

MTA 2018 Preliminary Budget

July Financial Plan 2018-2021



**Volume 1
July 2017**



Metropolitan Transportation Authority

OVERVIEW

MTA 2018 Preliminary Budget July Financial Plan 2018-2021 Volume 1

The MTA's July 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 2018 Preliminary Budget and the Financial Plan for 2018 through 2021. 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 **2017 MTA July Financial Plan** (the “July Plan” or “Plan”) includes the 2017 Mid-Year Forecast, the 2018 Preliminary Budget and a Financial Plan for the years 2018-2021. Since 2010, our 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 and enhanced maintenance. The Plans also have added service when sustainable while also addressing long-term costs such as pensions, health care, paratransit, and debt service previously considered “uncontrollable.”

The February Plan

The 2017 February Plan projected breakeven cash balances through 2019 with a deficit of \$372 million in 2020. The Plan was based on three key inter-related elements: (i) fare and toll price increases of 4% in 2017 and 2019. (The 2017 increase changed from a 4% yield to a 4% price increase, saving customers \$94 million over the plan period.); (ii) annually recurring cost reduction cost containment targets that will increase the level of annual savings to \$2 billion per year by 2020; and (iii) it provided \$566 million in debt service savings to support an additional \$2 billion of funding for the amended capital program. The February Plan also funded important new investments over the plan period including: \$163 million for improved maintenance and operations; \$160 million to enhance the customer experience, including Open Road Tolling (ORT); and \$72 million for additional service and service support.

What Has Changed Since The February Plan?

Changes and re-estimates worsening financial results over the plan period (2017-2020):

- Lower real estate transaction tax receipts (\$792 million)
- Lower farebox/toll revenue estimates (\$132 million)

Changes and re-estimates improving financial results during the plan period (2017-2020):

- Lower energy costs (\$183 million)
- Lower debt service (\$158 million)
- Higher Payroll Mobility Tax (PMT) receipts (\$138 million)
- Lower insurance costs (\$112 million)
- Lower health and welfare costs (\$99 million)
- Additional State appropriation for capital program in 2017 (allowing PAYGO capital funds to be reprogrammed to operating (\$65 million)

Overall, these and other net re-estimates and changes through the July Plan period are projected to be \$385 million unfavorable from the February Plan. A reconciliation of Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume 2.

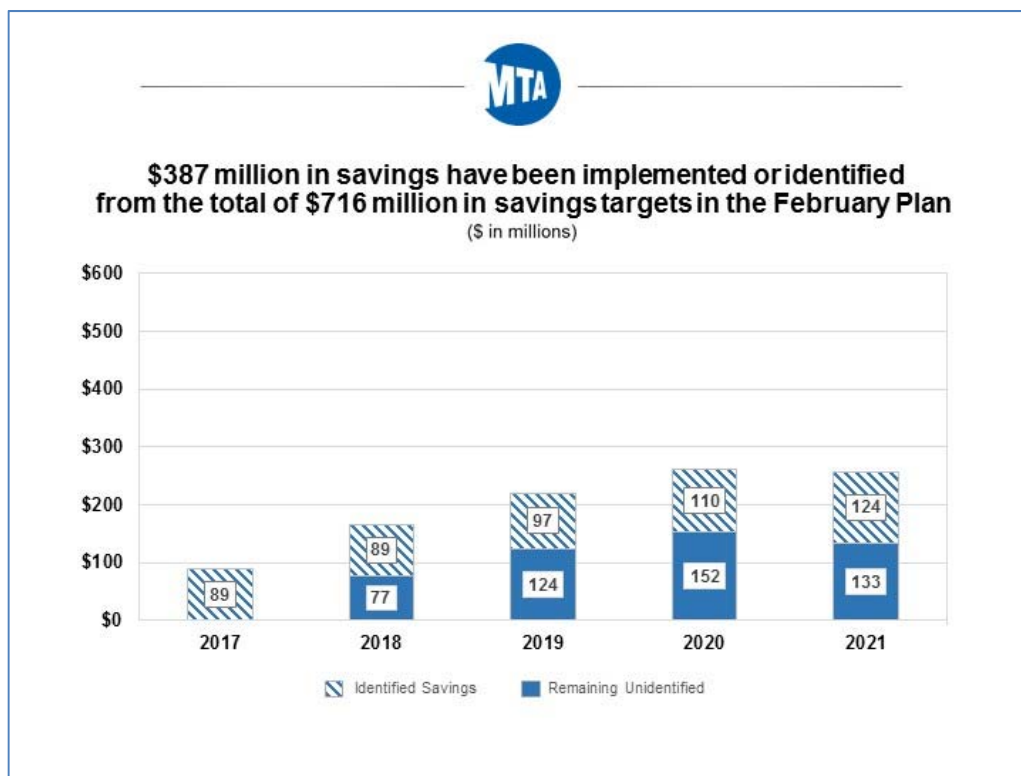
By far, the largest driver of the unfavorable change is the reduction in real estate transaction tax receipts which are projected to fall short of the February Plan by a total of \$792 million over the 2017 to 2020 period, a 16 percent decline. The Urban Tax decline, which accounts for 92 percent of the plan-to-plan decline, has been affected by a continuing slowdown in the value of New York City commercial property transactions and recorded mortgages. This slowdown began in 2016, and increases in transaction activity are expected to resume in early 2018; these increases, however, will be factored off a lower base that reflects the activity slowdown, resulting in plan-to-plan reductions in every year of the Plan.

