MTA 2017
Final Proposed Budget
November Financial Plan 2017 – 2020

Volume 1
November 2016

Metropolitan Transportation Authority

OVERVIEW

MTA 2017 Final Proposed Budget
November Financial Plan 2017-2020
Volume 1

The MTA's November Plan is divided into two volumes:

Volume 1 consists of financial schedules supporting the complete MTA-Consolidated Financial Plan, including an Executive Summary, the baseline forecast (as detailed in Volume 2 and described below) and certain adjustments captured below the baseline. These "below-the-line" adjustments include: Fare/Toll Increases, MTA Initiatives, Policy Actions, and any MTA Re-estimates. Volume 1 also includes descriptions of the "below-the-line" actions as well as the required Certification by the Chairman and Chief Executive Officer, and a description of the MTA Budget Process.

Volume 2 includes MTA-Consolidated detailed financial and position schedules as well as the narratives that support the baseline projections included in the 2017 Final Proposed Budget and the Financial Plan for 2017 through 2020. Also included are the Agency sections which incorporate descriptions of Agency Programs with supporting baseline tables and required information related to the MTA Capital Program.

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I. Introduction

Executive Summary

The **2016 MTA November Financial Plan** (the “November Plan” or “Plan”) includes the 2016 November Forecast, the 2017 Final Proposed Budget and a Financial Plan for the years 2017-2020; this Plan updates the July Financial Plan. Since 2010, our financial plans – which are developed in a disciplined, consistent, and transparent process – have included the continuous pursuit of recurring cost reductions to temper the amount of revenues needed from biennial fare and toll increases and governmental subsidies and to provide funding for the capital program. Our financial plans also have added or restored service when sustainable while also addressing long-term costs such as pensions, health care, paratransit, and debt service previously considered “uncontrollable.”

The July Plan

The July Plan projected breakeven cash balances through 2019 with a deficit of $371 million in 2020, which was based upon three key inter-related elements: (i) biennial fare and toll revenue yield increases of 4% in 2017 and 2019 (equivalent to 2% annual increases); (ii) annually recurring cost reduction targets of $1.6 billion in 2016 growing to almost $2.0 billion by 2020; and (iii) increased funding for the Capital Program from $566 million in debt service savings. The July Plan also funded important investments over the plan period including: $195 million to improve the customer experience; $145 million for enhanced maintenance and operations; $78 million for service and service support; and $46 million on safety and security.

What Has Changed Since The July Plan?

This Plan continues to reflect those capital and operating investments proposed in July. The Plan also captures the following re-estimates:

<u>Changes and re-estimates improving financial results over the plan period</u>

- Lower debt service expenses ($294 million)
    - Timing of bond issuances/lower than projected rates ($128 million)
    - Refunding savings ($116 million)
    - Assumed favorable borrowing rates ($26 million)
    - Variable rate savings ($24 million)
- Lower electricity expense forecasts ($122 million)
- Higher passenger and toll revenue forecasts ($64 million)
- Higher Payroll Mobility Tax (PMT) and MTA Aid ($61 million)
- Lower health & welfare forecasts ($46 million)

<u>Changes and re-estimates worsening financial results over the plan period</u>

- Lower Real Estate Transaction tax receipt estimates ($83 million)

In total, net re-estimates and other changes through the plan period are projected to be $507 million favorable from the July Plan. A reconciliation of Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume 2.

Highlights of the November Plan

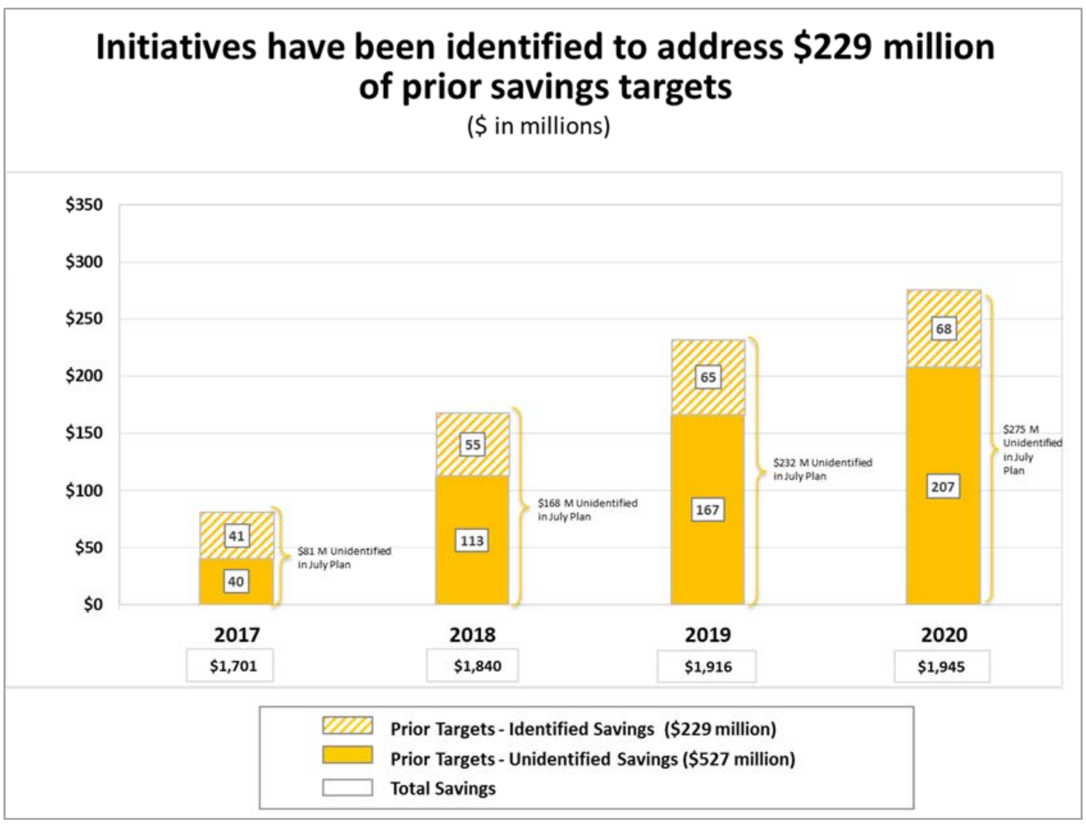
The November Plan continues to follow the approach reflected in earlier plans.

Hold projected fare/toll increases to 4% in 2017 and 2019. The Plan continues to project 4% biennial fare/toll increases (the equivalent of 2% per year). Consistent with recent Plans, a March implementation is anticipated for both the 2017 and 2019 increases. The 2017 increase, being planned for mid-March, is being changed from a 4% revenue yield to a 4% price increase, saving customers approximately $26 million a year or $94 million over the plan period.

***Increase support for the Capital Program*.** This Plan retains from the July Plan $566 million of debt service savings from the Hudson Yards lease securitization and lower interest rates (both realized and projected) to support the capital program.

Identify additional savings. The strength of our financial position is enhanced by our continued cost reduction efforts The MTA has now identified savings initiatives to meet most of the savings targets from pre-2016 Financial Plans. In July, the MTA identified initiatives to meet $495 million, or 73%, of the $535 million of cost reductions targeted in the February Plan. Initiatives in procurement efficiencies, paratransit, IT consolidation and retiree prescription costs have been or are being implemented. In July the savings targets were increased by an incremental $50 million per year starting in 2017, growing to $200 million in 2020.

As illustrated in the chart below, **we now have identified and implemented initiatives that address $229 million of the $756 million savings targets** included in the July Plan.



