MTA 2017
Preliminary Budget
July Financial Plan 2017-2020

Volume 1
July 2016

Metropolitan Transportation Authority

OVERVIEW

MTA 2017 Preliminary Budget
July Financial Plan 2017-2020
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 2017 Preliminary 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 July Financial Plan** (the “July Plan” or “Plan”) includes the 2016 Mid-Year Forecast, the 2017 Preliminary Budget and a Financial Plan for the years 2017-2020. 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. The 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 February Plan

The February Plan was balanced through 2018 with a manageable deficit of $257 million in 2019. That Plan was based upon three key inter-related elements: (i) biennial fare and toll increases of 4% in 2017 and 2019 (equivalent to 2% annual increases); (ii) annually recurring cost reduction targets of $1.6 billion in 2016 increasing to $1.8 billion by 2019; and (iii) increased Pay-As-You-Go (“Pay-Go”) contributions in the form of a $75 million one-shot contribution in 2015 and $125 million annually (starting in 2015) for the 2015–2019 Capital Program. The February Plan also funded, over the plan period: service, service quality and service support investments totaling $278 million; new maintenance and operational investments of $434 million; information technology investments of $184 million; and Enterprise Asset Management (EAM) investments of $157 million.

What Has Changed Since The February Plan?

The 2015–2019 Capital Program was approved on May 26, 2016 by the Capital Program Review Board. The approval of this $27 billion program marks the single largest infrastructure investment in MTA history, and sets the stage for five years’ worth of vital investments to renew, enhance, and expand our network. The 2015-2019 Capital Program includes billions of dollars for the essential work of keeping our transit system safe and reliable, including purchasing 1,000 new subway cars, 1,700 new buses, and replacing 73 miles of subway track with safer, smoother track. It also includes investments that expand the MTA network by continuing two ongoing “mega” projects and launching a third project: completing the fiscal commitment to East Side Access, commencing Phase 2 of the Second Avenue Subway to extend the new line from 96th to 125th Streets, and beginning the expansion of MNR’s New Haven Line service into Penn Station.

The July Plan reflects the Pay-Go and debt service assumed in the Capital Plan. It also captures the following re-estimates:

Changes and re-estimates improving financial results over the plan period

- Better than forecasted 2015 results ($185 million)
- Lower debt service ($801 million)
    - Deferred issuance due to the delay in approval of the Capital Program; timing, not real ($419 million)
    - Savings from Hudson Yards lease securitization ($152 million)
    - Realized interest rate savings ($133 million)
    - Lower projected interest rates ($98 million)
- Lower energy cost forecasts ($303 million)
- Higher toll revenues ($166 million)
- Higher other operating revenue ($123 million)

Changes and re-estimates worsening financial results over the plan period
- Higher health & welfare/fringe benefit expenses ($430 million)
- Higher pension cost estimates ($345 million)
- Lower farebox revenue ($182 million)

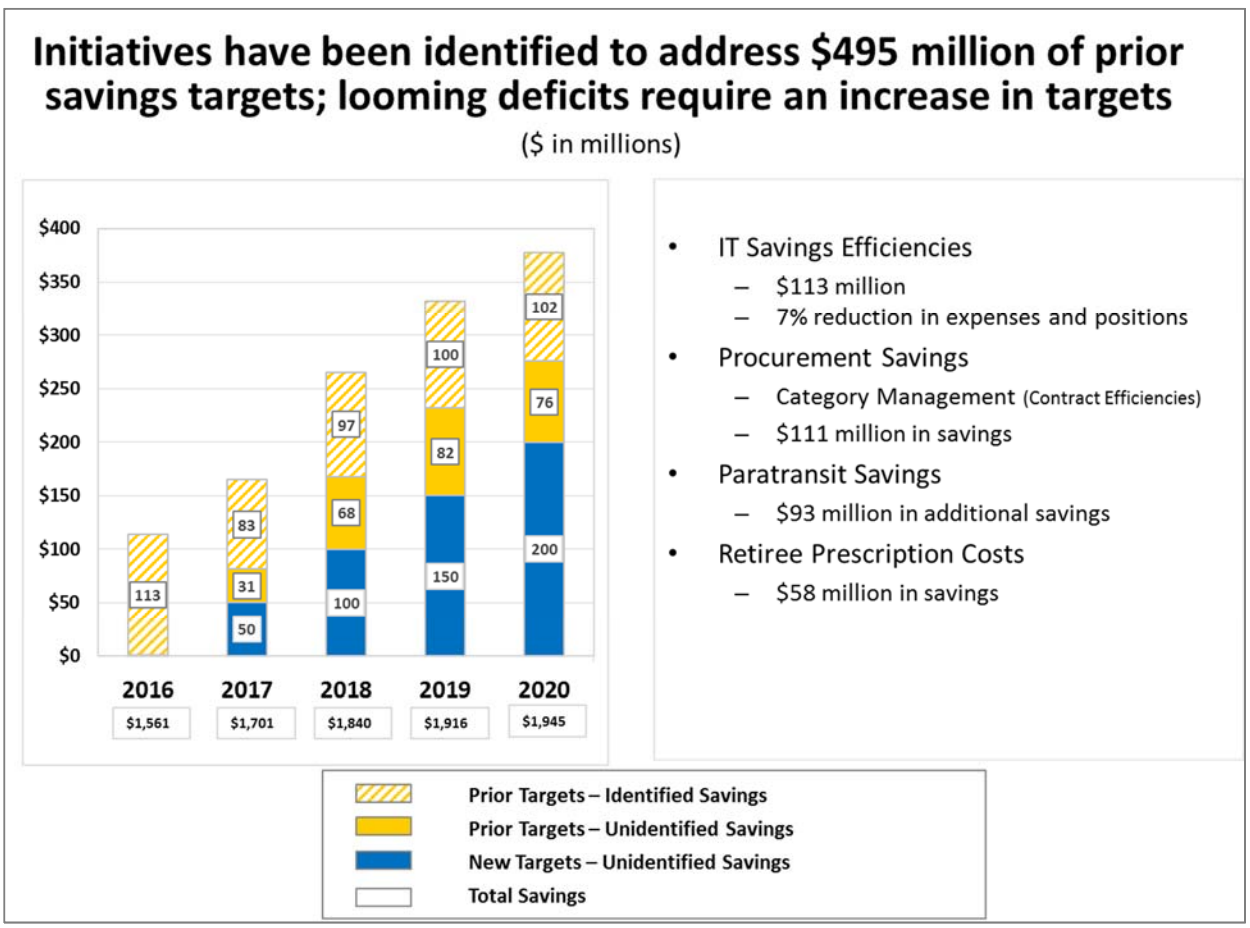
Overall, these and other net re-estimates and changes through the July Plan period are projected to be $690 million favorable from the February Plan. A reconciliation of Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume 2.

