

MTA 2015 Preliminary Budget

July Financial Plan 2015-2018



**Volume 1
July 2014**



Metropolitan Transportation Authority

OVERVIEW

MTA 2015 PRELIMINARY BUDGET JULY FINANCIAL PLAN 2015-2018 VOLUME 1

The MTA's July Plan is divided into two volumes:

Volume 1 consists of financial schedules supporting the complete MTA-Consolidated Financial Plan, including an Executive Summary, the baseline forecast (as detailed in Volume 2 and described below) and certain adjustments captured below the baseline. These "below-the-line" adjustments include: Fare/Toll Increases, MTA Initiatives, Policy Actions, and MTA Re-estimates. Volume 1 also includes descriptions of the "below-the-line" actions as well as the required Certification by the Chairman and Chief Executive Officer, and a description of the MTA Budget Process.

Volume 2 includes MTA-Consolidated detailed financial and position schedules as well as the narratives that support the baseline projections included in the 2014 Final Proposed Budget and the Financial Plan for 2015 through 2018. 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.

The July 17th agreement between the LIRR and its major labor unions came too late to be included in Agency Baseline forecasts (Volume 2). Volume I of this Plan captures an estimated financial impact of this agreement that assumes the contract will be ratified and approved, and that a comparable proposal will be accepted by the remaining unions at the LIRR and the unsigned unions at MNR.

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I. Introduction

Executive Summary

We are pleased to present the **2014 MTA July Financial Plan** (the “July Plan” or “Plan”) which includes the 2014 Mid-Year Forecast, the 2015 Preliminary Budget and a Financial Plan for the years 2015-2018. Since 2010, our Plans – which are developed in a disciplined, consistent, and totally transparent process – have included the pursuit of recurring cost reductions to temper the amount needed from biennial fare and toll increases and protect PAYGO funding for the Capital Program. The Plans also add or restore service when sustainable and provide funding for the Capital Program, while also addressing long-term costs such as pension, health care, Paratransit, and debt service previously considered “uncontrollable.” Unlike prior Plans, however, this Plan no longer assumes represented labor costs based upon three years of “net zero” wage growth, as recent labor settlements and agreements reflect higher wage growth provisions without equivalent concessions to offset the higher costs.

The February Plan

The February Plan was balanced through 2016 with a manageable deficit of \$255 million in 2017. That Plan was based upon five key inter-related elements: (i) three years of “net zero” labor settlements with all MTA unions; (ii) annually recurring savings of \$1.1 billion in 2014 increasing to \$1.5 billion by 2017; (iii) projected fare/toll increases of 4% in 2015 and 2017; (iv) no further legislative erosion of PMT revenues; and (v) \$370 million of PAYGO capital beginning in 2015 as a “down payment” on the 2015–2019 Capital Program.

As we stated at that time, failure to achieve the first two elements, or any significant decrease in the PMT or any other taxes/subsidies, would require an increase in fares/tolls or a decrease in funds committed to PAYGO capital

While we are on track to achieve the annually recurring savings targets, recent labor settlements and agreements indicate the three net zero assumption is unachievable.

There have been other favorable and unfavorable revenue and expense re-estimates and changes since the February Plan.

What Else Has Changed Since The February Plan?

Favorable re-estimates and other changes include:

- Lower health and welfare/Other Post-Employment Benefit (OPEB) current payment estimates
- Lower debt service
- Favorable energy re-estimates in 2015–2017
- Lower pension re-estimates
- Higher passenger/toll revenues and other revenue
- Higher paratransit savings
- Higher real estate receipts in 2014, nearly offset by lower projections in 2015-2017
- Delayed impact of East Side Access on operating expenses; and
- Reduced 2013 spending that increased carryover balance

Unfavorable re-estimates and other changes include:

- Lower PMT receipts
- Higher overtime re-estimates
- New safety investments
- Additional operational and maintenance needs
- Additional service investments and customer enhancements

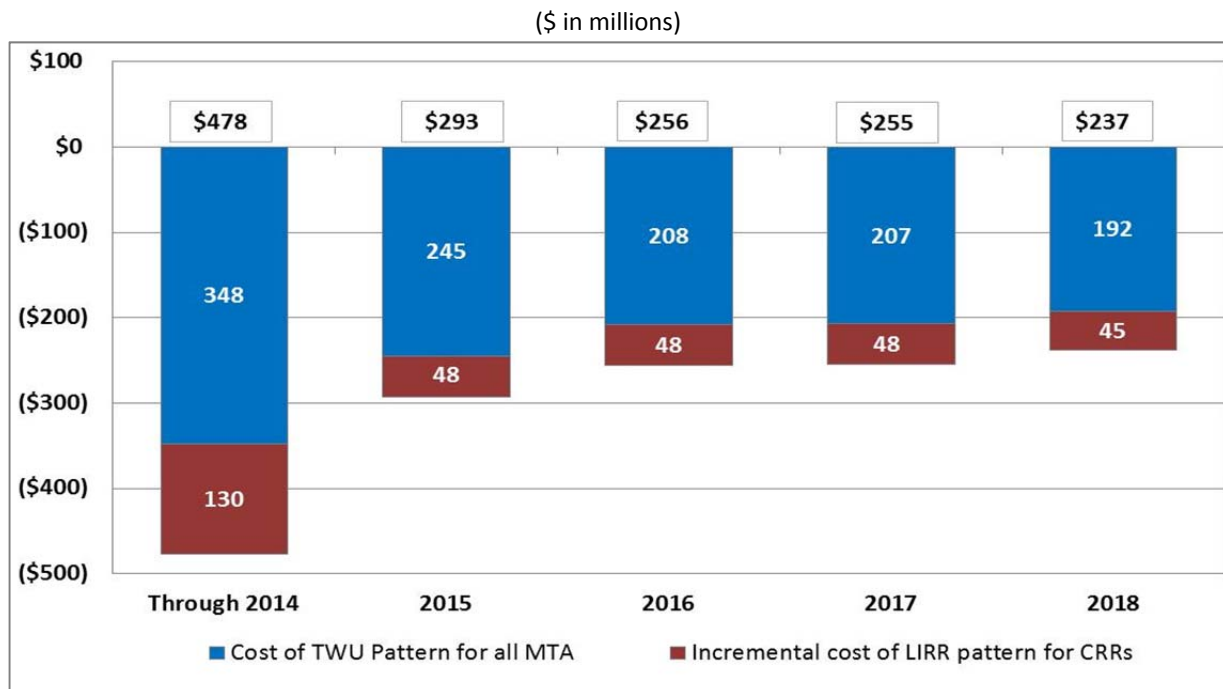
The re-estimates and other changes are \$635 million net favorable to the Financial Plan through 2017. However, actual and assumed labor settlements with TWU Local 100 and other unions and the potential settlements with the Commuter Railroad unions, if patterned after the recent agreement with the leadership of the LIRR Union Coalition, will increase labor costs by almost \$1.3 billion through 2017. **The bottom line is \$645 million net unfavorable to the Financial Plan through 2017.**

The financial implications of these labor developments are discussed below.