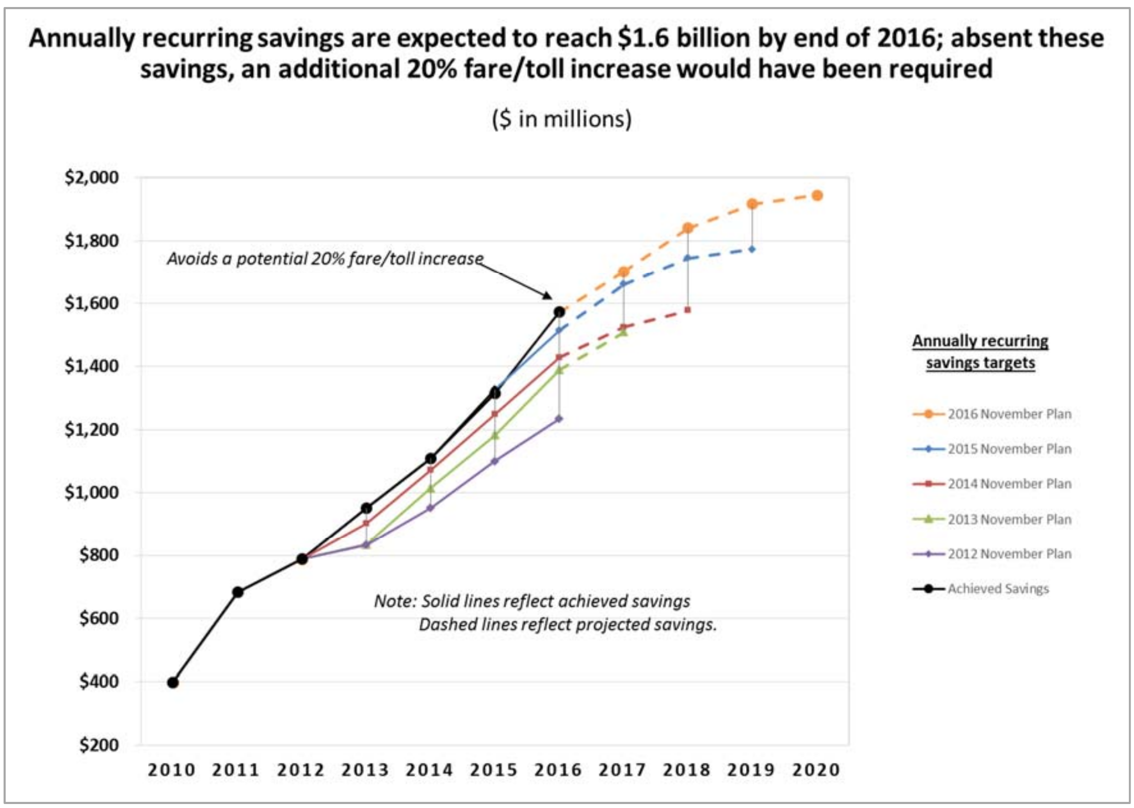
A rebid of our medical benefits that includes higher discounts and lower pricing will yield significant savings over the plan period. MTA-wide recurring annual savings will result from a six-month delay in the implementation of a 2% cost of living allowance (COLA) increase for non-represented employees.

Other savings have been identified in energy delivery, NHL efficiencies at Metro-North, and additional IT payroll savings.

***Reducing expenses previously considered uncontrollable*.** The growth in non-discretionary costs remains a challenge. Certain expense categories are dependent on factors that are largely outside the control of the MTA. The MTA is committed to reducing this growth with strategies that include paying down our pension liability (when funding is available), reducing costs for debt service and health & welfare, the hedging of fuel purchases, and proactively managing paratransit.

In this Plan, the MTA will invest the unused 2016 General Reserve of $145 million to reduce the unfunded liability of the LIRR Additional Pension Plan, saving $16 million per year starting in 2018. Over the plan period these savings total $48 million. This Plan is also accelerating $80 million of PAYGO funding by four years, saving $20 million in debt service over the plan period. This is in addition to the $200 million acceleration proposed in July which will save $39 million over the period. NYCT will realize health & welfare efficiency savings from the previously described Medical Rebid and from savings, identified in the July Plan, from the Employer Group Waiver Plan -- a discount prescription drug plan for Medicare-eligible retirees made available through the Affordable Care Act. The MTA will continue to hedge approximately half of the value of our fuel purchases to reduce price uncertainty. This Plan also retains realized fuel savings, lower insurance, and lower scheduling and certification costs in Paratransit service, resulting from improved adherence to eligibility requirements and more trips diverted to lower cost taxis and vouchers from higher cost "primary" providers.

As shown on the chart below, the MTA has raised the targeted level of savings in every year since 2010. We expect to meet the 2016 target of nearly $1.6 billion, and total annual recurring savings of the programs initiated since 2010 are now expected to approach $2 billion by 2020.



Had the MTA not achieved these recurring savings, fare and toll increases totaling 20 percent would have been required to cover the additional expenses.

The November Plan includes service and customer experience investments from prior plans as well:

- Expansion Projects
  - Second Avenue Subway operating costs (in service date December 2016)
  - #7 Extension (in service date September 2015)
  - Fulton Street Transit Center (in service date November 2014)
  - East Side Access (projected in service date December 2022)

- Operating support for capital and other projects
  - NYCT station enhancement program (31 Stations)
  - Installation and maintenance of real-time information display signs and USB ports
  - Maintenance of B Division Countdown Clocks (year-end 2018)
  - Automated Passenger Counters on buses
  - Wi-Fi access in all NYCT underground stations (year-end 2016) and MTA buses
  - Upgrade of MNR retail facilities
  - Lease 10 electric buses (Zero Emission Initiative pilot)
  - Expand MNR homeless outreach at outlying stations and MTA PD at City terminals

The November Plan provides for an additional $395 million in important Maintenance and Operations, Customer Experience and Service/Service Support investments over the plan period.

***Investments in Maintenance and Operations*.** Additional investments of $163 million proposed in the November Plan include:

- Scheduled Maintenance Systems Reforecast ($30 million over the plan period): NYCT will refurbish 288 subway cars scheduled for a 14-year overhaul.
- Lifecycle Asset Maintenance Plan ($30 million, beginning in 2020): The LIRR, following the results of a study that will assess M7 fleet systems and maintenance plans, will begin to replace critical components required to safeguard the reliability of fleet.

- All Weather Tires ($27 million over the plan period): NYCT and MTA Bus will replace the rear tires on all revenue service buses with all-weather tires, which will eliminate one round of tire rotation, decrease mileage on front and middle tires, and reduce reliance on chains that can damage fleet when used during severe weather conditions.

- Bus Shop Engine Rebuild ($15 million over the plan period): NYCT will replace/rebuild diesel engines on buses reaching critical maintenance milestones.

- Right-of-Way Clean-Up ($10 million over the plan period): MNR will implement a system-wide cyclical right-of-way clean up initiative, which includes the establishment of maintenance gangs dedicated to handle the cleanup of various types of waste in a prioritized fashion.

Investments that Improve the Customer Experience. Additional investments of $160 million proposed in the November Plan include:

- Open Road Tolling ($149 million over the plan period): B&T will increase back-office support (e.g., bill processing, image reviews, violation enforcement, and legal activities) to manage and safeguard the collection of toll revenue when existing methods migrate to an entirely cashless system through Open Road Tolling. Utilizing this latest technology will provide customers with the option to pay tolls either through E-ZPass or by the Tolls by Mail program, and will be implemented at all B&T bridges and tunnels by end of 2017.

- Social Media ($9 million over the plan period): NYCT and the Commuter Railroads will significantly enhance presence on social media to ensure 24/7 coverage, improving ability to inform and interact with customers and potential business partners in a timelier and comprehensive fashion.