Highlights of the July Plan

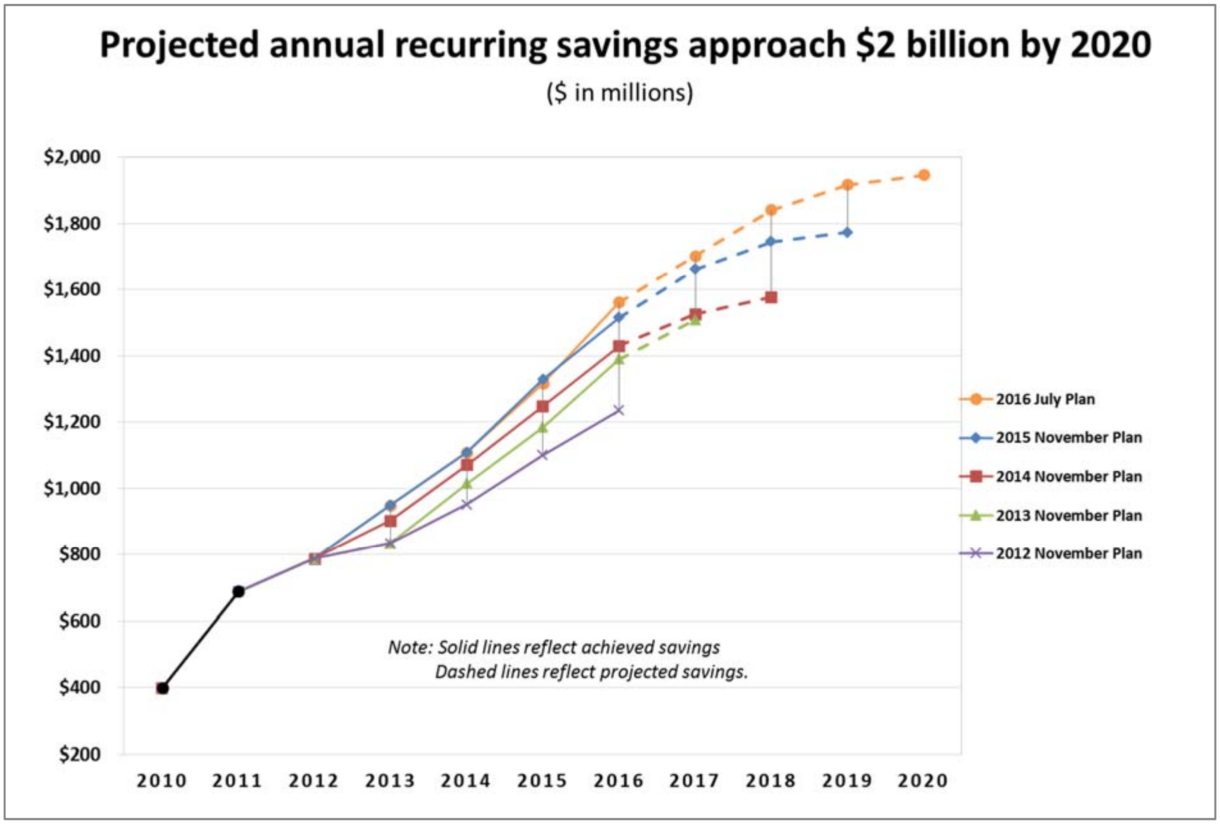
The July Plan continues to follow the approach reflected in earlier plans.

Hold projected fare/toll increases to 4% in 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 1 implementation is anticipated for both the 2017 and 2019 increases. The annualized yield of these increases is projected to be $308 million and $325 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 $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. Our success in meeting prior targets gives us the confidence to increase the savings targets 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.



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



Increase support for the Capital Program. Consistent with our long-standing practice of applying debt service savings towards capital funding, some $566 million of debt service savings from the Hudson Yards lease securitization and lower interest rates (both realized and projected) are available to fund project costs not in the currently approved 2015-1019 Capital Program, but advantageous to accelerate.

Improved Customer Experience. The July Plan provides $195 million over the plan period to fund directly or support capital program funded projects that will improve the customer experience.

Many of our customers expect access to the same technology that is available in other aspects of their lives. That is why—even on an older network such as ours—we cannot ignore these expectations. This year we will take delivery of 200 of the more than 2,300 new buses to be delivered over the next five years that will be equipped with Wi-Fi, USB charging ports, and digital screens providing “next stop” information, service alerts, advertising, and the latest travel information. This year, 200 subway cars will be delivered with Wi-Fi, USB charging stations, digital screens, and security cameras; next year, an additional 400 subway cars will have these amenities. We will also:

- Re-envision 31 subway stations throughout NYC;
- Introduce Wi-Fi and cellphone service to all 278 underground stations by the beginning of 2017;
- Introduce a new “contactless” fare payment technology by 2018; and
- Introduce Countdown Clocks on the “B” Division by 2018.

We have recently issued a Request for Information to provide wireless connectivity in subway tunnels.

Wi-Fi connected tunnels will give customers constant access to information throughout their entire trip. These programs will also help us build a truly 21st Century transit system—improving the daily experience for the 8.7 million customers who depend on our system each and every day.

Service and service support investments. The MTA will provide $78 million of additional service and service support over the plan period.

MTA will invest $36 million in new service including four new Select Bus Service routes at MTA Bus. The LIRR is expanding its weekend North Fork service to a year-round operation and will be adding trains in the summer to connect with Fire Island ferries.

The MTA continually reviews its service and makes "platform service" adjustments (which can be implemented without a public hearing) for deviations from pre-established loading and headway guidelines, as well as recurring seasonal requirements. This Plan includes $21 million of platform service adjustments over the plan period. NYCT and MTA Bus will continue to adjust platform service to meet demand and the LIRR will increase train lengths to reduce overcrowding.

