

# MTA 2011 Final Proposed Budget November Financial Plan 2011 – 2014



**Volume 1**  
**November 2010**



Metropolitan Transportation Authority

**MTA 2011 FINAL PROPOSED BUDGET  
NOVEMBER FINANCIAL PLAN 2011-2014  
VOLUME 1**

The MTA's November Plan is divided into two volumes. Volume 1 consists of financial schedules supporting the complete MTA-Consolidated Financial Plan, including an Executive Summary, baseline and below-the-line Fare/Toll Increases, MTA Initiatives, Policy Actions, and 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.

Volume 2 includes MTA-Consolidated financial and position schedules as well as narratives that support the baseline projections included in the 2011 Final Proposed Budget and the Financial Plan for 2011 through 2014. Also included are the Agency sections which incorporate descriptions of Agency Programs, supporting baseline tables and details regarding Agency Budget Reduction Programs (BRP). Volume 2 also includes required information related to the MTA Capital Program.

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# **I. Introduction**

## **Executive Summary**

This 2011 Final Proposed Budget and November Financial Plan 2011-2014 (the “November Plan” or “Plan”) reaffirms the MTA’s commitment to making every dollar count and to establishing fiscal stability for the MTA’s finances.

As we noted in July, the MTA’s financial condition remains precariously balanced. It is essential that we carry through on the initiatives we established in that plan: continued cost cutting to make our operations as efficient as possible, a new relationship with labor focused on increased productivity, and a pattern of biannual fare and toll increases. Recent changes in the pension return assumptions for the NY State and Local Employees’ Retirement System by the State Comptroller highlight additional risks to the out-years of this Plan which will have to be addressed. Despite these long-term risks, with focused and strategic reduction in expenses and stable revenues, the MTA’s operations can deliver the efficient services that are essential to the mobility and economy of this region.

### **The Financial Plan Objectives**

In July, the MTA laid out a plan that showed how the MTA would balance its 2010 budget despite a massive \$900 million budget gap and presented a road map to achieve fiscal stability for the 2011-2014 Plan Period. Instead of turning to Albany for another rescue package to make up for shortfalls in revenues, the MTA decided to take matters into its own hands. The MTA embarked on a complete overhaul of the way it conducts business to “make every dollar count.” In this plan, the MTA established the objectives of balancing the 2011-2014 Financial Plan without further service reductions while holding the 2011 fare and toll revenue increase to the 7.5% negotiated with the Legislature at the time of the 2009 rescue package.

To achieve a balanced 2010 budget, the MTA undertook a cost-cutting program without precedent. These efforts identified and implemented actions resulting in annual recurring savings of more than \$525 million, including 15% cuts in administrative positions (20% at Headquarters), freezing management wages, reduction of overtime, a top-to-bottom overhaul of MTA Bridges and Tunnels, rapid renegotiation of contracts with major suppliers, and carefully considered, yet painful, service cuts.

The November Plan builds on these efforts with additional MTA efficiencies delivering annual savings of \$75 million in 2011 and growing to \$200 million by 2014. The projected savings of \$75 million for 2011 has now been fully identified:

Health Benefits Re-Bid – \$33 million – NYCT has negotiated a new medical benefits contract to provide medical health services to approximately 150,000 NYC Transit and MTA Bus employees, retirees and their dependents. When fully implemented, this five year contract is estimated to provide MTA with annual savings in excess of \$50 million when compared with the projected cost of retaining the current medical health benefit coverage structure.

Strategic Sourcing – \$20 million – Strategic sourcing is the business practice of selecting capable and qualified suppliers for the provision of goods and services required to satisfy user needs at the lowest cost. This is achieved through specification standardization and optimization, procurement process improvements and inter-agency collaboration. An analysis of calendar year 2009 procurements across the MTA family identified ten categories of expenditure worth \$880 million. Aggressive application of this business practice will save a recurring \$20 million per year.

Consolidations – \$15 million – Information Technology is a key area where consolidations will result in savings. Key areas include the data center, help desk, e-mail networks, wide area network and security monitoring. In addition, a reassessment of the entire IT operation has resulted in the identification of certain projects that will be eliminated. Other consolidations and related efficiencies have begun in the communications area.

Inventory Savings – \$7 million – The LIRR is anticipating cash savings based on a thorough examination of the material acquisition requirements to support its 2011 rolling stock maintenance programs.

Another key element of the Plan is for MTA management and labor to find ways to deliver services more efficiently to maximize public value. The Plan reflects this imperative with “net-zero” represented wage cost growth for two years. In this initiative, wage increases must be offset with corresponding productivity savings. Savings in 2011 are projected to be \$32 million growing to more than \$220 million by 2014. In addition, non-represented wage were assumed frozen for a second year in a row generating annual savings of approximately \$14 million.

The 2009 rescue package established that biannual fare and toll increase would be a regular part of the MTA’s business plan. This Plan incorporates the recently approved fare and toll increase, and reflects another 7.5% revenue increase planned for 2013.

As assumed in July, the Plan reflects the repayment of the \$500 million interagency loan to the Capital Financing Fund that is used to help balance the operating budget cash flow requirements. The repayment will be in five annual

installments beginning in 2012. If this loan is not repaid, the MTA will be unable to meet obligated capital program expenditures, further increasing the \$10 billion funding gap in the capital program. The Plan also eliminates MTA subsidization of the Long Island Bus deficit (attributable to Nassau County's failure to meet its financial obligation) for projected savings of \$96 million over the Plan Period.

### **Changes from July**

While the November Plan is a continuation of the strategy laid out in July, there are changes in the underlying assumptions and actions. The most significant of these on the Financial Plan is an increase in estimated pension costs due to an expected change in the assumed rate of return for MTA's pensions.

Pension Rate of Return Assumption – In September, the Office of the State Comptroller lowered the assumed investment rate of return for the New York State and Local Employees' Retirement System ("NYSLEERS") from 8.0% to 7.5%, a 0.5% reduction. This lower assumed rate of return will result in higher pension costs for participating employers. While contributions to NYSLEERS are only a small portion of the MTA's total pension costs, lower return assumptions are likely to also be made in other pension plans to which MTA contributes. The November Plan, therefore, is increasing its estimate of pension costs by \$34 million in 2011, \$139 million in 2012, \$145 million in 2013 and \$154 million in 2014. To the extent that actual increases differ from these amounts, the 2011-2014 Financial Plan will be adjusted.