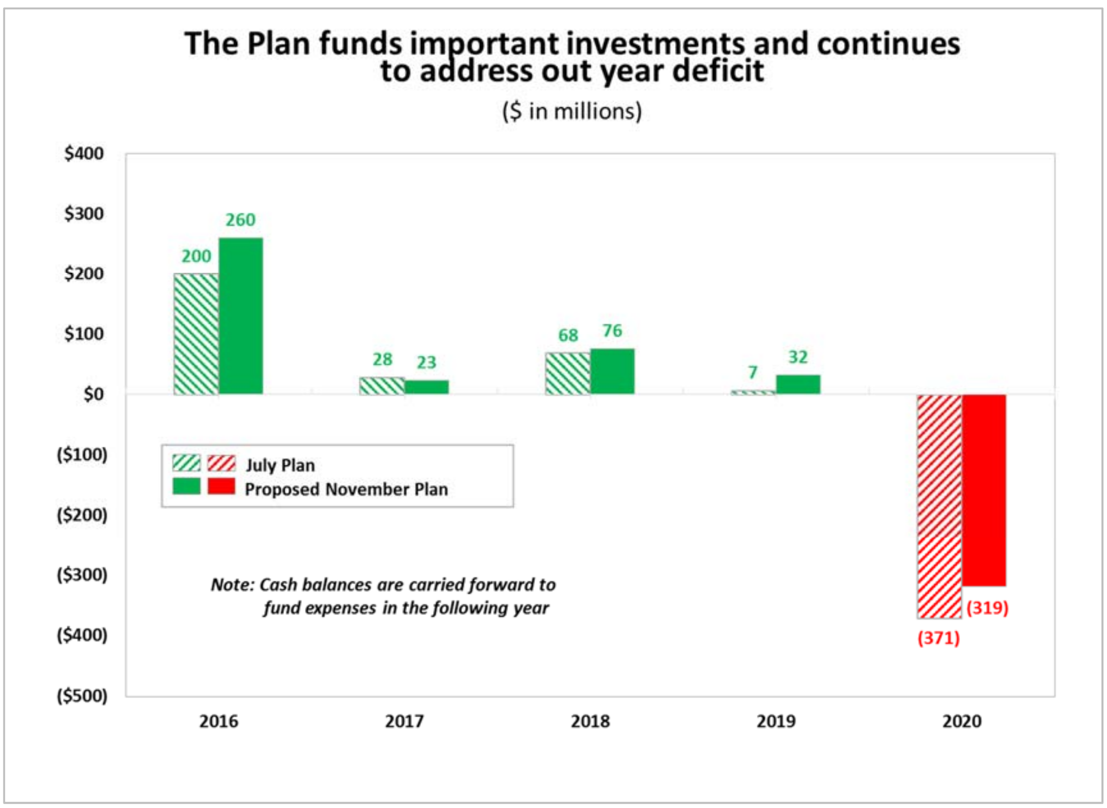
Service and Service Support Investments. Additional investments of $72million proposed in the November Plan include:

- Platform Budget Service Adjustments ($71 million over the plan period): NYCT and MTA Bus will improve the reliability and frequency of service in response to ridership trends, operating conditions and maintenance requirements. Included within those adjustments are schedule changes that will improve service on nine of MTA Bus's under-performing routes; and permanently reopen the New South Ferry station by mid-year 2017.

- Rockland County Bus Service ($1 million over the plan period): Enhance Saturday and commence Sunday Tappan Zee Express bus service between Rockland County and the Hudson and Harlem lines in Westchester County.

The "Bottom Line"

All together, these changes, re-estimates, and recommendations result in a net improvement to MTA's financial forecast over the plan period and a reduction in the 2020 deficit from $371 million to $319 million.



Challenges Going Forward

While our financial position has improved, there are many challenges and risks ahead:

Biennial fare and toll increases approximating inflation. While we work diligently to control costs, the reality is that combined fares and tolls only cover approximately half of the operating costs ("Farebox Operating Ratio") and a little more than a third of total costs, including capital costs ("Farebox Recovery Ratio"). Moreover, many expenses are dependent on pricing factors beyond our direct control (*e.g*., energy, health & welfare and pensions). If projected fare and toll increases are not implemented, our financial situation will quickly deteriorate as revenue will not be able to keep pace with inflation and other cost growth.

Achieving efficiencies/consolidations. Efforts to reduce costs will continue, but it becomes increasingly challenging as much of the "low hanging fruit" has been harvested. We must, however, continue to pursue efficiencies and consolidations to maximize annually recurring savings. If we do not achieve our targets, deficits will occur earlier and be larger. We must also remain focused on existing cost control efforts to avoid backsliding. We cannot afford to "give back" any of the savings that we have worked so hard to achieve.

Expiring labor contracts**.** Labor contracts for the majority of the represented workforce will expire by mid-January of 2017. The July Plan assumes that settled contracts will result in annual net expense growth of 2% per year, which is consistent with inflation projections. Any contract settlements above this level will require reprioritization and reductions in other areas.

Address chronic/looming cost issues. The MTA will continue to address chronic and looming cost issues that put pressure on our finances.

> *Outstanding liabilities for workers compensation and FELA (the commuter rail equivalent)*, *judgments and claims* have risen significantly in recent years. Workers compensations liability has more than doubled to $2.4 billion over the last 6 years. Incident prevention measures, improved case management and fraud detection efforts are underway.
>
> *Health Care costs (including the "Cadillac Tax")*, continue to be a concern. Employee and retiree health care costs have grown at a rate well in excess of inflation for many years. In addition, the "Cadillac Tax" component of the Affordable Care Act adds additional pressure. This is a 40% excise tax assessed on the premium cost of coverage for health plans that exceed a certain annual limit, originally scheduled for implementation in 2018, but since delayed until 2020. Final guidance from the Internal Revenue Service is still pending, but preliminary analysis projects that the MTA could be subject to an excise tax levy up to $70 million in 2020 with larger increases going forward as projected premium costs outpace the inflationary adjustments to the thresholds.

General economic conditions. The finances of the MTA are highly influenced by economic factors. Passenger and toll revenues, dedicated taxes and subsidies, debt service, pensions and energy costs are all impacted by the health of the economy. If the economic assumptions reflected in the Plan are not realized, the November Plan projected results could be adversely affected.

Possibility of interest rates higher than forecast. Since 2008, we have benefitted from historically low interest rates. In December 2015, the Federal Open Markets Committee (FOMC) increased the federal funds rate for the first time since late 2008, by a quarter point to a target range of 0.25% to 0.50%, and indicated support for future actions that would return inflation to a 2 percent level. Recently, the FOMC noted that the labor market has continued to strengthen, and economic growth has picked up from the modest pace seen during the first half of 2016. While the FOMC has not increased rates further, it continues to target an eventual return to a 2 percent inflation rate and many economists believe the FOMC has indicated a rate increase is likely to be announced in the near term. While the November Financial Plan includes interest rate assumptions in line with the FOMC's recent actions and policy statements on future actions, a sudden increase in economic activity may result in inflationary growth, which in turn could lead to an increasing of the federal funds rate beyond what is currently anticipated. Such an increase could lead to an increase in bond rates more than projected in the Plan, which would ultimately increase our debt service costs.

Maintaining discipline to use non-recurring revenues, favorable budget variances, excess resources to fund Contributions to Capital and/or reduce unfunded liabilities, such as OPEBs and pension liabilities. Simply put, this strategy converts favorable "one-shots" into recurring savings. Similarly, when possible, the MTA should reinvest debt service savings as Contributions to Capital, which has become an increasingly important source of funding for our Capital Program.

