

MTA 2014

Final Proposed Budget

November Financial Plan 2014 – 2017



Volume 1
November 2013



Metropolitan Transportation Authority

OVERVIEW

MTA 2014 FINAL PROPOSED BUDGET NOVEMBER FINANCIAL PLAN 2014-2017 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, 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, MTA Re-estimates, and Policy Actions. 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 2014 Final Proposed Budget and the Financial Plan for 2014 through 2017. 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 **2013 MTA November Financial Plan** (the “November Plan” or “Plan”) includes the 2013 November Forecast, the 2014 Final Proposed Budget and a Financial Plan for the years 2014-2017. Consistent with the MTA Budget process, the November Plan updates the July Financial Plan with more current results, new developments and risks, and input from our Board, customers and other stakeholders.

Since 2010, our Plans have been disciplined, consistent, and totally transparent. They have all included three key elements: three years of “net-zero” wage growth for represented employees, continuous pursuit of recurring cost reductions, and biennial fare and toll increases. The MTA also seeks to add or restore service when sustainable and preserve and enhance funding for the capital program while also addressing long-term costs such as pension, health care, paratransit, debt service, energy and insurance previously considered “uncontrollable.”

This Plan features significantly lower fare increases than previously projected and new customer initiatives. It also maintains the \$18 million in service investments proposed in July, funds critical operational and maintenance investments, contains increased support for the Capital Program, and makes additional investments to pay down our unfunded pension and health & welfare liabilities, which will result in ongoing savings in the future.

The November Plan includes favorable expense re-estimates, cost reduction measures and debt-service management actions that combine with existing expense reduction actions to constrain expense growth in the 2014 Budget to only 1.96% over 2013.

What Has Changed Since The July Plan?

The 2013 July Plan provided a detailed look at 2014 in the form of the proposed 2014 Preliminary Budget. It included new and restored service and other customer enhancements, resources to improve operations through better maintenance, and additional financial support for the 2015–2019 Capital Program. The July Plan funded the local match to Federal funds for the Sandy repair and recovery projects as well as long-term resiliency projects. That Plan was in balance through 2014 with modest out-year deficits totaling \$240 million.

Since July, there have been both favorable and unfavorable changes that, when combined, have improved the bottom line by a cumulative \$791 million over the Plan Period.

Favorable changes include:

- Higher passenger/toll revenues;
- Higher real estate tax receipts;
- Lower health & welfare costs;
- Lower debt service;
- Lower pension costs; and
- Higher paratransit savings.

Partially offsetting those results are:

- Higher overtime re-estimates;
- Lower PBT receipts; and
- Greater operational and maintenance needs.

Certain of these changes merit special discussion.

Higher Real Estate Receipts. The November Plan projects an increase from the July Plan in real estate tax receipts of \$287 million over the Plan Period. MTA's real estate tax revenues are mortgage recording tax and real property transfer tax revenues that do not provide the stability and predictability provided by property tax revenues. They are transactional fees assessed on real estate transactions that, because of their inherent lack of predictability, are problematic from a capital and operating budgeting perspective. This has been proven twice for real estate transactional revenues. The first time was in 1988 when MRT revenue was pledged by the MTA as security for a new bonding credit for the capital program. Based on a thorough analysis and forecast by recognized experts, bonds were rated and issued to a receptive investor base. These revenues proved to be so unreliable that the MTA refunded the bonds within three years. The second was in the early-2000s, when the MTA began to increasingly rely upon these revenues for its operating budget, foregoing fare/toll increases, as these revenues began to rise. By 2007, these revenues were approximately \$1.6 billion; however, by 2009, these revenues had fallen to less than \$400 million, and were the primary reason for the MTA's fiscal crisis in 2009. The result was the implementation of the PMT and MTA Aid, and agreed-upon fare/toll revenue increases of 10%, 7.5% and 7.5% in 2009, 2011 and 2013, respectively.

These transactional revenues are increasing again and MTA is incorporating them into the Financial Plan carefully. While we are reflecting the forecasted receipts in the budget, we are investing a portion of the projected receipts as one-time expenditures, which will provide annually recurring savings by reducing our unfunded pension or OPEB liabilities, retiring unscheduled higher cost debt, or avoiding new debt with PAYGO funding. Use of these less-predictable revenues in such ways allows the MTA to reduce or eliminate the expenditures if the forecasted revenues are not fully realized without having to take drastic budget actions as we did in 2009 and 2010.

Higher Overtime Re-estimates. In 2010, the MTA responded to its fiscal crisis by implementing a number of cost savings initiatives that included an aggressive program to reduce overtime costs. These programs have been captured within the overtime goals of

subsequent Financial Plans. However, the MTA has not been able to meet those goals due in large part to uncontrollable factors, including weather incidents (e.g., Sandy, Irene, major storms) and emergency conditions. Other factors that contributed to the overages were the additional cost to perform regular maintenance while responding to Sandy-related work, major maintenance programs (e.g., *FASTRACK* and, backlog reduction initiatives for signals, track and structures), as well as on-going employee availability and vacancy issues.

In retrospect, the original 2010 goals were not realistic, as was highlighted in a special report to the September Finance Committee. To that end, this Plan includes a re-baselining of overtime based on additional analysis conducted subsequent to the report, and now reflects levels that are more in line with documented/historical usage and overall coverage requirements, and that will provide greater accountability for overruns. Further analysis on overtime will be conducted and addressed in the coming months. It is expected that efficiencies can be identified that will result in realistic savings within this category.

Highlights of the November Plan

This Plan includes the addition of new cost reduction measures that, when combined with the above-mentioned re-estimates since the July Plan, will allow the MTA to better serve its customers. Most notably, this Plan includes lower fare and toll increases than previously projected. In addition, the Plan funds new customer initiatives, critical operational and maintenance investments, and increased support for the Capital Program. Furthermore, the Plan maintains the \$18 million in service investments proposed in July. Prudent additional investments to pay down our unfunded pension and health & welfare liabilities will result in ongoing savings in the future. The Plan also limits expense growth from 2013 to 2014 to 1.96%

“Projected” biennial fare/toll revenue increases reduced to 4%. The MTA is cognizant of the impact that fare and toll increases have on its customers. Following the Legislatively-endorsed fare and toll increases of 2009, 2011 and 2013 of 10.0%, 7.5%, and 7.5%, respectively, this Plan reduces projected fare and toll increases for 2015 and 2017 to 4% over the two-year period, or approximately a 2% annual increase. While reducing the burden on our customers, this lower fare/toll increase will reduce revenues during the Plan Period by more than \$900 million; favorable re-estimates in revenues and a substantial increase in targeted savings efficiency initiatives described below make this possible.

Important Operational and Maintenance Needs Funded. The November Plan makes investments in critical maintenance and operational work including fleet overhauls, necessary improvements to the right-of-way, and the upgrade of critical systems. These investments reflect a careful analysis of where new resources will deliver the greatest benefit. It also reflects the increasing operating budget impacts of new services as “Mega Projects” are completed.

