

MTA 2010 Preliminary Budget July Financial Plan 2010 – 2013



Volume 1

July 2009



Metropolitan Transportation Authority

**MTA 2010 PRELIMINARY BUDGET
JULY FINANCIAL PLAN 2010-2013
VOLUME 1**

The MTA's July Plan is divided into two volumes. Volume 1 includes financial and headcount schedules supporting the complete MTA-Consolidated Financial Plan, including the baseline and the below-the-line Gap-Closing and Policy Actions. Volume 1 also includes descriptions of the below-the-line actions as well as the Letter by the Executive Director and the required Executive Director Certification.

Volume 2 includes MTA-Consolidated financial and headcount schedules as well as narratives that support the baseline projections included in the 2010 Preliminary Budget and the Financial Plan for 2010 through 2013. Also included are the Agency sections which incorporate descriptions of Agency Programs, supporting baseline tables and details regarding proposed Agency PEG's. Volume 2 also includes required information related to the MTA Capital Program.

TABLE OF CONTENTS

VOLUME 1

I. Introduction

Letter from the Interim Executive Director.....	I-1
Memorandum from the Chief Financial Officer.....	I-3

II. MTA Consolidated 2009-2013 Financial Plan

2009-2013 Financial Plan: Statement of Operations by Category.....	II-1
2009-2012 Reconciliation to February Plan.....	II-4

III. Policy Actions..... III-1

IV. Gap Closing Programs

Internal Actions.....	IV-1
Total Positions (Headcount).....	IV-10
External Actions.....	IV-11
Fare/Toll.....	IV-11

V. Cash Management Actions..... V-1

VI. Appendix

Executive Director Certification.....	VI-1
---------------------------------------	------

I. Introduction



Metropolitan Transportation Authority

State of New York

July 29, 2009

Dear Chairman Hemmerdinger and Members of the MTA Board:

It is my pleasure to present the July 2009 Financial Plan. These documents reflect dramatic changes since we presented the February Plan, due largely to the Legislature's passage of historic legislation to stabilize the MTA's short-term finances. We owe a debt of gratitude to Governor Paterson and the Legislature for making an unprecedented commitment to transit in difficult fiscal times. As a result, this plan meets the MTA's financial obligations without many of the painful measures considered earlier this year.

Attached to this cover letter is a memo from Chief Financial Officer Gary Dellaverson that details recent impacts on our budget and provides an in-depth overview of the Financial Plan, which includes the 2010 Preliminary Budget, the 2009 Mid-Year Forecast and the proposed Four-Year Financial Plan for 2010-2013. Some key aspects of the plan include:

- As promised to the Governor and Legislature, the 2010 budget includes no service cuts or fare increases. The Plan projects cash balances of \$29 million in 2009, \$39 million in 2010 and \$1 million in 2011. Manageable deficits are projected for 2012 and 2013.
- The Financial Plan includes significant spending restraints, building on the substantial expense reduction taken in 2009 to save \$64 million in 2010. These savings grow to \$279 million by 2013.
- The sluggish economy continues to have a direct impact on the MTA's finances. The Financial Plan recognizes continued falloff in real estate tax revenue and ridership. On the positive side, inflation is expected to remain very low in 2009.
- As discussed with our partners in Albany, the Plan includes 7.5% fare increases in both 2011 and 2013.

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Long Island Bus
MTA Metro-North Railroad

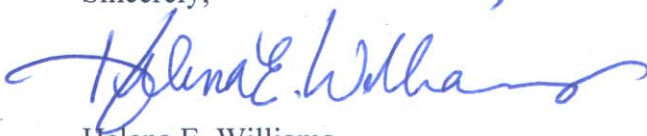
MTA Bridges and Tunnels
MTA Capital Construction

MTA Bus Company

Chairman Hemmerdinger and Members of the MTA Board
July 29, 2009
Page 2

As you know, the release of the July plan is just the start of six months of public discussion. I look forward to engaging in a productive dialogue with each of you and our customers before the final plan is presented for your consideration at the end of the year.

Sincerely,

A handwritten signature in blue ink, appearing to read "Helena E. Williams", with a stylized flourish at the end.