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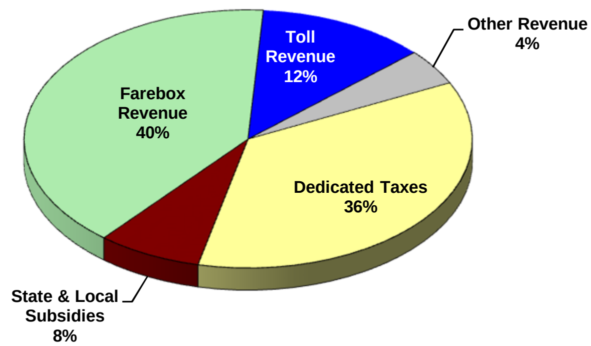
II. MTA Consolidated Financial Plan

MTA 2017 Final Proposed Budget
Baseline Expenses After Below-the-Line Adjustments
Non-Reimbursable

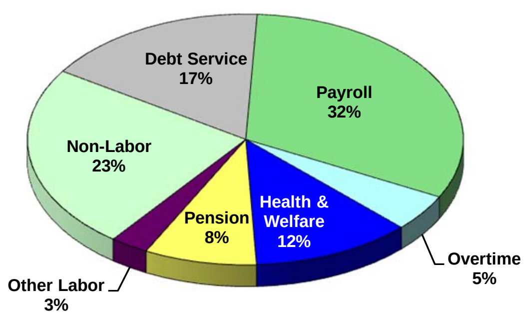
Where the Dollars Come From …



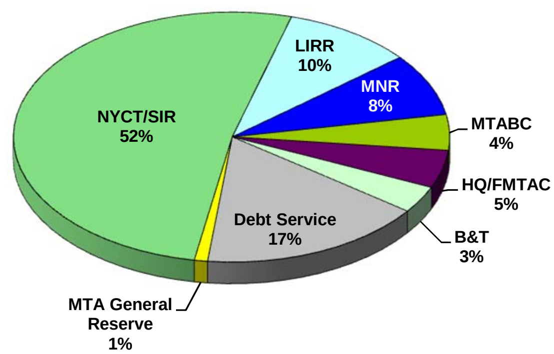
By Revenue Source ($ in millions)	
Farebox Revenue	$6,271
Toll Revenue	1,916
Other Revenue	707
Dedicated Taxes	5,609
State & Local Subsidies	1,181
Total [1]	**$15,684**

Where the Dollars Go …

By Expense Category



By MTA Agency



By Expense Category [2] includes below-the-line adjustments ($ in millions)	
Payroll	$5,027
Overtime	756
Health & Welfare	1,878
Pension	1,317
Other Labor	448
Non-Labor	3,766
Debt Service	2,641
MTA Below-the-Line Adjustments [3]	(60)
Total [1]	**$15,773**

By MTA Agency [2] includes below-the-line adjustments ($ in millions)	
NYCT/SIR	$8,169
LIRR	1,524
MNR	1,288
MTABC	726
HQ/FMTAC	777
B&T	553
Debt Service	2,641
MTA General Reserve	155
MTA Below-the-Line Adjustments [3]	(60)
Total [1]	**$15,773**

[1] *Totals may not add due to rounding.*

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

[3] *These below-the-line adjustments impact expense dollars and have not been allocated to specific Agencies as yet.*

Note: The revenues and expenses reflected in these charts are on an accrued basis and exclude cash adjustments and carryover balances. Any comparison of revenues versus expenses will not directly correspond to the cash balances reflected the Statement of Operations.

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2017-2020
MTA Consolidated Statement Of Operations By Category
($ in millions)

Line No.	Non-Reimbursable	Actual 2015	November Forecast 2016	Final Proposed Budget 2017	2018	2019	2020
10	***Operating Revenue***						
11	Farebox Revenue	$5,961	$6,032	$6,087	$6,126	$6,149	$6,183
12	Toll Revenue	1,809	1,869	1,867	1,865	1,878	1,885
13	Other Revenue	689	688	707	733	762	790
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	**Total Operating Revenue**	**$8,459**	**$8,589**	**$8,661**	**$8,725**	**$8,789**	**$8,858**
16							
17	***Operating Expense***						
18	**Labor Expenses:**						
19	Payroll	$4,696	$4,840	$5,027	$5,160	$5,273	$5,418
20	Overtime	755	764	756	764	778	794
21	Health & Welfare	1,050	1,179	1,286	1,354	1,443	1,533
22	OPEB Current Payment	502	547	592	633	687	746
23	Pensions	1,249	1,355	1,317	1,330	1,332	1,322
24	Other-Fringe Benefits	861	867	874	910	934	966
25	Reimbursable Overhead	(380)	(419)	(426)	(406)	(405)	(400)
26	**Sub-total Labor Expenses**	**$8,732**	**$9,132**	**$9,426**	**$9,746**	**$10,042**	**$10,379**
27							
28	**Non-Labor Expenses:**						
29	Electric Power	$474	$412	$511	$531	$552	$591
30	Fuel	162	128	158	164	173	188
31	Insurance	57	43	51	60	66	76
32	Claims	331	275	281	287	295	301
33	Paratransit Service Contracts	379	391	411	435	472	511
34	Maintenance and Other Operating Contracts	579	678	789	765	767	797
35	Professional Service Contracts	380	436	530	465	451	463
36	Materials & Supplies	543	592	650	641	632	698
37	Other Business Expenses	196	178	185	183	193	199
38	**Sub-total Non-Labor Expenses**	**$3,101**	**$3,133**	**$3,565**	**$3,531**	**$3,602**	**$3,824**
39							
40	**Other Expense Adjustments:**						
41	Other	$37	$53	$46	$47	$49	$51
42	General Reserve	0	0	155	160	165	170
43	**Sub-total Other Expense Adjustments**	**$37**	**$53**	**$201**	**$207**	**$214**	**$221**
44							
45	**Total Operating Expense before Non-Cash Liability Adj.**	**$11,871**	**$12,318**	**$13,192**	**$13,484**	**$13,857**	**$14,424**
46							
47	Depreciation	$2,443	$2,496	$2,588	$2,660	$2,728	$2,794
48	OPEB Liability Adjustment	1,490	1,850	1,939	2,008	2,081	2,158
49	GASB 68 Pension Expense Adjustment	(410)	(188)	(94)	(104)	(101)	(130)
50	Environmental Remediation	21	6	6	6	6	6
51							
52	**Total Operating Expense after Non-Cash Liability Adj.**	**$15,414**	**$16,481**	**$17,631**	**$18,053**	**$18,572**	**$19,253**
53							
54	Conversion to Cash Basis: Non-Cash Liability Adjs.	($3,543)	($4,163)	($4,439)	($4,569)	($4,715)	($4,829)
55							
56	Debt Service (excludes Service Contract Bonds)	2,373	2,458	2,641	2,781	2,934	3,085
57							
58	**Total Operating Expense with Debt Service**	**$14,244**	**$14,776**	**$15,833**	**$16,265**	**$16,791**	**$17,509**
59							
60	Dedicated Taxes and State/Local Subsidies	$6,596	$6,735	$6,789	$6,966	$7,127	$7,318
61							
62	**Net Surplus/(Deficit) After Subsidies and Debt Service**	**$811**	**$548**	**($382)**	**($574)**	**($875)**	**($1,333)**
63							
64	Conversion to Cash Basis: GASB Account	0	0	0	(8)	(18)	(29)
65	Conversion to Cash Basis: All Other	(661)	(272)	(96)	278	28	131
66							
67	**CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER**	**$150**	**$276**	**($478)**	**($303)**	**($865)**	**($1,231)**
68	**ADJUSTMENTS**	**0**	**(496)**	**241**	**357**	**821**	**879**
69	**PRIOR-YEAR CARRYOVER**	**330**	**480**	**260**	**23**	**76**	**32**
70	**NET CASH BALANCE**	**$480**	**$260**	**$23**	**$76**	**$32**	**($319)**

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2017-2020
Plan Adjustments
($ in millions)