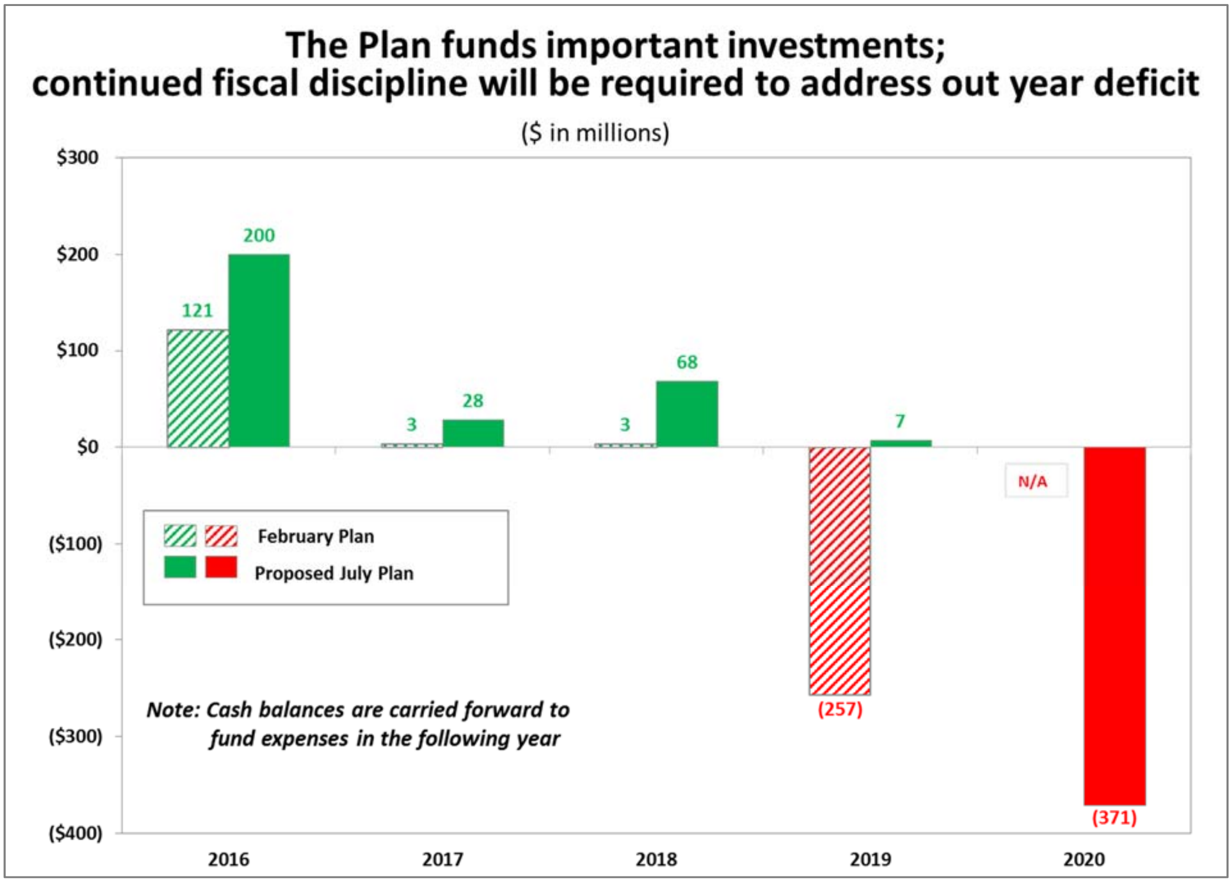
Investments in service support of $21 million will allow NYCT to enhance its Lexington Avenue Line platform controller program in 2016, and expand the program in 2017. Current coverage in the AM peak period will be expanded into the afternoon and early evening, including the busy PM peak period. Bridges & Tunnels will increase funding to meet increased demand on Customer Service Center operations.

Safety and Security Initiatives. The MTA is investing an additional $46 million in safety and security initiatives over the plan period to augment existing measures designed to keep pedestrians and customers, and MTA employees and assets, safe. These investments include the "Don't Block the Box" grade crossing initiative, onboard vehicle cameras, "Help Point" intercoms, and security operations at MNR, MTAHQ and MTA Bus. This Plan funds a new MTA Police facility in Bethpage, Long Island and enhancements to the B&T Security Operations Center in Long Island City.

Investments in Maintenance and Operations. The MTA continues to take steps to improve the reliability, efficiency and performance of its infrastructure, facilities and fleet, investing $145 million over the plan period. While these investments may not be as obvious to our customers as some of our other projects, they are essential to the operation of our system. Investments are being made that will improve the performance of certain buses, subway cars and commuter cars. Additional investments are being made to structures and track, including expediting the West Side Yard expansion.

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, the $257 million deficit for 2019 that was projected in February has been eliminated. This Plan is balanced through 2019 with a 2020 deficit of $371 million. The overall strength of our financial position demonstrates the value of our approach – to implement biennial fare and toll increases and continually increase our savings targets.



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. 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 work force will be expiring 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 reduction 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 compensation 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. For example, at NYCT, additional resources are being used to buttress the administration of workers compensation and public liability claims and to augment support for the pre-trial and litigation phases of claims. NYCT is also staffing a special investigations unit to meet an increased demand for anti-fraud measures.

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 of about $73 million in 2020 increasing to $132 million by 2022 and continuing to grow as projected premium costs outpace the inflationary adjustments to the thresholds.

Loss of taxi surcharge revenues due to application-based livery (e.g., Uber/Lyft). The popularity of app-based livery services has resulted in a decline in usage of medallion taxi services. These traditional services, specifically yellow and green cabs, collect a fifty cent surcharge that is earmarked for the MTA; app-based service trips, on the other hand, are not subject to this surcharge. Rather, they collect and pay sales tax on fares of which MTA receives a portion (3/8 of 1%). This results in substantially less revenue per trip for the MTA. An increase in market share by app-based services versus medallion taxi service could result in further erosion of MTA receipts.

