | \$18,112 | \$18,632 | \$19,298 |
| Net Operating Deficit | (\$6,955) | (\$7,895) | (\$8,799) | (\$9,092) | (\$9,546) | (\$10,142) |
| Dedicated Tax, State & Local subsidies | 6,596 | 6,736 | 6,659 | 6,913 | 7,074 | 7,249 |
| Debt Service | (2,373) | (2,452) | (2,603) | (2,741) | (2,891) | (3,052) |
| Deficit after Subsidies & Debt Service | (\$2,732) | (\$3,611) | (\$4,743) | (\$4,920) | (\$5,363) | (\$5,945) |
| Conversion to Cash | | | | | | |
| Non-Cash Liability Adjs. | 3,543 | 4,163 | 4,450 | 4,579 | 4,726 | 4,839 |
| GASB Account | 0 | 0 | 0 | (8) | (18) | (29) |
| All Other | (661) | (782) | (195) | 175 | 62 | 141 |
| Cash Bal. Before Prior-Year Carryover | \$150 | (\$231) | (\$489) | (\$173) | (\$593) | (\$993) |
| Policy & GAP Closing Actions/Adjs. | 0 | 12 | 253 | 176 | 574 | 614 |
| Prior Year Carryover | 330 | 480 | 260 | 24 | 27 | 7 |
| Net Cash Surplus/(Deficit) | \$480 | \$260 | \$24 | \$27 | \$7 | (\$372) |

Budget Balancing Actions

- The Calendar Year 2017 Adopted Budget includes gap closing actions that are expected to produce an annualized recurring savings of \$1.6 billion that grows to \$2 billion by CY 2020.
- To achieve these savings, the Authority is implementing initiatives to generate savings from procurement efficiencies, paratransit, IT consolidation and retiree prescription costs. The Authority has raised the targeted level of cost reductions by an additional \$50 million annually, beginning in 2017, which together with the increased targets included in the July Plan, raises the annual target to \$200 million by CY 2020.
- Also, the Plan continues the assumption of biennial fare and toll increases. As a result, a fare and toll increase of four percent (two percent annually) is projected for March 1, 2017, which has already been implemented and for March 2019. The fare and toll increases are expected to yield additional revenue of \$280 million in 2017 and \$325 million in 2019.
- As a result of the above actions, the Calendar Year 2017 budget is balanced with a net cash surplus of \$24 million. For the outyears, the Plan reflects a net cash balance of \$27 million in 2018, \$7 million in 2019, and an end-of-year cash deficit of \$372 million in 2020. As in past years, the deficits are primarily attributed to increasing pension and healthcare costs and the depletion of non-recurring resources.

Major Agency issues

- **The L Train Line.** As has been widely reported, the MTA will shut down the L train line between Brooklyn and Manhattan for 15 months starting in 2019 for Sandy repairs. The Authority's staff has conducted extensive outreach with communities along the L and reported that 77 percent of public commenters and all the Community Boards preferred the full closure over the three-year one-track option. The MTA believes that the full shutdown is the most efficient way to do this project, noting that the one-track option would only be able to serve 1 in 5 of the affected riders. The contract for the \$1 billion project will include incentives to contractors for timely completion, specifically faster than 15 months. Specific contingency plans for customers are yet to be finalized but will focus in particular on increasing service/capacity on nearby lines, such as the J/M/Z. At the time of this report, the specific outlay of the \$1 billion in planned spending for this project has not been made available by the MTA.
- **The Loss of Taxi Surcharge Revenues.** Over the past few years, the popularity of app-based livery services has resulted in a decline in the usage of medallion taxi services city-wide with an adverse impact on the Authority's bottom line. This is because yellow and green taxis, collect a fifty cent surcharge that are earmarked for the MTA, while on the other hand, app-based service trips are not subject to this surcharge. Instead, they collect and pay sales tax on fares of which the MTA receives a portion (3/8 of 1 percent). This results in substantially less revenue per trip for the MTA. Consequently, any additional increase in the market share for app-based

services versus medallion taxi service could result in further erosion of the MTA taxi surcharge receipts.

Capital Program

The Authority's \$29.5 billion 2015-2019 Capital Plan is fully funded and was approved by the Capital Program Review Board on May 23, 2016. The Plan includes funding to purchase 1,000 new subway cars, 1,700 new buses, and to replace 73 miles of subway track among other projects. It also provides for the expansion of the MTA network by continuing two ongoing projects and launching a third. They are completing the funding commitment for the East Side Access, launching Phase 2 of the Second Avenue Subway to extend the new line from 96th to 125th Streets, and to begin the expansion MNR's New Haven Line service into Penn Station.