Helena E. Williams
Interim Executive Director



Metropolitan Transportation Authority

State of New York

Date: July 29, 2009
To: Chairman Hemmerdinger and MTA Board Members
From: Gary J. Dellaverson
Re: July 2009 Financial Plan

Presented to you for your consideration is the 2009 Mid-Year Forecast, the Preliminary Budget for 2010, and the proposed Four-Year Financial Plan for 2010-2013. As all of us are aware, this Plan is vastly improved from the February Financial Plan. At that time the MTA was facing dramatic revenue reductions resulting from a collapsing real estate market and an economy in world-wide recession. Let me begin by summarizing the events which have transpired since the February Plan, including the actions taken by the Governor and the New York State Legislature that resulted in significant new revenue streams in support of MTA Operating and Capital needs.

2009 Developments

The February Financial Plan was constructed with the hope that the MTA would receive financial assistance from New York State either through solutions advocated by the Ravitch Commission appointed by Governor Paterson, or some suitable replacement. The MTA, however, could not assume funding from new external sources and was required by law to present to the Board a Plan that would provide solutions for its funding shortfalls within the ambit of its own authority: fare increases and expense reductions.

The February Plan (actually adopted by the Board last December), therefore, included a number of very significant deficit reduction measures necessary to achieve a balanced 2009 budget and reduced budget gaps thereafter. These included a June 2009 increase in fare and toll yields of 23% and Additional Actions for Budget Balance (AABBs), including service reductions, totaling \$277 million in 2009 and over \$400 million in 2010 and the out-years. These were on top of actions that had already been taken or proposed, including the 2009 PEG Program, additional administrative reductions, loans and the assumption that our workforce would agree to lower wage increases. While this Plan technically achieved budgetary balance, the margin was very thin, projecting a closing cash balance of only \$49 million in 2009 and sizable deficits in 2010 and beyond.

On March 25th, with the State Legislature and Governor unable to reach agreement on the Ravitch Commission proposals or alternative funding plans, the MTA Board approved those fare/toll increases as well as the service reduction AABBs that were included in the February Financial Plan.

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Long Island Bus
MTA Metro-North Railroad

MTA Bridges and Tunnels
MTA Capital Construction

MTA Bus Company

While negotiations for financial assistance were on-going with the State Legislature, MTA finances were weakening further because of severe reductions in real estate and subsidy cash receipts. Employment numbers in the region were dropping further, which was having an adverse impact on toll and passenger revenue. Moreover, the MTA was advised by the State in April that projections of dedicated tax collections for MTA's current fiscal year could be as much as \$200 million lower than those amounts appropriated in the State's enacted budget (and assumed in the February Financial Plan). Based on these changes, the MTA issued a revised forecast on April 27th informing the MTA Board that, even with the large fare/toll increases and service reductions, projected deficits were anticipated for 2009 and 2010 that approximated \$600 million and \$1.0 billion, respectively.

In response to this condition and with no financial assistance in sight at that time, the then-Executive Director issued a "hard freeze" directive in April that further restricted spending by implementing a hiring freeze, and eliminating non-essential overtime, travel and purchases. Moreover, the MTA developed an additional set of guidelines that were called the "May Actions". These actions were designed to reduce operating expenses further, by an additional 10%, and included proposals for large service reductions. On April 29th, 2009 the MTA Board approved, on a temporary basis, an amendment to revise the budget and reporting procedures applicable to the MTA and all of its operating agencies for the 2010 budget process. The intent of this was to allow the MTA 18 months to achieve a solution. This amended procedure would have resulted in the formulation of a May Financial Plan that would have included those "May Actions" described above.

Financial Assistance Arrives

Fortunately, relief did arrive as a result of some very hard work on the part of the Governor's office, the State Legislature and the MTA. On May 7th, 2009, legislation was enacted providing additional sources of revenue to address the financial needs of the MTA through the imposition of taxes and fees within the Metropolitan Commuter Transportation District (MCTD). These new sources of revenue are projected to provide an additional \$1.1 billion to MTA for calendar year 2009 and an additional \$1.9 billion to MTA in calendar year 2010.