This Plan maintains those investments first proposed in July, including \$76 million in operational and maintenance needs, \$18 million of new or restored service investments, \$12 million in increased “platform” service to meet loading and headway guidelines, and \$11 million in additional customer enhancements. Included within these investments is the implementation of an Authority-wide Enterprise Asset Management initiative to protect and optimize our extensive infrastructure by promoting best standards and procedures. That system will also offer proactive maintenance, cost efficiencies, and tools for managing the life-cycle process of MTA's assets. NYCT will carry out a life-extending overhaul of R-46 cars, increased structural inspections and repairs, and water intrusion remediation. LIRR will improve maintenance to rolling stock and elevators/escalators. Metro-North will purchase additional snow fighting equipment, and improve maintenance and cleanup of its right-of-way. MTA Bus will perform engine and structure upgrades and overhauls on 247 MCI series buses for purposes of extending their useful life. It retains B&T’s July-Plan funding of long-term restoration and mitigation projects resulting from Sandy.

The November Plan funds additional operational and maintenance needs totaling \$71 million, or \$217 million over the Plan Period: NYCT will expand its successful “FASTRACK” program; Metro-North will implement a comprehensive right-of-way infrastructure program and enhance maintenance of the GCT facility and systems; LIRR is also investing in track maintenance and replacing the oldest vehicles in its non-revenue fleet; MTA Bus is revising its Shop Overhaul Plan beginning in 2015 to perform engine upgrades, overhauls and structural enhancements on 247 MCI series buses to extend the useful life of these buses from 12 years to 15 years. In addition, NYCT is making additional “platform” service adjustments of \$10 million to meet loading and headway guidelines. The increased investments proposed here, when combined with those investments first proposed in July, total \$705 over the Plan Period.

During this Plan Period a number of MTA’s new “Mega Projects” will begin operations. The first phase of the Second Avenue Subway will provide a new way to travel from the Upper East Side to the west side of Midtown and Lower Manhattan, reducing congestion on the Lexington Avenue line by 10%. The extension to the 7 line will serve the rapidly developing Far West Side of Manhattan. Fulton Center will ease transfer for thousands of customers and provide access to the new PATH station and the World Trade Center, enhance the resiliency of the system, as well as provide a magnificent new station in lower Manhattan. While these new services will benefit our customers, they will also increase our baseline operating expenses. The increasing operating budget impacts (“OBIs”) associated with these capital projects as well as the ramp up for East Side Access are included in this Plan. Annual OBIs increase from \$16 million in 2014 to \$194 million in 2017, for a total OBI of \$361 million over the Plan Period.

Support for Capital Program Increased. This Plan increases annual “Pay-As-You-Go” (PAYGO) funding by an additional \$40 million a year on top of the \$80 million increase included in the July Plan for a total of \$370 million beginning in 2015. This will serve as a “down payment” for the 2015-2019 Capital Program, providing \$2.96 billion over the expected eight-year expenditure period. Alternatively, this funding could be used to support \$6.5 billion in funding (\$5.2 billion in bonding capacity if used for debt service

and \$1.3 billion of residual PAYGO). This amount continues to be derived primarily from debt service savings from the 2012 and 2013 refunding and lower re-estimates of interest rate and cash flow requirements.

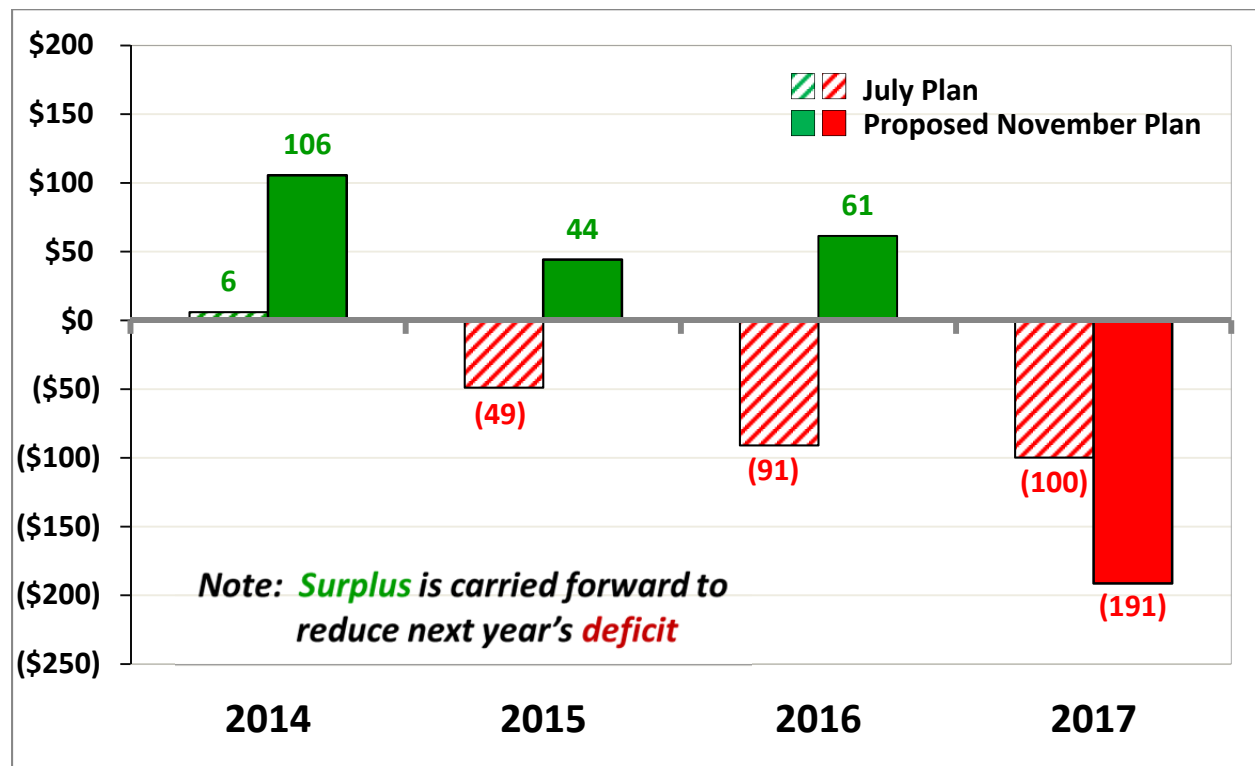
New MTA Fare Reduction Efficiencies Established. The MTA continues to focus on cost control and finding new ways to do business more efficiently; in this Plan we have substantially increased our savings targets. To help fund the proposed fare and tolls reduction initiative, the MTA is increasing its annual recurring savings targets by \$50 million beginning in 2014, increasing by \$50 million each year for total annual savings of \$200 million by 2017, or a cumulative increase of \$500 million during the Plan Period. This will increase projected overall savings from the \$1.3 billion that was assumed in July, to \$1.5 billion by 2017. Initiatives are being identified that are expected to result in savings from the following targeted sources: prompt payment discounts; workers compensation efficiencies; energy efficiencies; further consolidations; additional procurement and inventory efficiencies; and employee benefit savings.

Unfunded Pension Liability Addressed. Consistent with its increased emphasis on addressing previously considered “uncontrollable” costs, the MTA will continue to use non-recurring revenues, receipts or resources to make one-time payments toward long-term obligations to reduce annual expenses, minimizing pressure on future fares and tolls. The July Plan included an \$80 million investment to reduce the LIRR’s unfunded pension liability funded by a non-recurring increase in real estate receipts, the result of a high volume of large transactions that occurred early this year. The July Plan also recommended the adoption of a policy of using monies remaining in the general reserve at year-end to reduce long-term obligations such as pension or health & welfare unfunded obligations, retire long-term debt or avoid new debt with PAYGO funding. The 2013 November Forecast captures the \$80 million investment that was made, applies the unused 2013 General Reserve of \$130 million and makes additional annual investments of \$30 million beginning next year to further reduce our unfunded pension liability. Every dollar invested in the unfunded pension obligation results in a 7% return every year. Together, these investments will result in annual recurring savings that grow to over \$22 million by the end of the Plan Period, with increased savings thereafter.

