MTA 2011
Preliminary Budget

July Financial Plan 2011 – 2014

Volume 1

July 2010

Metropolitan Transportation Authority

MTA 2011 PRELIMINARY BUDGET
JULY FINANCIAL PLAN 2011-2014
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, baseline and below-the-line Fare/Toll, MTA Initiatives and Policy Actions. Volume 1 also includes descriptions of the below-the-line actions as well as the Letter and required Certification by the Chairman and Chief Executive Officer.

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

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I. Introduction

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Jay H. Walder
Chairman and Chief Executive Officer

Metropolitan Transportation Authority

State of New York

July 27, 2010

Dear Members of the Board:

I am pleased to forward to you the 2011 Preliminary Budget and the July Financial Plan for 2011-14. Together they paint a picture of a series hard choices and innovations that have been necessary to ensure that the MTA is able to maintain its vital operations and improve the service that we offer to millions of customers daily.

Slightly more than a year ago, New Yorkers breathed a sigh of relief when Governor Paterson and the State Legislature adopted the "Ravitch rescue plan" for the MTA. By enacting a new Payroll Mobility Tax, DMV and taxicab fees, and agreeing to fare and toll increases in 2011 and 2013 that would generate 7.5 percent additional revenue, the State showed its commitment to transit and helped the MTA avoid the imposition of service cuts and much higher fares. This package also fully-funded the first two years of the MTA's new 2010-14 Capital Program.

However, this relief would be short lived. Last fall New York State's economy felt the full force of the worldwide recession, and the MTA was not immune to its impact. A $143 million State budget cut combined with deteriorating tax revenues – including the new payroll tax – created an $800 million deficit in the few short months between the end of 2009 and the beginning of 2010. Continuing weakness in tax receipts has resulted in this gap now being estimated at over $900 million. All told, through the end of this Financial Plan $2.5 billion in revenue that we had counted on will now not be forthcoming.

We have worked mightily to close this gap. We reduced our administrative payrolls and froze non-represented salaries across all MTA agencies. We eliminated hundreds of programs and projects. We renegotiated contracts with our suppliers. We changed the way we manage our paratransit program. We reduced service on our lowest-utilized routes. We eliminated almost 3,500 positions, including many through painful layoffs.

We were also helped by some good news. Even in this sluggish economy, ridership has show signs of rebounding, illustrating how essential transit service is to the New York region. Energy and health and welfare costs are also both lower than we had expected. Due to our actions and these adjustments, we are optimistic that we can close this deep chasm in our budget.

However, the more critical question is what is the MTA's outlook for 2011 through 2014? Specifically, the MTA's secure financial future depends on three things.

First, we must make sure that the actions that we took in 2010 are fully implemented and that we maintain our focus on generating the savings already identified. This will be hard, but these savings will generate $380 million in 2010 and a more than half a billion dollars annually thereafter.

But, these actions alone are not enough; we must continue to identify new initiatives that will help us run our businesses better. Therefore, we will also reduce our reliance on overtime, bring even more efficiencies to our paratransit operation, increase consolidations, and better manage our IT and inventory/procurement systems to substantially drive down costs. By 2014, these initiatives will be saving us an additional $200 million annually.

Second, controlling wage and benefit costs is critical. After all, wages, fringe benefits and other personnel expenses account for two-thirds of MTA operating expenses. As long as health benefit and pension costs are rising and wage increases are not offset by productivity improvements or employee contributions to benefit costs, the MTA's financial situation will remain challenging.

Finally, the Financial Plan acknowledges the Ravitch Commission's conclusion that regular fare increases are an appropriate and important part of the MTA's financial picture. The Financial Plan includes the 7.5% increases in fare and toll revenue that the Legislature and Governor supported as part of last year's MTA rescue package. How that increase is achieved in 2011 will be finalized after we hear from the public this fall, but we know that to achieve a 7.5 percent revenue yield in 2011, actual ticket and toll prices will have to rise by 8% to 10% on average to account for typical fall off in ridership. Our goal must be to use fare policy to maintain ridership, improve equity and reduce the cost of collecting fares.