With this additional revenue secured, the MTA Board held a special meeting on May 11th to rescind the 23% fare/toll yield increase and to adopt an increase of a much more modest 10%. On May 27th, the Board voted to restore the planned reductions to scheduled service that were included in the AABB list, while leaving in place other deficit reducing actions contained in the February Financial Plan. At that time, the Board also voted to rescind the modified budgeting procedures and revert back to the normal schedule which includes the July Financial Plan being discussed today. On June 1st, the "hard freeze" was rescinded. The Board approved restorations that totaled \$121 million in 2009 and \$223 million in 2010. Maintained AABBs (slightly modified) total \$147 million in 2009 and \$202 million in 2010 and are captured in the July Financial Plan baseline and are on top of the 2009 PEG Program that contained savings of approximately \$90 million per year. Thus, the combined 2009 PEG/AABB Program will

result in annualized savings of almost \$300 million per year. It should be noted that none of the remaining AABBs will reduce direct service or result in lay-offs.

The MTA is grateful to the Governor, the State Legislature and all other stake-holders, including the residents and businesses of the MTA region, for supporting the MTA at this critical time by providing this important financial assistance. We recognize the additional hardship that this imposes on individuals and regional businesses and are very appreciative. We also know that investments in public transportation are simply inseparable from the region's economic recovery.

It was always our hope that a solution to the MTA's financial problems would be multi-faceted with contributions from all the stake-holders, and we believe that this Plan accomplishes that. In addition to the assistance from Albany, which is being funded by regional businesses and residents, it also includes a contribution from our riders in the form of a 10% fare/toll hike which recently went into effect. The Plan also includes bi-annual increases of 7.5% in 2011 and 2013. MTA in turn is doing everything it can to hold down costs while not impacting service. The Plan includes strict spending controls, additional budget reductions, the assumption that labor will contribute through productivity and labor savings, and a management wage freeze in 2009.

July Financial Plan

As mentioned earlier, the July Financial Plan includes significant spending restraints. In addition to the substantial expense reduction taken in 2009, the Plan includes 2010 PEGs that are projected to save \$64 million in 2010. It includes savings for unidentified post-PEGs that are targeted at \$95 million in 2011, growing to \$279 million in 2013.

The 2009 Mid-Year Forecast projects expenses that, excluding the general reserve and after gap closing actions, are 3.3% higher than 2008. The majority of that increase is in the "uncontrollable" areas of pensions and paratransit costs. Controllable costs are projected to increasing only 1.6% in 2009. Likewise, the 2010 Preliminary Budget is growing only 3.6% over the 2009 Forecast and growth in controllable costs is limited to 1.5%. Over the 2009-2013 Financial Plan period, growth in controllable expenses is projected to average only 1.3% per year.

The economy has had and will continue to have a direct impact on the finances of the MTA, as reflected in this Plan. During the first five months of 2009, the economic recession has taken its toll, with almost 82 thousand jobs lost compared with the first five months of 2008, a 2.2% decline. Job losses are expected to continue for the remainder of the year and through the second quarter of 2010; on an annual basis, jobs in the City are expected to retrench almost 4% in 2009 and by another half-percent in 2010.

On the positive side, Inflation is expected to remain very low in 2009, helped by lower energy prices compared with 2008, followed by annual inflation rates in the two to three percent range. Energy prices, which are lower than anticipated in the February Plan due to lower worldwide demand in the wake of the global recession, are expected to increase over the next few years as economic growth increases energy requirements both domestically and abroad.

Proceeds from real estate transactions continue to be significantly below projections in the Adopted Budget, as a result of a continued weak real estate market. The Adopted Budget projected 2009 real estate receipts to be 9% lower than 2008 receipts, falling to its lowest level since 2003. However, real estate tax receipts through June have been \$250 million less than anticipated, a 57% short-fall. This financial plan recognizes the continued falloff in this revenue source along with recent economic forecasts, and as a consequence reduces projections for 2009 by \$424 million compared with the Adopted Budget, and a further reduction of \$735 million from 2010 to 2012.

The July baseline will also be affected by changes in farebox and toll revenues, due to both the regional economy and changes in fare and toll policy. The Adopted Budget included revenues resulting from an anticipated fare and toll increase that was designed to generate an additional 23% yield; in the aftermath of the State's financial package for the MTA, the increase in fares and toll was reduced to approximately 10%. This reduced new farebox and toll revenues significantly from what was anticipated in February. Additionally, job losses and the anticipation of further job losses throughout the MTA region, and in New York City in particular, have led to lower utilization estimates than those prepared in February. Overall, this reduces utilization revenues by \$569 million in 2009 and \$826 million in 2010.