\$17.8 billion Unfunded OPEB Liability Addressed. Other post-employment benefits, or OPEBs, are primarily healthcare costs for current and future retirees. Unlike with its pensions, MTA and other governmental entities are not required to fund amounts necessary to provide for the future healthcare costs of current and expected retirees, only the current costs. As required, the MTA funds only the annual cost for current retirees, approximately \$450 million in 2013; however, if MTA were to fully fund this future obligation, it would cost approximately \$2.3 billion a year. As disclosed in its audited financial statements, the MTA currently has an unfunded liability of \$17.8 billion. The NYS Comptroller has strongly encouraged governments to recognize these expenses and to set aside funds in trust to meet this obligation. MTA created a trust and has been setting aside funds each year for this purpose. Currently, it has \$250 million in its OPEB trust and another \$360 million in an OPEB reserve, held by the Treasurer for deposit into the trust. Based upon the projected contributions during the Plan Period, the amount held in these two accounts is expected to exceed \$1.1 billion by 2017.

The “Bottom Line

Taken in total, these re-estimates, changes and recommendations result in a significant net improvement to MTA’s financial projections. The Plan is balanced through 2016, with a manageable deficit of \$191 million in 2017. A reconciliation of the Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume II.



Key Elements Remain Essential in Addressing Deficits

It should be noted that even with successful execution of these key elements, a deficit of \$191 million is projected for 2017 and large post-2017 deficits are looming.

Driving down costs through recurring expense reductions and efficiencies. The Plan continues the strategy developed in 2010 to “make every dollar count”. Existing efficiency programs, combined with the additional cost reduction targets proposed in this Plan, will increase projected annual savings to \$1.5 billion by 2017. It is critical that MTA continue to increase its annual savings targets to minimize pressure on future fares and tolls and protect MTA’s ability to make important investments in its capital program, operations and maintenance and customer service.

Much of MTA’s efforts have focused on “controllable” expenses, primarily payroll, but also maintenance, operating and service contracts and materials and supplies. The operating

budget impacts of the “Mega Projects” (Fulton Center, 7 West Extension, Second Avenue Subway, and East Side Access) are starting to put additional pressure on MTA’s operating budgets. Nevertheless, controllable costs are projected to grow slightly less than 0.5% in 2014, with average growth over the Plan Period of 1.46%.

“Uncontrollable” costs, which continue to outpace inflation, are increasingly the focus of MTA’s cost saving efforts. These costs, which include employee and retiree health care, paratransit, pensions, debt service, energy, and insurance, are driven by factors that are largely outside the control of the MTA. The Plan includes investments that will reduce the liabilities (and future expenses) for pensions and OPEB.

The growth of paratransit costs has been reduced significantly in recent years due to proactive management initiatives that have reduced unit costs and diverted customers to more efficient ADA-compliant modes of transportation, generating annual savings of over \$280 million. It is important to note that continuing to contain rapidly-growing paratransit costs is essential. Before these paratransit savings initiatives were begun, the subsidy for paratransit services was approaching that received by MNR and expenses were growing at 18% percent a year. Through these management actions, paratransit’s expense budget is expected to grow by only 7% a year, a significant reduction but still much greater than the expense growth of other MTA services.

Aggressive management of its debt portfolio has enabled MTA to capture savings from lower interest rates to reduce the burden of future capital programs on the farebox. The MTA continues to hedge its fuel purchases, which adds an element of certainty to those expenses. Insurance costs would be even higher were it not for the issuance of “catastrophe” bonds in place of high-cost insurance for a portion of the MTA’s risk coverage. **These and other management actions result in a MTA-wide expense growth that is under 2% in 2014.**

Three years of “net-zero” wage growth. The November Plan baseline continues to capture three years of “net-zero” wage growth for represented employees. To achieve net zero, wage increases may be granted if offset by savings from work rules or other non-wage concessions. MTA is committed to this reasonable assumption, as non-represented employees have not had a raise in over four and a half years. To further place this net zero assumption in context, in 2012, the State’s largest unions agreed to contracts that include three years of zero wage increases as well as contributions towards health care benefits. Similarly, this Plan assumes that the three “net-zero” contracts will be achieved through collective bargaining with MTA’s unions.

Continue biennial fare/toll increases. As described earlier, the November Plan continues to project biennial fare/toll increases in 2015 and 2017, but at a lower increase of approximately 2% per year, which will be in line with projected rates of inflation. The 2015 fare/toll increase is projected to produce annualized revenue of \$268 million, while the 2017 increase will net \$283 million annualized. Consistent with the July Plan, a March 1st implementation for both the 2015 and 2017 increases is anticipated.

Risks to the Plan

Despite an improved outlook, significant risks remain. Labor agreements currently open must include settlements with three years of net-zero wage growth. The failure to achieve this desired settlement would increase costs by approximately \$300 million per year going forward.

The Plan assumes that State budget actions will reflect full remittance to the MTA of all funds collected on its behalf. While the MTA has been successful in the face of challenges to the Payroll Mobility Tax, there continues to be outside pressures on this funding source. Any modifications to this tax could adversely affect this vital MTA revenue stream. For example, if the tax were to be repealed in the suburban counties, MTA would lose approximately \$300 million per year.

If the MTA fails to achieve the three “net zero” labor settlement, or if the PMT were to be repealed for those counties outside of New York City, deficits would increase by approximately \$1.2 billion over the Plan Period. Either of those occurrences would require significant “one-shot” actions, increased fares/tolls or a reduction in the MTA’s self-generated funding capacity of \$5.3 billion, which would be a devastating blow to the anticipated 2015-2019 Capital Program.

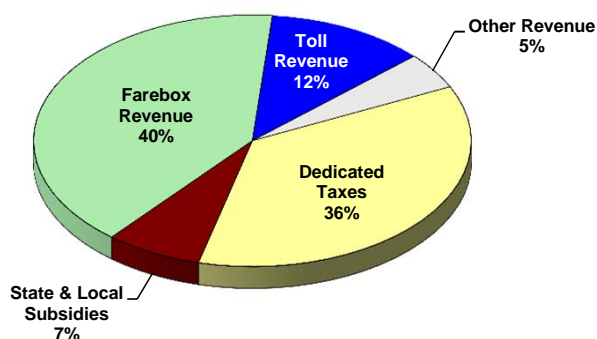
The finances of the MTA are highly dependent on the economy. While the regional economy continues to improve, though unevenly, the national economy has had difficulty gaining momentum and is growing at a rate much slower than typically expected at this stage of economic recovery. The Federal spending Sequester, the October Federal government shut-down, and the continuing recession in Europe are the primary reasons for the weak national economic expansion.

Finally, the MTA faces long-term vulnerabilities. Increased operating costs associated with the “mega” projects reflected in this Plan rise to \$194 million by 2017; to the extent that significant new ridership doesn’t follow, relative burden on customers and taxpayers will increase. There has been little movement to negotiate a comprehensive budget plan in Washington and federal support for the upcoming MTA Capital Program remains uncertain. With two major weather events in two years, the importance of resiliency investments cannot be overstated and, given the competitive process to allocate resiliency funding within the region, some of these costs may fall to the MTA. As noted above, long-term costs such as pension and retiree health costs continue to grow. Consequently, the MTA must continue to set aside funds for these expenses while also building reserves to meet the cash flow needs of its day to day operations and unbudgeted, but foreseeable situations.