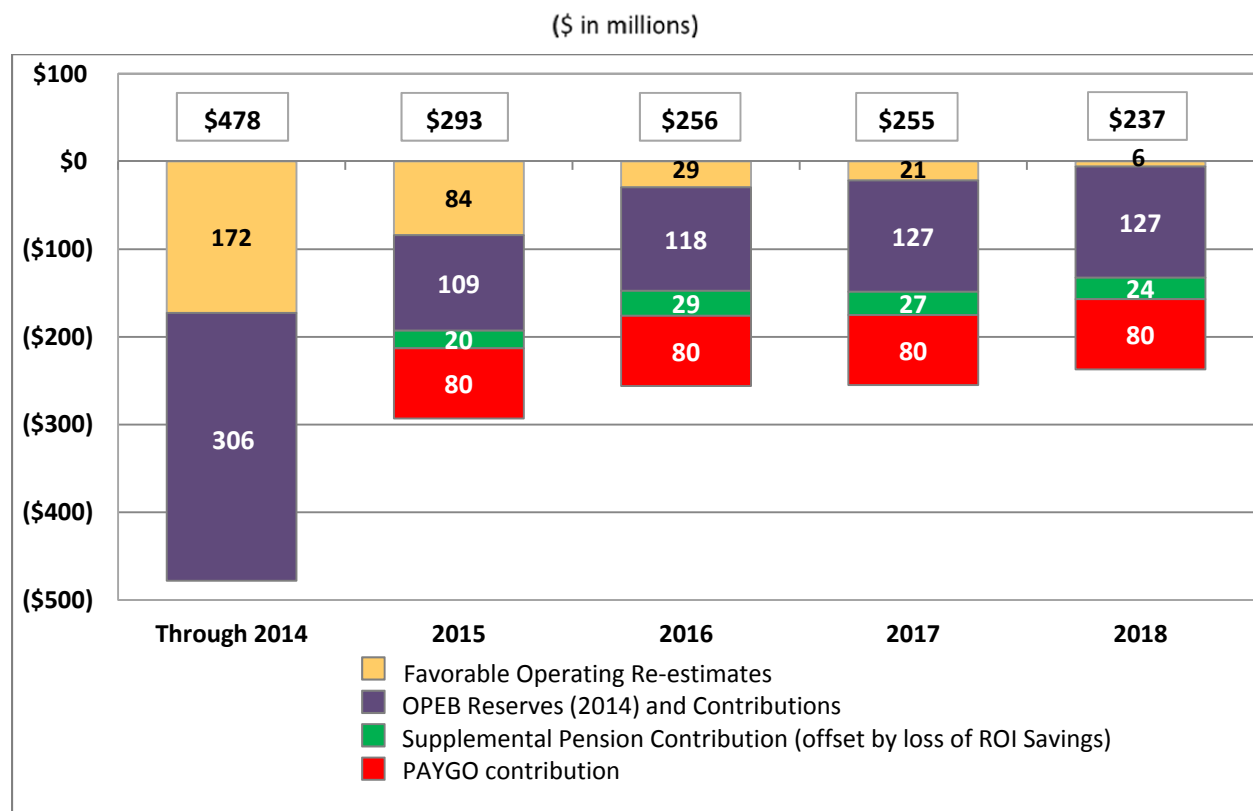
TWU Settlement. On April 17, the MTA and its largest union, the TWU Local 100, settled a contract with provisions that will cost more than what was projected in the February Plan. The July 2014 Plan now captures the higher costs (including retroactive pay) that were needed to settle with the TWU and other unions that have also settled. This Plan also captures the projected cost if the TWU Local 100 pattern were to be applied to the remaining unions at the MTA, including those at the Commuter Railroads. The incremental cost over the February Plan would be \$348 million in 2014, \$245 million in 2015, \$208 million in 2016, \$207 million in 2017 and \$192 million in 2018. Those costs are included in Agency baseline forecasts (Volume 2).

LIRR Union Coalition Agreement. On July 17, MTA Long Island Rail Road entered into a tentative agreement with the leaders of a coalition of unions representing the majority of the employees of MTA Long Island Rail Road (LIRR Union Coalition) to settle outstanding issues arising from the collective bargaining agreements that expired in 2010. This agreement followed two unfavorable rulings from Presidential Emergency Boards and avoided a potential strike that had been threatened by the LIRR Union Coalition leadership. While the agreement came too late for its impacts to be included in Agency baseline forecasts, Volume 1 of this Plan captures the additional incremental financial impact to the Plan assuming that this agreement is ratified and approved by the membership represented by the LIRR Union Coalition, and that a comparable proposal will be accepted by the remaining unions at the LIRR and the unsigned unions at MNR.

Combining the costs of the TWU pattern and the assumed incremental cost needed to settle contracts with the commuter railroads results in incremental costs over those incorporated into the February Plan of \$478 million in 2014, \$293 million in 2015, \$256 million in 2016, \$255 million in 2017, and \$237 million in 2018, as shown below.



The July Plan proposes to fund these incremental labor costs with favorable revenue and expense re-estimates and the reallocation of resources including: the use of existing OPEB reserves; the elimination of OPEB contributions through 2017; the elimination of supplemental LIRR pension contributions; and a reduction in PAYGO contributions earmarked for the 2015–2019 Capital Program, as shown below.



This reallocation avoids the need to raise fares and tolls higher than current projections, but requires long-term trade-offs. The reduction in PAYGO of \$80 million translates into a reduction of capital funding of approximately \$1.5 billion for the 2015–2019 Capital Program. While our ability to address long-term costs and liabilities will be diminished, we maintain significant resources to address these concerns. PAYGO funds incorporated in the Financial Plan are \$290 million annually. Funds remaining in the OPEB Reserve/Trust are approximately \$450 million. And \$230 million has been committed to the LIRR Additional Pension Plan, our lowest funded plan, reducing the unfunded liability by 18 percent.

Highlights of the July Plan

Higher labor costs offset by reallocation of existing resources as described above.

Fare/Toll increases of only 4% in 2015 and 2017. The Plan continues to project 4% biennial fare/toll increases (2% per year) which are in line with inflation forecasts. Consistent with recent Plans, a March 1 implementation for both the 2015 and 2017 increases is anticipated. In November 2013 the MTA raised savings targets in order to fund a reduction in projected fare/toll increases that had been anticipated to be 7.5% for each of those years.

Support for the Capital Program. The Plan includes PAYGO capital contributions for the 2015-2019 Capital Program of \$290 million per year beginning in 2015. This level of funding is a reduction of \$80 million from the February Plan assumption; however, it will still fund \$2.3 billion of

PAYGO over the expected eight-year expenditure period, or \$5.4 billion in funding capacity if PAYGO funds are used for debt service.

Safety investments. The safety of customers and employees is unquestionably the top priority for the MTA. Given the tragic events that occurred in 2013, immediate steps were taken to ensure that safety would be the focus of every MTA Agency. Consequently, swift changes were made to our executive structure, including establishing a Chief Safety Officer position at each Agency and at Headquarters and forming a Safety Committee of the MTA Board. Agencies were directed to comb through their current practices and procedures and to identify areas where opportunities for improvement existed. Additionally, the MTA convened a Blue Ribbon Panel comprised of outside experts; the Panel has made recommendations and will be issuing a final report later this summer.

This Financial Plan includes an unprecedented level of safety funding, with investments totaling \$363 million over the Plan period. Investments are being made in customer and employee safety programs to promote and adhere to a culture of safety via improved work practices, additional training and investments in technology and equipment, including the use of audio/visual cameras on the commuter rails. Additional safety investments are being made to improve track, signals and communications. The Plan funds more inspections and maintenance of the right-of-way and provides operating resources to support the capially-funded implementation of Positive Train Control (PTC). Details of these safety investments are included in Section III of this volume.

Service and service quality investments. Since new and restored service adds a recurring level of additional expense to the budget, funding for such service must be sustainable. The affordability of additional service must be evaluated in the context of the entire budget, and not simply as a specific revenue and expense item. The MTA is adding or restoring \$20 million of annual service and service quality investments to complement the \$29 million in service investments approved in 2012 and the \$18 million approved in 2013. These investments reflect Agency-identified service and customer enhancement priorities which MTA believes are affordable in the current financial climate. These new investments are detailed in Section III of this volume and are in addition to the normal platform service guideline adjustments which, in this Plan, approach \$5 million per year.

Addressing new operational and maintenance needs. In addition to the safety and service investments mentioned above, the MTA is investing \$125 million over the Plan period to improve operations and maintenance. MTAHQ is leading an Enterprise Asset Management (EAM) system implementation that will help the MTA to make informed decisions that balance operating and capital investments, asset performance, and the operational risk inherent in managing our assets. HQ is also making important and necessary investments in IT security, resiliency and maintenance.

