

Fiscal 2009 Preliminary Budget Hearings

Transit Authority (Capital)

March 2008

*Hon. Christine C. Quinn
Speaker of the Council*

*Hon. David I. Weprin, Chair
Committee on Finance*

*Hon. John Liu, Chair
Committee on Transportation*

*James Caras, Acting Director
Finance Division*

Fiscal 2009 Preliminary Capital Budget Report

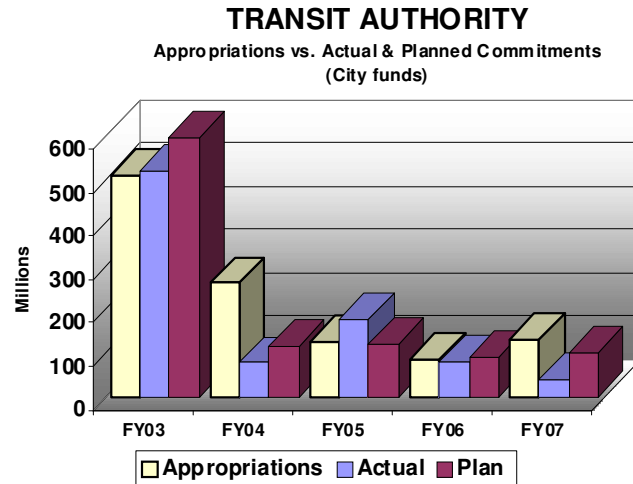
Agency Overview

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.

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.



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Current Budget Summary

The January 2008 Capital Commitment Plan includes \$385.6 million in Fiscal 2008-2011 for the Transit Authority (including City and Non-City funds). This represents less than one percent of the City's total \$52.5 billion January Plan for Fiscal 2008-2011. The agency's January Commitment Plan for Fiscal 2008-2011 maintains the same level of funding as the agency's September Commitment Plan.

Over the past five years, the Transit Authority on average has committed slightly less than 90 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2008 Capital Plan will be rolled into Fiscal 2009, thus increasing the size of the Fiscal 2009-2012 Capital Plan. Since adoption last June, the agency's Capital Commitment Plan has remained essentially the same with no noticeable changes.

Currently, NYCT's appropriations total \$285.2 million in City funds for Fiscal 2008. These appropriations will finance the agency's remaining \$64.7 million city-funded Fiscal 2008 capital commitment program. The agency has over four 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 2008 include various transit construction projects. These include \$4 million for video surveillance for the Staten Island Railway, \$35 million for track and rail reconstruction projects, and \$20.1 million for bus purchases.

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

FIVE YEAR HISTORY – CAPITAL BUDGET					
(\$ in millions)					
	FY03	FY04	FY05	FY06	FY07
CITY	521	80	180	83	43
NON-CITY	0	0	0	0	0
TOTAL	521	80	180	83	43

The Adopted Four-Year Capital Plan is shown below:

ADOPTED CAPITAL BUDGET – SEPTEMBER 2007					
(\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	99.7	88.9	90.0	74.8	353.4
NON-CITY	32.2	0	0	0	32.2
TOTAL	131.9	88.9	90.0	74.8	385.6

The Preliminary Four-Year Capital Plan is shown below:

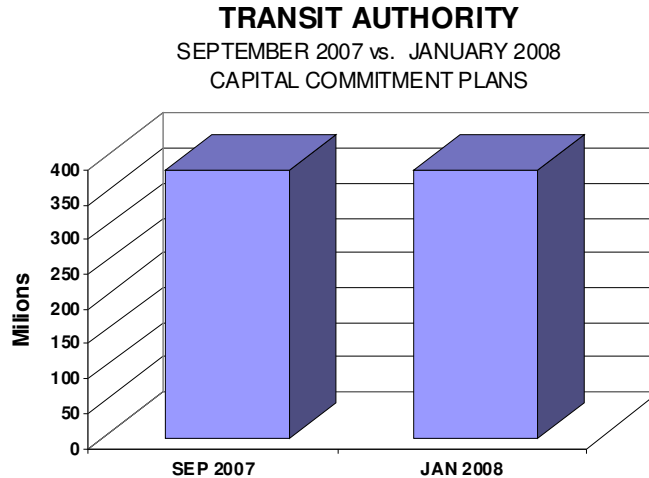
PRELIMINARY CAPITAL PLAN – JANUARY 2008					
(\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	99.7	88.9	90.0	74.8	353.4
NON-CITY	32.2	0	0	0	32.2
TOTAL	131.9	88.9	90.0	74.8	385.6

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 and April of 2007. Since 1982, the Authority has committed approximately \$77 billion in Capital Program investments. These efforts helped the Authority to replace most of its entire

fleet of subway cars and buses, rehabilitate miles of train tracks and subway stations and upgrade security and communication systems. In addition to core programs to maintain a system of good repair, the 2005-2009 Capital Plan contains major system expansion projects that include the Second Avenue Subway, East Side Access, and the Number 7 Line Extension, which is City-funded. However, with increased cost overruns for projects already underway and rising costs for construction materials and labor in the region, the MTA is now faced with serious shortfalls. These shortfalls could force the Authority to either scale back or eliminate components of the expansion projects.