II. MTA Consolidated 2014-2017 Financial Plan

MTA 2014 Final Proposed Budget
Baseline Expenses After Below-the-Line Adjustments
Non-Reimbursable

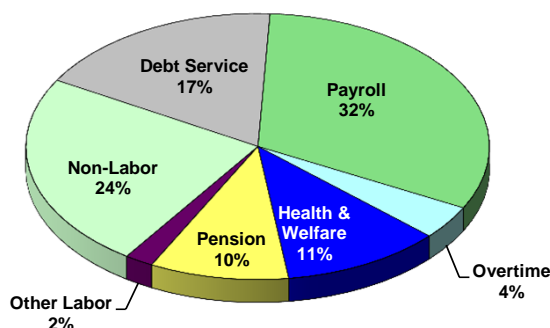
Where the Dollars Come From ...



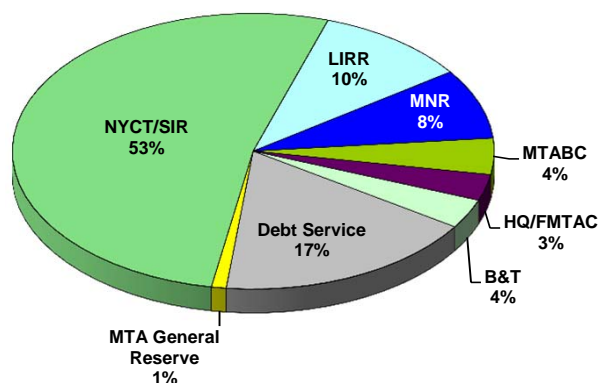
By Revenue Source (\$ in millions)	
Farebox Revenue	\$5,646
Toll Revenue	1,649
Other Revenue	656
Dedicated Taxes	5,039
State & Local Subsidies	1,000
Total	\$13,990

Where the Dollars Go ...

By Expense Category



By MTA Agency



By Expense Category includes below-the-line adjustments (\$ in millions)	
Payroll	\$4,342
Overtime	560
Health & Welfare	1,519
Pension	1,324
Other Labor	271
Non-Labor	3,240
Debt Service ¹	2,333
MTA Below-the-Line Adjustments ²	-77
Total	\$13,511

By MTA Agency ³ includes below-the-line adjustments (\$ in millions)	
NYCT/SIR	\$7,132
LIRR	1,395
MNR	1,125
MTABC	580
HQ/FMTAC	419
B&T	470
Debt Service ¹	2,333
MTA General Reserve	135
MTA Below-the-Line Adjustments ²	-77
Total	\$13,511

Expenses exclude Depreciation, OPEB obligation and Environmental Remediation.

¹ The financing of Superstorm Sandy repairs, which is a below-the-line adjustment, is included in Debt Service expenses.

² These below-the-line adjustments impact expense dollars and have not been allocated to specific Agencies as yet.

³ MTA Capital Construction is not included in the above charts, as its budget contains reimbursable expenses only.

Note: The revenues and expenses reflected in these charts are on an accrued basis and exclude cash adjustments and carryover balances. Any comparison of revenues versus expenses will not directly correspond to the cash balances reflected in the Statement of Operations.

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2014-2017
MTA Consolidated Statement Of Operations By Category
(\$ in millions)

Line

No.

7	Non-Reimbursable						
8		2012	2013	2014			
9		Actual	November	Final Proposed	2015	2016	2017
10	<u>Operating Revenue</u>		Forecast	Budget			
11	Farebox Revenue	\$5,079	\$5,483	\$5,646	\$5,718	\$5,790	\$5,824
12	Toll Revenue	1,491	1,629	1,649	1,653	1,662	1,666
13	Other Revenue	564	779	656	610	638	673
14	Capital and Other Reimbursements	0	0	0	0	0	0
15	Total Operating Revenue	\$7,134	\$7,892	\$7,951	\$7,981	\$8,090	\$8,163
16							
17	<u>Operating Expense</u>						
18	Labor Expenses:						
19	Payroll	\$4,194	\$4,259	\$4,342	\$4,453	\$4,563	\$4,689
20	Overtime	574	594	560	554	557	566
21	Health & Welfare	813	920	1,023	1,095	1,177	1,268
22	OPEB Current Payment	413	453	496	537	585	633
23	Pensions	1,328	1,296	1,324	1,335	1,357	1,360
24	Other-Fringe Benefits	650	591	586	614	638	662
25	Reimbursable Overhead	(309)	(309)	(315)	(305)	(301)	(297)
26	Sub-total Labor Expenses	\$7,663	\$7,804	\$8,015	\$8,283	\$8,576	\$8,881
27							
28	Non-Labor Expenses:						
29	Electric Power	\$472	\$509	\$537	\$567	\$602	\$639
30	Fuel	252	275	268	267	267	274
31	Insurance	8	33	52	68	87	110
32	Claims	136	204	201	210	215	219
33	Paratransit Service Contracts	361	368	394	412	457	526
34	Maintenance and Other Operating Contracts	452	546	581	622	640	639
35	Professional Service Contracts	277	314	337	319	316	321
36	Materials & Supplies	431	498	527	548	555	564
37	Other Business Expenses	144	165	161	166	172	175
38	Sub-total Non-Labor Expenses	\$2,530	\$2,913	\$3,058	\$3,179	\$3,311	\$3,467
39							
40	Other Expense Adjustments:						
41	Other	\$63	\$46	\$47	\$48	\$51	\$52
42	General Reserve	0	0	135	140	145	150
43	Sub-total Other Expense Adjustments	\$63	\$46	\$182	\$188	\$196	\$202
44							
45	Total Operating Expense before Non-Cash Liability Adj.	\$10,256	\$10,763	\$11,256	\$11,650	\$12,083	\$12,550
46							
47	Depreciation	\$2,149	\$2,176	\$2,265	\$2,384	\$2,453	\$2,637
48	OPEB Obligation	1,786	1,819	1,900	1,982	2,069	2,156
49	Environmental Remediation	25	5	6	6	6	6
50							
51	Total Operating Expense after Non-Cash Liability Adj.	\$14,216	\$14,762	\$15,426	\$16,022	\$16,610	\$17,349
52							
53	Net Deficit Before Subsidies and Debt Service	(\$7,082)	(\$6,871)	(\$7,475)	(\$8,042)	(\$8,520)	(\$9,186)
54							
55	Conversion to Cash Basis: Non-Cash Liability Adjs.	\$3,959	\$4,000	\$4,171	\$4,372	\$4,527	\$4,799
56							
57	Debt Service (excludes Service Contract Bonds)	(2,058)	(2,191)	(2,393)	(2,481)	(2,642)	(2,818)
58							
59	Total Operating Expense with Debt Service	\$12,315	\$12,953	\$13,649	\$14,131	\$14,725	\$15,369
60							
61	Dedicated Taxes and State/Local Subsidies	\$5,492	\$5,890	\$6,039	\$6,373	\$6,609	\$6,813
62							
63	Net Deficit After Subsidies and Debt Service	\$311	\$828	\$342	\$222	(\$26)	(\$393)
64							
65	Conversion to Cash Basis: GASB Account	(90)	(84)	(98)	(106)	(114)	(123)
66	Conversion to Cash Basis: All Other	(290)	(235)	(398)	(335)	(268)	(304)
67							
68	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$68)	\$509	(\$154)	(\$218)	(\$409)	(\$820)
69	ADJUSTMENTS	0	(525)	48	156	426	567
70	PRIOR-YEAR CARRY-OVER	297	229	212	106	44	61
71	NET CASH BALANCE	\$229	\$212	\$106	\$44	\$61	(\$191)

METROPOLITAN TRANSPORTATION AUTHORITY

November Financial Plan 2014-2017

Plan Adjustments

(\$ in millions)

Line

No.