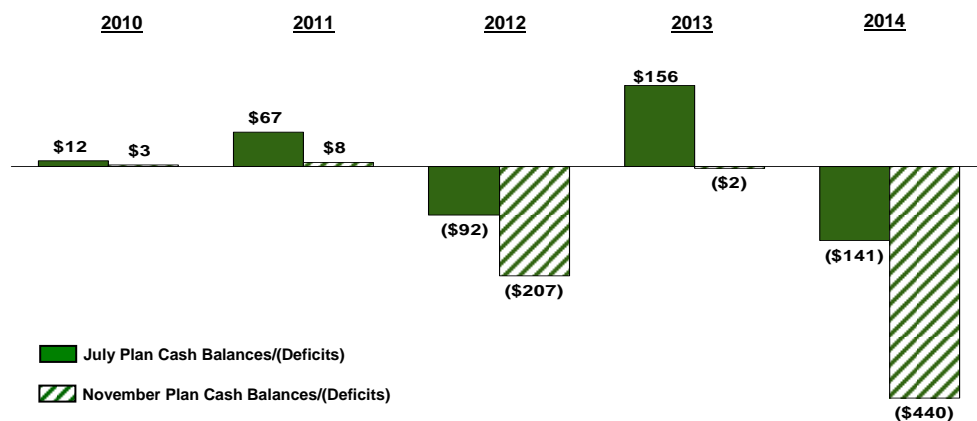
Baseline Change – Overall, the baseline changes from July show positive and negative variances in a number of categories. The net result has been a further deterioration in the bottom line in the out years and significant deficits remain in 2012 and 2014. Subsidy forecasts are up a bit; however, passenger revenue forecasts have not increased as much as was anticipated in the July Plan. Baseline expenses are increasing slightly due to health and welfare rate increases, higher costs for worker's compensation and some new needs for maintenance and security. Debt service costs will be lower in 2010 as a result of lower interest rates on variable debt. That lower debt service when combined with timing savings and the release of the remaining \$50 million general reserve resulted in a net improvement to 2010 cash balances. As a result, the July decision to eliminate the \$57 million 2010 contribution to the GASB 45 Fund (relating to the \$13.2 billion unfunded retiree healthcare liability) was reversed.

Bridge & Tunnel Holdback – In the July Plan it was proposed that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) be used to fund new B&T capital projects through pay-as-you-go funding and debt service on additional debt. Given the continuing stress during the 2011-2014 Plan Period, this Plan assumes that the \$88 million of projects anticipated to be funded from PAYGO will be funded from B&T's Necessary Reconstruction Reserve and the corresponding revenues will be available to support the operating budget.

Energy Hedges – As set forth in July, the Plan assumes that the MTA will enter into hedge agreements and set aside \$100 million to cover a portion of its costs for diesel fuel and natural gas. However, these contracts will be entered into in 2010 rather than 2011. Similarly, in 2011, contracts will be executed for 2012. This will give the MTA the opportunity to lock-in favorable pricing and give the MTA a measure of price protection should prices rise significantly above projections.

## The Bottom Line

The November Plan, balanced in 2010 and 2011 with thin margins, shows increased deficits in the out-years, largely due to the impact of the change in the estimated pension costs. A \$470 million increase in pension costs has dramatically reduced projected cash balances and increased projected deficits, as shown in the chart below.



It should be noted that even with the agreed-upon 2013 fare/toll revenue increases of 7.5%, the MTA does not quite break-even in 2013. Between now and the July 2011 Financial Plan, the MTA will identify additional actions to address the 2012 and 2014 deficits. However, it is clear that the MTA's financial resources and situation remain stressed.

## Risks to the Plan

The risks to this Plan have increased since July due to higher pension estimates. If management's focus on achieving the initiatives included in the Plan dissipates, the Plan is at risk of not achieving its financial goals. The Plan assumes a slight recovery in economic conditions which will result in modest increases in taxes and fare/toll revenues; it also assumes that all State aid collected for the MTA and projected to be appropriated is actually paid out. Finally, this Plan assumes a willingness of our workforce, as represented by their unions, to establish a new working relationship that is sustainable in the current economic climate.



## **II. MTA Consolidated 2010-2014 Financial Plan**

**METROPOLITAN TRANSPORTATION AUTHORITY**  
**November Financial Plan 2011 - 2014**  
**MTA Consolidated Statement Of Operations By Category**  
(\$ in millions)