MTA 2015-2019 Capital Program All Agency Summary

| Approved Program (Dollars in millions) | 2015-2019 Plan |
|---|---------------------------|
| CPRB Core Capital Program | |
| New York City Transit | \$15,849 |
| Long Island Rail Road | 2,835 |
| Metro-North Railroad | 2,321 |
| MTA Bus | 376 |
| MTA Interagency | 264 |
| Core Subtotal | \$21,644 |
| Network Expansion Projects | 4,956 |
| Total 2015-2019 CPRB Program | \$26,600 |
| Bridges and Tunnels | 2,856 |
| Total 2015-2019 Capital Program | \$29,456 |

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

Funding the 2015-2019 Capital Plan

Funding for the program includes \$8.3 billion in State funds, \$6.9 billion in federal funds, \$2.5 billion in City funds and \$11.8 billion from various MTA resources.

| 2015-2019 MTA Capital Program Funding Sources (Dollars in millions) | 2015-2019 Plan |
|--|-----------------------|
| Total 2015-2019 Program costs | \$29,456 |
| Funding Currently Projected | |
| Federal Formula, Flexible and Misc. | \$6,275 |
| Federal Core Capacity | 100 |
| Federal New Starts | 500 |
| MTA Bonds | 5,889 |
| Pay-as-you-go Capital (PAYGO) | 1,846 |
| State of New York Capital (\$1b existing, \$7.3b Governor's Commitment) | 8,336 |
| City of New York Capital (\$657m existing, \$1.835b Mayoral Commitment) | 2,492 |
| Asset Sales / Leases | 600 |
| Other MTA Sources | 562 |
| Sub-total | \$26,600 |
| Bridge & Tunnels Bonds (\$2.3b) & PAYGO (\$580m) | 2,856 |
| Total 2015-2019 Funds Available | \$29,456 |
| Funding Gap | \$0 |

Source: Metropolitan Transportation Authority

-Numbers may not total due to rounding

For the NYCT, the Capital Plan would commit \$15.8 billion in core programs to maintain state of good repair.

Below is a description of the funding sources that support the MTA's \$29.5 billion Capital Program.

- ✓ **Federal Formula, Flexible and Miscellaneous Funding.** The MTA is assuming 2015-2019 federal formula funding of \$6.3 billion, an increase of \$500 million from the previous Capital Plan assumption. Based on the recent federal transportation bill reauthorization by Congress, this amount is consistent with the MTA's current level of federal grant funding receipts.
- ✓ **Federal Core Capacity.** The 2015-2019 Capital Plan includes \$100 million in federal Core Capacity funding. The funding will be used to advance the Authority's Canarsie Line Power and Station Improvements project.
- ✓ **Federal New Starts.** The 2015-2019 Capital Plan includes \$500 million in federal new starts funding for Phase 2 of the Second Avenue Subway (SAS 2). This is in addition to the \$535 million in local funding currently assumed for SAS 2, and will provide support for the project's commitments during the 2015-2019 period. This proposed New Starts funding is subject to further discussion with the FTA, Congressional appropriations, and a future Plan amendment to make available the additional local funding required for the New Starts application process.
- ✓ **MTA Bonds.** The Plan includes \$5.9 billion in new MTA bonding capacity for 2016-2019, including \$200 million in bond proceeds generated by savings due to the use of low-interest federal Railroad Rehabilitation and Improvement Financing (RRIF) loan for the Authority's Positive Train Control (PTC) projects. The use of RRIF loan financing generally enables the MTA to borrow at the U.S. Treasury rate and pay it back on a longer maturity and flexible terms.