		2013	2014			
	2012	November	Final Proposed			
	Actual	Forecast	Budget	2015	2016	2017
11	Cash Balance Before Prior-Year Carry-over	(\$68)	\$509	(\$154)	(\$218)	(\$409)
12						
13	Fare/Toll Increases:					
14	Fare/Toll Increase on 3/1/15 (4%)	-	-	228	277	279
15	Fare/Toll Increase on 3/1/17 (4%)	-	-	-	-	240
16	Sub-Total	\$0	\$0	\$228	\$277	\$519
17						
18	MTA Initiatives:					
19	Unidentified MTA Efficiencies	-	-	21	63	56
20	New MTA Fare Reduction Initiatives	-	50	100	150	200
21	Sub-Total	\$0	\$50	\$121	\$213	\$256
22						
23	MTA Re-estimates:					
24	MTA Re-estimates	(16)	36	(25)	-	-
25	Sub-Total	(\$16)	\$36	(\$25)	\$0	\$0
26						
27	Policy Actions:					
28	Service Investments (Proposed in July)	(5)	(18)	(18)	(18)	(18)
29	Unexpended 2013 Gen'l Reserve used to Reduce Pension Liability	(130)	-	-	-	-
30	Additional Investment to Reduce Pension Liability	-	(30)	(30)	(30)	(30)
31	Return on Investments to Reduce Pension Liability	-	9	11	13	15
32	Debt Service - Cash Management Actions	(113)	68	7	33	14
33	Superstorm Sandy - Debt Local Match	(1)	(8)	(17)	(42)	(69)
34	Superstorm Sandy - PAYGO Local Match	(160)	-	-	-	-
35	Committed to Capital	-	(60)	(120)	(120)	(120)
36	Acceleration of the Repayment of Capital Financing Loan	(100)	-	-	100	-
37	Sub-Total	(\$509)	(\$38)	(\$167)	(\$63)	(\$208)
38						
39	TOTAL ADJUSTMENTS		(\$525)	\$48	\$156	\$567
40						
41	Prior-Year Carry-Over	297	229	212	106	61
42						
43	Net Cash Surplus/(Deficit)	\$229	\$212	\$106	\$44	(\$191)

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2014-2017
MTA Consolidated Cash Receipts and Expenditures
(\$ in millions)

Line

No	Cash Receipts and Expenditures	2012	2013	2014			
		Actual	November Forecast	Final Proposed Budget	2015	2016	2017
10	Receipts						
11	Farebox Revenue	\$5,077	\$5,530	\$5,685	\$5,759	\$5,832	\$5,867
12	Other Operating Revenue	536	859	672	641	730	691
13	Capital and Other Reimbursements	1,434	1,438	1,592	1,511	1,493	1,484
14	Total Receipts	\$7,047	\$7,827	\$7,950	\$7,911	\$8,055	\$8,042
15							
16	Expenditures						
17	<u>Labor:</u>						
18	Payroll	\$4,499	\$4,604	\$4,940	\$4,831	\$4,915	\$5,039
19	Overtime	646	700	671	632	635	644
20	Health and Welfare	872	968	1,056	1,130	1,212	1,302
21	OPEB Current Payment	399	437	479	521	567	615
22	Pensions	1,480	1,152	1,343	1,361	1,378	1,379
23	Other Fringe Benefits	608	679	705	719	735	756
24	Contribution to GASB Fund	90	84	98	106	114	123
25	Reimbursable Overhead	0	0	0	0	0	0
26	Total Labor Expenditures	\$8,594	\$8,626	\$9,293	\$9,299	\$9,556	\$9,858
27							
28	<u>Non-Labor:</u>						
29	Electric Power	\$466	\$537	\$532	\$561	\$596	\$633
30	Fuel	252	274	262	260	261	268
31	Insurance	33	42	47	65	78	98
32	Claims	173	193	182	188	189	193
33	Paratransit Service Contracts	354	366	392	410	455	524
34	Maintenance and Other Operating Contracts	458	541	516	553	583	584
35	Professional Service Contracts	254	335	359	342	341	346
36	Materials & Supplies	537	604	665	657	663	672
37	Other Business Expenditures	150	151	241	167	172	176
38	Total Non-Labor Expenditures	\$2,677	\$3,043	\$3,197	\$3,203	\$3,337	\$3,493
39							
40	<u>Other Expenditure Adjustments:</u>						
41	Other	\$92	\$74	\$134	\$93	\$110	\$111
42	General Reserve	0	0	135	140	145	150
43	Total Other Expenditure Adjustments	\$92	\$74	\$269	\$233	\$255	\$261
44							
45	Total Expenditures	\$11,364	\$11,742	\$12,758	\$12,735	\$13,148	\$13,612
46							
47	Net Cash Deficit Before Subsidies and Debt Service	(\$4,317)	(\$3,915)	(\$4,809)	(\$4,824)	(5,093)	(5,570)
48							
49	Dedicated Taxes and State/Local Subsidies	\$5,691	\$6,009	\$6,409	\$6,435	\$6,655	\$6,870
50	Debt Service (excludes Service Contract Bonds)	(1,442)	(1,584)	(1,754)	(1,829)	(1,971)	(2,120)
51							
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$68)	\$509	(\$154)	(\$218)	(\$409)	(\$820)
53	BASELINE PRIOR-YEAR CARRY-OVER	0	0	0	0	0	0
54	ADJUSTMENTS	0	(525)	48	156	426	567
55	PRIOR-YEAR CARRY-OVER	297	229	212	106	44	61
56	NET CASH BALANCE	\$229	\$212	\$106	\$44	\$61	(\$191)