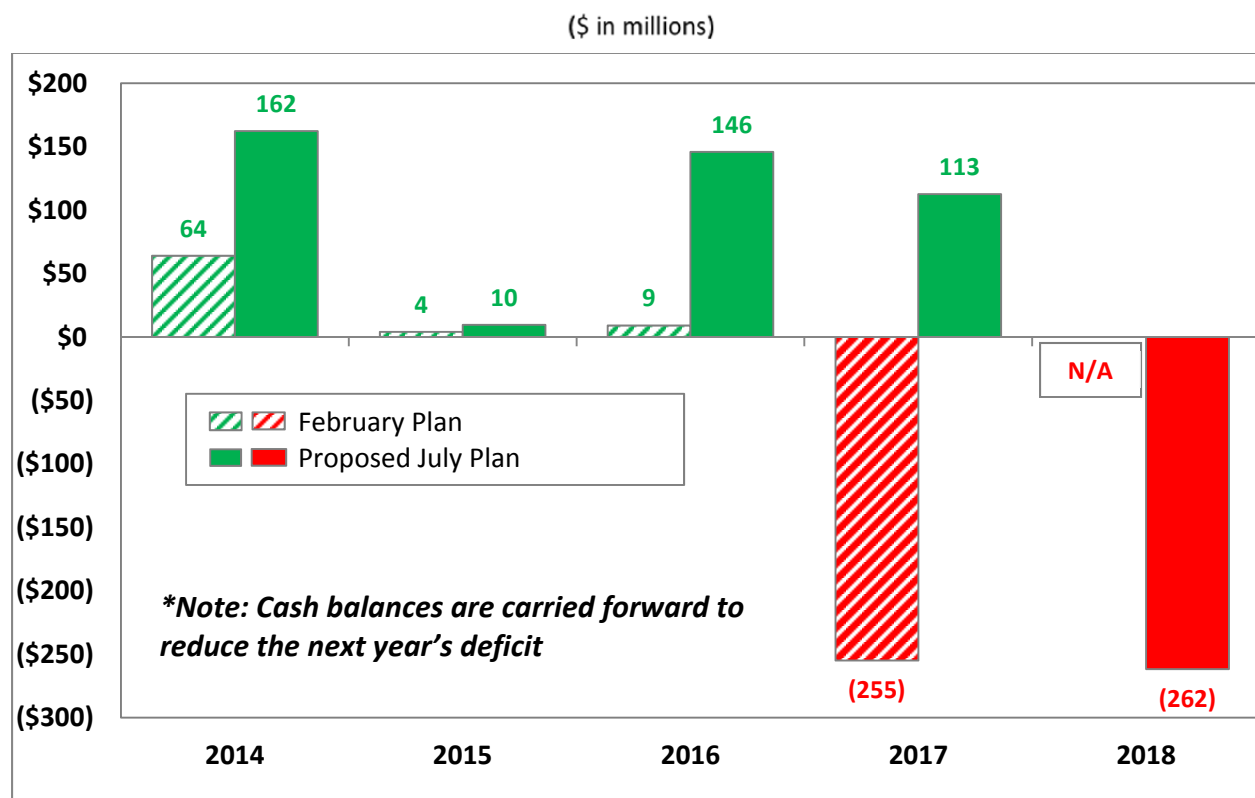
NYC Transit investments include additional maintenance of its older buses, more station cleaners to improve cleanliness and reduce unscheduled overtime, improved track maintenance, increased employee training and the funding of normal “platform” service adjustments. MTA Bus investments include additional resources for tires and tubes for its low floor bus fleet, additional fare box maintainers to address reliability issues and additional maintenance of its older buses.

LIRR investments include additional maintenance for its M-3 fleet, replacement of obsolete electronic system components on its M-7 fleet, and the funding of normal “platform” service adjustments. Metro-North investments include the purchase of two new catenary maintenance vehicles, investments in critical warehouse inventory management system components, replacement of power system electrical components to maintain the reliability of 3rd rail traction, and other infrastructure Improvements. B&T is making investments to hire additional positions associated with its All Electronic Tolling and Open Road Tolling programs.

Driving down costs through annually recurring expense reductions and efficiencies. The Plan continues the strategy developed in 2010 to “make every dollar count.” This results in annual, recurring savings of over \$1.1 billion in 2014, growing to \$1.5 billion by 2017. This moving savings target has increased every year. This Plan reduces the level of unimplemented savings projected for 2015 from \$121 million in February to \$72 million. Of that remaining target, only \$26 million remains to be identified. The unidentified portions of out-year savings targets have been similarly reduced.

The “Bottom Line”

Taken in total, these re-estimates, changes and recommendations result in a net improvement to MTA’s cash projections during the Plan period. The July Plan remains balanced through 2016, the 2017 deficit is eliminated and the 2018 deficit is reduced to \$262 million. While our cash position has improved since February, since higher labor costs are being funded through the reallocation of resources that were intended to reduce long-term costs, our long-term financial picture may be more vulnerable than in recent Plans.



A reconciliation of the Plan-to-Plan changes can be found in Section II of this volume, with further details provided in Volume 2.

What is our Strategy Going Forward?

While our cost reduction efforts have yielded impressive results, we must continue to pursue efficiencies and consolidations to maximize annually recurring cost savings. We must also remain focused on existing cost control to avoid backsliding.

Funding the labor settlement caused us to temporarily divert some of our resources away from our strategy of addressing long-term costs and liabilities; however, we remain committed to this objective. Although the July Plan suspends OPEB contributions through 2017, it resumes the contributions in 2018, albeit in a much lower amount. Should finances improve, we will increase funding to the extent possible.

We will continue to use non-recurring revenues, favorable budget variances and unused general reserve funds to reduce long-term unfunded liabilities such as OPEB, and the LIRR Additional Pension Plan or as PAYGO. Simply put, this strategy converts favorable “one-shots” into recurring savings.

Similarly, the MTA will continue to reinvest debt service savings into PAYGO capital, which has become an increasingly important source of funding to our Capital Program.

Risks to the Plan

The Plan assumes that MTA will successfully execute the Financial Plan strategy. While our labor costs definitely will be more expensive than assumed in the February Plan, our greatest risk exposure has been significantly reduced.

The next significant concern will be obtaining approval for a fully funded 2015-2019 Capital Program.

Efforts to reduce costs will continue, but at some point, additional savings may be more difficult to achieve.

The Federal Reserve Board has indicated that the eventual end to the Federal Reserve Board’s program of bond purchases is approaching; this could lead to an increase in bond rates, which would ultimately increase debt service payments to support the MTA Capital Program.

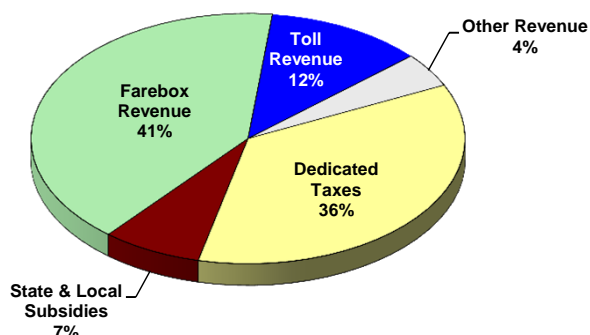
The Plan assumes that State budget actions will reflect full remittance to the MTA of all funds collected on its behalf. Also, PMT remains an unpopular tax with certain constituents who advocate for its repeal. The MTA could not continue to offer its present level of service without the PMT or a comparable replacement funding source.

The finances of the MTA are highly dependent on the economy. Passenger and toll revenues, dedicated taxes and subsidies and debt service, pensions and energy costs are all affected by the economy. If the economic assumptions underlying this Plan are not realized, MTA has limited options.

II. MTA Consolidated 2015-2018 Financial Plan

MTA 2015 Preliminary Budget
Baseline Expenses After Below-the-Line Adjustments
Non-Reimbursable

Where the Dollars Come From ...

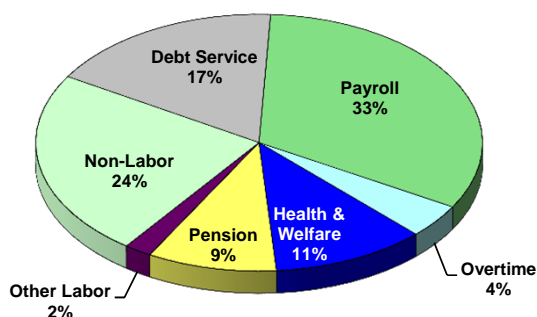


By Revenue Source (\$ in millions)	
Farebox Revenue	\$5,909
Toll Revenue	1,706
Other Revenue	644
Dedicated Taxes	5,187
State & Local Subsidies	1,096
Total*	\$14,540

* Includes below-the-line adjustments that impact revenue

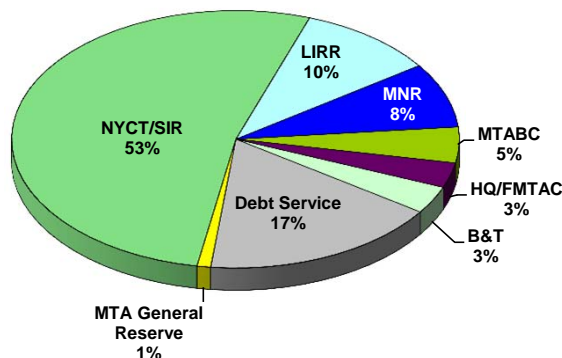
Where the Dollars Go ...