- ✓ **PAYGO Capital.** The MTA plans to use \$1.8 billion in PAYGO capital to leverage new debt service capacity until fully exhausted by the debt service needs of the Authority's bonds. This amount includes \$200 million to be made available through a reduction in the needs for the Bridge and Tunnels 2015-2019 Capital Program.
- ✓ **State Capital Funds.** The Capital Plan includes \$1 billion in State capital funds to support core program projects (\$750 million) and the Penn Station Access project (\$250 million). It also anticipates that an additional \$7.3 billion will be provided by the State for the 2015-2019 Plan.
- ✓ **New York City Funds.** The 2015-2019 program currently includes \$657 million in existing annual capital contributions from the City. It also anticipates an additional City contribution of \$1.8 billion, for a total of \$2.5 billion over the Plan period.
- ✓ **Asset Sales/Leases.** The MTA anticipates \$600 million from other non-bond sources (asset sales and lease), including proceeds from the East and West Rail Yards Payments in Lieu of Sales Tax (\$190 million), proceeds from the proposed development of MTA Madison Avenue property pursuant to the Vanderbilt Corridor zoning (\$110 million), and resources from the disposition of assets, including properties jointly owned with New York City (\$300 million).
- ✓ **Other MTA Sources.** The MTA Plan anticipates \$562 million in "other" bond and PAYGO sources, including \$530 million from savings due to the issuance of lower cost Payroll Mobility Tax (PMT)-backed bonds.
- ✓ **Bridge and Tunnels Bonds.** The MTA plans to use \$2.3 billion in TBTA bonds and \$580 million in PAYGO capital to fund its bridge and tunnel projects over the Plan period.

New York City Transit (NYCT)

Mission Statement

The New York City Transit Authority (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 47,000 workers who are responsible for the operation and maintenance of 4,400 buses and 6,400 subway cars. Over 2.4 billion people ride the City's buses and subways each year.

NYCT Financial Plan 2017-2020

(\$ in millions)

| Non-Reimbursable and Reimbursable | 2015 Actual | 2016 Final Estimate | 2017 Adopted Budget | 2018 Projected | 2019 Projected | 2020 Projected |
|--|------------------|---------------------------|---------------------------|-------------------|-------------------|-------------------|
| Operating Revenue | | | | | | |
| Farebox | \$4,371 | \$4,412 | \$4,570 | \$4,629 | \$4,644 | \$4,669 |
| Other Revenue | 456 | 437 | 455 | 482 | 507 | 531 |
| Capital & Other Reimbursement. | 1,183 | 1,202 | 1,251 | 1,183 | 1,185 | 1,147 |
| Total Operating Revenue | \$6,010 | \$6,051 | \$6,276 | \$6,293 | \$6,336 | \$6,347 |
| Operating Expenses | | | | | | |
| Labor Expenses | 6,827 | 7,182 | 7,429 | 7,560 | 7,753 | 7,934 |
| Non-Labor Expenses | 1,832 | 1,812 | 1,963 | 1,936 | 2,006 | 2,123 |
| Other Expenses Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses Before Depreciation, OPEB & ER 1 | \$8,658 | \$8,994 | \$9,392 | \$9,496 | \$9,759 | \$10,058 |
| Depreciation | 1,692 | 1,728 | 1,778 | 1,828 | 1,878 | 1,928 |
| Other Post Employment Benefit Liab Adj. | 1,130 | 1,443 | 1,501 | 1,561 | 1,624 | 1,689 |
| GASB 68 Pension Expense Adjustment | (315) | (355) | (296) | (306) | (296) | (303) |
| Environmental Remediation | 13 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Expenses | \$11,179 | \$11,810 | \$12,375 | \$12,579 | \$12,869 | \$13,371 |
| | | | | | | |
| Net Operating Deficit/(Deficit) | (\$5,169) | (\$5,759) | (\$6,099) | (\$6,286) | (\$6,533) | (\$7,024) |
| Dedicated Tax, State & Local subsidies | 3,523 | 3,706 | 3,635 | 4,049 | 3,968 | 4,082 |
| | | | | | | |
| Deficit after Projected Subsidies | (\$1,646) | (\$2,053) | (\$2,464) | (\$2,237) | (\$3,887) | (\$2,942) |
| Conversion to Cash | | | | | | |
| Depreciation, OPEB, GASB & ER Adj. | 2,521 | 2,817 | 2,983 | 3,084 | 3,205 | 3,313 |
| Net Cash Surplus/(Deficit) 2 | \$875 | \$764 | \$519 | \$847 | (\$682) | \$371 |

- Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers.