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2014-2017
MTA Consolidated November Financial Plan Compared with July Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)				
	2013	2014	2015	2016	2017
JULY FINANCIAL PLAN 2014-2017					
NET CASH SURPLUS/(DEFICIT)	\$141	\$6	(\$49)	(\$91)	(\$100)
Savings Programs	\$31	\$24	\$19	\$21	\$28
2013 BRPs (New & Re-estimates, including Paratransit)	31	24	19	21	28
New Needs/Investments	(\$36)	(\$91)	(\$82)	(\$60)	(\$42)
Operations/Maintenance	(21)	(71)	(61)	(41)	(23)
Service - Platform Budget Improvements/Support	0	(5)	(10)	(10)	(10)
All Other New Needs	(15)	(15)	(11)	(9)	(9)
Agency Baseline Adjustments	\$222	\$12	\$161	\$111	\$92
Farebox/Toll Revenue	43	56	62	67	67
Other Revenue	1	(5)	(17)	(70)	(14)
Overtime ¹	(29)	(34)	(35)	(35)	(35)
Health & Welfare (including OPEB)	16	41	43	55	68
Pension	21	27	17	17	16
Superstorm Sandy Agency Impacts	15	4	22	0	0
Timing	107	(119)	10	1	2
Baseline Re-estimates ²	49	41	59	76	(12)
MTA Adjustments	\$130	\$0	\$0	\$0	\$5
General Reserve	130	0	0	0	5
Changes in Subsidies	(\$48)	\$32	\$80	\$31	\$58
Real Estate Taxes	45	53	57	59	75
Petroleum Business Tax	(26)	(26)	(26)	(27)	(27)
Payroll Mobility Tax and MTA Aid	0	0	0	0	0
CDOT Subsidy	9	(4)	3	(4)	(6)
B&T Surplus Transfer	32	0	10	13	14
Other Subsidies	(31)	1	31	(15)	(5)
Resource to Reduce Pension Liability (moved to baseline)	(80)	6	6	6	6
Forward Energy Contracts Program - Gain/(Loss)	1	3	(0)	0	0
Debt Service Adjustments	\$28	(\$2)	\$24	\$53	\$58
Debt Service Savings from Refundings/Lower Interest Rates	28	(2)	24	53	58
Below-the-Line Adjustments	(\$255)	\$53	(\$208)	(\$48)	(\$352)
Fare/Toll Increase	0	0	(197)	(239)	(470)
Unidentified MTA Efficiencies	0	(25)	(29)	(32)	(39)
New MTA Fare Reduction Initiatives	0	50	100	150	200
MTA Re-estimates	(16)	36	(25)	0	0
Service Investments (Proposed in July)	0	0	0	0	0
Resource to Reduce Pension Liability (moved to baseline)	80	(6)	(6)	(6)	(6)
Unexpended 2013 Gen'l Reserve used to Reduce Pension Liability	(130)	0	0	0	0
Additional Investment to Reduce Pension Liability	0	(30)	(30)	(30)	(30)
Return on Investments to Reduce Pension Liability	0	9	11	13	15
Debt Service - Cash Management Actions	(113)	68	7	33	14
Superstorm Sandy - Debt Local Match	1	(1)	1	2	3
Superstorm Sandy - PAYGO Local Match	0	0	0	0	0
Committed to Capital	24	(49)	(40)	(40)	(40)
Acceleration of the Repayment of Capital Financing Loan	(100)	0	0	100	0
Prior-Year Carry-Over (Adjusted)	(0)	72	100	44	61
NOVEMBER FINANCIAL PLAN 2014-2017					
NET CASH SURPLUS/(DEFICIT)	\$212	\$106	\$44	\$61	(\$191)

¹ Primarily reflects refinement and "rebasings" of overtime. Excludes overtime captured within programmatic new needs and changes in existing programs that are captured within baseline re-estimates.

² 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 "Baseline Re-estimates."

METROPOLITAN TRANSPORTATION AUTHORITY
November Financial Plan 2014-2017
Consolidated Subsidies
Cash Basis
(\$ in millions)

	2012	2013	2014			
	Actual	November Forecast	Final Proposed Budget	2015	2016	2017
Subsidies						
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$1,354.2	\$1,518.2	\$1,558.4	\$1,625.5	\$1,692.6	\$1,765.9
Petroleum Business Tax (PBT) Receipts	599.5	593.1	609.5	614.1	617.5	619.0
Mortgage Recording Tax (MRT)	279.8	364.7	400.6	437.9	458.0	470.1
MRT Transfer to Suburban Counties	(1.8)	(2.4)	(3.6)	(4.8)	(5.5)	(5.4)
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
MTA Bus Debt Service	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)
Interest	4.3	4.5	4.7	4.9	5.1	5.3
Urban Tax	407.5	547.5	528.8	584.5	640.2	684.6
Investment Income	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>
	\$2,609.6	\$2,991.6	\$3,064.5	\$3,228.3	\$3,374.1	\$3,505.8
PMT and MTA Aid						
Payroll Mobility Tax	\$1,265.3	\$1,214.2	\$1,315.1	\$1,384.7	\$1,452.4	\$1,522.1
Payroll Mobility Tax Replacement Funds	254.9	307.2	307.2	307.2	307.2	307.2
MTA Aid	<u>305.6</u>	<u>308.2</u>	<u>320.4</u>	<u>330.1</u>	<u>334.9</u>	<u>334.9</u>
	\$1,825.8	\$1,829.6	\$1,942.7	\$2,022.0	\$2,094.6	\$2,164.2
State and Local Subsidies						
State Operating Assistance	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9
Local Operating Assistance	187.5	187.9	187.9	187.9	187.9	187.9
CDOT Subsidy	80.7	96.3	97.2	96.0	94.5	98.3
Station Maintenance	<u>157.3</u>	<u>158.5</u>	<u>160.9</u>	<u>163.3</u>	<u>166.1</u>	<u>168.7</u>
	\$613.4	\$630.6	\$633.9	\$635.1	\$636.4	\$642.8
Other Subsidy Adjustments						
Resource to Reduce Pension Liability	\$0.0	(\$80.0)	\$5.6	\$5.6	\$5.6	\$5.6
Interagency Loan	75.0	(120.2)	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.8)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts Program - Gain/(Loss)	3.0	0.1	1.7	(0.2)	0.0	0.0
MNR Repayment for 525 North Broadway	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
NYS Reimbursement Transferred to B&T	0.0	(3.9)	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	0.0
Committed to Capital	<u>(131.8)</u>	<u>(123.6)</u>	<u>(84.8)</u>	<u>(288.1)</u>	<u>(250.0)</u>	<u>(323.0)</u>
	(\$168.0)	(\$441.6)	(\$191.4)	(\$396.6)	(\$358.3)	(\$331.3)
Subtotal Dedicated Taxes & State and Local Subsidies	\$4,880.8	\$5,010.2	\$5,449.7	\$5,488.8	\$5,746.7	\$5,981.5
City Subsidy for MTA Bus	\$290.0	\$371.5	\$389.5	\$414.4	\$397.1	\$414.6
City Subsidy for SIRTTOA	<u>21.1</u>	<u>30.7</u>	<u>32.3</u>	<u>27.9</u>	<u>36.7</u>	<u>39.0</u>
	\$311.0	\$402.2	\$421.8	\$442.3	\$433.8	\$453.6
Total Dedicated Taxes & State and Local Subsidies	\$5,191.8	\$5,412.4	\$5,871.5	\$5,931.1	\$6,180.5	\$6,435.1
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	\$509.3	\$596.2	\$537.1	\$503.8	\$474.7	\$435.1
MTA Subsidy to Subsidiaries	<u>(10.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$499.2	\$596.2	\$537.1	\$503.8	\$474.7	\$435.1
GROSS SUBSIDIES	\$5,691.0	\$6,008.6	\$6,408.6	\$6,434.8	\$6,655.3	\$6,870.2

METROPOLITAN TRANSPORTATION AUTHORITY
Summary of Changes Between the November and July Financial Plans

Consolidated Subsidies

Cash Basis

(\$ in millions)