On August 14, 2007, the Federal Transit Administration authorized a \$354 million grant to the City for transportation service enhancements. The federal grant is contingent on the City implementing a congestion pricing plan, which requires State authorization. Since a portion of the proceeds from the congestion pricing is intended to benefit the MTA, the State Legislature directed the Authority to submit a new Capital Plan to be considered concurrently with the recommendations of a 17-member commission appointed to review the City's congestion pricing initiative. As a result, the MTA is currently scheduled to release a new five-year Capital Plan by March 31, 2008.



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CAPITAL BUDGET SUMMARY

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

	January 06 Approved	December 06 Amendment	Variance
Core Capital Programs			
New York City Transit	\$11,301.1	\$11,219.5	(\$81.6)
Long Island Rail	2,176.0	2,169.9	(6.1)
Metro-North Rail Road	1,383.1	1,375.5	(7.6)
CPRB Core Subtotal	\$14,860.2	\$14,764.9	(\$95.2)
Security Program	495.0	495.0	0.0
Interagency	159.1	155.4	(3.7)
Core & Security Subtotal	\$15,514.2	\$15,415.3	(\$98.9)
ESA/SAS/JFK Link	2,475.0	2,475.0	0.0
Total 2005-2009 CPRB Program	\$17,989.2	\$17,890.3	(\$98.9)
City #7 Line Extension	1,990.0	2,100.0	110.0
Bridges and Tunnels	1,167.9	1,202.1	34.2
MTA Bus	138.2	138.2	0.0
TOTAL	\$21,285.3	\$21,330.6	\$45.3

Source: Metropolitan Transportation Authority

New York City Transit

- For NYCT, the proposed amended 2005-2009 Capital Plan would commit \$11.2 billion in core programs, a decrease of \$82 million from the \$11.3 billion approved by the Board in January 2006. These funds would provide for the purchase of 959 state-of-the-art new subway cars, 1,122 low-emission buses, 951 paratransit vehicles and the rehabilitation of the 86th Street station in Bay Ridge, Brooklyn among others.

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MTA-NYCT 2005-2009 Capital Program by Investment Category (\$ in millions)

	January 06 Approved	December 06 Amendment	Variance
Subway Cars	\$1,804.6	\$1,804.6	\$0.0
Buses	834.0	846.7	12.7
Passenger Stations	1,655.1	1,665.0	9.9
Tracks	1,141.7	1,156.2	14.5
Line Equipment	963.5	940.5	(23.0)
Line Structures	626.9	606.6	(20.3)
Signals & Communications	1,882.5	1,736.7	(145.7)
Power	584.8	499.2	(85.5)
Shops	289.6	306.0	16.4
Yards	272.1	264.1	(8.0)
Depots	612.7	591.2	(22.0)
Service Vehicles	113.5	118.9	5.4
Miscellaneous	434.2	598.7	164.5
Staten Island Railway	85.9	85.1	(0.8)
NYCT TOTAL	\$11,301.1	\$11,219.5	(\$81.6)

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 7 Line extension will be funded by the City through a local development corporation called 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 2006, the City, in a memorandum of understanding with the MTA, agreed to increase by \$100 million its funding for the Number 7 Line extension project bringing total funding for this project to its current level of \$2.1 billion.

- **Second Avenue Subway/East Side Access/JFK Expansion.**

The current amended 2005-2009 Capital Plan contains funding of \$3.7 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. However, according to the MTA, continued adjustments to each of these budgets will be made when additional federal funds are received.

- **Security Program.**

In the 2005-2009 amended Capital Budget, the security program's budget and the program objectives remain unchanged at \$495 million, except for a change in the funding sources. The Plan originally approved by the Capital Program Review Board assumed full federal funding for the security program. In the amended Plan, the Authority will use \$141 million in Bridges and Tunnels bonds and cash to replace anticipated federal funds for critical security needs for the MTA Bridges and Tunnels. As of December 2007, the MTA had only secured a total of \$175.6 million in Federal Security funding. A recent report issued by the State Comptroller found that construction costs and cost overruns have ballooned by more than 40 percent could be adversely affecting the Authority's security programs. Unless new funding sources are found, the Authority could be forced to significantly scale back its security programs.