All Electronic Tolling (AET)/Open Road Tolling (ORT). As a major customer service initiative, the MTA will be moving ahead with All Electronic Tolling (AET) at all B&T facilities, meaning all tolls will be collected either through E-ZPass or by taking a photograph of the license plate and billing the customer for the transaction. The expectation is that each facility will operate under an Open Road Tolling (ORT) system, whereby toll booths will eventually be removed and tolls will be collected as vehicles travel under an overhead gantry. At the Henry Hudson Bridge, where the general operating environment—no commercial traffic, lower tolls, 94% E-ZPass usage—is especially conducive to AET, implementation has been very successful, resulting in no revenue loss for B&T. In 2017, the toll booths are expected to be removed at the Henry Hudson Bridge. However, implementing AET/ORT at other facilities will present greater challenges in revenue collection stemming from the introduction of commercial traffic into the system and the larger number of customers currently paying higher cash tolls compared to the Henry Hudson Bridge. These challenges could potentially result in negative impacts to revenue collection of $35-$40 million annually, based on the Henry Hudson Bridge experience.

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. Since December, labor market improvement has slowed and the FOMC has made no further changes to the federal funds rate, although it continues to target an eventual return to a 2 percent inflation rate. 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 increase in economic activity may result in inflationary growth, 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.

Short and longer term economic factors. 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.

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” into recurring savings. Similarly, the MTA should continue to reinvest debt service savings into Pay-Go capital, which has become an increasingly important source of funding for our Capital Program.

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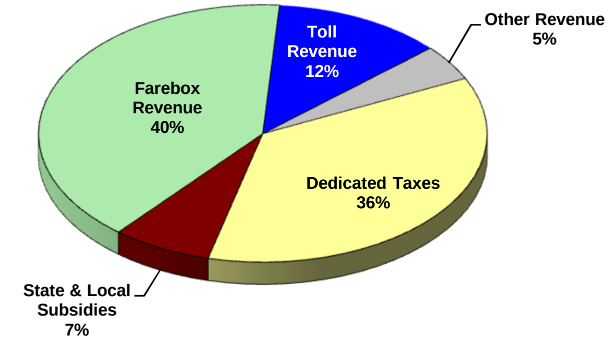
II. MTA Consolidated Financial Plan

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

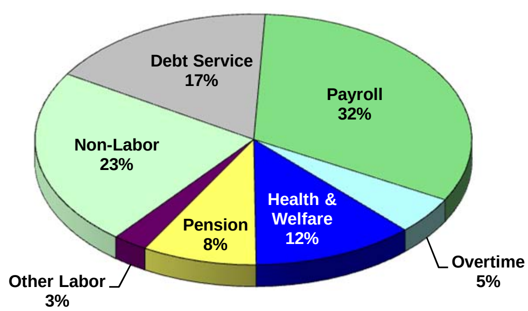
Where the Dollars Come From …



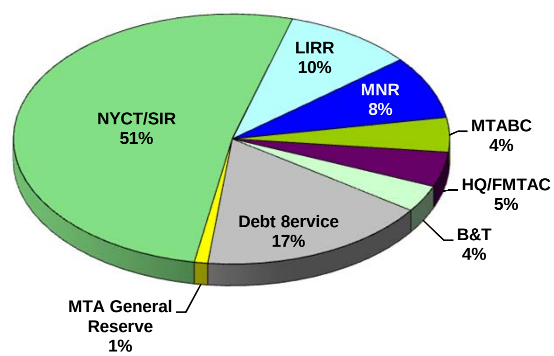
By Revenue Source ($ in millions)	
Farebox Revenue	$6,270
Toll Revenue	1,917
Other Revenue	702
Dedicated Taxes	5,627
State & Local Subsidies	1,125
Total [1]	**$15,641**

Where the Dollars Go …

By Expense Category



By MTA Agency



By Expense Category [2] includes below-the-line adjustments ($ in millions)	
Payroll	$5,017
Overtime	754
Health & Welfare	1,872
Pension	1,317
Other Labor	398
Non-Labor	3,575
Debt Service	2,666
MTA Below-the-Line Adjustments [3]	91
Total [1]	**$15,691**

By MTA Agency [2] includes below-the-line adjustments ($ in millions)	
NYCT/SIR	$8,060
LIRR	1,499
MNR	1,278
MTABC	696
HQ/FMTAC	704
B&T	542
Debt Service	2,666
MTA General Reserve	155
MTA Below-the-Line Adjustments [3]	91
Total [1]	**$15,691**

[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

July Financial Plan 2017-2020

MTA Consolidated Statement Of Operations By Category

($ in millions)

Line No.							
7	**Non-Reimbursable**		**Mid-Year**	**Preliminary**			
8		**Actual**	**Forecast**	**Budget**			
9		**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
10	***Operating Revenue***						
11	Farebox Revenue	$5,961	$6,028	$6,071	$6,114	$6,139	$6,175
12	Toll Revenue	1,809	1,865	1,862	1,863	1,877	1,885
13	Other Revenue	689	682	702	718	741	768
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	**Total Operating Revenue**	**$8,459**	**$8,574**	**$8,635**	**$8,696**	**$8,757**	**$8,828**
16							
17	***Operating Expense***						
18	**Labor Expenses:**						
19	Payroll	$4,696	$4,873	$5,017	$5,143	$5,255	$5,383
20	Overtime	755	749	754	764	776	793
21	Health & Welfare	1,050	1,155	1,264	1,348	1,443	1,544
22	OPEB Current Payment	502	556	608	653	708	767
23	Pensions	1,249	1,012	1,317	1,325	1,323	1,310
24	Other-Fringe Benefits	861	762	790	820	840	865
25	Reimbursable Overhead	(380)	(408)	(392)	(384)	(387)	(387)
26	**Sub-total Labor Expenses**	**$8,732**	**$8,698**	**$9,359**	**$9,670**	**$9,960**	**$10,275**
27							
28	**Non-Labor Expenses:**						
29	Electric Power	$474	$423	$524	$555	$588	$628
30	Fuel	162	126	152	160	178	200
31	Insurance	57	44	51	60	66	76
32	Claims	331	272	281	287	295	301
33	Paratransit Service Contracts	379	391	411	435	472	511
34	Maintenance and Other Operating Contracts	579	715	712	690	697	724
35	Professional Service Contracts	380	511	441	437	423	438
36	Materials & Supplies	543	628	627	632	632	660
37	Other Business Expenses	196	179	174	183	184	189
38	**Sub-total Non-Labor Expenses**	**$3,101**	**$3,287**	**$3,374**	**$3,440**	**$3,535**	**$3,727**
39							
40	**Other Expense Adjustments:**						
41	Other	$37	$53	$46	$47	$50	$51
42	General Reserve	0	145	155	160	165	170
43	**Sub-total Other Expense Adjustments**	**$37**	**$198**	**$201**	**$207**	**$215**	**$221**
44							
45	**Total Operating Expense before Non-Cash Liability Adj.**	**$11,871**	**$12,184**	**$12,934**	**$13,317**	**$13,709**	**$14,223**
46							
47	Depreciation	$2,443	$2,503	$2,581	$2,653	$2,722	$2,788
48	OPEB Liability Adjustment	1,490	1,848	1,939	2,008	2,081	2,158
49	GASB 68 Pension Expense Adjustment	(410)	172	(89)	(101)	(98)	(127)
50	Environmental Remediation	21	6	7	7	7	7
51							
52	**Total Operating Expense after Non-Cash Liability Adj.**	**$15,414**	**$16,712**	**$17,373**	**$17,884**	**$18,422**	**$19,049**
53							
54	Conversion to Cash Basis: Non-Cash Liability Adjs.	$3,543	$4,529	$4,439	$4,567	$4,713	$4,826
55							
56	Debt Service (excludes Service Contract Bonds)	(2,373)	(2,501)	(2,666)	(2,815)	(2,984)	(3,144)
57							
58	**Total Operating Expense with Debt Service**	**$14,244**	**$14,685**	**$15,600**	**$16,132**	**$16,693**	**$17,367**
59							
60	Dedicated Taxes and State/Local Subsidies	$6,609	$6,734	$6,793	$6,944	$7,107	$7,322
61							
62	**Net Surplus/(Deficit) After Subsidies and Debt Service**	**$824**	**$623**	**($172)**	**($493)**	**($829)**	**($1,217)**
63							
64	Conversion to Cash Basis: GASB Account	(0)	0	0	(8)	(19)	(30)
65	Conversion to Cash Basis: All Other	(674)	(630)	(275)	162	(61)	39
66							
67	**CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER**	**$150**	**($7)**	**($447)**	**($339)**	**($908)**	**($1,208)**
68	**ADJUSTMENTS**	**0**	**(273)**	**275**	**379**	**847**	**830**
69	**PRIOR-YEAR CARRYOVER**	**330**	**480**	**200**	**28**	**68**	**7**
70	**NET CASH BALANCE**	**$480**	**$200**	**$28**	**$68**	**$7**	**($371)**