Highlights of the July Plan

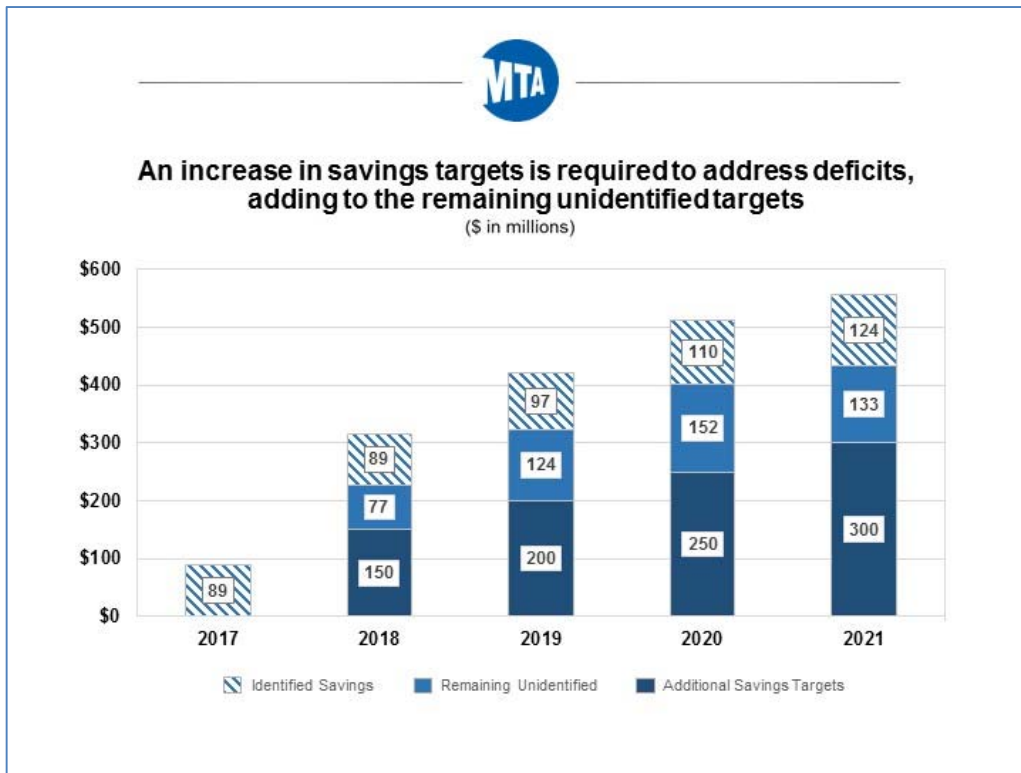
The July Plan continues to follow the approach reflected in earlier plans.

Hold projected fare/toll increases to 4% in 2019 and 2021. The Plan continues to project 4% biennial fare/toll increases (the equivalent of 2% per year). Consistent with recent Plans, a March 1 implementation is assumed for both the 2017 and 2019 increases. The annualized yield of these increases is projected to be \$324 million and \$338 million, respectively.

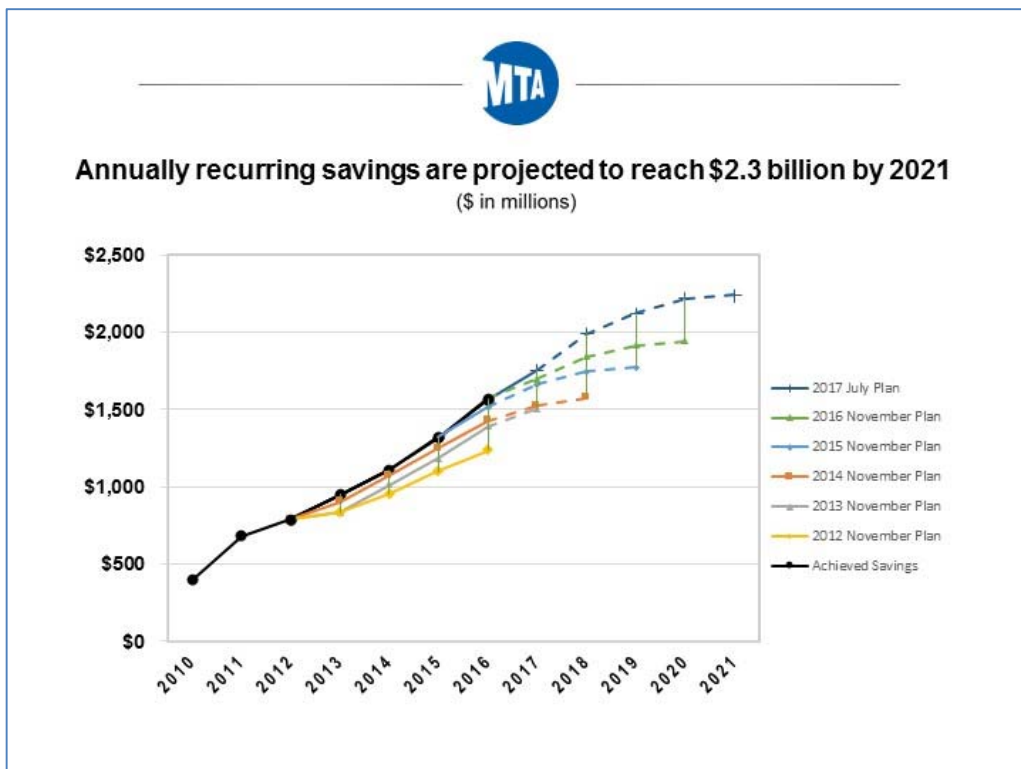
Increase annually recurring savings targets. In raising the targets, the MTA must identify and implement new initiatives to achieve the savings. As shown on the bar chart below, the MTA has identified initiatives to meet \$387 million of the \$716 million of cost reductions targeted in the February Plan (more than half of that target). Many new efficiencies have been developed providing new savings in areas including: health & welfare, headcount efficiencies, Enterprise Asset Management (EAM) program, paratransit, maintenance and Information Technology (IT).



Our success in meeting prior targets gives us the confidence to increase the savings targets in the July Plan. The MTA has raised the targeted level of savings in every year since 2010. In this Plan, future savings targets are being further increased in response to the drop in projected revenue from real estate transactions. We are increasing savings targets by \$150 million per year starting in 2018 with an incremental \$50 million per year thereafter growing to \$300 million in 2021 (see chart below). Unidentified savings targets remaining after savings have been put in place, together with the additional targets proposed in this Plan, increase to \$227 million in 2018, \$324 million in 2019, \$402 million in 2020 and \$433 million in 2021. We recognize that these targets are aggressive and that meeting them will be a challenge, but we are committed to achieving these goals.



The chart below identifies our cost reduction/cost containment targets for the current and prior Financial Plans. As indicated on the chart, we have increased our targets each year and we have consistently achieved our goals. Through 2016, the MTA has implemented initiatives with annualized savings of \$1.6 billion. These programs, when combined with our new targets (detailed below) will result in annual savings of \$2.3 billion by 2021.



Investments in maintenance/operations and customer experience enhancements. The July Plan provides \$484 million over the plan period to fund these important investments.

NYCT investments (\$281 million) include pilot programs to address track and signal delays, improve emergency crew response time, reduce station and subway crowding, utilize fleet failure performance statistics, and replace or repair failing subway car components. Additional investments will be made in track defect reduction, service support, critical fleet components and track cleaning.

LIRR investments (\$89 million) include maintenance required for the expanded Penn Station West End Concourse and new Farley Train Hall, including new LED screens. The LIRR will also be making investments in critical fleet components including those supporting Positive Train Control (PTC).

MNR investments of \$61 million include the overhaul of 31 locomotives and the next phase of Reliability Centered Maintenance on the M-7 fleet. MNR will also improve grade crossings, expand staffing for maintenance and repair coverage in stations and facilities, renovate restrooms in Grand Central Terminal and replace the Haverstraw dock.