By Expense Category



By Expense Category includes below-the-line adjustments (\$ in millions)	
Payroll	\$4,614
Overtime	607
Health & Welfare	1,578
Pension	1,330
Other Labor	282
Non-Labor	3,334
Debt Service	2,445
MTA Below-the-Line Adjustments ¹	86
Total*	\$14,275

By MTA Agency



By MTA Agency ² includes below-the-line adjustments (\$ in millions)	
NYCT/SIR	\$7,460
LIRR	1,413
MNR	1,159
MTABC	636
HQ/FMTAC	446
B&T	490
Debt Service	2,445
MTA General Reserve	140
MTA Below-the-Line Adjustments ¹	86
Total*	\$14,275

Expenses exclude Depreciation, OPEB obligation and Environmental Remediation.

¹ These below-the-line adjustments impact expense dollars and have not been allocated to specific Agencies as yet.

² MTA Capital Construction is not included in the above charts, as its budget contains reimbursable expenses only.

* Totals may not add due to rounding.

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
July Financial Plan 2015-2018
MTA Consolidated Statement Of Operations By Category
(\$ in millions)

Line No.						
7	Non-Reimbursable					
8		2013	2014	2015		
9		Actual	Mid-Year Forecast	Preliminary Budget	2016	2017
10	Operating Revenue					2018
11	Farebox Revenue	\$5,507	\$5,662	\$5,725	\$5,807	\$5,858
12	Toll Revenue	1,645	1,651	1,655	1,665	1,670
13	Other Revenue	754	717	644	667	696
14	Capital and Other Reimbursements	0	0	0	0	0
15	Total Operating Revenue	\$7,906	\$8,030	\$8,024	\$8,138	\$8,225
16						\$8,306
17	Operating Expense					
18	Labor Expenses:					
19	Payroll	\$4,254	\$4,576	\$4,614	\$4,701	\$4,813
20	Overtime	621	680	607	612	623
21	Health & Welfare	896	995	1,070	1,136	1,220
22	OPEB Current Payment	473	468	508	548	592
23	Pensions	1,302	1,341	1,330	1,325	1,313
24	Other-Fringe Benefits	689	617	616	637	662
25	Reimbursable Overhead	(321)	(344)	(335)	(334)	(328)
26	Sub-total Labor Expenses	\$7,912	\$8,333	\$8,410	\$8,626	\$8,896
27						\$9,176
28	Non-Labor Expenses:					
29	Electric Power	\$493	\$551	\$514	\$535	\$608
30	Fuel	259	268	265	254	259
31	Insurance	39	48	58	71	85
32	Claims	300	204	215	217	225
33	Paratransit Service Contracts	367	382	392	427	480
34	Maintenance and Other Operating Contracts	497	591	630	659	637
35	Professional Service Contracts	297	346	337	325	327
36	Materials & Supplies	475	550	555	565	567
37	Other Business Expenses	167	181	184	198	199
38	Sub-total Non-Labor Expenses	\$2,894	\$3,121	\$3,149	\$3,250	\$3,387
39						\$3,524
40	Other Expense Adjustments:					
41	Other	\$46	\$45	\$44	\$48	\$48
42	General Reserve	0	135	140	145	150
43	Sub-total Other Expense Adjustments	\$46	\$180	\$184	\$193	\$198
44						\$204
45	Total Operating Expense before Non-Cash Liability Adj.	\$10,853	\$11,634	\$11,744	\$12,068	\$12,481
46						\$12,904
47	Depreciation	\$2,174	\$2,291	\$2,407	\$2,473	\$2,662
48	OPEB Obligation	1,920	1,950	2,036	2,120	2,207
49	Environmental Remediation	14	8	6	6	6
50						
51	Total Operating Expense after Non-Cash Liability Adj.	\$14,961	\$15,883	\$16,193	\$16,666	\$17,356
52						\$17,919
53	Conversion to Cash Basis: Non-Cash Liability Adjs.	\$4,109	\$4,249	\$4,449	\$4,599	\$4,875
54						\$5,015
55	Debt Service (excludes Service Contract Bonds)	(2,299)	(2,288)	(2,445)	(2,568)	(2,753)
56						(2,921)
57	Total Operating Expense with Debt Service	\$13,152	\$13,922	\$14,189	\$14,636	\$15,234
58						\$15,825
59	Dedicated Taxes and State/Local Subsidies	\$5,898	\$6,179	\$6,265	\$6,499.0	\$6,678
60						\$6,873
61	Net Deficit After Subsidies and Debt Service	\$652	\$286	\$100	\$2	(\$331)
62						(\$646)
63	Conversion to Cash Basis: GASB Account	(86)	(48)	(0)	0	0
64	Conversion to Cash Basis: All Other	(481)	(490)	(518)	(269)	(389)
65						(459)
66	CASH BALANCE BEFORE PRIOR-YEAR CARRYOVER	\$86	(\$252)	(\$418)	(\$267)	(\$720)
67	ADJUSTMENTS	0	100	266	403	687
68	PRIOR-YEAR CARRYOVER	229	314	162	10	146
69	NET CASH BALANCE	\$314	\$162	\$10	\$146	\$113
						(\$262)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2015-2018
Plan Adjustments
(\$ in millions)

Line No.		2013 Actual	2014 Mid-Year Forecast	2015 Preliminary Budget	2016	2017	2018
11	Cash Balance Before Prior-Year Carry-over	\$86	(\$252)	(\$418)	(\$267)	(\$720)	(\$1,114)
13	Fare/Toll Increases:						
14	Fare/Toll Increase on 3/1/15 (4%)		-	235	286	289	291
15	Fare/Toll Increase on 3/1/17 (4%)		-	-	-	248	301
16	Sub-Total		\$0	\$235	\$286	\$537	\$592
18	MTA Initiatives:						
19	MTA Efficiencies - Not Yet Implemented ¹		-	72	157	190	179
20	Sub-Total		\$0	\$72	\$157	\$190	\$179
21	Policy Actions:						
22	Commuter Rail Labor - July 17th Agreement with LIRR		(130)	(48)	(48)	(48)	(45)
23	Funding Labor Settlements:						
24	OPEB Withdrawal ²		254	-	-	-	-
25	Eliminate Contribution to Reduce Pension Liability		-	20	29	27	24
26	Reduce Annual PAYGO		-	80	80	80	80
27	Safety Investments		(32)	(85)	(91)	(85)	(72)
28	Service and Service Quality Investments		(6)	(19)	(20)	(20)	(20)
29	Sub-Total		\$87	(\$51)	(\$50)	(\$46)	(\$33)
31	MTA Re-estimates:		\$13	\$10	\$10	\$6	\$1
32	Sub-Total		\$13	\$10	\$10	\$6	\$1
35	TOTAL ADJUSTMENTS		\$100	\$266	\$403	\$687	\$740
37	Prior-Year Carry-Over	229	314	162	10	146	113
39	Net Cash Surplus/(Deficit)	\$314	\$162	\$10	\$146	\$113	(\$262)

¹ Includes New Fare Reduction Initiative targets established in 2013.

² Includes the funding of costs for the TWU pattern that are captured within Agency baseline forecasts (Volume 2).