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

Line No.		Actual	Mid-Year Forecast	Preliminary Budget			
7			Mid-Year	Preliminary			
8		Actual	Forecast	Budget			
9		2015	2016	2017	2018	2019	2020
10							
11	**Cash Balance Before Prior-Year Carry-over**	**$150**	**($7)**	**($447)**	**($339)**	**($908)**	**($1,208)**
12							
13	**Fare/Toll Increases:**						
14	*Fare/Toll Increase on 3/1/17 (4% Yield)*		-	*263*	*310*	*312*	*313*
15	*Fare/Toll Increase on 3/1/19 (4% Yield)*		-	-	-	*277*	*327*
16	*Subsidy Impacts of 2017/2019 Fare/Toll Increase*		-	*(10)*	*(9)*	*(19)*	*(18)*
17	**Sub-Total**		**$0**	**$253**	**$301**	**$570**	**$622**
18							
19	**MTA Initiatives:**						
20	*MTA Efficiencies - Not Yet Implemented*		-	*31*	*68*	*82*	*76*
21	*Additional MTA Efficiencies - Targeted in 2016 July Plan*		-	*50*	*100*	*150*	*200*
22	**Sub-Total**		**$0**	**$81**	**$168**	**$232**	**$276**
23							
24	**Policy Actions:**						
25	*Acceleration of Committed to Capital Contribution*		*(200)*	-	-	*150*	*50*
26	*Debt Service Savings from Acceleration of Contribution*		-	*12*	*12*	*12*	*3*
27	*Committed to Capital - Additional Funding from DS Savings*		*(84)*	*(81)*	*(108)*	*(121)*	*(134)*
28	*Committed to Capital - DS Savings from Acceleration of Contribution*		-	*(12)*	*(12)*	*(12)*	*(3)*
29	**Sub-Total**		**($284)**	**($81)**	**($108)**	**$29**	**($84)**
30							
31	**MTA Re-estimates:**						
32	*MTA Re-estimates*		*11*	*21*	*18*	*17*	*17*
33	**Sub-Total**		**$11**	**$21**	**$18**	**$17**	**$17**
34							
35	**TOTAL ADJUSTMENTS**		**($273)**	**$275**	**$379**	**$847**	**$830**
36							
37	*Prior-Year Carry-Over*	*330*	*480*	*200*	*28*	*68*	*7*
38							
39	**Net Cash Surplus/(Deficit)**	**$480**	**$200**	**$28**	**$68**	**$7**	**($371)**