	2013	2014	2015	2016	2017
<u>Subsidies</u>					
Dedicated Taxes					
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Petroleum Business Tax (PBT) Receipts	(25.5)	(26.2)	(26.4)	(26.5)	(26.6)
Mortgage Recording Tax (MRT)	29.2	38.2	41.5	39.3	46.6
MRT Transfer to Suburban Counties	0.0	(0.6)	(0.7)	(0.7)	(0.5)
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0
Urban Tax	12.3	15.1	16.4	18.6	28.8
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$16.0	\$26.5	\$30.8	\$30.7	\$48.4
PMT and MTA Aid					
Payroll Mobility Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Payroll Mobility Tax Replacement Funds	0.0	0.0	0.0	0.0	0.0
MTA Aid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State and Local Subsidies					
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
CDOT Subsidy	9.4	(3.9)	3.0	(4.5)	(5.8)
Station Maintenance	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$9.4	(\$3.9)	\$3.0	(\$4.5)	(\$5.8)
Other Subsidy Adjustments					
Resource to Reduce Pension Liability	(\$80.0)	\$5.6	\$5.6	\$5.6	\$5.6
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 Program - Gain/(Loss)	0.8	2.9	(0.1)	0.0	0.0
MNR Repayment for 525 North Broadway	0.0	0.0	0.0	0.0	0.0
NYS Reimbursement Transferred to B&T	0.0	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	0.0	0.0	0.0	0.0	0.0
Committed to Capital	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	(\$79.2)	\$8.5	\$5.5	\$5.6	\$5.6
Subtotal Dedicated Taxes & State and Local Subsidies	(\$53.8)	\$31.1	\$39.3	\$31.8	\$48.2
City Subsidy for MTA Bus	(\$23.5)	(\$3.7)	\$32.7	(\$16.6)	(\$9.3)
City Subsidy for SIRT OA	<u>0.0</u>	<u>1.6</u>	<u>(0.7)</u>	<u>3.3</u>	<u>4.7</u>
	(\$23.5)	(\$2.1)	\$32.0	(\$13.2)	(\$4.6)
Total Dedicated Taxes & State and Local Subsidies	(\$77.3)	\$29.0	\$71.2	\$18.5	\$43.6
Inter-agency Subsidy Transactions					
B&T Operating Surplus Transfer	\$29.0	\$3.4	\$8.7	\$12.7	\$14.2
MTA Subsidy to Subsidiaries	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$29.0	\$3.4	\$8.7	\$12.7	\$14.2
GROSS SUBSIDIES	(\$48.3)	\$32.3	\$79.9	\$31.2	\$57.8

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III. Adjustments

III. ADJUSTMENTS

The discussion that follows reflects proposed Fare/Toll Increases, MTA Initiatives, MTA Re-estimates and Policy Actions that are not included in the Baseline (as depicted in Volume 2 of the November Plan). Volume 1 of the July Plan included a below-the-line \$80 million investment to reduce the LIRR's unfunded pension liability. Funding for that investment came from the "one-shot" increase in real estate receipts, the result of a high volume of large transactions that occurred early this year. This action was taken and is now captured in the November Plan baseline (Volume 2).

Fare/Toll Increases

Fare and Toll Increase on 3/1/15 – A \$268 million annualized increase in MTA consolidated farebox and toll revenues is assumed for implementation on March 1, 2015. Consolidated fare and toll revenues, excluding MTA Bus and SIR revenues, are expected to increase by \$228 million in 2015, \$277 million in 2016 and \$279 million in 2017. MTA Bus revenue is expected to increase by \$7 million in 2015 and by \$8 million a year for both 2016 and 2017, while SIR revenue is expected to increase \$0.2 million each year. These additional MTA Bus and SIR revenues will be used to hold down the NYC subsidies that cover the costs associated with these operations.

These projections are significantly lower from the estimates provided in both the 2013 July Plan and the 2013 February Plan, the direct result of reducing the projected biennial fare and toll increase revenues from 7.5% to 4%. Compared with the July Plan, revenue is lower by \$197 million in 2015, \$239 million in 2016 and \$241 million in 2017. Revenue for MTA Bus is lower by \$6 million in 2015, and by \$7 million in both 2016 and 2017, while SIR revenue is \$0.2 million lower per year.

Fare and Toll Increase on 3/1/17 – A \$283 million annualized consolidated farebox and toll increase is assumed for implementation on March 1, 2017, and is estimated to yield an additional \$240 million in 2017, excluding yield increases for MTA Bus and SIR. The farebox revenue increase at MTA Bus and SIR is expected to generate additional revenues of \$7 million and \$0.2 million in 2017, respectively. These additional revenues will be used to hold down the NYC subsidies to MTA Bus and SIR.

The change in additional revenue from the assumed 2017 fare and toll increases, compared with the July Plan, reflects a reduction in the assumed projection of fare and toll increases revenues from 7.5% down to 4%. Compared with the July Plan revenue is lower by \$229 million; MTA Bus revenue is \$7 million lower and SIR revenue is \$0.2 million lower.

MTA Consolidated Utilization

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

		2013	2014			
		November	Final Proposed			
		Forecast	Budget	2015	2016	2017
Fare Revenue						
Long Island Rail Road	Baseline	\$631.193	\$644.345	\$648.993	\$652.946	\$655.779
	2015 Fare Yield	0.000	0.000	22.016	26.118	26.231
	2017 Fare Yield	0.000	0.000	0.000	0.000	23.136
		\$631.193	\$644.345	\$671.009	\$679.064	\$705.146
Metro-North Railroad ¹	Baseline	\$621.318	\$660.112	\$673.953	\$685.453	\$696.281
	2015 Fare Yield	0.000	0.000	14.972	18.006	18.246
	2017 Fare Yield	0.000	0.000	0.000	0.000	15.844
		\$621.318	\$660.112	\$688.925	\$703.460	\$730.370
MTA Bus Company ²	Baseline	\$198.049	\$201.484	\$202.889	\$204.557	\$204.833
	2015 Fare Yield	0.000	0.000	6.883	8.182	8.193
	2017 Fare Yield	0.000	0.000	0.000	0.000	7.227
		\$198.049	\$201.484	\$209.772	\$212.739	\$220.253
New York City Transit ³	Baseline	\$3,958.886	\$4,074.714	\$4,125.904	\$4,179.766	\$4,197.900
	2015 Fare Yield	0.000	0.000	139.822	167.191	167.916
	2017 Fare Yield	0.000	0.000	0.000	0.000	147.953
		\$3,958.886	\$4,074.714	\$4,265.726	\$4,346.957	\$4,513.769
Staten Island Railway ²	Baseline	\$5.517	\$5.727	\$5.806	\$5.877	\$5.911
	2015 Fare Yield	0.000	0.000	0.197	0.235	0.236
	2017 Fare Yield	0.000	0.000	0.000	0.000	0.209
		\$5.517	\$5.727	\$6.003	\$6.112	\$6.356
Total Farebox Revenue						
	Baseline	\$5,414.963	\$5,586.383	\$5,657.545	\$5,728.600	\$5,760.703
	2015 Fare Yield	0.000	0.000	183.890	219.732	220.823
	2017 Fare Yield	0.000	0.000	0.000	0.000	194.367
		\$5,414.963	\$5,586.383	\$5,841.435	\$5,948.332	\$6,175.894
Toll Revenue						
Bridges & Tunnels ⁴	Baseline	\$1,628.823	\$1,649.488	\$1,652.899	\$1,661.859	\$1,665.930
	2015 Toll Yield	0.000	0.000	50.694	65.460	66.621
	2017 Toll Yield	0.000	0.000	0.000	0.000	53.138
		\$1,628.823	\$1,649.488	\$1,703.593	\$1,727.319	\$1,785.689
TOTAL FARE & TOLL REVENUE						
	Baseline	\$7,043.786	\$7,235.871	\$7,310.444	\$7,390.459	\$7,426.633
	2015 Fare / Toll Yield	0.000	0.000	234.584	285.192	287.444
	2017 Fare / Toll Yield	0.000	0.000	0.000	0.000	247.505
		\$7,043.786	\$7,235.871	\$7,545.029	\$7,675.651	\$7,961.582

¹ MNR baseline utilization reflects East-of-Hudson service only; impacts from fare yield changes also include West-of-Hudson utilization.