	Actual 2015	November Forecast 2016	Final Proposed Budget 2017	2018	2019	2020
Cash Balance Before Prior-Year Carry-over	**$150**	**$276**	**($478)**	**($303)**	**($865)**	**($1,231)**
Fare/Toll Increases:						
Fare/Toll Increase in March 2017 (4% Rate)		*-*	*242*	*284*	*286*	*287*
Fare/Toll Increase in March 2019 (4% Yield)		*-*	*-*	*-*	*277*	*326*
Subsidy Impacts of 2017/2019 Fare/Toll Increase		*-*	*(9)*	*(8)*	*(18)*	*(18)*
Sub-Total		**$0**	**$233**	**$276**	**$544**	**$595**
MTA Efficiencies: [1]						
MTA Efficiencies - Not Yet Implemented		*-*	*-*	*13*	*17*	*8*
Additional MTA Efficiencies - 2016 July Plan		*-*	*41*	*100*	*150*	*200*
Sub-Total		**$0**	**$41**	**$113**	**$167**	**$208**
Policy Actions:						
2016 July Plan:						
Acceleration of Committed to Capital Contribution		*(200)*	*-*	*-*	*150*	*50*
Debt Service Savings from Acceleration of Contribution		*-*	*12*	*12*	*12*	*3*
Committed to Capital - Additional Funding from DS Savings		*(84)*	*(81)*	*(108)*	*(121)*	*(134)*
Committed to Capital - DS Savings from Acceleration of Contribution		*-*	*(12)*	*(12)*	*(12)*	*(3)*
2016 November Plan:						
Acceleration of Committed to Capital Contribution		*(80)*	*-*	*-*	*-*	*80*
Debt Service Savings from Acceleration of Contribution		*-*	*5*	*5*	*5*	*5*
Invest 2016 General Reserve to Reduce Pension Liability		*(145)*	*-*	*16*	*16*	*16*
Sub-Total		**($509)**	**($76)**	**($87)**	**$50**	**$17**
MTA Re-estimates:						
Debt Service Savings from Lower Variable Rates & New Refundings		*6*	*17*	*18*	*20*	*19*
Other MTA Re-estimates		*7*	*26*	*36*	*40*	*40*
Sub-Total		**$14**	**$43**	**$54**	**$61**	**$59**
TOTAL ADJUSTMENTS		**($496)**	**$241**	**$357**	**$821**	**$879**
Prior-Year Carry-Over	*330*	*480*	*260*	*23*	*76*	*32*
Net Cash Surplus/(Deficit)	**$480**	**$260**	**$23**	**$76**	**$32**	**($319)**

[1] *The MTA strives to increase the level of annually recurring savings and does so by assigning savings targets that are captured below-the-line in Volume 1 of its financial plans. As savings initiatives are identified, they are incorporated into Agency baselines (Volume 2) with a corresponding reduction to the unidentified target. The July Plan identified a significant level of efficiencies reducing the level of remaining targeted savings to $31 million in 2017, $68 million in 2018, $82 million in 2019 and $76 million in 2020. As a result, the future targeted savings were increased in the July Plan by an incremental $50 million per year starting in 2017 with savings from these new targets growing to $200 million in 2020. The July Plan, therefore, assumed that $81 million in additional savings would still need to be identified in 2017. Since the release of the July Plan, the MTA has identified $40 million in savings towards the 2017 target (and further savings in the out years), reducing the remaining 2017 target to $41 million in this Plan.*

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2017-2020
MTA Consolidated Cash Receipts and Expenditures
($ in millions)

Line No.				Final			
7	**Cash Receipts and Expenditures**		**November**	**Proposed**			
8		**Actual**	**Forecast**	**Budget**			
9		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
10	**Receipts**						
11	Farebox Revenue	$6,001	$6,057	$6,111	$6,150	$6,173	$6,206
12	Other Operating Revenue	718	754	707	850	786	825
13	Capital and Other Reimbursements	1,863	1,866	2,116	1,907	1,859	1,820
14	**Total Receipts**	**$8,583**	**$8,677**	**$8,935**	**$8,907**	**$8,818**	**$8,851**
15							
16	**Expenditures**						
17	***Labor:***						
18	Payroll	$5,245	$5,315	$5,562	$5,657	$5,764	$5,900
19	Overtime	955	952	897	890	903	921
20	Health and Welfare	1,109	1,202	1,328	1,389	1,476	1,565
21	OPEB Current Payment	496	532	581	622	676	734
22	Pensions	1,285	1,385	1,372	1,379	1,378	1,368
23	Other Fringe Benefits	795	830	852	873	886	911
24	Contribution to GASB Fund	0	0	0	8	18	29
25	Reimbursable Overhead	0	0	(0)	0	0	0
26	**Total Labor Expenditures**	**$9,886**	**$10,216**	**$10,592**	**$10,818**	**$11,101**	**$11,427**
27							
28	***Non-Labor:***						
29	Electric Power	$485	$408	$505	$525	$546	$584
30	Fuel	165	126	156	162	169	184
31	Insurance	58	41	47	57	63	72
32	Claims	269	269	255	241	249	257
33	Paratransit Service Contracts	381	389	409	433	470	509
34	Maintenance and Other Operating Contracts	522	663	725	631	610	599
35	Professional Service Contracts	314	477	534	460	423	425
36	Materials & Supplies	727	706	772	764	729	801
37	Other Business Expenditures	213	192	197	184	196	194
38	**Total Non-Labor Expenditures**	**$3,133**	**$3,271**	**$3,601**	**$3,457**	**$3,455**	**$3,627**
39							
40	***Other Expenditure Adjustments:***						
41	Other	$33	$133	$140	$148	$138	$158
42	General Reserve	0	0	155	160	165	170
43	**Total Other Expenditure Adjustments**	**$33**	**$133**	**$295**	**$308**	**$303**	**$328**
44							
45	**Total Expenditures**	**$13,052**	**$13,620**	**$14,488**	**$14,583**	**$14,860**	**$15,382**
46							
47	**Net Cash Deficit Before Subsidies and Debt Service**	**($4,469)**	**($4,943)**	**($5,552)**	**($5,676)**	**($6,042)**	**(6,532)**
48							
49	Dedicated Taxes and State/Local Subsidies	$6,357	$7,019	$7,021	$7,447	$7,368	$7,612
50	Debt Service (excludes Service Contract Bonds)	($1,738)	($1,801)	($1,947)	($2,074)	($2,191)	(2,311)
51							
52	**CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER**	**$150**	**$276**	**($478)**	**($303)**	**($865)**	**($1,231)**
53	**ADJUSTMENTS**	**0**	**(496)**	**241**	**357**	**821**	**879**
54	**PRIOR-YEAR CARRY-OVER**	**330**	**480**	**260**	**23**	**76**	**32**
55	**NET CASH BALANCE**	**$480**	**$260**	**$23**	**$76**	**$32**	**($319)**

METROPOLITAN TRANSPORTATION AUTHORITY

November Financial Plan 2017-2020

MTA Consolidated November Financial Plan Compared with JULY FINANCIAL PLAN

Cash Reconciliation after Below-the-Line Adjustments

($ in millions)