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

Line No	Cash Receipts and Expenditures	Actual 2015	Mid-Year Forecast 2016	Preliminary Budget 2017	2018	2019	2020
10	**Receipts**						
11	Farebox Revenue	$6,001	$6,053	$6,096	$6,139	$6,164	$6,201
12	Other Operating Revenue	718	742	711	840	768	809
13	Capital and Other Reimbursements	1,863	1,955	1,866	1,848	1,857	1,848
14	**Total Receipts**	**$8,583**	**$8,750**	**$8,673**	**$8,828**	**$8,789**	**$8,858**
15							
16	**Expenditures**						
17	***Labor:***						
18	Payroll	$5,245	$5,386	$5,503	$5,613	$5,729	$5,856
19	Overtime	955	880	870	877	890	910
20	Health and Welfare	1,109	1,176	1,301	1,379	1,475	1,574
21	OPEB Current Payment	496	543	599	644	698	757
22	Pensions	1,285	1,382	1,365	1,371	1,369	1,356
23	Other Fringe Benefits	795	823	837	859	875	897
24	Contribution to GASB Fund	0	0	0	8	19	30
25	Reimbursable Overhead	0	0	(0)	(0)	(0)	(0)
26	**Total Labor Expenditures**	**$9,886**	**$10,190**	**$10,475**	**$10,751**	**$11,055**	**$11,379**
27							
28	***Non-Labor:***						
29	Electric Power	$485	$419	$518	$548	$581	$620
30	Fuel	165	123	149	157	173	194
31	Insurance	58	40	48	58	65	73
32	Claims	269	248	269	239	248	255
33	Paratransit Service Contracts	381	389	409	433	470	509
34	Maintenance and Other Operating Contracts	522	681	646	590	594	618
35	Professional Service Contracts	314	575	443	432	411	416
36	Materials & Supplies	727	744	753	770	769	800
37	Other Business Expenditures	213	194	208	221	205	205
38	**Total Non-Labor Expenditures**	**$3,133**	**$3,412**	**$3,442**	**$3,449**	**$3,515**	**$3,691**
39							
40	***Other Expenditure Adjustments:***						
41	Other	$33	$138	$125	$158	$113	$120
42	General Reserve	0	145	155	160	165	170
43	**Total Other Expenditure Adjustments**	**$33**	**$283**	**$280**	**$318**	**$278**	**$290**
44							
45	**Total Expenditures**	**$13,052**	**$13,885**	**$14,197**	**$14,518**	**$14,848**	**$15,360**
46							
47	**Net Cash Deficit Before Subsidies and Debt Service**	**($4,469)**	**($5,135)**	**($5,524)**	**($5,691)**	**($6,059)**	**(6,502)**
48							
49	Dedicated Taxes and State/Local Subsidies	$6,357	$6,956	$7,046	$7,456	$7,386	$7,658
50	Debt Service (excludes Service Contract Bonds)	($1,738)	($1,828)	($1,969)	($2,105)	($2,236)	(2,364)
51							
52	**CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER**	**$150**	**($7)**	**($447)**	**($339)**	**($908)**	**($1,208)**
53	**ADJUSTMENTS**	**0**	**(273)**	**275**	**379**	**847**	**830**
54	**PRIOR-YEAR CARRY-OVER**	**330**	**480**	**200**	**28**	**68**	**7**
55	**NET CASH BALANCE**	**$480**	**$200**	**$28**	**$68**	**$7**	**($371)**

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2017-2020
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
($ in millions)

	Favorable/(Unfavorable)			
	2016	**2017**	**2018**	**2019**
FEBRUARY FINANCIAL PLAN 2016-2019 NET CASH SURPLUS/(DEFICIT)	**$121**	**$3**	**$3**	**($257)**
Agency Baseline Adjustments	**$99**	**($231)**	**($55)**	**($86)**
Farebox/Toll Revenue	*11*	*(3)*	*(12)*	*(12)*
Rates:	-	-	-	-
Pension (Cash)	*(71)*	*(87)*	*(102)*	*(86)*
Health & Welfare (includes retirees) [1]	*29*	*(24)*	*(23)*	*(28)*
Energy	*135*	*41*	*59*	*69*
Insurance	*11*	*9*	*7*	*10*
MTA Relocation Adjustments [2]	*(18)*	*(100)*	*96*	*(15)*
Other Baseline Re-estimates (includes timing) [3]	*1*	*(67)*	*(80)*	*(23)*
New Needs/Investments	**($112)**	**($100)**	**($139)**	**($108)**
Customer Amenities/Priority Initiatives	*(50)*	*(47)*	*(34)*	*(26)*
Maintenance/Operations	*(13)*	*0*	*(46)*	*(38)*
Information Technology	*(34)*	*(16)*	*(19)*	*(5)*
Service Adjustments/Service Support	*(8)*	*(14)*	*(17)*	*(18)*
Safety & Security	*0*	*(10)*	*(13)*	*(11)*
All Other New Needs	*(8)*	*(13)*	*(11)*	*(11)*
Savings Programs	**$101**	**$63**	**$77**	**$80**
2016 BRP (New Savings Programs)	*101*	*63*	*77*	*80*
MTA Adjustments	**$5**	**$0**	**$0**	**$0**
General Reserve	*5*	-	-	-
Subsidies	**$5**	**$97**	**$9**	**$2**
Metropolitan Mass Transportation Operating Assistance	*(0)*	*(28)*	*(30)*	*(45)*
Petroleum Business Tax	*11*	*11*	*9*	*5*
Real Estate Taxes	*47*	*18*	*(11)*	*(43)*
Payroll Mobility Tax	*6*	*(14)*	*(9)*	*(9)*
Other Subsidy Adjustments:	-	-	-	-
Forward Energy Contracts	*(29)*	*(1)*	*0*	-
Committed to Capital: 2010-2014 Capital Program	-	-	-	*8*
Committed to Capital: 2015-2019 Capital Program	-	-	-	*(8)*
Other Funding Agreements	*(100)*	*83*	*29*	*57*
B&T Operating Surplus Transfer	*70*	*32*	*28*	*37*
Other Subsidies	*1*	*(5)*	*(6)*	*(1)*
Debt Service	**$142**	**$208**	**$235**	**$214**
Savings from lower unhedged variable rate	*48*	-	-	-
Refunding savings	*10*	*28*	*26*	*21*
Savings from lower interest rates on new money bonds	*4*	*15*	*30*	*48*
Savings from Hudson Yards lease securitization	*12*	*37*	*51*	*51*
Delayed issuance of new money bonds	*69*	*127*	*127*	*93*
Below-the-Line Adjustments	**($346)**	**($91)**	**($87)**	**$97**
Fare and Toll Increases		*2*	*(0)*	*1*
MTA Initiatives				
MTA Efficiencies identified and captured in this Plan	*(73)*	*(83)*	*(97)*	*(100)*
Additional MTA Efficiencies - Targeted in 2016 July Plan	*0*	*50*	*100*	*150*
Policy Actions				
Acceleration of Committed to Capital Contribution	*(200)*	*0*	*0*	*150*
Debt Service Savings from Acceleration of Contribution	*0*	*12*	*12*	*12*
Committed to Capital - Additional Funding from DS Savings	*(84)*	*(81)*	*(108)*	*(121)*
Committed to Capital - DS Savings from Acceleration	*0*	*(12)*	*(12)*	*(12)*
MTA Re-estimates	*11*	*21*	*18*	*17*
Prior-Year Carryover	**$185**	**$78**	**$25**	**$65**
JULY FINANCIAL PLAN 2017-2020 NET CASH SURPLUS/(DEFICIT)	**$200**	**$28**	**$68**	**$7**

* ***Totals may not add due to rounding***

[1] *Health & Welfare was adjusted to eliminate duplicated savings within the line "2016 BRP (New Savings Program)."*

[2] *Changes in recoveries from the disposition of the Madison Avenue buildings.*

[3] *Changes capture timing differences, including changes in reimbursable assumptions, revised inflation forecasts and adjustments for operating capital and cash.*