MTA Bus investments of \$24 million include the funding of bus operator training float to ensure adequate coverage and the repair of components critical to safeguarding the reliability of over-age fleet (in excess of 12 years in service).

B&T investments of \$23 million over the plan period include support of the New York Crossings Project by implementing a fixed and mobile License Plate Recognition (LPR) system to enforce toll violation collection and Open-Road Tolling (ORT) marketing.

SIR investments of \$2 million over the Plan will fund railroad tie replacement as well as enhance cleaning and maintenance.

Investments in safety and security. The July Plan provides \$90 million over the plan period to fund these important investments.

At MTAHQ, investments will support high priority safety and security needs, including employee obstructive sleep apnea testing, the MTA PD Radio project and establishment of a steady replacement cycle for police vehicles.

NYCT and MTA Bus will implement new and existing bus safety initiatives, including the installation of bus on-board cameras, the Pedestrian Turn Warning (PTW) system and the Collision Warning System (CWS).

MNR will remotely monitor bridges in order to respond more quickly to vehicle strikes, expand FRA mandated drug testing program to include Maintenance of Way employees by engaging a mobile testing service, and add conductors and other safety sensitive titles to the obstructive sleep apnea testing program; and support an on-board camera program.

The LIRR will support its on-board camera program and increase random drug testing among safety sensitive positions.

Increase support for the Capital Program. This Plan funds retains the \$566 million in debt service savings, which were identified in November, to support an additional \$2 billion of funding for the Amended 2015-2019 Capital Program. Moreover, it provides support for an additional \$100 million for the Amended Program.

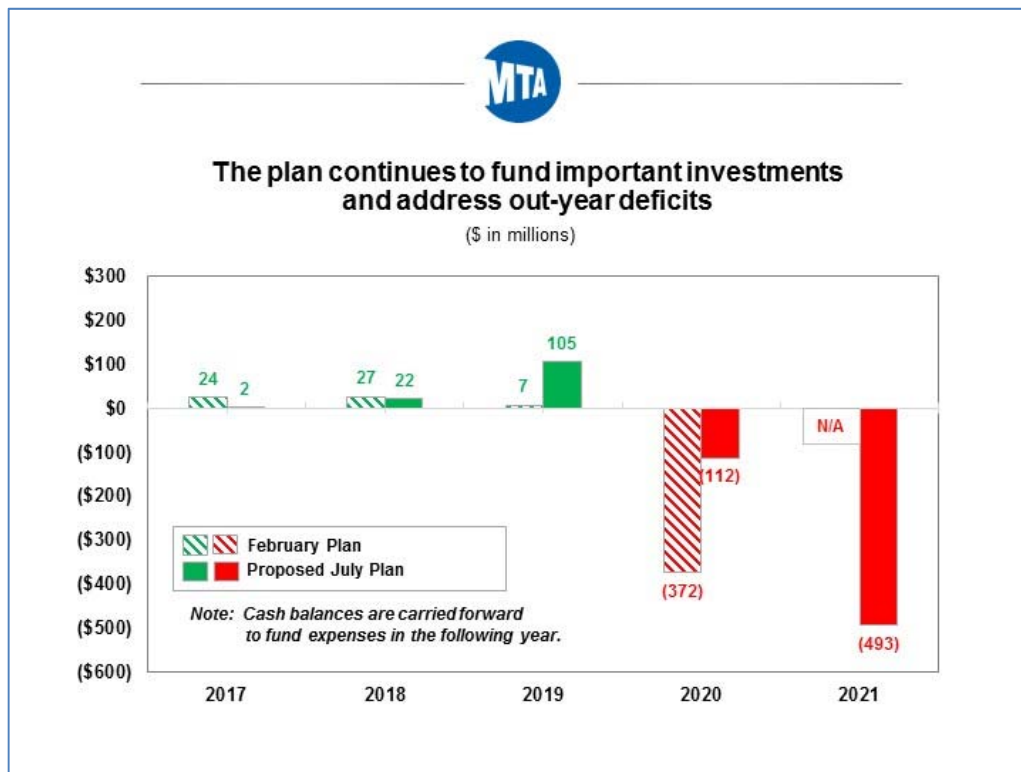
Other MTA Actions

The Plan includes other MTA actions to address unfavorable changes from the February Plan, most notably the reduction in real estate transaction revenue. In addition to the previously described increased savings targets, this Plan:

- Assumes restoration of PMT Replacement Funds to \$307 million a year (\$65 million per year);
- Suspends contributions to the B&T Necessary Reconstruction Reserve Fund from 2018-2021 (\$158 million) instead of PAYGO;
- Draws down \$135 million of the \$155 million the 2017 General Reserve ; approximately \$58 million will be used to fund the Amtrak Penn Station emergency mitigation costs until reimbursement is received; and
- Suspends planned contributions to the GASB 45 OPEB reserves for 2018 and the out-years (\$59 million).

The “Bottom Line”

All together, these changes, re-estimates, and recommendations, including the newly-proposed increases in targeted savings, result in a net improvement to MTA’s financial forecast over the plan period. As detailed in the following chart, this Plan is balanced through 2019 and the \$372 million deficit for 2020 that was projected in February has been reduced to \$112 million. However, a projected \$493 million 2021 deficit will have to be addressed.



Challenges Going Forward

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

Biennial fare and toll increases. 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 costs 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. Moreover, the lower real estate revenue projections necessitated an aggressive increase in the level of savings targets. As previously stated, unidentified savings targets remaining after savings have been put in place, together with the additional targets proposed in this Plan, increase to \$227 million in 2018, \$324 million in 2019, \$402 million in 2020 and \$433 million in 2021. We recognize that these targets are aggressive and that meeting them will be a challenge, but we are committed to achieving these goals. 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.

Increased investments in maintenance/operations and customer experience enhancements. Our challenge is to continue maintaining and improving our operation, even as growing ridership puts more demands on our aging infrastructure, including our 113-year old subway system. We need to find less expensive ways to improve our System, move our customers and enhance their experience.

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 July Plan projected results could be adversely affected.