Line No.						
1	<b>Non-Reimbursable</b>					
2		<b>2009</b>	<b>2010</b>	<b>2011</b>		
3		<b>Actual</b>	<b>November</b>	<b>Final Proposed</b>		
4			<b>Forecast</b>	<b>Budget</b>	<b>2012</b>	<b>2013</b>
5	<b>Operating Revenue</b>					<b>2014</b>
6	Farebox Revenue	\$4,350	\$4,572	\$4,648	\$4,751	\$4,821
7	Toll Revenue	1,332	1,417	1,423	1,433	1,434
8	Other Revenue	461	499	523	549	581
9	Capital and Other Reimbursements	0	(0)	0	0	(0)
10	<b>Total Operating Revenue</b>	<b>\$6,144</b>	<b>\$6,488</b>	<b>\$6,594</b>	<b>\$6,733</b>	<b>\$6,836</b>
11	<b>Operating Expense</b>					
12	<b>Labor Expenses:</b>					
13	Payroll	\$4,163	\$4,198	\$4,286	\$4,394	\$4,497
14	Overtime	499	443	429	429	433
15	Health & Welfare	689	741	823	890	977
16	OPEB Current Payment	346	361	393	440	487
17	Pensions	1,021	1,021	1,070	1,139	1,191
18	Other-Fringe Benefits	517	498	481	493	511
19	Reimbursable Overhead	(322)	(342)	(346)	(342)	(340)
20	<b>Sub-total Labor Expenses</b>	<b>\$6,914</b>	<b>\$6,921</b>	<b>\$7,136</b>	<b>\$7,442</b>	<b>\$7,756</b>
21						
22	<b>Non-Labor Expenses:</b>					
23	Traction and Propulsion Power	318	336	360	395	430
24	Fuel for Buses and Trains	180	199	200	214	225
25	Insurance	34	36	34	37	44
26	Claims	238	215	196	205	212
27	Paratransit Service Contracts	370	381	382	460	551
28	Maintenance and Other Operating Contracts	562	582	635	645	661
29	Professional Service Contracts	199	216	231	231	236
30	Materials & Supplies	526	537	564	578	614
31	Other Business Expenses	184	205	220	224	229
32	<b>Sub-total Non-Labor Expenses</b>	<b>\$2,612</b>	<b>\$2,708</b>	<b>\$2,822</b>	<b>\$2,991</b>	<b>\$3,202</b>
33						
34	<b>Other Expense Adjustments:</b>					
35	Other	(\$15)	(\$28)	(\$25)	(\$26)	(\$26)
36	General Reserve	0	0	100	100	100
37	<b>Sub-total Other Expense Adjustments</b>	<b>(\$15)</b>	<b>(\$28)</b>	<b>\$75</b>	<b>\$74</b>	<b>\$74</b>
38						
39	<b>Total Operating Expense before Non-Cash Liability Adjs.</b>	<b>\$9,512</b>	<b>\$9,602</b>	<b>\$10,034</b>	<b>\$10,508</b>	<b>\$11,032</b>
40						
41	Depreciation	\$1,941	\$2,032	\$2,125	\$2,208	\$2,290
42	OPEB Obligation	1,136	1,203	1,265	1,291	1,321
43	Environmental Remediation	6	12	10	10	10
44						
45	<b>Total Operating Expense</b>	<b>\$12,594</b>	<b>\$12,848</b>	<b>\$13,434</b>	<b>\$14,017</b>	<b>\$14,653</b>
46						
47	<b>Net Operating Deficit Before Subsidies and Debt Service</b>	<b>(\$6,451)</b>	<b>(\$6,360)</b>	<b>(\$6,840)</b>	<b>(\$7,285)</b>	<b>(\$7,817)</b>
48						
49	Dedicated Taxes and State/Local Subsidies	\$4,137	\$4,908	\$5,239	\$5,533	\$5,787
50	Debt Service (excludes Service Contract Bonds)	(1,404)	(1,756)	(2,043)	(2,215)	(2,392)
51						
52	<b>Net Deficit After Subsidies and Debt Service</b>	<b>(\$3,718)</b>	<b>(\$3,207)</b>	<b>(\$3,644)</b>	<b>(\$3,966)</b>	<b>(\$4,421)</b>
53						
54	Conversion to Cash Basis: Non-Cash Liability Adjs.	\$3,083	\$3,246	\$3,401	\$3,509	\$3,621
55	Conversion to Cash Basis: GASB Account	(54)	(65)	(47)	(60)	(63)
56	Conversion to Cash Basis: All Other	556	(23)	(225)	(287)	(212)
57						
58						
59	<b>CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER</b>	<b>(\$133)</b>	<b>(\$50)</b>	<b>(\$516)</b>	<b>(\$803)</b>	<b>(\$1,075)</b>
60						
61	<b>ADJUSTMENTS</b>	<b>0</b>	<b>(77)</b>	<b>521</b>	<b>588</b>	<b>1,073</b>
62	<b>PRIOR-YEAR CARRY-OVER</b>	<b>263</b>	<b>130</b>	<b>3</b>	<b>8</b>	<b>0</b>
63						
64	<b>NET CASH BALANCE</b>	<b>\$130</b>	<b>\$3</b>	<b>\$8</b>	<b>(\$207)</b>	<b>(\$2)</b>
65						
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**METROPOLITAN TRANSPORTATION AUTHORITY**  
**November Financial Plan 2011 - 2014**  
**Plan Adjustments**  
(\$ in millions)

Line No.		2010 November Forecast	2011 Final Proposed Budget	2012	2013	2014
3	<b>November Cash Balance Before Prior-Year Carry-Over</b>	<b>(\$50)</b>	<b>(\$516)</b>	<b>(\$803)</b>	<b>(\$1,075)</b>	<b>(\$1,573)</b>
6	<b>Fare/Toll Increases:</b>					
7	Fare/Toll Yields on 1/1/11: 7.5%	-	411	429	434	438
8	Fare/Toll Yields on 1/1/13: 7.5%	-	-	-	454	470
9	<i>Sub-Total</i>	<i>-</i>	<i>411</i>	<i>429</i>	<i>888</i>	<i>909</i>
11	<b>MTA Initiatives:</b>					
12	New MTA Efficiencies	-	75	125	175	200
13	Net-Zero Labor Initiative	10	32	112	199	220
14	Non-Represented Wage Freeze	12	13	14	14	15
15	Metrocard Green Fee and Cost Savings	-	-	20	20	20
16	<i>Sub-Total</i>	<i>23</i>	<i>120</i>	<i>271</i>	<i>408</i>	<i>455</i>
18	<b>Policy Actions:</b>					
19	Repayment of Loan to Capital Financing Fund	-	-	(100)	(100)	(100)
20	Eliminate MTA Funding of Long Island Bus Deficit	-	24	27	22	23
21	Energy Hedges	(100)	-	100	-	-
22	<i>Sub-Total</i>	<i>(100)</i>	<i>24</i>	<i>27</i>	<i>(78)</i>	<i>(77)</i>
24	<b>MTA Re-estimates</b>					
25	Pension Rate of Return	-	(34)	(139)	(145)	(154)
26	<i>Sub-Total</i>	<i>-</i>	<i>(34)</i>	<i>(139)</i>	<i>(145)</i>	<i>(154)</i>
28	<b>TOTAL ADJUSTMENTS</b>	<b>(77)</b>	<b>521</b>	<b>588</b>	<b>1,073</b>	<b>1,133</b>
29						
30	Prior-Year Carry-Over	130	3	8	0	0
32	<b>Net Cash Surplus/(Deficit)</b>	<b>\$3</b>	<b>\$8</b>	<b>(\$207)</b>	<b>(\$2)</b>	<b>(\$440)</b>

# METROPOLITAN TRANSPORTATION AUTHORITY

November Financial Plan 2011 - 2014

## MTA Consolidated Cash Receipts and Expenditures

(\$ in millions)