	Favorable/(Unfavorable)				
	2016	**2017**	**2018**	**2019**	**2020**
JULY FINANCIAL PLAN 2017-2020 NET CASH SURPLUS/(DEFICIT)	**$200**	**$28**	**$68**	**$7**	**($371)**
Agency Baseline Adjustments	***$17***	***$16***	***$84***	***$72***	***$76***
Farebox Revenue	*5*	*16*	*12*	*10*	*8*
Toll Revenue	*4*	*4*	*2*	*1*	*0*
Rates:					
Energy	*9*	*8*	*20*	*41*	*48*
Health & Welfare (includes retirees)	*(14)*	*(6)*	*14*	*20*	*32*
Pension (Cash)	*(3)*	*(7)*	*(7)*	*(9)*	*(11)*
Other Baseline Re-estimates (includes timing) [1,2]	*17*	*0*	*43*	*8*	*(1)*
New Needs/Investments	***$23***	***($81)***	***($114)***	***($102)***	***($156)***
Maintenance and Operations	*13*	*(31)*	*(35)*	*(28)*	*(82)*
Customer Experience Improvements	*11*	*(25)*	*(51)*	*(47)*	*(46)*
Service Adjustments/Service Support	*1*	*(16)*	*(19)*	*(19)*	*(19)*
All Other New Needs	*(1)*	*(9)*	*(10)*	*(9)*	*(9)*
Savings Programs	***$6***	***$36***	***$44***	***$47***	***$50***
2016 BRP (New Savings Programs)	*6*	*36*	*44*	*47*	*50*
Policy Actions	***$145***	***$0***	***$0***	***$0***	***$0***
Release of 2016 General Reserve	*145*	-	-	-	-
Changes in Subsidies	***$2***	***($18)***	***$10***	***$13***	***($14)***
Petroleum Business Tax	*10*	-	-	-	-
Real Estate Taxes	*(30)*	*(26)*	*(1)*	*0*	*(26)*
Payroll Mobility Tax	*16*	*1*	*5*	*6*	*6*
MTA Aid	*6*	*6*	*6*	*6*	*6*
Other Subsidy Adjustments	***$62***	***($6)***	***($20)***	***($31)***	***($31)***
Forward Energy Contracts	*22*	*3*	*1*	-	-
Other Funding Agreements	*9*	*(6)*	*21*	*13*	*12*
B&T Operating Surplus Transfer	*31*	*(2)*	*(41)*	*(44)*	*(43)*
Debt Service	***$27***	***$22***	***$31***	***$45***	***$52***
Refunding Savings (TRB 2016B and TRB 2016C)	*2*	*7*	*8*	*8*	*10*
Borrowing Rate Assumption Impact	*0*	*1*	*3*	*7*	*12*
Variable rate savings	*11*	-	-	-	-
Timing of Bond Issuances/Lower than projected actual bond rates	*14*	*15*	*20*	*30*	*30*
Below-the-Line Adjustments:	***($222)***	***($35)***	***($23)***	***($26)***	***$49***
Fare and Toll Adjustment for Rate vs. Yield	-	*(21)*	*(25)*	*(26)*	*(26)*
MTA Efficiencies Identified	-	*(41)*	*(55)*	*(65)*	*(68)*
Policy Actions:					
Acceleration of Committed to Capital Contribution	*(80)*	-	-	-	*80*
Debt Service Savings from Acceleration of Contribution	-	*5*	*5*	*5*	*5*
Invest 2016 General Reserve to Reduce Pension Liability	*(145)*	-	*16*	*16*	*16*
MTA Re-estimates	*3*	*22*	*37*	*44*	*42*
Prior Year Carryover	***($0)***	***$60***	***($5)***	***$8***	***$26***
NOVEMBER FINANCIAL PLAN 2017-2020 NET CASH SURPLUS/(DEFICIT)	**$260**	**$23**	**$76**	**$32**	**($319)**

* *Totals may not add due to rounding*

[1] *Other Baseline re-estimates includes changes from timing, inflation, operating capital and reimbursable and cash adjustments.*

[2] *B&T Operating Surplus Transfer is captured as a subsidy. While B&T's impacts are also captured in individual reconciliation categories within the Agency Baseline Adjustments above, the duplication is eliminated within the line "Other Baseline Re-estimates."*

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2017-2020
Consolidated Subsidies
Cash Basis

($ in millions)

Subsidies	Actual 2015	November Forecast 2016	Final Proposed Budget 2017	2018	2019	2020
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA)	$1,563.9	$1,668.0	$1,743.1	$1,821.5	$1,882.6	$1,961.1
Petroleum Business Tax (PBT) Receipts	616.5	619.1	598.9	593.1	590.3	587.9
Mortgage Recording Tax (MRT)	430.6	459.1	456.9	472.5	489.7	499.0
MRT Transfer to Suburban Counties	(1.7)	(3.0)	(3.0)	(3.0)	(3.3)	(3.6)
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
MTA Bus Debt Service	(24.9)	(24.9)	(24.9)	(23.8)	(23.8)	(23.8)
Interest	4.9	5.1	5.3	5.3	5.3	5.3
Urban Tax	940.6	837.8	783.9	780.7	780.7	791.8
Investment Income	1.1	1.1	1.2	1.2	1.2	1.2
	$3,520.9	**$3,552.4**	**$3,551.4**	**$3,637.4**	**$3,712.7**	**$3,808.8**
PMT and MTA Aid						
Payroll Mobility Tax	$1,316.9	$1,379.2	$1,425.1	$1,495.4	$1,564.1	$1,632.8
Payroll Mobility Tax Replacement Funds	309.3	311.3	311.3	311.3	311.3	311.3
MTA Aid	284.8	297.4	297.4	297.4	297.4	297.4
	$1,910.9	**$1,987.8**	**$2,033.7**	**$2,104.1**	**$2,172.7**	**$2,241.5**
State and Local Subsidies						
State Operating Assistance (18-b)	$187.9	$187.9	$187.9	$187.9	$187.9	$187.9
Local Operating Assistance (18-b)	182.3	187.9	187.9	187.9	187.9	187.9
Station Maintenance	161.2	164.1	168.3	172.6	176.9	180.3
	$531.4	**$539.9**	**$544.1**	**$548.4**	**$552.8**	**$556.1**
Other Subsidy Adjustments						
Resource to Reduce Pension Liability	($140.0)	$70.0	$0.0	$6.5	$6.5	$6.5
Reserve for Retroactive Payments	109.3	0.0	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts Program - Gain/(Loss)	(42.2)	(30.3)	0.6	0.8	0.0	0.0
MNR Repayment for 525 North Broadway	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Repayment of Loan to Capital Financing Fund	(100.0)	0.0	0.0	0.0	0.0	0.0
Committed to Capital 2010-2014 Capital Program	(38.1)	0.0	(73.0)	(78.9)	(49.7)	0.0
Committed to Capital 2015-2019 Capital Program	(721.9)	(390.0)	(350.1)	25.2	(189.2)	(147.8)
	($946.8)	**($364.2)**	**($436.4)**	**($60.4)**	**($246.4)**	**($155.3)**
Subtotal Dedicated Taxes & State and Local Subsidies	***$5,016.5***	***$5,716.0***	***$5,692.8***	***$6,229.5***	***$6,191.9***	***$6,451.2***
Other Funding Agreements						
City Subsidy for MTA Bus Company	$438.3	$413.4	$530.9	$478.0	$492.8	$500.0
City Subsidy for Staten Island Railway	33.4	36.1	56.4	58.4	39.3	42.2
CDOT Subsidy for Metro-North Railroad	129.0	120.4	108.6	120.9	124.8	132.8
	$600.6	**$569.9**	**$695.9**	**$657.3**	**$656.9**	**$675.0**
Total Dedicated Taxes & State and Local Subsidies	***$5,617.1***	***$6,285.8***	***$6,388.7***	***$6,886.8***	***$6,848.7***	***$7,126.1***
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	$740.1	$733.5	$632.7	$559.8	$519.0	$486.1
	$740.1	**$733.5**	**$632.7**	**$559.8**	**$519.0**	**$486.1**
GROSS SUBSIDIES	**$6,357.2**	**$7,019.3**	**$7,021.4**	**$7,446.6**	**$7,367.7**	**$7,612.3**

METROPOLITAN TRANSPORTATION AUTHORITY
Summary of Changes Between the November and July Financial Plans
Consolidated Subsidies
Cash Basis
($ in millions)