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- **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 \$9.4 billion for Calendar Year 2017. Of that amount, approximately \$7.4 billion is for labor costs and \$1.9 billion is for non-labor expenses. In addition, the Adopted Budget includes non-cash depreciation expenses of \$1.8 billion and other post-employment benefit expenses of \$1.7 billion, including GASB number 68 pension expenses of \$296,000. The budget funds 49,245 positions, of which 5,314 are reimbursable and 43,931 are non-reimbursable. Reimbursable positions are those positions generally paid with capital funds.
- **Operating Revenue / Expense Projections.** The NYCT projects \$6.3 billion in operating revenues for Calendar Year 2017, which is primarily derived from farebox revenues of \$4.6 billion, capital and other reimbursements of \$1.25 billion and other revenues of \$455 million. These funds will support the NYCT's proposed reimbursable and non-reimbursable expenditures of \$9.4 billion, excluding depreciation and other post-employment benefits in 2017.
- **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 revenues from these accounts are projected to total \$2.46 billion in 2017, which is \$19.2 million less than the 2016 amount of \$2.48 billion. The Urban Account consists of two separate taxes, the Mortgage Recording Tax (MRT) and the Real Property Transfer Tax (RPTT) imposed on New York City commercial real properties with a value exceeding \$500,000.
- **Payroll Mobility Tax (PMT) and MTA Aid.** The PMT and the MTA Aid are a set of taxes, fees and surcharges enacted by the State in 2009 (Chapter 25 of the Laws of 2009) for the benefit of the MTA. The State law was subsequently amended to exclude public and private schools, public and free association libraries. For the NYCT, subsidies related to PMT and MTA Aid is projected to be \$1.289 billion in Calendar Year 2017, a slight decrease from the estimated \$1.33 billion in 2016. In 2012, the State Legislature passed a law granting the City authorization to establish a "Hail accessible inter-borough licenses" (HAIL licenses) for livery cabs to provide hail services in certain underserved areas of the City. After overcoming legal challenges, the law was implemented during the second half of 2013, and is anticipated to result in increased MTA Aid revenue for the Authority as the City phases in the additional vehicles.
- **The City's Contribution.** For Calendar Year 2017, the City's contribution, excluding capital commitments, is approximately \$1 billion. For Calendar Year 2017, estimated City subsidies include the following: \$45 million for the NYCT school fare subsidy; \$14 million for the elderly and disabled subsidy; \$11 million for EZ Pass reimbursement; \$137 million for paratransit reimbursement; \$158 million to match State Operating Assistance; \$457 million for MTA bus subsidy; \$56 million City subsidy for SIRTOA and \$94 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 \$214.5 million in CY 2017, which includes \$137 million from City reimbursements.
- **State Subsidies.** For CY 2017, the State's subsidy to the NYCT's budget is expected to be \$158 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 to NYCT of more than \$3.8 billion expected in 2017.
- **Transport Workers Union (TWU) Local 100.** The cost of the 28th month labor contract with TWU is reflected in this Plan. The agreement covers 38,000 transit workers and sets the wage pattern for other represented transit workers. The net cash impact is approximately \$52 million over the Plan period, while also reducing the four-year savings for the rebidding of the TWU health benefits by \$64 million.

MTA Bus Company

Mission Statement

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.

MTA Bus Financial Plan 2017-2020

(**\$ in millions**)

| Non-Reimbursable and Reimbursable | 2015 Actual | 2016 Final Estimate | 2017 Adopted Budget | 2018 Projected | 2019 Projected | 2020 Projected |
|--|------------------|---------------------------|---------------------------|-------------------|-------------------|-------------------|
| Operating Revenue | | | | | | |
| Farebox | \$210.3 | \$214.1 | \$219.9 | \$222.2 | \$222.6 | \$223.5 |
| Other Revenue | 23.1 | 20.7 | 21.1 | 21.5 | 21.7 | 21.8 |
| Capital & Other Reimbursement. | 5.3 | 6.0 | 5.9 | 6.0 | 5.9 | 5.9 |
| Total Operating Revenue | \$238.7 | \$240.9 | \$246.8 | \$241.4 | \$242.7 | \$251.2 |
| Operating Expenses | | | | | | |
| Labor Expenses | 521.3 | 517.3 | 541.1 | 555.4 | 569.2 | 575.4 |
| Non-Labor Expenses | 158.2 | 171.4 | 191.5 | 199.8 | 192.2 | 191.2 |
| Operating Expenses Before Depreciation, OPEB & ER 1 | \$679.6 | \$688.8 | \$678.4 | \$717.7 | \$761.4 | \$766.5 |
| Depreciation | 50.0 | 42.2 | 53.9 | 54.3 | 54.3 | 54.3 |
| Other Post Employment Benefit Liab. Adj. | 61.0 | 100.2 | 100.2 | 100.2 | 100.2 | 100.2 |
| GASB 68 Pension Expense Adjustment | (12) | 40 | 43 | 43 | 42 | 37 |
| Environmental Remediation | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Expenses | \$778.4 | \$871.3 | \$875.8 | \$915.1 | \$814.9 | \$958.3 |
| Net Operating Deficit/(Deficit) | (\$539.7) | (\$630.4) | (\$628.9) | (\$673.7) | (\$572.2) | (\$707.1) |
| City Subsidy for MTA Bus Company | 438.3 | 413.4 | 526.4 | 471.9 | 485.5 | 491.8 |
| Deficit after Projected Subsidies | (\$101.4) | (\$217.0) | (\$102.5) | (\$201.8) | (\$86.7) | (\$215.3) |
| Conversion to Cash | | | | | | |
| Depreciation, OPEB, GASB & ER Adj. | 98.8 | 182.6 | 197.4 | 197.4 | 196.1 | 191.8 |
| Net Cash Surplus/(Deficit) 2 | (\$3) | (\$34) | \$95 | (\$4) | \$109 | (\$24) |

- Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers.

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- **Operating Revenue/Expense Projections.** The MTABC's operating revenue for CY 2017 is projected to be \$246.8 million, which includes farebox revenue of \$219.9 million, capital and other reimbursements of \$6 million, and other operating revenue of \$21.1 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$678.4 million for CY 2017. These expenses include \$541.1 million in labor costs and \$191.5 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$53.9 million and \$100.2 million, respectively. This also includes a GASB 68 Pension expense adjustment of \$43.4 million.

MTA Staten Island Railway (SIR)

Mission Statement

The MTA Staten Island Railway (SIR) operates and maintains 63 subway cars over a 14.3 route miles and 28.6 miles of mainline track that serves 22 stations located primarily on the south shore of Staten Island.

MTA Staten Island Railway (SIR) Financial Plan 2016-2019 (\$ in millions)

| Non-Reimbursable and Reimbursable | 2015 Actual | 2016 Final Estimate | 2017 Adopted Budget | 2018 Projected | 2019 Projected | 2020 Projected |
|--|----------------|---------------------------|---------------------------|-------------------|-------------------|-------------------|
| Operating Revenue | | | | | | |
| Farebox | \$6.4 | \$6.6 | \$6.8 | \$7.0 | \$7.0 | \$7.0 |
| Other Revenue | 2.6 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 |
| Capital & Other Reimbursement. | 3.8 | 5.0 | 2.5 | 2.0 | 2.0 | 0.9 |
| Total Operating Revenue | \$12.9 | \$12.7 | \$11.8 | \$14.7 | \$11.5 | \$10.4 |
| Operating Expenses | | | | | | |
| Labor Expenses | 42.6 | 44.9 | 44.2 | 42.7 | 43.5 | 43.6 |
| Non-Labor Expenses | 11.3 | 24.1 | 30.3 | 11.2 | 10.9 | 11.4 |
| Other Expense Adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Expenses Before Depreciation, OPEB & ER 1 | \$53.9 | \$69.0 | \$74.5 | \$53.9 | \$54.5 | \$55.0 |
| Depreciation | 8.1 | 8.3 | 8.3 | 8.3 | 8.3 | 8.3 |
| Other Post Employment Benefit Liab. Adj. | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| GASB 68 Pension Expense Adjustment | (2) | (1) | (1) | (1) | (1) | (1) |
| Environmental Remediation | 1.119 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Expenses | \$69.0 | \$84.3 | \$89.8 | \$69.2 | \$63.7 | \$70.3 |
| Net Operating Deficit/(Deficit) | (\$56) | (\$72) | (\$78) | (\$54) | (\$52) | (\$60) |
| Dedicated Tax, State & Local subsidies | 38.2 | 41.3 | 61.5 | 63.9 | 44.7 | 47.7 |
| Deficit after Projected Subsidies | (\$18) | (\$30) | (\$16) | \$9 | (\$8) | (\$12) |
| Conversion to Cash | | | | | | |
| Depreciation, OPEB, GASB & ER Adj. | 15.1 | 15.3 | 15.3 | 15.3 | 15.3 | 15.3 |
| Net Cash Surplus/(Deficit) 2 | (\$2.8) | (\$15.0) | (\$1.2) | \$24.7 | \$7.8 | \$3.1 |

1 - Excludes Debt Service, 2 - Excludes Prior Year Balance & Interagency Transfers.