Line No.	CASH RECEIPTS AND EXPENDITURES	2009	2010	2011			
		Actual	November Forecast	Final Proposed Budget	2012	2013	2014
11	<b>Receipts</b>						
12	Farebox Revenue	\$4,403	\$4,614	\$4,692	\$4,789	\$4,871	\$4,930
13	Other Operating Revenue	478	553	542	569	602	638
14	Capital and Other Reimbursements	1,495	1,443	1,592	1,533	1,527	1,550
15	<b>Total Receipts</b>	<b>\$6,376</b>	<b>\$6,610</b>	<b>\$6,826</b>	<b>\$6,891</b>	<b>\$7,001</b>	<b>\$7,117</b>
17	<b>Expenditures</b>						
18	<u><b>Labor:</b></u>						
19	Payroll	\$4,479	\$4,621	\$4,718	\$4,791	\$4,895	\$5,021
20	Overtime	577	539	510	508	513	524
21	Health and Welfare	730	756	864	924	1,014	1,106
22	OPEB Current Payment	331	350	380	426	472	515
23	Pensions	892	1,161	1,080	1,145	1,194	1,258
24	Other Fringe Benefits	561	589	589	595	613	632
25	Pattern Labor Provision	0	0	0	0	0	0
26	Contribution to GASB Fund	54	65	47	60	63	66
27	Reimbursable Overhead	0	0	0	0	0	0
28	<b>Total Labor Expenditures</b>	<b>\$7,624</b>	<b>\$8,081</b>	<b>\$8,188</b>	<b>\$8,449</b>	<b>\$8,763</b>	<b>\$9,123</b>
30	<u><b>Non-Labor:</b></u>						
31	Traction and Propulsion Power	\$313	\$365	\$363	\$397	\$433	\$465
32	Fuel for Buses and Trains	180	199	200	214	225	236
33	Insurance	15	52	39	45	50	62
34	Claims	190	183	170	181	192	202
35	Paratransit Service Contracts	364	388	377	455	546	653
36	Maintenance and Other Operating Contracts	536	591	629	624	636	643
37	Professional Service Contracts	207	231	250	252	256	260
38	Materials & Supplies	667	599	672	686	712	755
39	Other Business Expenditures	201	219	231	228	233	244
40	<b>Total Non-Labor Expenditures</b>	<b>\$2,672</b>	<b>\$2,827</b>	<b>\$2,932</b>	<b>\$3,083</b>	<b>\$3,284</b>	<b>\$3,520</b>
42	<u><b>Other Expenditure Adjustments:</b></u>						
43	Other	\$56	\$107	\$128	\$135	\$147	\$160
44	General Reserve	0	0	100	100	100	100
45	<b>Total Other Expenditure Adjustments</b>	<b>\$56</b>	<b>\$107</b>	<b>\$228</b>	<b>\$235</b>	<b>\$247</b>	<b>\$260</b>
47	<b>Total Expenditures</b>	<b>\$10,352</b>	<b>\$11,015</b>	<b>\$11,348</b>	<b>\$11,767</b>	<b>\$12,294</b>	<b>\$12,903</b>
49	<b>Net Cash Deficit Before Subsidies and Debt Service</b>	<b>(\$3,976)</b>	<b>(\$4,405)</b>	<b>(\$4,522)</b>	<b>(\$4,876)</b>	<b>(\$5,293)</b>	<b>(\$5,786)</b>
51	Dedicated Taxes and State/Local Subsidies	\$4,724	\$5,506	\$5,401	\$5,627	\$5,926	\$6,082
52	Debt Service (excludes Service Contract Bonds)	(881)	(1,150)	(1,394)	(1,554)	(1,708)	(1,869)
54	<b>CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER</b>	<b>(\$133)</b>	<b>(\$50)</b>	<b>(\$516)</b>	<b>(\$803)</b>	<b>(\$1,075)</b>	<b>(\$1,573)</b>
55	<b>ADJUSTMENTS</b>	<b>\$0</b>	<b>(\$77)</b>	<b>\$521</b>	<b>\$588</b>	<b>\$1,073</b>	<b>\$1,133</b>
56	<b>PRIOR-YEAR CARRY-OVER</b>	<b>\$263</b>	<b>\$130</b>	<b>\$3</b>	<b>\$8</b>	<b>\$0</b>	<b>\$0</b>
57	<b>NET CASH BALANCE</b>	<b>\$130</b>	<b>\$3</b>	<b>\$8</b>	<b>(\$207)</b>	<b>(\$2)</b>	<b>(\$440)</b>

**MTA Consolidated Subsidies**  
**November Financial Plan 2011 - 2014**  
**Cash Basis**  
(\$ in millions)

	2009 Actual	2010 November Forecast	2011 Final Proposed Budget	2012	2013	2014
<b><u>Subsidies</u></b>						
<b><i>Dedicated Taxes</i></b>						
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$1,296.6	\$1,359.7	\$1,480.9	\$1,575.4	\$1,647.0	\$1,725.3
Petroleum Business Tax (PBT) Receipts	629.6	606.6	612.3	615.4	611.2	610.0
Mortgage Recording Tax (MRT)	241.8	228.3	238.5	277.7	327.0	384.9
MRT Transfer to Suburban Counties	(6.2)	(3.4)	(2.4)	(2.5)	(3.4)	(4.9)
Use of MRT Balances	10.0	0.0	0.0	0.0	0.0	0.0
Carry Over/Adjustments	17.6	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Enhanced Security Training	(6.2)	(3.2)	0.0	0.0	0.0	0.0
MTA Bus Debt Service	(23.2)	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)
Cash Defeasance Loan for TBTA	90.8	0.0	0.0	0.0	0.0	0.0
Interest	4.2	4.2	4.2	4.3	4.5	4.7
Urban Tax	150.5	177.4	244.3	306.0	334.3	351.6
Investment Income	<u>0.9</u>	<u>0.9</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
	\$2,396.4	\$2,335.6	\$2,543.9	\$2,742.4	\$2,886.6	\$3,037.6
<b><i>New State Taxes and Fees</i></b>						
Payroll Mobility Tax	\$787.8	\$1,348.0	\$1,415.3	\$1,484.3	\$1,550.9	\$1,617.6
MTA Aid	<u>56.1</u>	<u>268.2</u>	<u>290.3</u>	<u>294.6</u>	<u>299.1</u>	<u>303.5</u>
	\$844.0	\$1,616.2	\$1,705.6	\$1,778.9	\$1,849.9	\$1,921.2
<b><i>State and Local Subsidies</i></b>						
State Operating Assistance	\$190.5	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance (18-b)	187.9	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy (includes 18-b local match)	10.5	9.1	9.1	9.1	9.1	9.1
CDOT Subsidy	84.9	77.4	94.4	106.8	122.6	132.5
Station Maintenance	145.2	149.1	150.2	152.9	156.0	158.7
AMTAP	<u>4.0</u>	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$623.0	\$619.7	\$632.5	\$647.6	\$666.5	\$679.1
<b><i>Other Subsidy Adjustments</i></b>						
55/25 Pension Funding	34.4	0.0	0.0	0.0	0.0	0.0
2006 Surplus Recovery	25.0	0.0	0.0	0.0	0.0	0.0
Inter-Agency Loan	134.5	134.5	(134.5)	(134.5)	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.1)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts - 2008 (15 mth Contract)	97.1	0.0	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2009 (12 mth Contract)	(73.0)	73.4	0.0	0.0	0.0	0.0
Pay-As-You-Go Capital	<u>0.0</u>	<u>(47.2)</u>	<u>(100.0)</u>	<u>(150.0)</u>	<u>(200.0)</u>	<u>(250.0)</u>
	\$206.9	\$149.2	(\$246.0)	(\$296.0)	(\$211.5)	(\$261.5)
<b>Sub-total Dedicated Taxes &amp; State and Local Subsidies</b>	<b>\$4,070.2</b>	<b>\$4,720.8</b>	<b>\$4,636.0</b>	<b>\$4,873.0</b>	<b>\$5,191.6</b>	<b>\$5,376.4</b>
City Subsidy for MTA Bus	\$286.7	\$333.1	\$325.5	\$329.8	\$349.1	\$364.1
<b>Total Dedicated Taxes &amp; State and Local Subsidies</b>	<b>\$4,356.9</b>	<b>\$5,053.8</b>	<b>\$4,961.5</b>	<b>\$5,202.8</b>	<b>\$5,540.6</b>	<b>\$5,740.5</b>
<b><i>Inter-agency Subsidy Transactions</i></b>						
B&T Operating Surplus Transfer	\$318.2	\$398.3	\$379.2	\$362.9	\$323.8	\$276.8
MTA Subsidy to Subsidiaries	<u>48.6</u>	<u>53.8</u>	<u>59.9</u>	<u>61.1</u>	<u>62.0</u>	<u>64.4</u>
	\$366.8	\$452.0	\$439.1	\$424.1	\$385.7	\$341.2
<b>GROSS SUBSIDIES</b>	<b>\$4,723.7</b>	<b>\$5,505.9</b>	<b>\$5,400.6</b>	<b>\$5,626.9</b>	<b>\$5,926.4</b>	<b>\$6,081.8</b>