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

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2017-2020
Consolidated Subsidies
Cash Basis
($ in millions)

Subsidies	Actual 2015	Mid-Year Forecast 2016	Preliminary 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	609.2	598.9	593.1	590.3	587.9
Mortgage Recording Tax (MRT)	430.6	450.3	447.1	457.8	473.4	486.0
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	877.1	819.3	796.8	796.8	831.2
Investment Income	1.1	1.1	1.2	1.2	1.2	1.2
	$3,520.9	**$3,573.0**	**$3,577.0**	**$3,638.9**	**$3,712.5**	**$3,835.2**
PMT and MTA Aid						
Payroll Mobility Tax	$1,316.9	$1,363.0	$1,424.0	$1,490.0	$1,557.8	$1,627.0
Payroll Mobility Tax Replacement Funds	309.3	311.3	311.3	311.3	311.3	311.3
MTA Aid	284.8	291.1	291.1	291.1	291.1	291.1
	$1,910.9	**$1,965.4**	**$2,026.4**	**$2,092.4**	**$2,160.2**	**$2,229.4**
State and Local Subsidies						
State Operating Assistance	$187.9	$187.9	$187.9	$187.9	$187.9	$187.9
Local Operating Assistance	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)	(52.2)	(2.0)	0.2	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)	**($386.2)**	**($439.1)**	**($61.0)**	**($246.4)**	**($155.3)**
Subtotal Dedicated Taxes & State and Local Subsidies	***$5,016.5***	***$5,692.2***	***$5,708.4***	***$6,218.7***	***$6,179.1***	***$6,465.5***
Other Funding Agreements						
City Subsidy for MTA Bus Company	$438.3	$418.9	$531.2	$465.9	$480.5	$488.1
City Subsidy for Staten Island Railway	33.4	36.1	59.0	50.6	40.2	43.6
CDOT Subsidy for Metro-North Railroad	129.0	106.0	112.1	119.8	123.1	131.3
	$600.6	**$561.0**	**$702.3**	**$636.3**	**$643.8**	**$663.0**
Total Dedicated Taxes & State and Local Subsidies	***$5,617.1***	***$6,253.2***	***$6,410.7***	***$6,855.0***	***$6,822.9***	***$7,128.4***
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	$740.1	$702.7	$634.9	$601.3	$563.4	$529.1
	$740.1	**$702.7**	**$634.9**	**$601.3**	**$563.4**	**$529.1**
GROSS SUBSIDIES	**$6,357.2**	**$6,955.8**	**$7,045.6**	**$7,456.3**	**$7,386.3**	**$7,657.5**

METROPOLITAN TRANSPORTATION AUTHORITY
Summary of Changes Between the July and February Financial Plans
Consolidated Subsidies

Cash Basis

($ in millions)

	2016	2017	2018	2019
Subsidies				
Dedicated Taxes				
Metropolitan Mass Transportation Operating Assist (MMTOA)	($0.0)	($28.0)	($30.0)	($45.3)
Petroleum Business Tax (PBT) Receipts	11.4	5.4	2.4	3.5
Mortgage Recording Tax (MRT)	3.3	(16.6)	(23.9)	(25.6)
MRT Transfer to Suburban Counties	0.1	0.0	0.0	0.0
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	44.0	35.0	12.5	(17.2)
Investment Income	0.0	0.0	0.0	0.0
	$58.7	**($4.2)**	**($39.0)**	**($84.7)**
PMT and MTA Aid				
Payroll Mobility Tax	$5.7	($13.7)	($8.8)	($8.6)
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0
MTA Aid	0.0	0.0	0.0	0.0
	$5.7	**($13.7)**	**($8.8)**	**($8.6)**
State and Local Subsidies				
State Operating Assistance	$0.0	$0.0	$0.0	$0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0
Station Maintenance	0.2	0.2	0.2	0.2
	$0.2	**$0.2**	**$0.2**	**$0.2**
Other Subsidy Adjustments				
Resource to Reduce Pension Liability	$0.0	$0.0	$0.0	$0.0
Reserve for Retroactive Payments	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	0.0	0.0	0.0	0.0
Forward Energy Contracts Program - Gain/(Loss)	(29.2)	(0.5)	0.2	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	0.0	0.0	0.0	0.0
Committed to Capital: 2010-2014 Capital Program	0.0	0.0	0.0	7.5
Committed to Capital: 2015-2019 Capital Program	0.0	0.0	0.0	(7.5)
	($29.2)	**($0.5)**	**$0.2**	**$0.0**
Subtotal Dedicated Taxes & State and Local Subsidies	***$35.4***	***($18.2)***	***($47.4)***	***($93.0)***
Other Funding Agreements				
City Subsidy for MTA Bus Company	($78.5)	$83.4	$23.7	$60.4
City Subsidy for Staten Island Railway	(5.5)	3.8	8.1	3.9
CDOT Subsidy for Metro-North Railroad	(16.0)	(3.8)	(3.2)	(6.8)
	($100.0)	**$83.4**	**$28.5**	**$57.5**
Total Dedicated Taxes & State and Local Subsidies	***($64.6)***	***$65.2***	***($18.9)***	***($35.6)***
Inter-agency Subsidy Transactions				
B&T Operating Surplus Transfer	$70.1	$32.0	$28.1	$37.4
	$70.1	**$32.0**	**$28.1**	**$37.4**
GROSS SUBSIDIES	**$5.5**	**$97.2**	**$9.2**	**$1.8**

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III. Adjustments

Fare/Toll Increases

Fare and Toll Increase on 3/1/17 – An increase in fares and tolls, yielding a 4% increase in farebox and toll revenues, is assumed for implementation on March 1, 2017 and is projected to generate an annualized increase of $308 million in MTA consolidated farebox and toll revenues. Consolidated farebox and toll revenues are expected to increase by $263 million in 2017, $310 million in 2018, $312 million in 2019 and $313 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 $253 million in 2017, $301 million in 2018, $303 million in 2019 and $304 million in 2020. These net projections, compared with the February Plan, are higher by $2 million in 2017 and unchanged for 2018 and 2019.