Approximately 60% of MTA employees are members of the NYCERS plan (this includes all of B&T and most of NYCT). While the actuarial valuation for 2009 is not yet available, the MTA's July Financial Plan establishes a reserve of \$27 million in 2010 growing to \$189 million in 2013 to provide for the anticipated increased annual required contributions to offset the losses in the earnings assumptions resulting from large losses in the financial markets during the City's 2009 fiscal year.

The Plan proposes that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) will be used to fund new B&T capital projects through pay-as-you-go funding and additional debt service.

The Plan also assumes that a portion of the new tax revenues will go towards paying for some capital expenses in the form of "Pay-As-You-Go Capital". These payments are expected to start at \$50 million in 2010 and ramp up in \$50 million increments until the annual contribution achieves \$450 million in 2018. This level of contribution will be necessary to support the first two years of necessary local funding for the next capital program, including support for "mega" projects like East Side Access and the Second Avenue Subway. Debt service will likely replace pay-as-you-go financing in the later years of the Plan.

This Plan projects ending cash balances of \$29 million in 2009, \$39 million in 2010, and \$1 million in 2011. Deficits are projected for 2012 and 2013 of \$352 million and \$223 million, respectively.

Chairman Hemmerdinger and MTA Board Members

July 29, 2009

Page 5

On a final note, out of respect for the transition underway in executive management, this Plan neither advances significant new initiatives nor proposes changes in course on expenditure control. As we solicit the input of the public and other stakeholders on this Plan, in advance of your adoption of the 2010 Budget in December, ample opportunity for modification will be available.

cc: Helena E. Williams

[THIS PAGE INTENTIONALLY LEFT BLANK]

II. MTA Consolidated 2009-2013 Financial Plan

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2010 - 2013

MTA Consolidated Statement Of Operations By Category

(\$ in millions)

Line No.						
7		Non-Reimbursable				
8			2008	2009	2010	
9			Actual	Mid-Year Forecast	Preliminary Budget	
10						2011
11						2012
12						2013
13						
14		Operating Revenue				
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47						
48						
49						
50						
51						
52						
53						
54						
55						
56						
57						
58						
59						
60						
61						
62						
63						
64						
65						
66						
67						
68						

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2010 - 2013

Gap Closing and Policy Actions

(\$ in millions)

Line

No.

	2009 Mid-Year Forecast	2010 Preliminary Budget	2011	2012	2013
July Cash Balance Before Prior-Year Carry-Over	(\$255)	(\$52)	(\$595)	(\$842)	(\$1,138)
POLICY ACTIONS:					
Reserve for City Pension Losses	0	(27)	(81)	(135)	(189)
B&T Holdback	0	0	(54)	(44)	(56)
Pay-As-You-Go Capital	0	(50)	(100)	(150)	(200)
<i>Sub-Total</i>	0	(77)	(235)	(329)	(445)
GAP CLOSING PROGRAMS:					
Internal Actions:					
2010 Agency Program to Eliminate the Gap	20	64	66	67	69
Post-2010 Agency Program to Eliminate the Gap	0	0	95	188	279
New Contracts Labor Contribution	60	65	77	77	79
Non-Represented Wage Freeze in 2009	13	3	3	3	3
<i>Sub-Total</i>	93	133	241	335	430
External Actions:					
Federal Legislative Actions	0	15	62	63	66
Fare/Toll:					
Fare/Toll Yields on 1/1/11: 7.5%	0	0	405	420	422
Fare/Toll Yields on 1/1/13: 7.5%	0	0	0	0	442
<i>Sub-Total</i>	0	0	405	420	865
CASH MANAGEMENT ACTION:					
Forward Energy Contracts	(73)	(9)	84	0	0
TOTAL ADJUSTMENTS	20	62	557	489	915
<i>Prior-Year Carry-Over</i>	263	29	39	1	0
Net Cash Surplus/(Deficit)	\$29	\$39	\$1	(\$352)	(\$223)

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2010 - 2013

MTA Consolidated Cash Receipts and Expenditures

(\$ in millions)