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2015-2018

MTA Consolidated Cash Receipts and Expenditures

(\$ in millions)

Line

No

	Cash Receipts and Expenditures					
	2013	2014	2015			
	Actual	Mid-Year	Preliminary	2016	2017	2018
		Forecast	Budget			
Receipts						
Farebox Revenue	\$5,571	\$5,679	\$5,764	\$5,847	\$5,899	\$5,945
Other Operating Revenue	803	728	667	754	707	732
Capital and Other Reimbursements	1,340	1,708	1,607	1,580	1,521	1,524
Total Receipts	\$7,713	\$8,116	\$8,039	\$8,181	\$8,126	\$8,201
Expenditures						
<u>Labor:</u>						
Payroll	\$4,525	\$5,263	\$5,031	\$5,065	\$5,169	\$5,261
Overtime	736	811	695	697	707	719
Health and Welfare	952	1,026	1,100	1,168	1,249	1,344
OPEB Current Payment	431	452	491	530	574	625
Pensions	1,191	1,343	1,368	1,363	1,347	1,359
Other Fringe Benefits	653	752	727	741	761	783
Contribution to GASB Fund	86	48	0	0	0	10
Reimbursable Overhead	0	0	0	0	0	0
Total Labor Expenditures	\$8,574	\$9,696	\$9,413	\$9,564	\$9,807	\$10,100
<u>Non-Labor:</u>						
Electric Power	\$498	\$553	\$510	\$530	\$602	\$649
Fuel	252	265	258	248	252	262
Insurance	24	50	53	62	76	92
Claims	213	188	193	194	200	203
Paratransit Service Contracts	373	380	390	425	478	521
Maintenance and Other Operating Contracts	471	572	559	579	555	551
Professional Service Contracts	293	384	379	351	326	326
Materials & Supplies	640	677	686	693	693	700
Other Business Expenditures	165	240	207	200	201	210
Total Non-Labor Expenditures	\$2,929	\$3,309	\$3,236	\$3,281	\$3,385	\$3,513
<u>Other Expenditure Adjustments:</u>						
Other	\$36	\$86	\$118	\$93	\$86	\$136
General Reserve	0	135	140	145	150	155
Total Other Expenditure Adjustments	\$36	\$221	\$258	\$238	\$236	\$291
Total Expenditures	\$11,539	\$13,226	\$12,907	\$13,083	\$13,428	\$13,904
Net Cash Deficit Before Subsidies and Debt Service	(\$3,826)	(\$5,110)	(\$4,869)	(4,903)	(5,301)	(5,703)
Dedicated Taxes and State/Local Subsidies	\$5,576	\$6,524	\$6,240	\$6,537	\$6,642	\$6,795
Debt Service (excludes Service Contract Bonds)	(1,664)	(1,666)	(1,790)	(1,902)	(2,061)	(2,206)
CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	\$86	(\$252)	(\$418)	(\$267)	(\$720)	(\$1,114)
BASELINE PRIOR-YEAR CARRY-OVER	0	0	0	0	0	0
ADJUSTMENTS	0	100	266	403	687	740
PRIOR-YEAR CARRY-OVER	229	314	162	10	146	113
NET CASH BALANCE	\$314	\$162	\$10	\$146	\$113	(\$262)

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2015-2018
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	2014	2015	2016	2017
FEBRUARY FINANCIAL PLAN 2014-2017				
NET CASH SURPLUS/(DEFICIT)	\$64	\$4	\$9	(\$255)
Savings Programs	\$37	\$60	\$61	\$68
2014 BRP (New Savings Programs)	28	46	41	37
NYCT Paratransit - Additional Net Savings	10	14	20	31
New Needs/Investments	(\$31)	(\$54)	(\$55)	(\$53)
Maintenance/Operations	(18)	(22)	(31)	(30)
Information Technology	(5)	(18)	(11)	(11)
Service Adjustments	(3)	(7)	(7)	(7)
All Other New Needs	(6)	(8)	(7)	(6)
Labor Adjustments (TWU pattern)	(\$297)	(\$136)	(\$90)	(\$80)
Labor Agreements (Settled and Assumptions) ¹	(348)	(245)	(208)	(207)
GASB Account - Suspend Contributions	51	109	118	127
Agency Baseline Adjustments	(\$0)	\$135	\$299	\$358
East Side Access Delayed Opening	2	27	70	111
Farebox/Toll Revenue	14	4	14	33
Weather Impacts ²	(56)	(0)	(0)	(0)
Overtime (includes Rebaselining) ³	(28)	(20)	(19)	(20)
Rates:				
Health & Welfare (including retirees) ³	60	54	75	86
Energy	(16)	59	85	51
Pensions ³	5	21	48	62
Insurance	3	10	17	25
Worker's Compensation	7	8	8	8
Other Baseline Re-estimates ⁴	7	(27)	2	3
Changes in Subsidies	\$191	(\$60)	(\$68)	(\$75)
MMTA	6	7	11	5
Real Estate Taxes	152	(23)	(26)	(32)
Petroleum Business Tax	9	(9)	(16)	(18)
Payroll Mobility Tax and MTA Aid	(52)	(68)	(80)	(86)
CDOT Subsidy	21	(2)	3	2
B&T Surplus Transfer	6	5	22	34
Forward Energy Contracts Program - Gain/(Loss)	2	2	(0)	0
Other Subsidies	47	29	17	20
Debt Service Adjustments from Refundings/Lower Interest Rates	\$50	\$46	\$70	\$101
Below-the-Line Adjustments	\$50	(\$83)	(\$86)	(\$88)
Change in Fare/Toll Increase Estimates	0	7	9	18
MTA Efficiencies - Identified and Captured in Agency Baselines	(50)	(49)	(55)	(66)
Policy Actions:				
Commuter Rail Labor - July 17th Agreement with LIRR	(130)	(48)	(48)	(48)
Funding Labor Settlements:				
OPEB Withdrawal	254	0	0	0
Reduce Annual PAYGO	0	80	80	80
Eliminate Contribution to Reduce Pension Liability	0	20	29	27
Safety Investments	(32)	(85)	(91)	(85)
Service and Service Quality Investments	(6)	(19)	(20)	(20)
MTA Re-estimates	13	10	10	6
Prior Year Carryover	\$98	\$98	\$6	\$137
JULY FINANCIAL PLAN 2015-2018				
NET CASH SURPLUS/(DEFICIT)	\$162	\$9	\$146	\$113

* Totals may not add due to rounding.

¹ Encompasses all expenses associated with the TWU settlement and labor growth assumptions, including overtime, pension and health and welfare, which are excluded from Agency Baseline Adjustments.

² Includes loss of farebox revenue and increased use of overtime.

³ Excludes impacts of labor agreements (settled and assumptions).

⁴ 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
July Financial Plan 2015-2018
Consolidated Subsidies
Cash Basis
(\$ in millions)