Fare and Toll Increase on 3/1/19 – An increase in fares and tolls, yielding a 4% overall increase in farebox and toll revenues, is assumed for implementation on March 1, 2019 and is projected to generate a $325 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 $327 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 $267 million in 2019, which is $2 million higher than the estimate in the February Plan, and $317 in 2020.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions

Including the Impact of Fare & Toll Yield Increases

		Mid-Year Forecast 2016	Preliminary Budget 2017	2018	2019	2020
Fare Revenue						
Long Island Rail Road	Baseline	$710.233	$713.088	$715.297	$716.879	$718.383
	2017 Fare Yield	0.000	24.384	28.612	28.675	28.735
	2019 Fare Yield	0.000	0.000	0.000	25.494	29.885
		$710.233	**$737.472**	**$743.909**	**$771.048**	**$777.003**
Metro-North Railroad [1]	Baseline	$699.718	$716.158	$724.506	$729.685	$735.310
	2017 Fare Yield	0.000	19.422	22.934	23.084	23.249
	2019 Fare Yield	0.000	0.000	0.000	21.334	25.127
		$699.718	**$735.581**	**$747.440**	**$774.103**	**$783.686**
MTA Bus Company [2]	Baseline	$210.479	$210.742	$211.627	$212.013	$212.896
	2017 Fare Yield	0.000	7.185	8.465	8.481	8.516
	2019 Fare Yield	0.000	0.000	0.000	7.518	8.856
		$210.479	**$217.927**	**$220.092**	**$228.011**	**$230.268**
New York City Transit [3]	Baseline	$4,400.461	$4,424.285	$4,455.873	$4,473.421	$4,501.624
	2017 Fare Yield	0.000	147.771	175.295	175.997	177.125
	2019 Fare Yield	0.000	0.000	0.000	155.319	184.094
		$4,400.461	**$4,572.056**	**$4,631.168**	**$4,804.737**	**$4,862.843**
Staten Island Railway [2]	Baseline	$6.674	$6.699	$6.757	$6.785	$6.837
	2017 Fare Yield	0.000	0.228	0.270	0.271	0.273
	2019 Fare Yield	0.000	0.000	0.000	0.240	0.284
		$6.674	**$6.927**	**$7.027**	**$7.297**	**$7.395**
Total Farebox Revenue	*Baseline*	*$6,027.565*	*$6,070.972*	*$6,114.060*	*$6,138.783*	*$6,175.050*
	2017 Fare Yield	*0.000*	*198.990*	*235.576*	*236.508*	*237.898*
	2019 Fare Yield	*0.000*	*0.000*	*0.000*	*209.905*	*248.247*
		$6,027.565	***$6,269.963***	***$6,349.636***	***$6,585.196***	***$6,661.195***
Toll Revenue						
Bridges & Tunnels [4]	Baseline	$1,864.846	$1,862.488	$1,863.398	$1,877.125	$1,884.721
	2017 Toll Yield	0.000	64.246	74.536	75.085	75.389
	2019 Toll Yield	0.000	0.000	0.000	67.341	78.404
		$1,864.846	**$1,926.734**	**$1,937.934**	**$2,019.551**	**$2,038.514**
TOTAL FARE & TOLL REVENUE						
	Baseline	$7,892.411	$7,933.460	$7,977.458	$8,015.908	$8,059.771
	2017 Fare/Toll Yield	*0.000*	*263.237*	*310.112*	*311.593*	*313.287*
	2019 Fare/Toll Yield	*0.000*	*0.000*	*0.000*	*277.246*	*326.651*
		$7,892.411	***$8,196.697***	***$8,287.570***	***$8,604.748***	***$8,699.710***

[1] Metro-North Railroad baseline utilization reflects East-of-Hudson service only; impacts from fare yield 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 Initiatives

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. The actual realized savings exceeded the original target for 2014 by 41%, reaching $1.109 billion.

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. Until 2013, it was assumed that 7.5% biennial fare and toll yield increases would be required to maintain budgetary balance. As a result of the substantial increase in targeted savings efficiencies, the 2015 fare and toll increase was lowered to 4% and proposed increases for 2017 and 2019 are projected to yield 4%. The MTA is committed to continuing its program of identifying efficiencies that result in overall recurring savings for the organization.

<u>MTA Efficiencies – Not Yet Implemented</u> – The February Plan included unidentified savings targets of $73 million in 2016, $115 million in 2017, $165 million in 2018 and $182 million in 2019. This July Plan has identified additional efficiencies totaling $113 million in 2016 – exceeding the targeted unidentified savings of $73 million – along with additional efficiencies of $83 million in 2017, $97 million in 2018, $100 million in 2019, and $102 million in 2020. Most of these efficiencies are incorporated within Agency baseline financials, with some impact reflected below the line in MTA re-estimates. Remaining unidentified savings targets in the July Plan total $31 million in 2017, $68 million in 2018, $82 million in 2019 and $76 million in 2020.

<u>Additional MTA Efficiencies – Targeted in the July 2016 Plan</u> – In this Plan, future savings targets are being increased by an incremental $50 million per year starting in 2017 with savings from these new targets growing to $200 million in 2020.

With these changes, this Plan captures cumulative implemented efficiencies of $1.316 billion for 2015 growing to $1.945 billion by 2020. Unidentified savings targets remaining after savings have been put in place, together with the additional targets proposed in this Plan, total $81 million in 2017, $168 million in 2018, $232 million in 2019 and $276 million in 2020.

Policy Actions

<u>Acceleration of Committed to Capital Contribution</u> – Favorable timing and other re-estimates increased the projected 2016 cash balance from the February Plan projections. The MTA, therefore, will use $200 million of 2016 operating funds to accelerate a portion of its planned future Committed to Capital contributions; this acceleration will effectively lower debt service payments over the Plan period. This acceleration into 2016 will 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 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.

Committed to Capital – Additional Funding from DS Savings - As proposed in prior Plans, whenever possible, the MTA utilizes favorable debt service savings to provide Pay-As-You-Go ("Pay-Go") funding for the Capital Program. With this Plan, the MTA is using debt service savings from lower interest rates (both realized and projected) and also debt service savings from the Hudson Yards lease securitization project. Total contributions to the Capital Program from these savings will total $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 are also being utilized to provide Pay-Go funding for the Capital Program. Total contributions to the Capital Program from these savings will amount to $12 million per year from 2017 to 2019 and $3 million for 2020.

MTA Re-estimates – Included in this Plan are some additional efficiencies and re-estimates that became available after the Agencies had completed their Plan submissions and total $11 million in 2016, $21 million in 2017, $18 million in 2018 and $17 million in 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: July 22, 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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