Line Number	CASH RECEIPTS AND EXPENDITURES	2008	2009	2010			
		Actual	Mid-Year Forecast	Preliminary Budget	2011	2012	2013
9							
10							
11	Receipts						
12	Farebox Revenue	\$4,299	\$4,383	\$4,552	\$4,632	\$4,697	\$4,746
13	Other Operating Revenue	497	488	511	546	572	606
14	Capital and Other Reimbursements	1,345	1,487	1,487	1,425	1,427	1,439
15	Total Receipts	\$6,141	\$6,358	\$6,551	\$6,603	\$6,696	\$6,790
16							
17	Expenditures						
18	<u>Labor:</u>						
19	Payroll	\$4,431	\$4,606	\$4,635	\$4,709	\$4,792	\$4,916
20	Overtime	559	544	532	540	551	561
21	Health and Welfare	752	734	815	881	954	1,044
22	OPEB Current Payment	293	332	358	390	426	465
23	Pensions	712	996	1,039	1,056	1,084	1,091
24	Other Fringe Benefits	539	567	577	586	596	619
25	Contribution to GASB Fund	56	60	62	65	68	72
26	Total Labor Expenditures	\$7,342	\$7,840	\$8,018	\$8,228	\$8,470	\$8,767
27							
28	<u>Non-Labor:</u>						
29	Traction and Propulsion Power	\$299	\$373	\$391	\$439	\$489	\$544
30	Fuel for Buses and Trains	300	189	220	248	265	312
31	Insurance	41	47	45	49	53	52
32	Claims	147	156	144	153	162	171
33	Paratransit Service Contracts	272	379	408	461	542	636
34	Maintenance and Other Operating Contracts	556	602	616	624	632	655
35	Professional Service Contracts	203	249	246	250	252	249
36	Materials & Supplies	714	667	685	682	701	724
37	Other Business Expenditures	163	189	200	207	214	222
38	Total Non-Labor Expenditures	\$2,693	\$2,851	\$2,955	\$3,112	\$3,310	\$3,566
39							
40	<u>Other Expenditure Adjustments:</u>						
41	Other	\$9	\$68	\$84	\$90	\$98	\$109
42	General Reserve	0	38	75	75	75	75
43	Total Other Expenditure Adjustments	\$9	\$105	\$159	\$165	\$173	\$184
44							
45	Total Expenditures	\$10,045	\$10,797	\$11,133	\$11,505	\$11,953	\$12,517
46							
47	Net Cash Deficit Before Subsidies and Debt Service	(\$3,904)	(\$4,438)	(\$4,582)	(\$4,902)	(\$5,258)	(5,727)
48							
49	Dedicated Taxes and State/Local Subsidies	\$4,669	\$5,147	\$5,818	\$5,718	\$6,001	\$6,363
50	Debt Service (excludes Service Contract Bonds)	(997)	(964)	(1,287)	(1,411)	(1,586)	(1,774)
51							
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$232)	(\$255)	(\$52)	(\$595)	(\$842)	(\$1,138)
53	POLICY ACTIONS	0	0	(77)	(235)	(329)	(445)
54	GAP CLOSING PROGRAMS	0	93	148	708	818	1,360
55	CASH MANAGEMENT ACTION	0	(73)	(9)	84	0	0
56	PRIOR-YEAR CARRY-OVER	495	263	29	39	1	0
57	NET CASH BALANCE	\$263	\$29	\$39	\$1	(\$352)	(\$223)