- Numbers may not total due to rounding

Source: Metropolitan Transportation Authority

- **Operating Revenue/Expense Projections.** The SIR's operating revenue for CY 2017 is projected to be \$11.8 million, which includes farebox revenue of \$6.8 million, capital and

other reimbursements of \$2.5 million, and other operating revenue of \$2.5 million. The budget projects a combined reimbursable and non-reimbursable expense before depreciation of \$74.5 million for CY 2017. These expenses include \$44.2 million in labor costs and \$30.3 million in non-labor costs. The depreciation expense and the other post-employment benefit expenses are projected to be \$8.3 million and \$7.5 million respectively.

Capital Commitment Plan

The New York City subway system operates on over 600 miles of mainline track in over 238 directional route-miles serving the boroughs of Manhattan, the Bronx, Queens, and Brooklyn. The Staten Island Railway (SIR) operates a 14-mile rapid transit line that links 22 communities and the Staten Island-Manhattan Ferry service. The Authority's bus system, including the MTA Bus, serves all five boroughs. On the average, the combined transit (6,500 subway cars) and bus systems (5,700 buses) transport over 2.4 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, signal replacements, and upgrading of security), modernization of subway stations, major equipment replacements and the implementation of an Automated Fare System.

| NYCT 2017-2021 Capital Commitment Plan | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| <i>Dollars in Thousands</i> | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Executive Plan | \$284,936 | \$125,000 | \$125,000 | \$125,000 | \$40,000 | \$699,936 |
| Preliminary Plan | 284,936 | 125,000 | 125,000 | 125,000 | 40,000 | 699,936 |
| Change | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Percentage Change | 0% | 0% | 0% | 0% | 0% | 0% |

Source: OMB Fiscal 2018 Executive Capital Commitment Plan

The Executive 2018 Capital Commitment Plan includes \$699.9 million in Fiscal 2017-2021 for the NYCT, all City-funds. This represents approximately one percent of the City's total \$78.1 billion Executive Plan for Fiscal 2017-2021. The agency's Executive Commitment Plan for Fiscal 2017-2021 remains unchanged when compared to the Preliminary Commitment Plan.

Since the Office of Management and Budget (OMB) typically frontloads budgets for capital projects, which usually span multiple fiscal years, agencies often roll unspent capital funds into future fiscal years. In Fiscal 2016, the Authority committed \$217.5 million or 59.8 percent of its \$363.8 million annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2017 Capital Plan will be rolled into Fiscal 2018, thus increasing the size of the Fiscal 2018-2021 Capital Plan.

The Ten-Year Capital Strategy

The City's Ten-Year Capital Strategy totals \$95.8 billion (all funds), an increase of \$6.2 billion, or seven percent, from the Preliminary Ten-Year Capital Strategy total of \$89.6 billion. The Ten-Year Capital Strategy demonstrates the agency's long-term capital spending goals, and the Capital Commitment Plan outlines plans for projects funded in the capital budget. For

NYCT, the Ten-Year Capital Strategy provides \$655 million in City funds in support of its capital program goals from Fiscal 2018 to 2027.

| NYCT FY2016-2025 Preliminary Ten-Year Capital Strategy | | | | | | | | | | | |
|---|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <i>Dollars in Thousands</i> | | | | | | | | | | | |
| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | Total |
| Infrastructure | \$83,725 | \$83,725 | \$83,725 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$251,175 |
| Track Work | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 | 350,000 |
| SIRTOA | 1,275 | 1,275 | 1,275 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,825 |
| Miscellaneous | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 50,000 |
| Total | \$125,000 | \$125,000 | \$125,000 | \$40,000 | \$655,000 |

The proposed MTA 2015-2019 Capital Program includes funding for the NYCT for subway station rehabilitations, subway signals improvement, communications, track maintenance, replacement of train cars and buses, and facility and equipment upgrades at MTABC depots. In the Ten-Year Strategy, the City will contribute \$655 million to the Transit Authority. Of that amount, \$350 million will be committed to track work with the remainder, totaling \$305 million going to various other NYCT subway infrastructure and bus projects.

Over the past 30 years, the MTA has committed over \$50 billion to fund the NYCT Capital Program. As discussed earlier, the proposed MTA 2015-2019 Capital Program totals \$29.5 billion, of which \$15.8 billion would be invested in the NYCT core system.