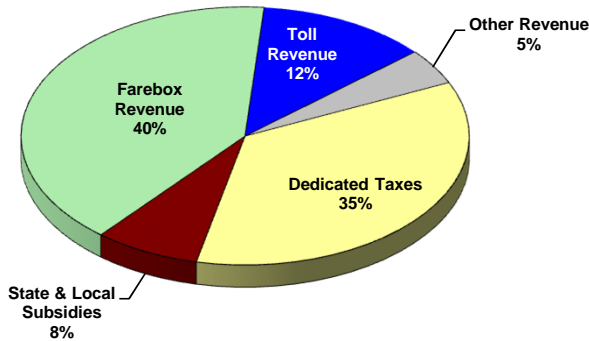
Possibility of Interest rates higher than forecast. Since 2008, we have benefitted from historically low interest rates. In December 2015, the Federal Open Markets Committee (FOMC) increased the federal funds rate for the first time since late 2008, by a quarter point to a target range of 0.25% to 0.50%. This increase has been followed by additional quarter point increases in December 2016, March 2017 and June 2017, with the target range now at 1.00% to 1.25%, and the Committee continues to indicate support for future actions that would return inflation to a 2 percent level. While the July Financial Plan includes interest rate assumptions in line with the FOMC’s recent actions and policy statements on future actions, a sudden and unexpected increase in economic activity may result in inflationary growth beyond the Committee’s target, which in turn could lead to a further increasing of the federal funds rate. 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 Pay-Go and/or reduce unfunded liabilities, such as OPEBs and pension liabilities. Simply put, this strategy converts favorable “one-shots”, when they are available, into recurring savings. Similarly, the MTA should continue to reinvest debt service savings into PAYGO capital and support for new bonding (Committed to Capital”), which has become an increasingly important source of funding for our Capital Programs.

II. MTA Consolidated Financial Plan

MTA 2018 Preliminary Budget
Baseline Expenses After Below-the-Line Adjustments
Non-Reimbursable

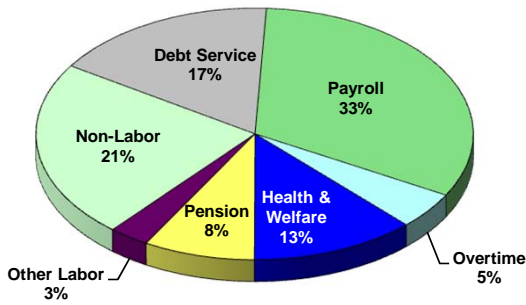
Where the Dollars Come From ...



By Revenue Source (\$ in millions)	
Farebox Revenue	\$6,328
Toll Revenue	1,938
Other Revenue	707
Dedicated Taxes	5,547
State & Local Subsidies	1,199
Total ¹	\$15,718

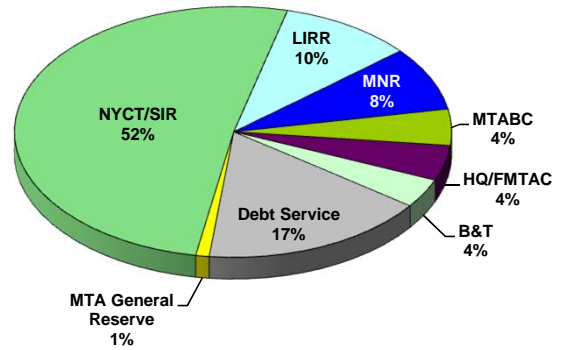
Where the Dollars Go ...

By Expense Category



By Expense Category ² includes below-the-line adjustments (\$ in millions)	
Payroll	\$5,226
Overtime	770
Health & Welfare	1,977
Pension	1,332
Other Labor	484
Non-Labor	3,701
Debt Service	2,712
MTA Below-the-Line Adjustments ³	(288)
Total ¹	\$15,912

By MTA Agency



By MTA Agency ² includes below-the-line adjustments (\$ in millions)	
NYCT/SIR	\$8,290
LIRR	1,600
MNR	1,337
MTABC	757
HQ/FMTAC	738
B&T	606
Debt Service	2,712
MTA General Reserve	160
MTA Below-the-Line Adjustments ³	(288)
Total ¹	\$15,912

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 in the Statement of Operations.

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2018-2021
MTA Consolidated Statement Of Operations By Category
(\$ in millions)

Line No.	Non-Reimbursable	Actual 2016	Mid-Year Forecast 2017	Preliminary Budget 2018	2019	2020	2021
10	Operating Revenue						
11	Farebox Revenue	\$6,050	\$6,222	\$6,328	\$6,359	\$6,391	\$6,385
12	Toll Revenue	1,870	1,913	1,938	1,949	1,956	1,964
13	Other Revenue	688	685	707	731	764	767
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	Total Operating Revenue	\$8,608	\$8,820	\$8,973	\$9,039	\$9,111	\$9,116
17	Operating Expense						
18	Labor Expenses:						
19	Payroll	\$4,839	\$5,026	\$5,226	\$5,353	\$5,486	\$5,608
20	Overtime	771	809	770	777	793	823
21	Health & Welfare	1,172	1,235	1,340	1,426	1,515	1,619
22	OPEB Current Payment	562	580	637	689	747	810
23	Pensions	1,370	1,325	1,332	1,345	1,345	1,362
24	Other-Fringe Benefits	948	881	913	939	971	1,000
25	Reimbursable Overhead	(425)	(446)	(429)	(425)	(415)	(412)
26	Total Labor Expenses	\$9,238	\$9,410	\$9,788	\$10,105	\$10,443	\$10,810
28	Non-Labor Expenses:						
29	Electric Power	\$406	\$452	\$502	\$518	\$550	\$608
30	Fuel	125	145	151	151	164	175
31	Insurance	(21)	32	32	35	41	47
32	Claims	464	312	320	328	329	330
33	Paratransit Service Contracts	384	399	415	440	467	492
34	Maintenance and Other Operating Contracts	631	777	755	767	784	823
35	Professional Service Contracts	401	561	480	477	484	486
36	Materials & Supplies	586	642	637	634	693	681
37	Other Business Expenses	193	205	200	213	218	223
38	Total Non-Labor Expenses	\$3,168	\$3,525	\$3,492	\$3,563	\$3,731	\$3,866
40	Other Expense Adjustments:						
41	Other	\$47	\$58	\$49	\$50	\$52	\$53
42	General Reserve	0	155	160	165	175	180
43	Total Other Expense Adjustments	\$47	\$213	\$209	\$215	\$227	\$233
45	Total Operating Expense before Non-Cash Liability Adj.	\$12,454	\$13,148	\$13,489	\$13,883	\$14,401	\$14,909
47	Depreciation	\$2,443	\$2,609	\$2,668	\$2,737	\$2,803	\$2,866
48	OPEB Liability Adjustment	1,562	1,690	1,786	1,881	1,984	2,094
49	GASB 68 Pension Expense Adjustment	(219)	(172)	(234)	(229)	(246)	(283)
50	Environmental Remediation	12	6	6	6	6	6
52	Total Operating Expense after Non-Cash Liability Adj.	\$16,252	\$17,282	\$17,714	\$18,278	\$18,948	\$19,591
54	Conversion to Cash Basis: Non-Cash Liability Adjs.	(\$3,798)	(\$4,134)	(\$4,226)	(\$4,395)	(\$4,547)	(\$4,682)
56	Debt Service (excludes Service Contract Bonds)	2,459	2,557	2,712	2,835	3,025	3,243
58	Total Operating Expense with Debt Service	\$14,912	\$15,704	\$16,200	\$16,719	\$17,426	\$18,152
60	Dedicated Taxes and State/Local Subsidies	\$6,666	\$6,513	\$6,746	\$6,949	\$7,128	\$7,340
62	Net Surplus/(Deficit) After Subsidies and Debt Service	\$362	(\$372)	(\$482)	(\$731)	(\$1,187)	(\$1,696)
64	Conversion to Cash Basis: GASB Account	0	0	(9)	(19)	(30)	(42)
65	Conversion to Cash Basis: All Other	(593)	49	158	107	133	55
67	CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER	(\$232)	(\$323)	(\$333)	(\$642)	(\$1,084)	(\$1,683)
68	ADJUSTMENTS	0	77	353	726	867	1,189
69	PRIOR-YEAR CARRYOVER	480	248	2	22	105	0
70	NET CASH BALANCE	\$248	\$2	\$22	\$105	(\$112)	(\$493)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2018-2021
Plan Adjustments
(\$ in millions)