	2016	2017	2018	2019	2020
Subsidies					
Dedicated Taxes					
Metropolitan Mass Transportation Operating Assist (MMTOA)	$0.0	$0.0	$0.0	$0.0	$0.0
Petroleum Business Tax (PBT) Receipts	9.9	0.0	0.0	0.0	0.0
Mortgage Recording Tax (MRT)	8.8	9.8	14.7	16.3	13.1
MRT Transfer to Suburban Counties	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0
Urban Tax	(39.3)	(35.4)	(16.1)	(16.1)	(39.4)
Investment Income	0.0	0.0	0.0	0.0	0.0
	($20.6)	**($25.6)**	**($1.4)**	**$0.2**	**($26.4)**
PMT and MTA Aid					
Payroll Mobility Tax	$16.2	$1.1	$5.4	$6.3	$5.8
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0	0.0
MTA Aid	6.3	6.3	6.3	6.3	6.3
	$22.4	**$7.3**	**$11.6**	**$12.6**	**$12.1**
State and Local Subsidies					
State Operating Assistance (18-b)	$0.0	$0.0	$0.0	$0.0	$0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0	0.0
Station Maintenance	0.0	0.0	0.0	0.0	0.0
	$0.0	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Other Subsidy Adjustments					
Resource to Reduce Pension Liability	$0.0	$0.0	$0.0	$0.0	$0.0
Reserve for Retroactive Payments	0.0	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Forward Energy Contracts Program - Gain/(Loss)	21.9	2.7	0.6	0.0	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	0.0	0.0	0.0	0.0	0.0
Committed to Capital 2010-2014 Capital Program	0.0	0.0	0.0	0.0	0.0
Committed to Capital 2015-2019 Capital Program	0.0	0.0	0.0	0.0	0.0
	$21.9	**$2.7**	**$0.6**	**$0.0**	**$0.0**
Subtotal Dedicated Taxes & State and Local Subsidies	***$23.8***	***($15.6)***	***$10.8***	***$12.8***	***($14.3)***
Other Funding Agreements					
City Subsidy for MTA Bus Company	($5.5)	($0.3)	$12.1	$12.3	$12.0
City Subsidy for Staten Island Railway	0.0	(2.6)	7.8	(0.9)	(1.5)
CDOT Subsidy for Metro-North Railroad	14.4	(3.5)	1.1	1.7	1.5
	$8.8	**($6.4)**	**$21.0**	**$13.1**	**$12.0**
Total Dedicated Taxes & State and Local Subsidies	***$32.6***	***($22.0)***	***$31.8***	***$25.8***	***($2.3)***
Inter-agency Subsidy Transactions					
B&T Operating Surplus Transfer	$30.9	($2.2)	($41.5)	($44.4)	($43.0)
	$30.9	**($2.2)**	**($41.5)**	**($44.4)**	**($43.0)**
GROSS SUBSIDIES	**$63.5**	**($24.2)**	**($9.7)**	**($18.6)**	**($45.3)**

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III. Adjustments

Fare/Toll Increases

Fare and Toll Increase in March 2017 – An increase in fare and toll prices, averaging 4%, is assumed for implementation in mid-March 2017 and is projected to generate an annualized increase of $283 million in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by $242 million in 2017, $284 million in 2018, $286 million in 2019 and $287 million in 2020.

Increases in farebox revenues generated at MTA Bus and SIR are used to hold down NYC subsidies that cover the costs associated with these operations. Additionally, 10% of all B&T surplus toll revenues are delayed for distribution to NYCT and the Commuter Railroads, per MTA Board policy, until B&T results are audited. These items are offsets to the consolidated farebox and toll revenue generated from the fare and toll increases and are included within "Subsidy Impacts of 2017/2019 Fare/Toll Increase"; when factored in, the net change to the MTA from the proposed 2017 increase is $233 million in 2017, $276 million in 2018, $278 million in 2019 and $279 million in 2020.

In the July Plan, the additional fare and toll revenue projected from the March 2017 increases was based on a yield increase of four percent, and price elasticity impacts would have necessitated increases for some fares and tolls of more than 4% to achieve the yield targets. By constraining the proposed increases to an average four percent increase in prices, customers are expected to save $26 million per year compared with the four-percent yield increases that were included in the July Plan. Taking account of the implementation scheduled for March and the associated subsidy impacts, net additional revenues from this action are lower by $21 million in 2017 and lower by $25 million annually for 2018 through 2020.

Fare and Toll Increase in March 2019 – An increase in fares and tolls, yielding a 4% overall increase in farebox and toll revenues, is assumed for implementation in March 2019 and is projected to generate a $324 million annualized increase in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by $277 million in 2019 and $326 million in 2020. Factoring in the MTA Bus, SIR and B&T adjustments included in "Subsidy Impacts of the 2017/2019 Fare/Toll Increase", the net increase to the MTA is $266 million in 2019 and $316 million in 2020, which are each $1 million lower than the estimate in the July Plan.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions

Including the Impact of Fare & Toll Yield Increases

		November Forecast 2016	Final Proposed Budget 2017	2018	2019	2020
Fare Revenue						
Long Island Rail Road	Baseline	$711.894	$715.099	$717.227	$719.083	$720.497
	2017 Price Increase	0.000	21.219	24.896	24.960	25.009
	2019 Yield Increase	0.000	0.000	0.000	29.762	29.820
		$711.894	**$736.318**	**$742.123**	**$773.805**	**$775.326**
Metro-North Railroad [1]	Baseline	$687.186	$711.938	$722.634	$728.816	$735.328
	2017 Price Increase	0.000	17.100	20.242	20.402	20.570
	2019 Yield Increase	0.000	0.000	0.000	24.719	24.918
		$687.186	**$729.038**	**$742.876**	**$773.938**	**$780.816**
MTA Bus Company [2]	Baseline	$214.145	$214.591	$215.465	$215.856	$216.745
	2017 Price Increase	0.000	6.465	7.616	7.630	7.661
	2019 Yield Increase	0.000	0.000	0.000	8.939	8.976
		$214.145	**$221.056**	**$223.081**	**$232.425**	**$233.382**
New York City Transit [3]	Baseline	$4,412.284	$4,439.059	$4,464.432	$4,478.825	$4,503.323
	2017 Price Increase	0.000	138.829	164.479	165.031	165.962
	2019 Yield Increase	0.000	0.000	0.000	182.706	183.723
		$4,412.284	**$4,577.888**	**$4,628.911**	**$4,826.562**	**$4,853.008**
Staten Island Railway [2]	Baseline	$6.574	$6.618	$6.665	$6.687	$6.732
	2017 Price Increase	0.000	0.168	0.199	0.200	0.201
	2019 Yield Increase	0.000	0.000	0.000	0.275	0.277
		$6.574	**$6.786**	**$6.864**	**$7.162**	**$7.210**
Total Farebox Revenue	*Baseline*	*$6,032.083*	*$6,087.305*	*$6,126.423*	*$6,149.267*	*$6,182.625*
	2017 Price Increase	*0.000*	*183.781*	*217.431*	*218.222*	*219.403*
	2019 Yield Increase	*0.000*	*0.000*	*0.000*	*246.402*	*247.715*
		$6,032.083	***$6,271.086***	***$6,343.854***	***$6,613.892***	***$6,649.743***
Toll Revenue						
Bridges & Tunnels [4]	Baseline	$1,869.308	$1,866.960	$1,865.491	$1,878.098	$1,885.161
	2017 Price Increase	0.000	57.848	67.028	67.481	67.734
	2019 Yield Increase	0.000	0.000	0.000	77.823	78.116
		$1,869.308	**$1,924.808**	**$1,932.519**	**$2,023.402**	**$2,031.011**
TOTAL FARE & TOLL REVENUE						
	Baseline	$7,901.390	$7,954.265	$7,991.914	$8,027.365	$8,067.786
	2017 Price Increase	*0.000*	*241.630*	*284.459*	*285.703*	*287.138*
	2019 Yield Increase	*0.000*	*0.000*	*0.000*	*324.225*	*325.831*
		$7,901.390	***$8,195.895***	***$8,276.373***	***$8,637.293***	***$8,680.754***

[1] Metro-North Railroad baseline reflects East-of-Hudson service only; impacts from fare changes also include West-of-Hudson utilization.