	2013 Actual	2014 Mid-Year Forecast	2015 Preliminary Budget	2016	2017	2018
Subsidies						
Dedicated Taxes						
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$1,518.2	\$1,563.9	\$1,632.0	\$1,703.6	\$1,771.1	\$1,851.5
Petroleum Business Tax (PBT) Receipts	586.4	619.0	605.1	601.5	600.9	602.0
Mortgage Recording Tax (MRT)	362.4	375.5	387.6	403.0	412.8	428.2
MRT Transfer to Suburban Counties	(2.4)	(3.4)	(2.7)	(3.1)	(3.0)	(3.0)
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)	(23.8)
Interest	4.5	4.7	4.9	5.1	5.3	5.3
Urban Tax	594.7	705.6	609.8	666.9	707.4	742.2
Investment Income	<u>1.0</u>	<u>1.0</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>
	\$3,029.9	\$3,231.4	\$3,202.8	\$3,343.3	\$3,460.8	\$3,593.5
PMT and MTA Aid						
Payroll Mobility Tax	\$1,215.3	\$1,256.9	\$1,316.0	\$1,376.0	\$1,436.7	\$1,494.2
Payroll Mobility Tax Replacement Funds	307.2	309.3	309.3	309.3	309.3	309.3
MTA Aid	<u>302.9</u>	<u>324.5</u>	<u>328.3</u>	<u>329.8</u>	<u>332.3</u>	<u>334.5</u>
	\$1,825.3	\$1,890.7	\$1,953.5	\$2,015.0	\$2,078.2	\$2,137.9
State and Local Subsidies						
State Operating Assistance	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9	\$187.9
Local Operating Assistance	188.5	187.9	187.9	187.9	187.9	187.9
CDOT Subsidy	70.8	111.6	93.9	97.5	100.0	109.3
Station Maintenance	<u>160.2</u>	<u>162.6</u>	<u>165.1</u>	<u>167.9</u>	<u>170.5</u>	<u>173.1</u>
	\$607.4	\$650.0	\$634.8	\$641.3	\$646.4	\$658.2
Other Subsidy Adjustments						
Resource to Reduce Pension Liability	(\$210.0)	(\$20.9)	(\$8.8)	(\$17.4)	(\$15.3)	(\$13.2)
Interagency Loan	(120.2)	0.0	0.0	0.0	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts Program - Gain/(Loss)	0.6	3.3	1.6	(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	(3.9)	0.0	0.0	0.0	0.0	0.0
Repayment of Loan to Capital Financing Fund	(200.0)	(100.0)	(100.0)	0.0	0.0	0.0
Committed to Capital	<u>(283.8)</u>	<u>(144.8)</u>	<u>(408.1)</u>	<u>(370.0)</u>	<u>(443.0)</u>	<u>(448.9)</u>
	(\$831.2)	(\$276.4)	(\$529.3)	(\$401.6)	(\$472.2)	(\$476.1)
Subtotal Dedicated Taxes & State and Local Subsidies	\$4,631.4	\$5,495.6	\$5,261.8	\$5,597.9	\$5,713.1	\$5,913.5
City Subsidy for MTA Bus	\$307.5	\$443.6	\$435.4	\$412.5	\$423.8	\$423.3
City Subsidy for SIRT OA	<u>30.7</u>	<u>24.0</u>	<u>34.5</u>	<u>37.1</u>	<u>47.8</u>	<u>34.4</u>
	\$338.2	\$467.6	\$469.9	\$449.5	\$471.6	\$457.7
Total Dedicated Taxes & State and Local Subsidies	\$4,969.6	\$5,963.3	\$5,731.7	\$6,047.5	\$6,184.7	\$6,371.2
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	<u>\$606.0</u>	<u>\$560.4</u>	<u>\$508.2</u>	<u>\$489.6</u>	<u>\$456.9</u>	<u>\$423.8</u>
	\$606.0	\$560.4	\$508.2	\$489.6	\$456.9	\$423.8
GROSS SUBSIDIES	\$5,575.6	\$6,523.7	\$6,239.9	\$6,537.1	\$6,641.6	\$6,795.0

METROPOLITAN TRANSPORTATION AUTHORITY
Summary of Changes Between the July and February Financial Plans
Consolidated Subsidies
Cash Basis
(\$ in millions)

Subsidies	2013	2014	2015	2016	2017
Dedicated Taxes					
Metropolitan Mass Transportation Operating Assist (MMTOA)	\$0.0	\$5.5	\$6.6	\$11.0	\$5.1
Petroleum Business Tax (PBT) Receipts	(6.7)	9.5	(9.1)	(16.0)	(18.1)
Mortgage Recording Tax (MRT)	(2.2)	(25.1)	(50.3)	(55.0)	(57.2)
MRT Transfer to Suburban Counties	0.0	0.2	2.1	2.4	2.4
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	47.2	176.8	25.3	26.7	22.8
Investment Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$38.3	\$166.9	(\$25.5)	(\$30.8)	(\$45.1)
PMT and MTA Aid					
Payroll Mobility Tax	\$1.0	(\$58.2)	(\$68.6)	(\$76.5)	(\$85.4)
Payroll Mobility Tax Replacement Funds	0.0	2.1	2.1	2.1	2.1
MTA Aid	<u>(5.4)</u>	<u>4.1</u>	<u>(1.9)</u>	<u>(5.2)</u>	<u>(2.7)</u>
	(\$4.3)	(\$52.1)	(\$68.5)	(\$79.6)	(\$86.0)
State and Local Subsidies					
State Operating Assistance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Operating Assistance (18-b)	0.6	0.0	0.0	0.0	0.0
CDOT Subsidy	(25.8)	20.9	(2.0)	3.1	1.8
Station Maintenance	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>1.8</u>	<u>1.8</u>
	(\$23.6)	\$22.6	(\$0.3)	\$4.8	\$3.5
Other Subsidy Adjustments					
Resource to Reduce Pension Liability	\$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 Program - Gain/(Loss)	0.5	1.5	1.7	(0.2)	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>
	\$0.5	\$1.5	\$1.7	(\$0.2)	\$0.0
Subtotal Dedicated Taxes & State and Local Subsidies	\$10.9	\$139.0	(\$92.6)	(\$105.8)	(\$127.5)
City Subsidy for MTA Bus	(\$63.9)	\$54.0	\$20.7	\$15.3	\$9.3
City Subsidy for SIRTOA	<u>0.0</u>	<u>(8.3)</u>	<u>6.6</u>	<u>0.4</u>	<u>8.8</u>
	(\$63.9)	\$45.6	\$27.3	\$15.7	\$18.1
Total Dedicated Taxes & State and Local Subsidies	(\$53.0)	\$184.7	(\$65.3)	(\$90.1)	(\$109.4)
Inter-agency Subsidy Transactions					
B&T Operating Surplus Transfer	<u>\$29.9</u>	<u>\$6.1</u>	<u>\$5.0</u>	<u>\$22.3</u>	<u>\$34.4</u>
	\$29.9	\$6.1	\$5.0	\$22.3	\$34.4
GROSS SUBSIDIES	(\$23.1)	\$190.8	(\$60.2)	(\$67.8)	(\$75.1)

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III. Adjustments

III. ADJUSTMENTS

The discussion that follows reflects proposed Fare/Toll Increases, MTA Initiatives, Policy Actions and MTA Re-estimates that are not included in the Baseline (as depicted in Volume 2).

Fare/Toll Increases

Fare and Toll Increase on 3/1/15 – A \$277 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, \$278 million in 2016, \$280 million in 2017 and \$282 million in 2018. MTA Bus revenue is expected to increase by \$7 million in 2015 and by \$8 million a year for 2016 through 2018, 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, compared with the February Plan, are unchanged for 2015 and \$1 million higher for both 2016 and 2017. Revenue projections for MTA Bus and SIR are consistent with the February Plan estimates.

MTA Consolidated Utilization						
MTA Agency Fare and Toll Revenue Projections, in millions						
Including the Impact of Fare & Toll Yield Increases						
		2014	2015			
		Mid-Year	Preliminary			
		Forecast	Budget	2016	2017	2018
Fare Revenue						
Long Island Rail Road	Baseline	\$650.880	\$657.318	\$662.215	\$666.098	\$668.368
	2015 Fare Yield	0.000	22.359	26.489	26.644	26.735
	2017 Fare Yield	0.000	0.000	0.000	23.564	27.804
		\$650.880	\$679.677	\$688.704	\$716.306	\$722.907
Metro-North Railroad ¹	Baseline	\$649.769	\$668.487	\$682.207	\$696.711	\$707.254
	2015 Fare Yield	0.000	14.828	17.857	18.238	18.507
	2017 Fare Yield	0.000	0.000	0.000	15.863	18.980
		\$649.769	\$683.315	\$700.064	\$730.812	\$744.741
MTA Bus Company ²	Baseline	\$199.811	\$201.402	\$202.917	\$203.161	\$204.038
	2015 Fare Yield	0.000	6.814	8.117	8.126	8.162
	2017 Fare Yield	0.000	0.000	0.000	7.148	8.488
		\$199.811	\$208.216	\$211.034	\$218.436	\$220.688
New York City Transit ³	Baseline	\$4,069.655	\$4,128.619	\$4,189.190	\$4,220.058	\$4,251.280
	2015 Fare Yield	0.000	139.435	167.568	168.802	170.051
	2017 Fare Yield	0.000	0.000	0.000	148.223	176.853
		\$4,069.655	\$4,268.054	\$4,356.758	\$4,537.084	\$4,598.184
Staten Island Railway ²	Baseline	\$5.750	\$5.876	\$5.964	\$6.012	\$6.064
	2015 Fare Yield	0.000	0.199	0.239	0.240	0.243
	2017 Fare Yield	0.000	0.000	0.000	0.211	0.252
		\$5.750	\$6.075	\$6.203	\$6.464	\$6.559
Total Farebox Revenue						
	Baseline	\$5,575.864	\$5,661.702	\$5,742.493	\$5,792.040	\$5,837.004
	2015 Fare Yield	0.000	183.634	220.269	222.051	223.697
	2017 Fare Yield	0.000	0.000	0.000	195.010	232.378
		\$5,575.864	\$5,845.336	\$5,962.762	\$6,209.101	\$6,293.079
Toll Revenue						
Bridges & Tunnels ⁴	Baseline	\$1,651.216	\$1,655.058	\$1,664.664	\$1,670.445	\$1,678.406
	2015 Toll Yield	0.000	50.936	65.587	66.795	67.104
	2017 Toll Yield	0.000	0.000	0.000	53.466	68.780
		\$1,651.216	\$1,705.994	\$1,730.251	\$1,790.705	\$1,814.291
TOTAL FARE & TOLL REVENUE						
	Baseline	\$7,227.081	\$7,316.760	\$7,407.157	\$7,462.485	\$7,515.410
	2015 Fare / Toll Yield	0.000	234.570	285.856	288.846	290.801
	2017 Fare / Toll Yield	0.000	0.000	0.000	248.475	301.158
		\$7,227.081	\$7,551.330	\$7,693.013	\$7,999.807	\$8,107.369

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.