**Metropolitan Transportation Authority**  
**November Financial Plan 2011 - 2014**  
**MTA Consolidated November Financial Plan Compared with July Financial Plan**  
**Cash Reconciliation**  
(\$ in millions)

	Favorable/(Unfavorable)				
	2010	2011	2012	2013	2014
<b>JULY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER</b>	<b>(\$200)</b>	<b>(\$500)</b>	<b>(\$803)</b>	<b>(\$1,048)</b>	<b>(\$1,590)</b>
Farebox/Toll Revenue	(9)	(25)	(33)	(35)	(38)
Health & Welfare/OPEB	3	(13)	(23)	(39)	(44)
Claims	(28)	(0)	(0)	(0)	(0)
Pensions	3	(1)	(9)	(9)	(15)
Energy	6	13	4	6	7
New Needs/Investments:					
Maintenance	20	(6)	(16)	(23)	(26)
Safety & Security	0	(11)	(15)	(14)	(12)
Baseline BRP/AABB/PEG Re-estimates	(8)	(2)	(5)	(5)	(5)
Worker's Compensation Re-estimates	(14)	(3)	(3)	(3)	(3)
Timing Adjustments	55	(53)	7	(2)	(4)
Other Baseline Re-Estimates/Cash Adj.	(2)	(12)	22	30	33
General Reserve	50	0	0	0	0
<b>Net Cash Baseline Change</b>	<b>\$75</b>	<b>(\$112)</b>	<b>(\$72)</b>	<b>(\$94)</b>	<b>(\$108)</b>
<b>Subsidies</b>	<b>(\$4)</b>	<b>\$77</b>	<b>\$72</b>	<b>\$73</b>	<b>\$146</b>
Payroll Mobility Tax	65	73	80	77	68
MTA Aid	(60)	(38)	(34)	(29)	(25)
Metro. Mass Transp. Oper. Asst. (MMTOA)	(15)	41	33	29	48
Petroleum Business Tax (PBT)	0	(4)	(5)	(7)	(7)
Real Estate Taxes	(19)	(8)	(7)	(5)	47
CDOT Subsidy	(4)	1	2	4	9
City Subsidy for MTA Bus	5	7	(0)	(1)	0
B&T Operating Surplus Transfer <sup>1</sup>	15	2	0	2	4
MTA Subsidy to Subsidiaries	4	5	4	4	4
Other	5	(1)	(2)	(2)	(1)
<b>Debt Service (excluding B&amp;T)</b>	<b>\$79</b>	<b>\$18</b>	<b>(\$1)</b>	<b>(\$6)</b>	<b>(\$20)</b>
<b>NOVEMBER BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER</b>	<b>(\$50)</b>	<b>(\$516)</b>	<b>(\$803)</b>	<b>(\$1,075)</b>	<b>(\$1,573)</b>
<b>ADJUSTMENTS</b>	<b>(77)</b>	<b>521</b>	<b>588</b>	<b>1,073</b>	<b>1,133</b>
<b>PRIOR-YEAR CARRYOVER</b>	<b>130</b>	<b>3</b>	<b>8</b>	<b>0</b>	<b>0</b>
<b>NET CASH BALANCE</b>	<b>\$3</b>	<b>\$8</b>	<b>(\$207)</b>	<b>(\$2)</b>	<b>(\$440)</b>

**Note:**

<sup>1</sup> 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, except Budget Reduction Program savings, are removed.

