



Changing the MTA Fiscal Year

MTA Finance Committee
March 25, 2019



Commissioner Vanterpool's Resolution

“Whereas, the misalignment of the state, city and MTA budget cycles causes MTA board members to vote on the agency’s annual budget without knowledge of level of MTA aid in upcoming state and city budgets;

Whereas, the misalignment of the MTA budget cycle and the fare increase vote timeline causes MTA board members to vote on budgets that assume revenues from fare increases that have yet to be considered by the board;

Whereas, changes to the MTA budget cycle and fare increase vote timeline would enable board members to better understand the full financial outlook of the MTA, to consider fare increases at the same time as the annual operating budget, and to better exercise their fiduciary duty.”

“ Resolved that Article V of MTA Board by-laws shall be revised so that:

1. The MTA operating budget fiscal year will be July 1 to June 30, with presentation of the financial plan and operating budget to the board at the May board meeting and a board vote on the financial plan and operating budget at the June board meeting.
2. The MTA will adopt a one-time six-month budget from January through June 2020 to facilitate the transition to the authority’s new fiscal year.
3. The MTA will vote upon regular biennial fare increase proposals in June as part of the annual operating budget, starting in June 2020. The board will retain the ability to vote on fare increases outside of the budget cycle in the event of financial necessity.”



Timing Considerations

- A July 1 fiscal year start would require Board adoption of the Budget prior to the City budget being finalized (June).
- To align the MTA fiscal year with both the State and City fiscal years, the approval of the MTA Budget would be scheduled for July after the City's budget is passed in June, with the commencement of the fiscal year in August 1.
- If the Board approved fare/toll increases at the time of budget adoption in July, fare increases would go into effect in September.
- To accomplish this schedule, the Board would need to authorize public notice and hearings in May, and hold public hearings in June. Outside parameters of the fare/toll alternatives would have to be published before the public hearings in June.



Impact of State and City Budgets on MTA's Budget and Financial Plans

- The State Budget has more impact on the MTA Budget and Financial Plan than the City Budget.
 - Most City subsidies are either fixed or formulaic.
 - Most State subsidies are from dedicated taxes that are based on economic activity.
 - MTA's Budget is largely based on forecasts of dedicated tax revenues and estimated State appropriations, and is revised after the adoption of the State Budget for the current and subsequent year.
- More than half of State Dedicated Tax revenues are not subject to State appropriation: PMT (\$1,839 million); MRT (\$454 million); FHV Surcharge (\$342 million); MTA Aid (\$308 million).
- The only remaining risk is MMTOA. MTA has never received less in the adopted State Budget than was included in the Executive Budget in mid-January.
- MTA Budget staff have frequent dialogue with State and City budget staff so “surprises” are rare.
- The MTA has an annual cycle with at least three Financial Plans, and any subsidy changes are reflected in the next Plan.
- Modifications to Budgets have been accommodated and revisions to Financial Plans have not entailed significant budget staff effort.



Implications on Revenue Anticipation Notes

- MTA last issued RANs to the public (\$475 million) in March 2010.
- Currently, MTA has a \$700 million revolving line of credit RAN facility through JPMorgan, which expires in August 2022.
- MTA Finance believes that a change in fiscal year would not affect our ability to structure, market or favorably price publicly sold RANs.



Fare Increase Considerations

- Since 2010, MTA has projected biennial fare/toll increases in its Budgets and Financial Plans four years in advance of anticipated implementation dates, and the Board has implemented fare/toll increases at or below the levels projected.
- Since 2015, MTA has projected and implemented biennial increases of approximately 4 percent (equivalent to 2% per year, approximating inflation).
- The continuation of this approach is specified in the joint “10-Point Plan” communicated by the Governor and Mayor in February as the expected means of covering the MTA’s operating expenses.



Data Comparability Considerations

- MTA financial and operational information is included in annual reports, budgets, investor research reports, rating agency reports and Federal databases.
- This information is important for trend and comparative analyses, and is used by government entities, including the State Comptroller, and other government stakeholders, rating agencies, investors, “good government” organizations, journalists and others.
- To create a comparable historical database based upon on a new fiscal year, the MTA would need to expend significant resources to recast the data.