Fare and Toll Increase on 3/1/17 – A \$293 million annualized consolidated farebox and toll increase is assumed for implementation on March 1, 2017, and is estimated to yield an additional \$241 million in 2017 and \$292 million in 2018, excluding yield increases for MTA Bus and SIR. The farebox revenue increase at MTA Bus is expected to generate additional revenues of \$7 million in 2017 and \$8 million in 2018 and in SIR farebox revenue by \$0.2 million in 2017 and \$0.3 million in 2018. These additional revenues will be used to hold down the NYC subsidies to MTA Bus and SIR. Compared with the February Plan revenue is higher by \$1 million; MTA Bus and SIR revenues are unchanged.

MTA Initiatives

MTA Efficiencies – In 2009 and 2010, the MTA introduced a number of savings initiatives and programs categorized as MTA Efficiencies. These included administrative reductions, operational consolidations, strategic initiatives, paratransit savings and improved MTA-wide business practices. In the November 2010 Plan, savings from these programs were projected to reach an annual level of \$784 million by 2014. In each subsequent Plan, the MTA has steadily increased the level of targeted savings. In the February Plan, the 2014 projections for savings from these initiatives were \$1.0 billion growing to \$1.5 billion by 2017, which included targeted savings to be implemented of \$50 million in 2014, \$121 million in 2015, \$213 million in 2016 and \$256 million in 2017. These targets included the New Fare Reduction Initiatives that were developed in November to offset the reduction in projected fare and toll increases from 7.5% to 4% in 2015 and 2017.

This Plan reduces the level of savings to be implemented in each year of the Plan. The remaining 2015 target has been reduced from \$121 million in February to \$72 million. Of that remaining target, only \$26 million remains to be identified. The unimplemented portions of savings targets have been similarly reduced for 2016-2018, to \$157 million, \$190 million and \$179 million, respectively. MTA has identified strategic areas of savings that include prompt payment discounts and other procurement efficiencies, workers compensation savings, energy efficiencies, and consolidation savings.

Policy Actions

Commuter Rail Labor – July 17th Agreement with LIRR – On July 17, MTA Long Island Rail Road entered into a tentative agreement with the leaders of a coalition of unions representing the majority of the employees of MTA Long Island Rail Road (LIRR Union Coalition) to settle outstanding issues arising from the expiration of the prior collective bargaining agreements in 2010. This settlement followed two unfavorable rulings from Presidential Emergency Boards and avoided a potential strike that had been threatened by the LIRR Union Coalition leadership. This agreement came too late for its impacts to be included in Agency baseline forecasts (Volume 2 of this Plan), which had assumed for all Agencies (including the LIRR and Metro-North) a projected cost equivalent to the TWU Local 100 pattern.

Volume 1 of this Plan captures the estimated incremental Financial Plan cost impact of this agreement above the baseline provision assumption described above. It assumes that this agreement will be ratified and approved by the membership represented by the LIRR Union Coalition, and that a comparable proposal will be accepted by the remaining unions at the LIRR and the unsigned unions at MNR. The incremental costs to the MTA amount to \$130 million in 2014, which includes retroactive wage adjustments, \$48 million in each of 2015, 2016 and 2017, and \$45 million in 2018.

Funding Labor Settlements: The Plan captures higher labor costs that include the impact of the TWU settlement and the LIRR agreement, and the assumption that both patterns will apply to the remaining unsigned unions. While favorable re-estimates are funding a portion of the incremental costs, the MTA is proposing to take several additional actions:

- OPEB Reserves and Contributions – A withdrawal from the Other Post-Employment Benefits (OPEB) Reserves of \$254 million and \$52 million of the 2014 OPEB contribution will be required in 2014 to help fund the cost of retroactive labor settlements spanning 2010 to 2014. For the out-years, OPEB contributions by the Agencies will be suspended through 2017. Reduced contributions will resume in 2018.
- Eliminate Contribution to Reduce Pension Liability – The MTA will eliminate supplemental contributions that were intended to reduce the LIRR unfunded pension liability. Also included in the February Plan was an assumed 7% rate of return on such contributions in the form of reduced future actuarially required contributions. The elimination of the supplemental contributions increases cash availability in an amount equal to the supplemental contributions less the projected return on such contributions during the Plan. The net favorable impact is \$20 million in 2015, \$29 million in 2016, \$27 million in 2017 and \$24 million in 2018.
- Reduce Annual PAYGO – Annual contributions to support the 2015-2019 Capital Program will be reduced by \$80 million per year beginning in 2015, reducing the annual PAYGO contribution from \$370 million to \$290 million. Funding capacity would be reduced from a projected \$6.5 billion in the February Plan to \$5.4 billion.

Safety Investments – The safety of customers and employees is unquestionably the top priority for the MTA. Given the tragic events that occurred in 2013, immediate steps were taken to ensure that an emphasis on safety would be included within the operations of every MTA Agency. Consequently, swift changes were made to the MTA's executive structure, including the establishment of a Chief Safety Officer position at each Agency and at Headquarters and the formation of a Safety Committee of the MTA Board. Agencies were directed to thoroughly review their current practices and procedures, and to identify areas where opportunities for improvement existed. Additionally, the MTA convened a Blue Ribbon Panel comprised of outside experts which is expected to issue a report later this summer. This Financial Plan includes an unprecedented level of safety funding, with an investment of \$32 million in 2014 and an average of \$83 million annually over the remaining years of the Plan.

Metropolitan Transportation Authority
July Financial Plan 2015 - 2018
Proposed Safety Investments by Agency, Theme and Type (List of Major Proposals)
(\$ in millions)

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Investments by Agency					
NYCT	11.371	29.519	20.129	20.129	20.129
LIRR	8.933	8.789	23.022	24.528	24.967
MNR	7.658	37.978	41.592	34.219	20.752
B&T	1.314	3.390	2.297	2.074	2.081
Bus Co	1.313	4.140	3.185	3.363	3.417
HQ	0.114	0.215	0.219	0.224	0.228
SIR	0.803	0.723	0.523	0.000	0.000
Total	\$31.506	\$84.754	\$90.967	\$84.537	\$71.575

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Investments by Theme					
Recommended	6.763	34.797	53.079	43.911	28.583
Improve/Ensure Compliance	15.682	30.149	25.303	28.145	30.416
New MTA Initiative	7.633	13.142	4.688	4.257	4.352
New Mandate	1.428	6.666	7.898	8.224	8.223
Total	\$31.506	\$84.754	\$90.967	\$84.537	\$71.575

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Investments by Type					
Customer/Employee Safety	9.859	39.852	51.084	41.585	31.298
Track	12.118	16.893	15.757	15.786	10.892
Signals	3.727	8.419	5.139	5.139	5.139
Training	2.250	5.907	6.724	6.529	6.555
Positive Train Control	0.128	5.882	5.769	9.004	11.197
IT/Communications	2.123	3.455	3.455	3.455	3.455
Right-of-Way	1.300	4.346	3.039	3.039	3.039
Total	\$31.506	\$84.754	\$90.967	\$84.537	\$71.575

Highlights of major of proposed Safety Investments by type:

- Customer/Employee Safety: Promote and adhere to a culture of customer and employee safety through improved work practices and investments in technology and equipment
 - Investments made in audio/visual recording and monitoring equipment (cameras) at the LIRR and MNR to record events inside and outside the locomotive engineer cab for accident/incident investigation, as well as in passenger compartments.
 - The implementation of a pilot program beginning in 2014 at NYCT on one route to provide audio/visual warning for pedestrians when a bus is crossing an intersection. Additionally, NYCT is proposing to install an early warning system that uses cameras and radar feed to detect pedestrians, bicycles, motorcycles and lane departures by other vehicles.