² MTA Bus and SIR revenues from fare yield changes will be used to reduce NYC subsidies to MTA Bus and SIR.

³ Excludes Paratransit Operations.

⁴ B&T utilization changes reflect a 10% delay in the distribution of surplus toll revenues per MTA Board resolution. This has no impact on traffic.

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 were projected to reach an annual level of \$784 million by 2014. In each subsequent Plan, the MTA has steadily increased the level of targeted savings; in this Plan the 2014 projection for savings from these initiatives is \$1.015 billion, a 29% increase in only three years. The successful implementation of these initiatives has been instrumental in the MTA's efforts to reduce expense growth, and has now afforded the opportunity to reduce the amount of projected fare and toll increases for 2015 and 2017.

The July Plan projected efficiencies that would yield \$965 million of recurring savings in 2014, growing to more than \$1.3 billion annually by 2017. This Plan identifies additional savings (described below) that will increase targeted savings from \$1.02 billion in 2014 to \$1.5 billion by 2017.

Unidentified MTA Efficiencies – By continually increasing future year savings targets, the MTA has built in a management tool to help control costs. In each Plan, future year savings targets have been assigned, and as savings are identified, the unidentified portion is reduced. The July Plan included \$25 million in annual to-be-identified savings beginning in 2014 with increases of \$25 million and \$45 million in 2015 and 2016, respectively, increasing the total value to \$95 million for 2016 and each year thereafter.

In the November Plan additional recurring savings, which have been identified in the areas of increased paratransit savings, additional inventory savings, and a reduction in pension costs, have been captured within Agency budget targets. The remaining below-the-line unidentified savings are \$21 million in 2015, \$63 million in 2016, and \$56 million in 2017.

New MTA Fare/Toll Reduction Initiatives – As previously mentioned, the MTA has proposed a reduction in the projected fare and toll increases for 2015 and 2017 from 7.5% in the July Plan to 4%, approximating a 2% annual increase. To help fund the proposed fare/toll reduction initiative, the MTA is increasing its annually recurring savings targets by \$50 million in 2014, then an additional \$50 million annually, reaching \$200 million in 2017, for a cumulative increase of \$500 million over the Plan Period. Initiatives are being identified that are expected to result in savings from the following areas: prompt payment discounts, workers compensation, energy management, further consolidations, procurement and inventory efficiencies, and employee benefits.

MTA Re-estimates

Subsequent to the close of Volume 2, certain re-estimates of expenses were made based on more current information and changes in assumptions. They mainly reflect changes in the timing of expenses between years.

Policy Actions

Service Investments – In the July Plan, the MTA added or restored \$5 million in 2013 and \$18 million each year thereafter in service and service quality investments to complement the \$29.5 million in service investments that were made last year. This does not include \$11.5 million of normal “platform” service adjustments driven by guidelines and \$11 million in other customer enhancements. This Plan funds these investments.

Unexpended 2013 General Reserve Used to Reduce Pension Liability – As was proposed in the July Plan, the MTA will release the unexpended \$130 million balance in the General Reserve in 2013 to further reduce the LIRR unfunded pension liability. Consistent with its increased emphasis on addressing previously considered “uncontrollable” costs, the MTA will continue to make one-time payments toward long-term obligations to reduce annual expenses in order to minimize pressure on future fares and tolls.

Additional Investment to Reduce Pension Liability – Real Estate transactional revenues are increasing again and MTA is incorporating them into the Financial Plan carefully. While we are reflecting the forecasted receipts in the budget, we are investing a portion of the projected receipts as one-time expenditures, which will provide annually recurring savings by reducing our unfunded pension liability. Use of these inherently unpredictable revenues in such ways allows the MTA to reduce or eliminate the expenditures if the forecasted revenues are not fully realized without having to take drastic budget actions, as was done in 2009 and 2010. In this Plan, the MTA assumes that \$30 million per year, beginning in 2014, will be invested into the LIRR unfunded pension liability, generating a 7% return on investment, and reducing future pension costs.

Return on Additional Investment to Reduce Pension Liability – The additional investments to reduce the LIRR unfunded pension liability will generate annual savings: \$9 million in 2014, growing to \$15 million by 2017. These savings are in addition to the \$6 million per year that will be generated by the \$80 million that was invested in 2013.

Debt Service - Cash Management Actions – Cash defeasance of currently callable bonds and high coupon debt prepayment in the amount of \$113 million in 2013 will result in a cumulative budgetary savings of 8.2% or \$9.2 million over the financial plan period.

Superstorm Sandy – The July Financial Plan contained updated losses from the impacts of Superstorm Sandy (Sandy) at \$5.105 billion dollars, which included an estimated \$321 million lost fare and toll revenue and expenses necessary to prepare for and restore service (“operating losses”), and an estimated \$4.755 billion in damages to MTA’s infrastructure. The MTA has also identified the need to fund \$5.770 billion in resiliency projects to ensure that MTA assets are better able to withstand future storm events. The \$321 million operating losses from Sandy includes a \$217 million loss for 2012 and projected losses of \$104 million for the 2013 to 2015 period. Operating losses, repairs and resiliency will be funded by a combination of insurance, federal programs and MTA resources, predominantly through reimbursements obtained from federal sources. It is expected that the local share for these projects will be funded by up to \$950 million of previously-approved bonding and PAYGO funding of \$160 million.

Debt Local Match. Debt service on bridge loans and permanent borrowing for both infrastructure restoration and resiliency projects is estimated to be \$1 million in 2013, \$8 million in 2014, \$17 million in 2015, \$42 million in 2016 and \$69 million in 2017. When compared with the July Plan, these costs are lower by \$0.5 million in 2013; higher by \$1.1 million in 2014; and lower by \$0.7 million in 2015, \$2.1 million in 2016 and \$2.9 million in 2016.

PAYGO Local Match. This Plan funds the \$160 million of PAYGO local match for the restoration and resiliency projects.

Committed to Capital – Using the savings in debt service resulting from lower interest rates and cash flow re-estimates, the MTA will make additional contributions to the Capital Program of \$60 million in 2014, and \$120 million in each year thereafter. The February Plan (Adopted Budget) had already captured annual \$250 million PAYGO contributions beginning in 2015. This brings total committed to capital contributions to \$60 million in 2014 and \$370 million annually thereafter. When compared with July, this Plan captures the deferral of \$24 million from 2013 into 2014 and additional investments of \$25 million in 2014, and \$40 million in each year thereafter

Acceleration of the Repayment of Capital Financing Loan – The July Plan anticipated continuation of the repayment of a Board-authorized \$500 million interagency loan from the “Capital Financing Fund” to the operating budget in five equal annual installments of \$100 million beginning in 2012. The November Plan accelerates the 2016 repayment into 2013, making the payments \$100 million in 2012, \$200 million in 2013, and \$100 million in 2014 and 2015.

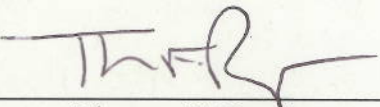
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IV. Appendix

**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: November 5, 2013

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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 years 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 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 and is presented to the MTA Board for review and approval.

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 Adopted Budget is allocated over the period of 12 months and becomes the basis in which monthly results are compared.

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