[2] MTA Bus and Staten Island Railway revenues from fare increases are used to reduce NYC subsidies to MTA Bus and SIR.

[3] New York City Transit utilization figures include Paratransit and Fare Media Liability.

[4] Distribution of 10% of B&T surplus toll revenue is delayed to subsequent year per MTA Board resolution.

MTA Efficiencies

In 2009 and 2010, the MTA introduced a number of savings initiatives and programs categorized as MTA Efficiencies. These included administrative reductions, operational consolidations, strategic initiatives, paratransit savings and improved MTA-wide business practices. In the November 2010 Plan, savings from these programs were projected to reach an annualized level of $784 million by 2014. However, by annually increasing our savings targets, actual realized savings in 2014 were over $1.1 billion, exceeding the original target by 41%. The success of these savings initiatives has generated funding for safety, service and operational needs, while reducing the amount of planned fare and toll increases. The MTA is committed to continuing its program of identifying efficiencies that result in overall recurring savings for the organization. As captured in this Plan, the MTA has implemented programs saving almost $1.6 billion in 2016. These programs when combined with our new targets will result in annual savings approaching $2 billion by 2020.

<u>MTA Efficiencies - Not Yet Implemented</u> – The MTA has now identified savings initiatives to meet most of the savings targets from pre-2016 Financial Plans. The remaining values in this category are zero in 2016 and 2017 (and approaching zero in the out years).

<u>Additional MTA Efficiencies – 2016 July Plan</u> – Our financial position is enhanced by our continued cost reduction efforts. In July, the MTA identified initiatives to meet $495 million, or 73%, of the $535 million of cost reductions targeted in the February Plan. Initiatives in procurement efficiencies, paratransit, IT consolidation and retiree prescription costs have been or are being implemented. In July the savings targets were increased by an incremental $50 million per year starting in 2017, growing to $200 million in 2020. Against these July targets, the MTA has identified new efficiencies totaling $41 million in 2017, $55 million in 2018, $65 million in 2019 and $68 million in 2020. Most of these efficiencies are incorporated within Agency baseline financials (BRPs), with some reflected below-the-line in MTA re-estimates.

The remaining level of total unidentified savings targets in the November Plan total $41 million in 2017, $113 million in 2018, $167 million in 2019 and $208 million in 2020.

Policy Actions from the July Plan

<u>Acceleration of Committed to Capital Contribution</u> – As a result of favorable timing and other re-estimates, the MTA used $200 million of 2016 operating funds to accelerate a portion of its planned future Committed to Capital contributions. This acceleration will lower debt service payments over the Plan period and eliminate $150 million of the 2019 contribution and $50 million of the 2020 contribution to help fund, when it is needed, the necessary operational investments detailed in this Plan.

<u>Debt Service Savings from Acceleration of Contribution</u> – The aforementioned acceleration of $150 million from the 2019 and $50 million from the planned 2020 Capital Contributions will defer the need to issue bonds and will result in lower debt service payments of approximately $12 million per year for the years 2017 to 2019 and $3 million for 2020 - for total Plan savings of $39 million.

<u>Committed to Capital – Additional Funding from DS Savings</u> - As proposed in prior Plans, whenever possible, the MTA utilizes favorable debt service savings to provide funding for the Capital Program. In the July Plan, the MTA diverted the debt service savings from lower interest rates (both realized and projected) and the debt service savings from the Hudson Yards lease securitization project to provide additional Capital funding. Total contributions to the Capital Program from these savings totaled $84 million in 2016, $81 million in 2017, $108 million in 2018, $121 million in 2019 and $134 million in 2020.

Committed to Capital – DS Savings from Acceleration of Contributions – The debt service savings resulting from the acceleration of committed to capital contributions were diverted to fund the Capital Program. Total contributions to the Capital Program from these savings amounted to $12 million per year from 2017 to 2019 and $3 million for 2020.

Policy Actions from the November Plan

Acceleration of Committed to Capital Contribution – In this Plan, an additional $80 million of 2016 operating funds was used to accelerate Committed to Capital contributions scheduled for 2020. This acceleration lowers debt service payments over the Plan period.

Debt Service Savings from Acceleration of Contribution – The aforementioned acceleration of $80 million from the 2020 Capital Contributions will defer the need to issue bonds and will result in lower debt service payments of approximately $5 million per year for the years 2017 to 2020, for total Plan savings of $20 million.

Invest 2016 General Reserve to Reduce Pension Liability – Consistent with the MTA board-approved policy to use non-recurring resources to make one-time payments towards long-term obligations that will reduce recurring annual expenses, the MTA will release the unexpended 2016 General Reserve balance of $145 million and use it to reduce the LIRR unfunded pension liability. This investment will lower the projected amortization payment of this unfunded liability by $16 million annually beginning in 2018.

MTA Re-estimates

Included in this Plan are some additional efficiencies and re-estimates (rates and other) that became available after staff had completed their Plan submissions (as captured in Volume II of this Plan).

Debt Service Savings from Lower Variable Rates and New Refunding – Following the completion of debt service forecasts, there were an additional bond refunding that resulted in debt service savings from lower rates. These projected savings are being captured below-the-line and total $6 million in 2016, $17 million in 2017, $18 million in 2018, $20 million in 2019 and $19 million in 2020.

Other MTA Re-estimates – These re-estimates total $7 million in 2016, $26 million in 2017, $36 million in 2018 and $40 million in each of 2019 and 2020.

IV. Appendix

Certification of the Chairman and Chief Executive Officer
of the
Metropolitan Transportation Authority
in accordance with Section 202.3(l)
of the
State Comptroller's Regulations

I, Thomas F. Prendergast, Chairman and Chief Executive Officer of the Metropolitan Transportation Authority ("MTA") hereby certify, to the best of my knowledge and belief after reasonable inquiry, including certifications from senior management at the MTA agencies, that the attached budget and financial plan is based on reasonable assumptions and methods of estimation and that the requirements of Section 202.3 and 202.4 of the Regulations referenced above have been satisfied.

Metropolitan Transportation Authority

By: ______________________________
Thomas F. Prendergast
Chairman and Chief Executive Officer

Dated: November 8, 2016

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V. Other

The MTA Budget Process

MTA budgeting is a rigorous and thorough on-going process and culminates with the passage of the Budget in December. In the course of a year, MTA prepares a February, July and November Financial Plan, and Adoption Materials in December. In addition to the existing year, each Plan requires Agencies to prepare four-year projections which include the upcoming and three following calendar years.

Both the July and November Financial Plans are divided into two distinct volumes:

- Volume I summarizes the complete financial plan, including the baseline as well as policy items and other "below-the-line" items;

- Volume II includes detailed Agency information supporting baseline revenue, expense, cash and headcount projections. Also included is detailed information supporting actions taken to increase savings as well as individual Agency deficit reduction programs.

July Plan

The July Financial Plan provides the opportunity for the MTA to present a revised forecast of the current year's finances, a preliminary presentation of the following year's proposed budget, and a three year re-forecast of out-year finances. This Plan may include a series of gap closing proposals necessary to maintain a balanced budget and actions requiring public hearings. The Mid-Year Forecast becomes the basis on which monthly results are compared for the remainder of the year.

November Plan

After stakeholders weigh in and the impact of new developments and risks are quantified, a November Plan is prepared, which is an update to the July Financial Plan. The November Plan includes a revised current year and finalization of the proposed budget for the upcoming year and projections for the three out-years.

December Adopted Budget

In December, the November Plan is updated to capture further developments, risks and actions that are necessary to ensure budget balance and is presented to the MTA Board for review and approval.

February Plan

Finally, certain below-the-line policy issues included in the December Adopted Budget are moved into the baseline and technical adjustments are made. This results in what is called the February Plan. The Adopted Budget is allocated over the 12 month period and becomes the basis on which monthly results are compared.

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