- The contracting of additional safety monitoring services at B&T to meet intensified needs as a result of increased construction activity associated with upcoming Sandy Restoration/Resiliency work and 2015-2019 capital and major maintenance programs at the Verrazano-Narrows and RFK Bridges, as well as at the Hugh L. Carey and Queens Midtown Tunnels, which will subsequently enable quicker and more targeted intervention to prevent serious accidents and injuries.
- Limiting the use of excessive overtime which will thereby reduce the risk of fatigue-related incidents MTA-wide.
- The scheduling of additional inspections, maintenance and/or upgrades as necessary to fire alarm systems at MTA facilities.
- Track: More frequent track inspections and repairs
 - A dedicated workforce to be created at NYCT to increase inspections and maintenance along the four corridors that have experienced a disproportionate level of rail breaks over the past decade: Queens Boulevard, 8th Avenue, 6th Avenue and Broadway-7th Avenue.
 - New investments in equipment at the LIRR, including a wheel impact detector for identifying wheel defects which can cause extra stress and damage to rails.
- Signals: Upgrades and repairs to signals and signal systems
- Training: Enhancement of employee training MTA-wide
- Positive Train Control: Implement Positive Train Control on LIRR and MNR
 - Positive Train Control (PTC) is a technology that is capable of preventing train-to-train collisions, over-speed derailments, and injuries to workers and customers as the result of unauthorized incursions by a train into a work zone. The PTC system is a capitally-funded initiative with a total estimated project cost of \$914 million. The Plan reflects the operating impact of the PTC system once implemented.
- IT/Communications: Enhance safety systems and communications with customers and employees
 - The increase of additional staff at NYCT to perform more inspections on the Help Point Intercom, Fire Safety and Communications Systems. These critical systems are located in stations, shops, depots and along the right of way, and include fire alarms, emergency alarms and telephones, booth intercoms and Customer Assistance Intercoms.
- Right-of-Way: More aggressive inspection and maintenance on the right-of-way

Service and Service Quality Investments – The MTA is adding or restoring \$20 million per year in service and service quality investments to complement the \$29 million and \$18 million in service investments approved in 2012 and 2013, respectively. These investments, which reflect identified service and customer enhancement priorities, have been evaluated in the context of the budget and are believed to be affordable in the current financial climate. These new investments are in addition to the normal platform service guideline adjustments of

approximately \$5 million per year. Specific information on these proposed initiatives follows at the end of this section of Volume 1.

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 and subsidy impacts from below-the-line adjustment.

New York City Transit

Service Investments

Proposed Investment	Rationale	Implementation
Add bus service to Gateway Center II Mall	Provides service committed to by NYCT and MTA Bus in agreement with mall developer who agreed to build bus terminal.	Fall 2014
Provide bus connections to every Staten Island Ferry	Provides additional service to meet increased scheduled Staten Island Ferry service; additional weekend service beginning Summer 2014 expanding to half-hourly service 24 hours a day in Spring 2015.	Summer 2014 Spring 2015
Extend J line to Broad Street on weekends	Improves service connectivity by providing a connection at Fulton Street and serves a growing Lower Manhattan residential market.	Mid-2015
Split Bx5 route and extend weekend service to Bay Plaza Shopping Center	Improves on-time performance of Bx5 and provides weekend service to expanding Bay Plaza Mall.	September 2015
Add 2 SBS routes	Expands the program, which has successfully increased ridership and reduced travel times.	Spring 2015 Fall 2015

Service Quality Investments

Proposed Investment	Rationale	Implementation
Establish 4 permanent Combined Action Teams (CAT)	Establishes 4 permanent Combined Action Teams (CAT) which are composed of Track, Third Rail and Signals personnel to provide rapid, coordinated response to MOW issues primarily in the Manhattan CBD. Currently a pilot involving 1 CAT team operating from 16th St/8th Ave is under way. Deployment of additional teams in upper Midtown and Lower Manhattan will reduce emergency response times in those areas and improve service throughout the system.	October 2014
Establish signal teams provide coverage for the Lexington Avenue Corridor	Shortens response time to help minimize delays along the most heavily utilized corridor in the system; 4-person signals teams will be staged at Grand Central, 14th St. and Brooklyn Bridge during the AM & PM weekday tours to provide immediate response in the event of a signal malfunction.	October 2014

Long Island Rail Road

Service Investments

Proposed Investment	Rationale	Implementation
Restore bi-hourly weekend service on West Hempstead Branch	Mitigates inconsistency with LIRR Service Guidelines with respect to frequency of service.	November 2014
Extend hourly weekend service between Babylon and Patchogue to year-round	Supports emerging markets through more frequent and reliable service.	September 2015
Extend seasonal weekend service to Montauk for additional ten weeks	Supports leisure and tourist travel during the early spring and fall seasons.	October 2014
Restore one weekend round-trip on the Oyster Bay Branch	Restores one round-trip cancelled in May 2010, creating hourly service opportunity in the morning and placing weekend service in line with weekday service for late night travel.	September 2015
Add cars to six peak trains and rebalance consist lengths to others	Accommodates ridership growth on the Ronkonkoma, Port Washington, Hempstead, Huntington and Babylon Branches.	November 2014
Expand service to Barclays Center	Expands number of service days to 250 per year, consistent with expected level of arena activities.	November 2014

Service Quality Investments

Proposed Investment	Rationale	Implementation
Improve signage Penn Station and outlying stations	Enhances customer circulation and improves the overall experience of station users with the implementation of a unified system of signs.	October 2014
Increase cleaning at Jamaica Station	Addresses increased cleaning needs necessitated by growth of customer usage of Jamaica Station.	September 2014

Metro-North Railroad

Service Investments

Proposed Investment	Rationale	Implementation
Add new West of Hudson weekday mid-day train from Hoboken, NJ to Middletown, NY	Addresses a 3-hour gap in Port Jervis Line mid-day weekday service, making overall service options very unattractive/inconvenient for daily commuters.	April 2016

Service Quality Investments

Proposed Investment	Rationale	Implementation
One year pilot program to reduce daily 16-hour parking fee from \$2.75 to \$1.25 at all MNR West of Hudson Stations; implement instant rebate program for annual permits, reducing 12-month permit cost from \$235 to \$20.	Bolsters a challenged market where there is clear competition from another service (private bus) that has free parking. Parking demand is highly localized in this area and there are few “feeder” transit services to MNR stations. Most Orange County bus park-n-rides are overcrowded, while MNR West of Hudson lots have additional capacity. Will lower the cost of commuting to compete with independent bus operators offering lower fares and free parking.	November 2014

Staten Island Railway

Service Investments

Proposed Investment	Rationale	Implementation
Provide connections to every Staten Island Ferry	Provides additional service to meet increased scheduled Staten Island Ferry service; additional weekend service beginning Summer 2014 expanding to half hourly service 24 hours a day in Spring 2015.	Summer 2014 Spring 2015

Service Quality Investments

Proposed Investment	Rationale	Implementation
Install arrival clocks at 17 stations	Enhances the quality of service by providing riders with valuable arrival clock information.	November 2014

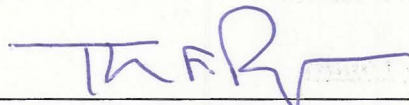
IV. Appendix

**Certification of the Chairman and Chief Executive Officer
of the
Metropolitan Transportation Authority
in accordance with Section 202.3(l)
of the
State Comptroller's Regulations**

I, Thomas F. Prendergast, Chairman and Chief Executive Officer of the Metropolitan Transportation Authority ("MTA") hereby certify, to the best of my knowledge and belief after reasonable inquiry, including certifications from senior management at the MTA agencies, that the attached budget and financial plan is based on reasonable assumptions and methods of estimation and that the requirements of Section 202.3 and 202.4 of the Regulations referenced above have been satisfied.

Metropolitan Transportation Authority

By: _____



Thomas F. Prendergast
Chairman and Chief Executive Officer

Dated: July 23 2014

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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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