Line No.	Actual 2016	Mid-Year Forecast 2017	Preliminary Budget 2018	2019	2020	2021
11	Cash Balance Before Prior-Year Carry-over					
	(\$232)	(\$323)	(\$333)	(\$642)	(\$1,084)	(\$1,683)
13	Fare/Toll Increases:					
14	-	-	-	276	325	325
15	-	-	-	-	-	288
16	-	-	-	(10)	(9)	(20)
17	Sub-Total	\$0	\$0	\$266	\$316	\$593
19	MTA Efficiencies: ¹					
20	-	0	27	74	102	83
21	-	-	50	50	50	50
22	-	-	150	200	250	300
23	Sub-Total	\$0	\$227	\$324	\$402	\$433
25	Policy Actions:					
26	-	-	65	65	65	65
27	-	-	9	19	30	43
28	-	-	52	53	54	55
29	-	135	-	-	-	-
30	Sub-Total	\$0	\$126	\$137	\$149	\$163
32	MTA Re-estimates:					
33	-	(58)	-	-	-	-
34	Sub-Total	\$0	(\$58)	\$0	\$0	\$0
36	TOTAL ADJUSTMENTS	\$0	\$77	\$353	\$726	\$867
38	<i>Prior-Year Carry-Over</i>	480	248	2	22	105
40	Net Cash Surplus/(Deficit)					
	\$248	\$2	\$22	\$105	(\$112)	(\$493)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2018-2021
MTA Consolidated Cash Receipts and Expenditures
(\$ in millions)

Line No.	Cash Receipts and Expenditures	Actual 2016	Mid-Year Forecast 2017	Preliminary Budget 2018	2019	2020	2021
7	Cash Receipts and Expenditures						
8							
9							
10	Receipts						
11	Farebox Revenue	\$6,083	\$6,243	\$6,336	\$6,368	\$6,399	\$6,393
12	Other Operating Revenue	706	735	831	760	804	788
13	Capital and Other Reimbursements	1,780	2,197	2,045	1,948	1,853	1,814
14	Total Receipts	\$8,569	\$9,174	\$9,212	\$9,076	\$9,056	\$8,995
15							
16	Expenditures						
17	Labor:						
18	Payroll	\$5,303	\$5,560	\$5,736	\$5,855	\$5,963	\$6,065
19	Overtime	972	958	904	908	926	954
20	Health and Welfare	1,192	1,277	1,377	1,463	1,547	1,648
21	OPEB Current Payment	554	570	624	677	734	797
22	Pensions	1,405	1,377	1,389	1,401	1,397	1,414
23	Other Fringe Benefits	841	863	878	897	915	936
24	Contribution to GASB Fund	0	0	9	19	30	42
25	Reimbursable Overhead	(0)	0	(0)	(0)	0	(0)
26	Total Labor Expenditures	\$10,266	\$10,606	\$10,917	\$11,220	\$11,512	\$11,856
27							
28	Non-Labor:						
29	Electric Power	\$405	\$451	\$497	\$513	\$545	\$602
30	Fuel	120	144	148	147	159	173
31	Insurance	(29)	35	32	35	40	42
32	Claims	295	267	251	259	261	264
33	Paratransit Service Contracts	379	400	413	438	465	490
34	Maintenance and Other Operating Contracts	578	735	621	621	617	675
35	Professional Service Contracts	406	633	529	485	464	446
36	Materials & Supplies	698	790	771	751	805	786
37	Other Business Expenditures	200	208	186	199	197	201
38	Total Non-Labor Expenditures	\$3,051	\$3,663	\$3,448	\$3,449	\$3,554	\$3,680
39							
40	Other Expenditure Adjustments:						
41	Other	\$129	\$166	\$131	\$82	\$104	\$130
42	General Reserve	0	155	160	165	175	180
43	Total Other Expenditure Adjustments	\$129	\$321	\$291	\$247	\$279	\$310
44							
45	Total Expenditures	\$13,446	\$14,589	\$14,656	\$14,916	\$15,344	\$15,845
46							
47	Net Cash Deficit Before Subsidies and Debt Service	(\$4,877)	(\$5,415)	(\$5,444)	(\$5,840)	(6,289)	(6,851)
48							
49	Dedicated Taxes and State/Local Subsidies	\$6,439	\$6,974	\$7,114	\$7,288	\$7,448	\$7,586
50	Debt Service (excludes Service Contract Bonds)	(\$1,793)	(\$1,882)	(\$2,003)	(\$2,091)	(\$2,243)	(\$2,418)
51							
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$232)	(\$323)	(\$333)	(\$642)	(\$1,084)	(\$1,683)
53	ADJUSTMENTS	0	77	353	726	867	1,189
54	PRIOR-YEAR CARRY-OVER	480	248	2	22	105	0
55	NET CASH BALANCE	\$248	\$2	\$22	\$105	(\$112)	(\$493)

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2018-2021

MTA Consolidated July Financial Plan Compared with FEBRUARY FINANCIAL PLAN

Cash Reconciliation after Below-the-Line Adjustments

(\$ in millions)