**MTA Consolidated Subsidies**  
**November Financial Plan 2011 - 2014**  
**Summary of Changes Between November Plan and July Plan**  
**Cash Basis**  
(\$ in millions)

	2010	2011	2012	2013	2014
<b><u>Subsidies</u></b>					
<b><i>Dedicated Taxes</i></b>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	(\$14.9)	\$41.4	\$32.5	\$29.4	\$48.4
Petroleum Business Tax (PBT) Receipts	0.0	(3.8)	(4.9)	(6.7)	(7.4)
Mortgage Recording Tax (MRT)	(18.3)	(26.8)	(23.4)	(28.4)	17.6
MRT Transfer to Suburban Counties	0.0	0.7	0.9	0.9	1.1
Use of MRT Balances	0.0	0.0	0.0	0.0	0.0
Carry Over/Adjustments	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
Enhanced Security Training	3.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Cash Defeasance Loan for TBTA	0.0	0.0	0.0	0.0	0.0
Interest	0.0	(0.0)	0.1	0.2	0.3
Urban Tax	(0.3)	18.9	16.8	23.4	29.1
Investment Income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
	<b>(\$30.4)</b>	<b>\$30.3</b>	<b>\$21.8</b>	<b>\$18.7</b>	<b>\$89.0</b>
<b><i>New State Taxes and Fees</i></b>					
Payroll Mobility Tax	\$65.0	\$72.6	\$80.2	\$76.7	\$68.2
MTA Aid	<u>(60.1)</u>	<u>(38.0)</u>	<u>(33.7)</u>	<u>(29.2)</u>	<u>(24.8)</u>
	<b>\$4.9</b>	<b>\$34.5</b>	<b>\$46.5</b>	<b>\$47.5</b>	<b>\$43.4</b>
<b><i>State and Local Subsidies</i></b>					
State Operating Assistance	0.0	0.0	0.0	0.0	0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0	0.0
Nassau County Subsidy (includes 18-b local match)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
CDOT Subsidy	(4.3)	0.7	2.1	4.2	8.5
Station Maintenance	0.0	(1.9)	(2.4)	(2.5)	(2.6)
AMTAP	(0.3)	0.0	0.0	0.0	0.0
	<b>(\$4.6)</b>	<b>(\$1.2)</b>	<b>(\$0.3)</b>	<b>\$1.7</b>	<b>\$5.9</b>
<b><i>Other Subsidy Adjustments</i></b>					
55/25 Pension Funding	0.0	0.0	0.0	0.0	0.0
2006 Surplus Recovery	0.0	0.0	0.0	0.0	0.0
Inter-Agency Loan	0.0	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2008 (15 mth Contract)	0.0	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2009 (12 mth Contract)	0.0	0.0	0.0	0.0	0.0
Pay-As-You-Go Capital	<u>2.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	<b>\$2.8</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Sub-total Dedicated Taxes &amp; State and Local</b>	<b>(\$27.3)</b>	<b>\$63.6</b>	<b>\$68.0</b>	<b>\$67.8</b>	<b>\$138.4</b>
City Subsidy for MTA Bus	4.7	6.5	(0.1)	(1.2)	0.3
<b>Total Dedicated Taxes &amp; State and Local Subsidies</b>	<b>(\$22.7)</b>	<b>\$70.1</b>	<b>\$67.9</b>	<b>\$66.7</b>	<b>\$138.7</b>
<b><i>Inter-agency Subsidy Transactions</i></b>					
B&T Operating Surplus Transfer	15.1	1.6	0.4	2.1	3.7
MTA Subsidy to Subsidiaries	<u>3.8</u>	<u>5.3</u>	<u>4.0</u>	<u>4.4</u>	<u>3.8</u>
	<b>\$18.9</b>	<b>\$6.8</b>	<b>\$4.5</b>	<b>\$6.5</b>	<b>\$7.5</b>
<b>GROSS SUBSIDIES</b>	<b>(\$3.8)</b>	<b>\$77.0</b>	<b>\$72.4</b>	<b>\$73.2</b>	<b>\$146.2</b>

### **III. Adjustments**



## **Adjustments**

The discussion below reflects proposed Fare/Toll revenue increases, MTA Initiatives, Policy Actions, and MTA Re-estimates that are not included in the Baseline (as shown in Volume II of the November Plan).

### **Fare/Toll Increases**

2011 Increased Fare and Toll Yields – A 7.5% increase in MTA consolidated farebox and toll revenue yields has been approved and will take effect on December 30, 2010. As a result of the approved changes in fares and tolls, consolidated fare and toll revenues, excluding MTA Bus revenues, are expected to increase by \$411 million in 2011, \$429 million in 2012, \$434 million in 2013 and \$438 million in 2014. MTA Bus revenue is expected to increase by \$13 million a year for 2011 through 2014. These additional MTA Bus revenues will be used to hold down the NYC subsidy used to cover the costs associated with MTA Bus operations.

The current projections are slightly lower from the estimates prepared for the July Plan due to baseline and toll revenue forecasts that are lower in the November Plan. Compared with the July Plan, consolidated fare and toll revenues from the 7.5% yield increase are lower by \$2 million in 2011 and lower by \$3 million in 2012 through 2014. For MTA Bus, farebox revenue from this action is unchanged from the July Plan.

2013 Increased Fare and Toll Yields – Another 7.5% consolidated farebox and toll revenue yield increase is also proposed for implementation on January 1, 2013, and is estimated to yield an additional \$454 million in 2013 and \$470 million in 2014, excluding yield increases for MTA Bus. The 7.5% farebox yield increase at MTA Bus is expected to generate additional revenue of \$14 million in 2013 and 2014, and will be used to hold down the NYC subsidy to MTA Bus.

The projections from this action are slightly reduced from the estimates prepared for the July Plan, and are also due to lower baseline farebox and toll revenue forecasts in the November. From this action, consolidated fare and toll revenues compared with the July Plan are lower by \$3 million in 2013 and 2014, and MTA Bus farebox revenue from this action is unchanged.

# MTA Consolidated Utilization

## MTA Agency Fare and Toll Revenue Projections, in millions Including the Impact of 2011 & 2013 Fare & Toll Yield Increases