Metropolitan Transportation Authority
July Financial Plan 2010 - 2013
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	2009	2010	2011	2012
FEBRUARY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$334)	(\$629)	(\$1,136)	(\$1,408)
Board Actions:	(\$572)	(\$913)	(\$903)	(\$907)
AABB Restorations	(123)	(227)	(210)	(204)
Rescind 23% Fare Yield Increase	(700)	(1,180)	(1,194)	(1,210)
10% Fare Increase	251	494	501	506
New Needs/Investments	(\$47)	(\$33)	(\$26)	(\$93)
New Service	(2)	(0)	(1)	(0)
Maintenance	(40)	(18)	(10)	(76)
Safety & Security	(3)	(8)	(9)	(9)
Other New Needs	(3)	(7)	(7)	(8)
Other Adjustments	(\$222)	(\$93)	(\$127)	(\$154)
Other Passenger/Toll Revenue	(103)	(131)	(121)	(135)
Other Revenue	(43)	(14)	(7)	(14)
PEG Program Re-estimates	3	3	4	6
NYCT Capital Reimbursement Timing	(37)	34	1	1
Retroactive Wage Adjustments	(42)	0	0	0
Baseline Re-estimates	2	15	(5)	(12)
Uncontrollable Expenses	\$16	\$3	(\$44)	(\$62)
Traction and Propulsion Power	1	11	(10)	(30)
Fuel for Buses and Trains	73	42	19	17
Health & Welfare (including OPEB)	35	39	42	43
Pensions	(47)	(50)	(52)	(42)
Paratransit Service	(15)	(9)	(16)	(21)
Paratransit Urban Tax Revenue	(20)	(12)	(10)	(12)
Mobility Tax	(11)	(17)	(17)	(17)
B&T Adjustments ¹	141	186	183	185
Net Baseline Change	(\$684)	(\$851)	(\$919)	(\$1,031)
General Reserve	\$38	\$0	\$0	\$0
Subsidies	\$744	\$1,432	\$1,460	\$1,575
Real Estate Taxes	(424)	(270)	(244)	(220)
MMTOA	(3)	(45)	(101)	(83)
PBT	1	(8)	(8)	(8)
MRT Transfers	74	12	12	13
New State Taxes and Fees	1,090	1,868	1,940	2,014
55/25 Pension Funding	34	0	0	0
2006 MMTOA Catch-up	50	0	0	0
2006 Surplus Recovery	25	0	0	0
Forward Energy Contracts	(24)	0	0	0
City Subsidy for MTA Bus	45	41	32	34
B&T Operating Surplus Transfer	(128)	(180)	(186)	(194)
CDOT	3	2	2	5
Other	0	12	12	14
Debt Service (excluding B&T)	(\$17)	(\$2)	\$1	\$23
Other	\$0	(\$2)	(\$0)	(\$0)
JULY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$255)	(\$52)	(\$595)	(\$842)
POLICY ACTIONS	\$0	(\$77)	(\$235)	(\$329)
GAP CLOSING PROGRAMS	93	148	708	818
CASH MANAGEMENT ACTION	(73)	(9)	84	0
PRIOR-YEAR CARRY-OVER	263	29	39	1
NET CASH BALANCE	\$29	\$39	\$1	(\$352)

Note:

¹ B&T is captured as a subsidy and is not included in the agency portion of the cash baseline. While B&T impacts are captured in individual reconciliation categories, they are eliminated with this adjustment. Consequently, all B&T impacts are removed, including Toll Revenue, AABB's and Other Baseline Re-Estimates.

Metropolitan Transportation Authority
July Financial Plan 2010 - 2013
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
FEBRUARY NET CASH BALANCE	\$49	(\$290)	(\$457)	(\$612)
<u>Less:</u>				
MTA Policy and Gap Closing Programs	(118)	(290)	(679)	(796)
Adjusted Net Cash Balance from Previous Year	(265)	(49)	0	0
FEBRUARY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$334)	(\$629)	(\$1,136)	(\$1,408)
<u>Changes to February Plan</u>				
Baseline	80	577	541	566
MTA Policy, Gap Closing & Cash Management Action	20	62	557	489
Adjusted Net Cash Balance from Previous Year	263	29	39	1
Total Changes	364	668	1,137	1,056
JULY NET CASH BALANCE	\$29	\$39	\$1	(\$352)

[THIS PAGE INTENTIONALLY LEFT BLANK]

III. Policy Actions

III. POLICY ACTIONS

The discussion below reflects proposed Policy Actions that are not included in the Baseline (as shown in Volume II of the July Plan).

Reserve for City Pension Losses - Approximately 60% of MTA employees are members of the NYCERS plan (this includes all of B&T and most of NYCT). While the actuarial valuation for 2009 is not yet available, the MTA's July Financial Plan establishes a reserve of \$27 million in 2010 growing to \$189 million in 2013 to provide for the anticipated increased annual required contributions to offset the losses in the earnings assumptions resulting from large losses in the financial markets during the City's 2009 fiscal year.

B&T Holdback – The Financial Plan proposes that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) will be used to fund new B&T capital projects through pay-as-you-go funding and additional debt service.

Pay-As-You-Go Capital - The July Plan assumes that a portion of the new tax revenues will contribute towards the capital program in the form of “pay-as-you-go capital”. These payments are expected to start at \$50 million in 2010 and ramp up in \$50 million increments until the annual contribution achieves \$450 million in 2018. This level of contribution will be necessary to support the first two years of necessary local funding of the next capital program, including support for “mega” projects like East Side Access and the Second Avenue Subway. Debt service will likely replace pay-as-you-go financing in later years of the Plan.

[THIS PAGE INTENTIONALLY LEFT BLANK]