	Favorable/(Unfavorable)			
	2017	2018	2019	2020
FEBRUARY FINANCIAL PLAN 2017-2020				
NET CASH SURPLUS/(DEFICIT)	\$24	\$27	\$7	(\$372)
Agency Baseline Adjustments	\$109	\$166	\$109	\$97
<i>Farebox/Toll Revenue</i>	(63)	(26)	(20)	(24)
<i>Rates:</i>				
<i>Pensions</i>	(2)	5	(7)	(18)
<i>Health & Welfare (includes retirees)</i>	66	8	12	14
<i>Energy</i>	68	32	37	47
<i>Insurance</i>	19	28	30	35
<i>Timing</i>	7	65	(4)	6
<i>Other Baseline Re-estimates (includes timing) 1</i>	16	54	61	37
New Needs/Investments	(\$113)	(\$120)	(\$126)	(\$109)
<i>Maintenance/Operations and</i>				
<i>Customer Experience Enhancements</i>	(113)	(120)	(126)	(109)
Other New Needs/Investments	(\$74)	(\$79)	(\$47)	(\$31)
<i>MTA Initiatives/Centralized Functions</i>	(54)	(38)	(24)	(7)
<i>Safety & Security</i>	(11)	(25)	(20)	(18)
<i>All Other New Needs</i>	(9)	(16)	(3)	(5)
Savings Programs	\$86	\$86	\$87	\$95
<i>2017 BRP Savings</i>	86	86	87	95
MTA Adjustments	\$0	\$0	\$0	(\$5)
<i>General Reserve</i>	-	-	-	(5)
Changes in Subsidies	(\$145)	(\$179)	(\$146)	(\$130)
<i>Petroleum Business Tax</i>	5	14	16	16
<i>Payroll Mobility Tax</i>	28	31	38	41
<i>MTA Aid</i>	-	2	7	9
<i>Real Estate Taxes</i>	(175)	(222)	(203)	(192)
<i>Other Subsidies</i>	(3)	(4)	(4)	(4)
Other Subsidy Adjustments	\$267	(\$73)	\$9	(\$50)
<i>Other Subsidy Adjustments</i>	210	(78)	2	(48)
<i>Other Funding Agreements</i>	55	17	19	12
<i>B&T Operating Surplus Transfer</i>	3	(12)	(12)	(14)
Debt Service	\$33	\$39	\$66	\$42
<i>Debt Service Savings</i>	33	39	66	42
Below-the-Line Adjustments:	(\$176)	\$178	\$153	\$253
<i>Additional MTA Efficiencies (2017 July Plan)</i>	-	150	200	250
<i>Adjustment to Unidentified Savings</i>	(68)	(89)	(97)	(110)
<i>Policy Actions:</i>				
<i>Restoration of PMT Funds</i>	-	65	65	65
<i>GASB Fund Reserves - Suspend Planned Contributions</i>	-	9	19	30
<i>B&T Necessary Reconstruction - Suspend Planned Contrib</i>	-	52	53	54
<i>Drawdown General Reserve</i>	135	-	-	-
<i>Other Adjustments (from February Plan)</i>	(161)	14	(64)	(13)
<i>MTA Re-estimates</i>	(82)	(24)	(24)	(24)
Prior Year Carryover	(\$12)	(\$22)	(\$5)	\$98
JULY FINANCIAL PLAN 2018-2021				
NET CASH SURPLUS/(DEFICIT)	\$2	\$22	\$105	(\$112)

* Totals may not add due to rounding

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2018-2021
Consolidated Subsidies
Cash Basis
(\$ in millions)

<u>Subsidies</u>	<u>Actual 2016</u>	<u>Mid-Year Forecast 2017</u>	<u>Preliminary Budget 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$1,668.0	\$1,668.0	\$1,828.0	\$1,889.4	\$1,952.4	\$2,017.5
Petroleum Business Tax (PBT) Receipts	617.5	612.5	616.1	615.2	612.4	611.8
Mortgage Recording Tax (MRT)	457.6	451.0	453.3	467.4	481.9	497.4
MRT Transfer to Suburban Counties	(3.0)	(4.1)	(5.1)	(5.6)	(6.0)	(6.4)
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
MTA Bus Debt Service	(24.9)	(24.9)	(23.8)	(23.8)	(23.8)	(23.8)
Interest	5.1	5.3	5.3	5.3	5.3	5.3
Urban Tax	811.0	615.1	578.3	599.8	616.7	631.4
Investment Income	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>
	\$3,522.4	\$3,314.1	\$3,443.3	\$3,539.0	\$3,630.1	\$3,724.4
PMT and MTA Aid						
Payroll Mobility Tax	\$1,372.8	\$1,453.2	\$1,526.4	\$1,602.1	\$1,673.9	\$1,751.2
Payroll Mobility Tax Replacement Funds	309.3	244.3	244.3	244.3	244.3	244.3
MTA Aid	<u>300.3</u>	<u>305.4</u>	<u>306.9</u>	<u>312.9</u>	<u>314.9</u>	<u>316.9</u>
	\$1,982.3	\$2,002.8	\$2,077.6	\$2,159.3	\$2,233.0	\$2,312.3
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)	190.2	187.9	187.9	187.9	187.9	187.9
Station Maintenance	<u>162.2</u>	<u>166.3</u>	<u>170.6</u>	<u>174.9</u>	<u>178.2</u>	<u>182.2</u>
	\$540.4	\$542.2	\$546.5	\$550.8	\$554.1	\$558.1
Other Subsidy Adjustments						
Resource to Reduce Pension Liability	(\$75.0)	\$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)	(29.9)	(4.0)	(4.3)	(0.2)	0.0	0.0
MNR Repayment for 525 North Broadway	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Committed to Capital 2010-2014 Capital Program	0.0	(73.0)	(78.9)	(49.7)	0.0	0.0
Committed to Capital 2015-2019 Capital Program	<u>(754.1)</u>	<u>(227.9)</u>	<u>(144.5)</u>	<u>(147.2)</u>	<u>(179.4)</u>	<u>(194.4)</u>
	(\$873.0)	(\$318.9)	(\$241.7)	(\$211.0)	(\$193.4)	(\$208.4)
Subtotal Dedicated Taxes & State and Local Subsidies	\$5,172.1	\$5,540.3	\$5,825.7	\$6,038.0	\$6,223.8	\$6,386.4
Other Funding Agreements						
City Subsidy for MTA Bus Company	\$355.0	\$573.9	\$494.2	\$502.4	\$505.6	\$515.7
City Subsidy for Staten Island Railway	36.1	53.0	66.0	42.9	43.7	47.6
CDOT Subsidy for Metro-North Railroad	<u>134.2</u>	<u>119.0</u>	<u>106.3</u>	<u>122.3</u>	<u>128.3</u>	<u>136.3</u>
	\$525.3	\$745.9	\$666.6	\$667.6	\$677.6	\$699.7
Total Dedicated Taxes & State and Local Subsidies	\$5,697.4	\$6,286.2	\$6,492.3	\$6,705.6	\$6,901.4	\$7,086.0
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	<u>\$741.8</u>	<u>\$687.7</u>	<u>\$621.6</u>	<u>\$582.4</u>	<u>\$546.3</u>	<u>\$500.2</u>
	\$741.8	\$687.7	\$621.6	\$582.4	\$546.3	\$500.2
GROSS SUBSIDIES	\$6,439.2	\$6,973.9	\$7,113.9	\$7,288.0	\$7,447.6	\$7,586.2