		2010 November Forecast	2011 Final Proposed Budget	2012	2013	2014
<b>Fare Revenue</b>						
Long Island Bus <sup>1</sup>	- Baseline	\$41.966	\$42.302	\$42.725	\$43.067	\$43.368
	- 1/1/11 Fare Yield	0.000	3.173	3.204	3.230	3.253
	- 1/1/13 Fare Yield	0.000	0.000	0.000	3.472	3.497
		<b>\$41.966</b>	<b>\$45.474</b>	<b>\$45.929</b>	<b>\$49.769</b>	<b>\$50.117</b>
Long Island Rail Road	- Baseline	\$525.923	\$534.639	\$542.706	\$548.655	\$553.935
	- 1/1/11 Fare Yield	0.000	40.098	40.703	41.149	41.545
	- 1/1/13 Fare Yield	0.000	0.000	0.000	44.235	44.661
		<b>\$525.923</b>	<b>\$574.736</b>	<b>\$583.409</b>	<b>\$634.039</b>	<b>\$640.141</b>
Metro-North Railroad <sup>2</sup>	- Baseline	\$527.412	\$537.466	\$553.530	\$566.416	\$576.564
	- 1/1/11 Fare Yield <sup>3</sup>	0.000	24.397	25.286	25.984	26.575
	- 1/1/13 Fare Yield <sup>3</sup>	0.000	0.000	0.000	27.249	27.873
		<b>\$527.412</b>	<b>\$561.863</b>	<b>\$578.816</b>	<b>\$619.648</b>	<b>\$631.012</b>
MTA Bus Company	- Baseline	\$167.774	\$169.452	\$171.993	\$174.229	\$176.493
	- 1/1/11 Fare Yield <sup>4</sup>	0.000	12.709	12.899	13.067	13.237
	- 1/1/13 Fare Yield <sup>4</sup>	0.000	0.000	0.000	14.047	14.230
		<b>\$167.774</b>	<b>\$182.161</b>	<b>\$184.892</b>	<b>\$201.343</b>	<b>\$203.960</b>
New York City Transit <sup>1</sup>	- Baseline	\$3,234.691	\$3,288.155	\$3,360.773	\$3,406.162	\$3,448.442
	- 1/1/11 Fare Yield	0.000	246.612	252.058	255.462	258.633
	- 1/1/13 Fare Yield	0.000	0.000	0.000	274.622	278.031
		<b>\$3,234.691</b>	<b>\$3,534.767</b>	<b>\$3,612.831</b>	<b>\$3,936.246</b>	<b>\$3,985.106</b>
Staten Island Railway	- Baseline	\$5.077	\$5.209	\$5.319	\$5.395	\$5.463
	- 1/1/11 Fare Yield	0.000	0.391	0.399	0.405	0.410
	- 1/1/13 Fare Yield	0.000	0.000	0.000	0.435	0.440
		<b>\$5.077</b>	<b>\$5.600</b>	<b>\$5.718</b>	<b>\$6.235</b>	<b>\$6.313</b>
<b>Total Farebox Revenue</b>	- Baseline	\$4,502.843	\$4,577.222	\$4,677.045	\$4,743.924	\$4,804.266
	- 1/1/11 Fare Yield	0.000	327.379	334.549	339.297	343.653
	- 1/1/13 Fare Yield	0.000	0.000	0.000	364.060	368.731
		<b>\$4,502.843</b>	<b>\$4,904.601</b>	<b>\$5,011.594</b>	<b>\$5,447.281</b>	<b>\$5,516.650</b>
<b>Toll Revenue</b>						
Bridges & Tunnels	- Baseline	\$1,417.201	\$1,423.082	\$1,432.945	\$1,434.473	\$1,438.574
	- 1/1/11 Toll Yield <sup>5</sup>	0.000	96.058	107.397	107.574	107.862
	- 1/1/13 Toll Yield <sup>5</sup>	0.000	0.000	0.000	104.089	115.952
		<b>\$1,417.201</b>	<b>\$1,519.140</b>	<b>\$1,540.342</b>	<b>\$1,646.136</b>	<b>\$1,662.388</b>
<b>TOTAL FARE &amp; TOLL REVENUE <sup>2</sup></b>						
	- Baseline	\$5,920.044	\$6,000.304	\$6,109.990	\$6,178.397	\$6,242.840
	- 1/1/11 Fare/Toll Yield	0.000	423.437	441.946	446.871	451.515
	- 1/1/13 Fare/Toll Yield	0.000	0.000	0.000	468.149	484.683
		<b>\$5,920.044</b>	<b>\$6,423.741</b>	<b>\$6,551.936</b>	<b>\$7,093.417</b>	<b>\$7,179.038</b>

<sup>1</sup> Excludes Paratransit Operations.

<sup>2</sup> MNR baseline utilization figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

<sup>3</sup> MNR utilization changes from the fare yield increases reflect impacts to both East-of-Hudson and West-of-Hudson utilization.

<sup>4</sup> MTA Bus revenue from Fare Yield will be used to reduce NYC subsidy to MTA Bus.

<sup>5</sup> Reflects 10% delay in the distribution of surplus toll revenues per MTA Board resolution. This has no impact on traffic.

## MTA Initiatives

New MTA Efficiencies – MTA will continue to identify new initiatives that will improve the way its businesses are operated and build on the \$525 million of recurring savings identified in 2010 and now captured in the agencies baselines. Plans include a reduction in the reliance on overtime, bringing even more efficiencies to the paratransit operation, additional consolidations, better management of IT systems and reduced costs for inventory and procurement systems and purchases. Savings projected for 2011 are an additional \$75 million. By 2014, these initiatives are expected to grow to \$200 million annually. Savings will come from the following sources:

- Health Care Re-Bid Savings – \$33 million – NYCT negotiated a new medical benefits contract to provide medical health services to approximately 150,000 NYC Transit and MTA Bus employees, retirees and their dependents. When fully implemented, this five year contract is estimated to provide MTA with estimated savings in excess of \$50 million per year when compared with the projected cost of retaining the current medical health benefit coverage structure. The new medical health benefit plan will go into effect on January 1, 2011.
- Strategic Sourcing – \$20 million – Strategic sourcing is the business practice of selecting capable and qualified suppliers for the provision of goods and services required to satisfy user needs at the lowest cost. This is achieved through specification standardization and optimization, procurement process improvements and inter-agency collaboration. An analysis of calendar year 2009 procurements across the MTA family identified ten categories of expenditure worth \$880 million. Aggressive application of this business practice will save a recurring \$20 million per year.
- Consolidations – \$15 million – Significant activities continue in consolidating functions across the MTA to result in more efficient operations and cost savings to the Financial Plan. The Chief Information Officers across the MTA have implemented changes to operations in a number of Information Technology areas which have already begun to yield cost savings which will recur and increase in the out-years of the Financial Plan. For example, over 2,000 servers in over 30 computer rooms were identified and are being targeted for selective consolidation using existing data centers and virtualization technology. Consolidations are also occurring in the areas of e-mail systems, wide area network configurations and voice communications. In parallel with IT consolidation, the MTA went through a critical review of all planned 2011 IT projects and deferred or eliminated those that did not have a compelling return on investment or failed to contribute directly to furthering MTA's priorities. Further consolidations are underway in the general area of communications including a virtual consolidation of the MTA's call centers, reduction in printing and production costs and reductions in the cost of classified ads. Further functional consolidations are under review and will continue to occur throughout the year.