Implementation Costs Are Estimated to be \$7.5 Million to \$9.2 Million

Technology Updates

Hyperion Budget System

\$3.00 Million

Peoplesoft

\$3.00 Million

\$6.00 Million

Audit Fees/Actuary Reports

Audit Fees, Additional "Stub Period" to Align with new FY

\$1.00 Million to \$2.40 Million

Acturay Reports, GASB/OPEB Requirements

\$0.50 Million to \$0.75 Million

\$1.50 Million to \$3.15 Million



Cost of 6-Month Delay in Fare/Toll Increase Implementation

- With an August 1 fiscal year, Board approval of fare/toll increases will likely occur in July, with increases effective in September.
- A six-month delay – from March to September – in the implementation of the proposed 2021 fare/toll increase would result in a reduction of revenue in 2021 of \$168 million.



Customers Would Cover the Revenue Loss Through Larger Increases Or Earlier Implementation Dates

(dollars in millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	
Current Assumptions				
2021 Fare/Toll Increase @ 4% in March	0.000	280.410	328.882	609.292

Proposed Fiscal Year Cycle				
2021 Fare/Toll Increase @ 4% in September	0.000	112.259	328.882	441.140
Difference	0.000	(168.152)	0.000	(168.152)

Alternative 1				
2021 Fare/Toll Increase @ 5.5% in September ¹	0.000	154.356	452.212	606.568
Difference	0.000	(126.055)	123.331	(2.724)

¹ September 2023 increase would be 3.0%

Alternative 2				
2021 Fare/Toll Increase @ 6.35% in November ²		47.734	559.099	606.833
Difference	0.000	(232.676)	230.217	(2.459)

² Assuming Board authorizes notices and public hearings when budget is adopted.
November 2023 increase would be 2.1%

Alternative 3				
2020 Fare/Toll Increase @ 2% in September	56.151	164.265	164.441	
2021 Fare/Toll Increase @ 2% in September	0.000	57.210	167.606	
Total	56.151	221.474	332.047	609.672
Difference	56.151	(58.936)	3.165	0.380



Appendix



Fiscal Years of Other Public Authorities

December 31

Erie County Fiscal Stability Authority
Erie County Medical Center Corp
Metropolitan Transportation Authority
Nassau County Interim Finance Authority
Nassau Health Care Corporation

New York City Housing Development Corporation
New York Power Authority
New York State Thruway Authority
Westchester County Health Care Corporation

March 31

Environmental Facilities Corporation
New York State Dormitory Authority
New York State Energy Research and Development Authority
New York State Urban Development Corporation

Niagara Frontier Transportation Authority
Roswell Park Cancer Institute Corporation
State University Construction Fund

June 30

Buffalo Fiscal Stability Authority
New York City Economic Development Corporation
New York City Health & Hospitals Corporation
New York City Municipal Water Finance Authority

New York City School Construction Authority
New York City Transitional Finance Authority
New York City Water Board
STAR (Sales Tax Asset Receivable) Corporation

October 31

Battery Park City Authority

Tobacco Settlement Financing Corporation

Public Authorities with annual expenditures over \$250 million



Financial Plan Adjustments after December Budget Adoption

2012	February Plan	No Net Impact: lower PMT from legislative change, offset by increased PMT Replacement Funds.
	July Plan	No Changes.
2013	February Plan	No Changes.
	July Plan	No Changes.
2014	February Plan	No Changes.
	July Plan	No Changes.
2015	February Plan	No Net Impact: Shift of MMTOA funds from Operating to Capital, and corresponding change in Committed to Capital contribution from the Operating Budget.
	July Plan	No Changes.
2016	February Plan	1. No Net Impact: The shift of MMTOA funds from Operating to Capital - along with the corresponding change in Committed to Capital contribution - that took place in the 2015 February Plan was assumed to continue. The Executive Budget did not include this action again, so the shift was reversed. 2. \$36 million reduction: MMTOA appropriation was unchanged from prior year, but was \$36 million less than the MTA had projected in the Adopted Budget.
	July Plan	No Changes.
2017	February Plan	While the Executive Budget increased support to the MTA by \$30 million compared with the prior State Budget, projections were less than in the MTA Adopted Budget, by \$75 million for MMTOA and \$67 million for PMT/PMT Replacement. As partial offsets, PBT forecasts were \$9 million higher and MTA Aid was \$8 million higher.
	July Plan	No Net impact: Additional \$65 million appropriation to Capital; corresponding PAYGO reprogrammed to Operating.
2018	February Plan	MTA reduced MMTOA projections in the financial plan to align with State projections, reducing 2018 by \$61 million and 2019 by \$133 million. Additionally minor MTA Aid and PBT changes resulted in a net favorable change of \$4 million.
	July Plan	Establishment of FHV surcharge, providing new funds for SAP and outer borough transportation projects.
2019	February Plan	Reduced revenues from FHV surcharge to reflect delayed implementation.