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

<u>Subsidies</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Dedicated Taxes				
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$0.0	\$0.0	\$0.0	\$0.0
Petroleum Business Tax (PBT) Receipts	4.9	14.2	16.2	15.7
Mortgage Recording Tax (MRT)	(5.9)	(19.2)	(22.4)	(17.1)
MRT Transfer to Suburban Counties	(1.1)	(2.0)	(2.3)	(2.4)
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0
Urban Tax	(168.8)	(202.4)	(180.9)	(175.1)
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	(\$171.0)	(\$209.4)	(\$189.3)	(\$178.9)
PMT and MTA Aid				
Payroll Mobility Tax	\$28.1	\$31.0	\$38.0	\$41.0
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0
MTA Aid	<u>0.0</u>	<u>1.5</u>	<u>7.5</u>	<u>9.5</u>
	\$28.1	\$32.5	\$45.5	\$50.5
State and Local Subsidies				
State Operating Assistance (18-b)	\$0.0	\$0.0	\$0.0	\$0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0
Station Maintenance	<u>(1.9)</u>	<u>(2.0)</u>	<u>(2.0)</u>	<u>(2.1)</u>
	(\$1.9)	(\$2.0)	(\$2.0)	(\$2.1)
Other Subsidy Adjustments				
Resource to Reduce Pension Liability	\$0.0	(\$23.3)	(\$23.3)	(\$23.3)
NYCT Charge Back of MTA Bus Debt Service	0.0	0.0	0.0	0.0
Forward Energy Contracts Program - Gain/(Loss)	(4.6)	(5.1)	(0.2)	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0
Committed to Capital 2010-2014 Capital Program	0.0	0.0	0.0	0.0
Committed to Capital 2015-2019 Capital Program	<u>214.9</u>	<u>(50.0)</u>	<u>25.0</u>	<u>(25.0)</u>
	\$210.3	(\$78.4)	\$1.5	(\$48.3)
Subtotal Dedicated Taxes & State and Local Subsidies	\$65.5	(\$257.3)	(\$144.3)	(\$178.7)
Other Funding Agreements				
City Subsidy for MTA Bus Company	\$47.5	\$22.4	\$16.9	\$13.8
City Subsidy for Staten Island Railway	(3.4)	7.7	3.9	1.9
CDOT Subsidy for Metro-North Railroad	<u>10.4</u>	<u>(12.8)</u>	<u>(1.5)</u>	<u>(3.6)</u>
	\$54.5	\$17.2	\$19.2	\$12.1
Total Dedicated Taxes & State and Local Subsidies	\$120.0	(\$240.0)	(\$125.1)	(\$166.6)
Inter-agency Subsidy Transactions				
B&T Operating Surplus Transfer	<u>\$2.7</u>	<u>(\$12.1)</u>	<u>(\$11.8)</u>	<u>(\$14.2)</u>
	\$2.7	(\$12.1)	(\$11.8)	(\$14.2)
GROSS SUBSIDIES	\$122.7	(\$252.2)	(\$136.9)	(\$180.8)

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III. Adjustments

Plan Adjustments

The discussion that follows reflects proposed Plan Adjustments to the Baseline.

Fare/Toll Increases

Fare and Toll Increase in March 2019 – An increase in fare and toll rates, yielding a 4% increase in farebox and toll revenues, is assumed for implementation in March 2019 and is projected to generate an annualized increase of \$324 million in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by \$276 million in 2019 and by \$325 million in both 2020 and 2021.

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 2019/2021 Fare/Toll Increase”; when factored in, the net change to the MTA from the proposed 2019 increase is \$266 million in 2019 and \$316 million in both 2020 and 2021. These net projections, compared with the February Plan, are lower by \$1 million in both 2019 and 2020.

Fare and Toll Increase in March 2021 – An increase in fares and tolls, yielding a 4% overall increase in farebox and toll revenues, is assumed for implementation in March 2021 and is projected to generate a \$338 million annualized increase in MTA consolidated farebox and toll revenues, with consolidated farebox and toll revenues expected to increase by \$288 million in 2021. Factoring in the MTA Bus, SIR and B&T adjustments included in “Subsidy Impacts of the 2019/2021 Fare/Toll Increase”, the net increase to the MTA is \$277 million in 2021.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions Including the Impact of Fare & Toll Yield Increases

		Mid-Year Forecast	Preliminary Budget			
		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fare Revenue						
Long Island Rail Road	Baseline	\$739.1	\$749.4	\$752.0	\$753.4	\$754.4
	2019 Fare Yield	0.0	0.0	25.7	30.1	30.2
	2021 Fare Yield	0.0	0.0	0.0	0.0	26.8
		\$739.1	\$749.4	\$777.7	\$783.5	\$811.4
Metro-North Railroad ¹	Baseline	\$738.2	\$757.9	\$762.9	\$766.5	\$770.0
	2019 Fare Yield	0.0	0.0	21.1	24.8	24.9
	2021 Fare Yield	0.0	0.0	0.0	0.0	21.8
		\$738.2	\$757.9	\$784.0	\$791.3	\$816.7
MTA Bus Company ²	Baseline	\$213.3	\$216.7	\$219.3	\$220.2	\$219.6
	2019 Fare Yield	0.0	0.0	7.5	8.8	8.8
	2021 Fare Yield	0.0	0.0	0.0	0.0	7.8
		\$213.3	\$216.7	\$226.8	\$229.1	\$236.2
New York City Transit ³	Baseline	\$4,524.3	\$4,596.6	\$4,618.3	\$4,643.7	\$4,634.1
	2019 Fare Yield	0.0	0.0	154.4	182.8	182.4
	2021 Fare Yield	0.0	0.0	0.0	0.0	161.0
		\$4,524.3	\$4,596.6	\$4,772.6	\$4,826.5	\$4,977.5
Staten Island Railway ²	Baseline	\$6.8	\$6.9	\$7.0	\$7.0	\$7.0
	2019 Fare Yield	0.0	0.0	0.2	0.3	0.3
	2021 Fare Yield	0.0	0.0	0.0	0.0	0.2
		\$6.8	\$6.9	\$7.2	\$7.3	\$7.5
Total Farebox Revenue	Baseline	\$6,221.7	\$6,327.6	\$6,359.3	\$6,390.9	\$6,385.1
	2019 Fare Yield	0.0	0.0	208.9	246.8	246.6
	2021 Fare Yield	0.0	0.0	0.0	0.0	217.7
		\$6,221.7	\$6,327.6	\$6,568.2	\$6,637.7	\$6,849.3
Toll Revenue						
Bridges & Tunnels ⁴	Baseline	\$1,912.8	\$1,937.9	\$1,949.3	\$1,956.0	\$1,964.0
	2019 Toll Yield	0.0	0.0	67.2	78.2	78.6
	2021 Toll Yield	0.0	0.0	0.0	0.0	70.5
		\$1,912.8	\$1,937.9	\$2,016.5	\$2,034.3	\$2,113.0
TOTAL FARE & TOLL REVENUE						
	Baseline	\$8,134.5	\$8,265.5	\$8,308.6	\$8,346.9	\$8,349.1
	2019 Fare/Toll Yield	0.0	0.0	276.1	325.1	325.1
	2021 Fare/Toll Yield	0.0	0.0	0.0	0.0	288.2
		\$8,134.5	\$8,265.5	\$8,584.8	\$8,672.0	\$8,962.3