- Inventory Savings – \$7 million – The LIRR is anticipating cash savings based on a thorough examination of the material acquisition requirements to support the 2011 Reliability Centered Program for rolling stock maintenance. The railroad established a working group to review material approval and inventory processes, including a review of work plans, material inventory levels, and delivery lead times. As a result of more closely scrutinizing work schedules and applying tighter procurement controls, it was determined that \$7 million in 2011 material needs can be satisfied through drawing down existing material already in stock.

Net-Zero Labor Initiative – This Financial Plan assumes that each new labor contract will not impose any additional financial burden on the MTA for two consecutive years and reflect annual CPI-based increases thereafter. The MTA cannot be financially stable as long as salary, wage and fringe benefit costs rise in ways unconnected to productivity and the regional economy's ability to support the system. A net-zero approach to wage increases could be achieved through collectively-bargained work rule changes or productivity improvements. Savings in 2011 are projected to be \$32 million growing to more than \$220 million by 2014. These savings are captured below-the-line compared with the baseline dollars captured in Volume II.

Non-Represented Wage Freeze – Consistent with the “net-zero labor initiative”, non-represented employees will not receive a cost of living adjustment in 2010, which will be the second of two consecutive years without an increase, generating annual savings of approximately \$14 million.

MetroCard Green Fee and Cost Savings – The MTA prints 170 million MetroCards each year at an annual cost of nearly \$13 million. Of the 850 million cards produced over the last 5 years, many of these cards were used once and then discarded, often ending up as litter in the system. To overcome this waste by encouraging customers to re-use their MetroCards, MTA is implementing a \$1.00 “green” fee for each new MetroCard bought in the subway system, where it is just as easy to refill a card as to get a new one. The estimated financial impact is a combination of additional revenue from the fee and lower costs from producing fewer cards.

## **Policy Actions**

Repayment of Loan to Capital Financing Fund – The Plan anticipates the repayment of a Board-authorized \$500 million interagency loan from the “Capital Financing Fund” (non-bond proceed funds dedicated to capital programs) to the operating budget. This interagency loan has been needed to balance operating cash flow requirements until revenues, including state subsidies, are received. This \$500 million will be needed for obligated capital program expenditures. The Plan anticipates repaying this loan in five annual installments beginning in 2012.

Eliminate MTA Funding of Long Island Bus Deficit – While MTA operates the Nassau County bus system, the County owns all assets and is responsible for funding operations. Prior to 2000, the County covered the deficit but in that year began to reduce its financial support, relying on MTA contributions to fill the subsidy gap. Since 2000, Nassau County has failed to contribute \$140 million toward its funding obligation. If this continues unchanged this year, Nassau will underfund its obligation. The MTA has advised Nassau County that it no longer intends to subsidize this operation; the Plan, therefore, includes the elimination of any MTA subsidy for projected savings of \$96 million over the Plan Period.

Energy Hedges – The Financial Plan assumes that the MTA will set aside \$100 million to lock-in favorable pricing for a portion of our 2011 diesel fuel and natural gas requirements and provide a measure of protection should prices rise significantly above projections. In 2010, MTA will enter into contracts for 2011 and, similarly, in 2011, contracts will be executed for 2012.

### **MTA Re-estimates**

Pension Rate of Return – The Office of the State Comptroller lowered the assumed investment rate of return for the New York State and Local Employees' Retirement System (NYSLERS) from 8.0% to 7.5%, a 0.5% reduction. This lower assumed rate of return will result in participating employers having to make higher annual required contributions for employees in that plan. Contributions to NYSLERS are a small portion of the MTA's total pension costs, and these additional costs have been captured in the baseline. Similar reductions in pension return assumptions, however, are likely to be made in other pension plans to which MTA contributes. Therefore, this Plan is increasing its estimate of pension costs by \$34 million in 2011, \$139 million in 2012, \$145 million in 2013 and \$154 million in 2014. To the extent that actual increases differ from these amounts, the Financial Plan will be adjusted.

### **July Plan Actions Not Carried in this Plan**

Eliminate 2010 GASB No. 45 Contribution – GASB No. 45 deals with "Other Post Employment Benefits" or "OPEBs", primarily retiree medical benefits and other non-pension benefits. Among other things, it requires governmental entities to provide information about the actuarial accrued liability for these benefits and the progress made toward funding this cost. In 2006, the MTA began accumulating funds designated for this purpose from revenues generated by increased real-estate related tax activity and from annual Agency contributions. The July Plan assumed that an expected 2010 contribution of \$57 million would not be made in order to reduce the 2010 deficit.

Improvements in 2010 cash flow since the July Plan will allow the MTA to reverse this assumption, and it will be making its 2010 contribution to the GASB fund (relating to the \$13.2 billion unfunded retiree healthcare liability).

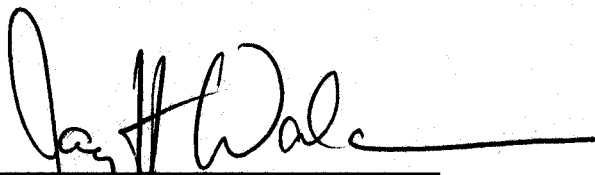
B&T Holdback – In the July Plan it was proposed that a portion of the 7.5% toll increases for 2011 and 2013 (equivalent to 2.5% in each year) be used to fund new B&T capital projects through pay-as-you-go (“PAYGO”) funding and additional debt. The “holdback” is reduced by the amount of any applicable debt service. In November, the assumption is that any new B&T capital projects which would otherwise have been funded from this PAYGO, will be funded through withdrawals from B&T’s Board established Necessary Reconstruction Reserve held in the MTA investment pool.

## **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, Jay H. Walder, 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:   
Jay H. Walder  
Chairman and Chief Executive Officer

Dated: November 15, 2010



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## **V. Other**

## **The MTA Budget Process**

MTA budgeting is a rigorous and thorough process that begins in the spring 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 future calendar years.

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

- Volume I supports the complete financial plan, including the baseline as well as policy items and below-the-line gap closing 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 PEG programs.

### **July Plan**

The July Financial Plan provides the opportunity for the MTA to present a revised forecast of the current years finances, a preliminary presentation of the following years proposed budget, and a three-year reforecast 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 is allocated over the period of 12 months and becomes the basis in 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, which is ultimately presented to the MTA Board for review and approval of the budget for the upcoming year.

### **February Plan**

Finally, in the Adopted Budget below-the-line policy issues are moved into the baseline and technical adjustments are made. This results in what is called the February Plan. The current year (the Adopted Budget) is allocated over the period of 12 months and becomes the basis in which monthly results are compared.

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