¹ Metro-North Railroad utilization figures include both East of Hudson and West of Hudson services.

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 the capital program, 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. Through 2016, the MTA has implemented programs with annualized savings of \$1.6 billion. These programs, when combined with our new targets (detailed below) will result in annual savings of \$2.3 billion by 2021.

MTA Efficiencies – Not Yet Implemented – As a result of unfavorable changes impacting MTA finances after the December Board adoption of the November Plan, targeted savings were increased in the February Plan by \$25 million in 2017 and \$50 million per year, thereafter. The February Plan included unidentified savings targets of, \$68 million in 2017, \$166 million in 2018, \$220 million in 2019 and \$262 million in 2020. In the July Plan, for 2017, an adjustment was made for unachieved savings of \$21 million, increasing the level of 2017 unidentified savings to \$89 million.

This Plan reflects the MTA's success in meeting its \$89 million 2017 savings target. In the out-years, identified savings total \$89 million in 2018, \$97 million in 2019, \$110 million in 2020, and \$124 million in 2021. These efficiencies are captured within Agency baseline financials. Remaining unidentified savings targets (from February) in the July Plan total \$77 million in 2018, \$124 million in 2019, \$152 million in 2020 and \$133 million in 2021.

Additional MTA Efficiencies – Targeted in the July 2017 Plan – In this Plan, future savings targets are being substantially increased in response to the previously described drop in projected revenue from real estate transactions. We are increasing savings targets by \$150 million per year starting in 2018 with an incremental \$50 million per year increase in the savings target thereafter, growing to \$300 million in 2021.

Unidentified savings targets remaining after savings have been put in place, together with the additional targets proposed in this Plan, increase to \$227 million in 2018, \$324 million in 2019, \$402 million in 2020 and \$433 million in 2021.

Policy Actions

This Plan reflects a decline in real estate transaction activity, with revenues from the real estate transaction taxes lower by \$954 million over the plan period, or approximately \$191 million per year. In reaction, the MTA is proposing the following actions:

Restoration of PMT Replacement Funds – As captured in the February Plan, the State of New York reduced the projected annual appropriation for Payroll Mobility Tax (PMT) Replacement funds by \$65 million. In this Plan, the MTA is assuming that, beginning in 2018, NYS will fully restore this subsidy back to the \$307 million annual level.

GASB 45 Fund Reserves – Suspend Planned Contributions – The MTA is proposing the suspension of planned contributions to GASB 45 Reserves, set aside to fund Other Post-

Employment Benefits (OPEB, principally retiree healthcare costs) beginning in 2018. This action will reduce operating-funded contributions by \$101 million over the plan period, still leaving \$149 million in that fund.

B&T Necessary Reconstruction Reserve – Suspend Contributions – The MTA is also proposing the suspension of contributions for B&T’s Necessary Reconstruction Reserve from 2018 to 2021. This action will reduce operating-funded contributions by \$214 million over the plan period, still leaving \$321 million in the fund.

Drawdown General Reserve – Finally, the MTA is drawing down half of the 2017 General Reserve (\$77.5 million) to cover the shortfall in real estate transaction tax revenues. The 2017 General Reserve will also be used to fund Amtrak Penn Station Emergency Mitigation costs of \$58 million (see discussion below). This will reduce the \$155 million 2017 General Reserve to \$20 million.

MTA Re-estimates

Amtrak Penn Station Emergency Mitigation – The MTA is expecting to incur a combined loss of \$58 million from higher expenses and lower revenues over the July 10 - September 1 period When Amtrak will be doing emergency construction at Penn Station. The MTA will pursue reimbursement of those disruption costs from Amtrak; however, short-term cash flow will be funded by the General Reserve, as noted above. Actual impacts will be captured within Agency baseline forecasts in the November Plan.

METROPOLITAN TRANSPORTATION AUTHORITY Amtrak Penn Station Emergency Mitigation Costs (\$ in millions)

	LIRR	NYCT	MNR	B&T	MTAHQ	Total
Revenue Loss	(\$10.166)	(\$1.786)	\$0.000	(\$10.000)	\$0.000	(\$21.953)
LIRR Support Staff	(2.979)	-	-	-	-	(\$2.979)
NYCT Support Staff	-	(1.729)	-	-	-	(\$1.729)
Bus Program	(15.661)	(2.562)	-	-	(0.281)	(\$18.505)
Ferry Program	(4.500)	-	(0.500)	-	-	(\$5.000)
MTA PD Coverage	-	-	-	-	(4.027)	(\$4.027)
MTA Marketing Cost	-	-	-	-	(1.280)	(\$1.280)
Other	(2.400)	-	-	-	-	(\$2.400)
Expenses	(\$25.540)	(\$4.291)	(\$0.500)	\$0.000	(\$5.588)	(\$35.919)
Total Impact	(\$35.706)	(\$6.077)	(\$0.500)	(\$10.000)	(\$5.588)	(\$57.871)

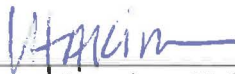
IV. Appendix

**Certification of the Interim Executive Director
of the Metropolitan Transportation Authority
in accordance with Section 202.3(l)
of the State Comptroller's Regulations**

I, Veronique Hakim, Interim Executive Director 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: _____


Veronique Hakim
Interim Executive Director

Dated: July 20, 2017

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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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