In the end, this Financial Plan is subject to many risks. New York's ongoing fiscal crisis is a continuing concern. Keeping the fare and toll revenue increases as low as the agreed-upon 7.5 % will only be possible with management's and labor's continued focus on how to do things more efficiently and reduce costs. Also, for an operation as large and complex as the MTA's, our reserves are limited and therefore further reductions in state subsidies or tax receipts can not be easily accommodated. Finally, we must work with our unions to reach new collective bargaining agreements that offset wage increases with productivity increases and contributions to benefit costs. All of this must be accomplished without sacrificing the vital service we provide each day. Achieving these goals will be difficult, but we owe it to our customers and taxpayers to pursue a Financial Plan that continues down the path of reducing costs and making every dollar count.

Sincerely,

Executive Summary 2010-2014

Late 2009 and early 2010 brought significant upheaval to what had been a stable outlook for the MTA. Dedicated taxes and subsidies declined dramatically and the MTA responded with unprecedented steps to make its operations more efficient. This Plan reflects all of these changes as well as additional cost saving initiatives. With these reductions and a focus on stabilizing our wage and benefit costs, which are two-thirds of the MTA's operating expenses, the Plan has a goal of holding to the 7.5% fare and toll revenue agreements that were a part of the May 2009 financial package adopted by the State to fund the MTA. However, this Plan is not without risks. Achieving this Plan's goals -- holding fare and toll revenue increases to 7.5% with no further reductions in the level or quality of the service the MTA provides -- will require continued focus on successfully implementing the cost savings and efficiencies that have been identified, as well as the cooperation of labor to ensure that productivity increases result.

Changes in Subsidies and Taxes

This July Plan incorporates the highly publicized reductions in MTA subsidy streams, including the significant shortfalls in the Payroll Mobility Tax (PMT) and real estate taxes caused by weakness in the local economy. New York State's economic weakness has not only impacted the PMT, but has also resulted in still-lower real-estate related taxes and State cuts to MTA MMTOA subsidies. In fact, MTA taxes and subsidies have fallen by more than $900 million for the combined 2009-2010 period and the actual and projected loss through 2014 is estimated to be approximately $2.5 billion.

The MTA Board began to grapple with the first $395 million shortfall in December when the 2010 Budget was adopted. In addition to cash management actions and some re-estimates, the MTA took some important steps. First, the decision was made to cut administrative payrolls across all Agencies. Eventually, nearly 1,000 administrative positions were eliminated, some through layoffs, as the Operating Agencies cut at least 15% of their administrative payrolls and MTA Headquarters reduced its administrative payroll by 20%. Second, $100 million in service reductions were scheduled and began to take effect this early summer. While these cuts were carefully analyzed and designed to affect as few riders as possible, they were nonetheless the largest cuts to service that the MTA had implemented in decades. In addition, paratransit costs, which heretofore had essentially risen uncontrollably, were reduced by $30 million, for the most part through negotiating more favorable terms with the MTA's paratransit suppliers. Finally, the budget assumed that beginning with the 2010-11 school year, the MTA would receive reimbursement for student transit passes in New York City.

Since the 2010 Budget was adopted, the MTA has been impacted by further forecasted reductions in subsidies of $533 million. Most of this decline was first identified in January and February, when the New York State Division of the Budget lowered its 2010 forecast of PMT subsidies by $336 million and its forecast of MMTOA receipts by $33 million. Even with these lower estimates, this July Plan further reduces the estimates of some of the MTA's major taxes to account for continued weak collections. The PMT estimate is reduced by an additional $50 million based on collections through July; Real Estate Tax collections are projected to come in $112 million below the prior forecast; and collections of Petroleum Business Taxes (PBT) are now expected to come in $32 million short of the Budget.

Exacerbating the shortfall in tax collections in June, the MTA reinstated the New York City Student Transit Pass Program following a commitment by New York State and New York City to reimburse the MTA for a portion of its revenue loss. Continuation of this program will negatively impact the Financial Plan by $6 million in 2010, $20 million in 2011, and $145 million annually in 2012 through 2014 when compared to the 2010 Adopted Budget.

Given these troubling fiscal environment, the MTA's usual response would have been to immediately turn to fare increases or petition for additional State aid in order to address this situation. Instead, the MTA embarked on a systematic effort to overhaul the way we do business and attack this challenge from the expense side.

Closing the Gap

The MTA has acted swiftly and decisively in 2010 to reduce expenses and improve efficiency. In the interest of promoting longer term financial stability, we have focused on finding recurring rather than one-shot savings. One very notable accomplishment was the reduction of administrative payrolls by 20% at MTA Headquarters and by 15% at all other Agencies. This Administrative Reduction Program resulted in the elimination of 977 positions, many through painful layoffs, and savings of $74 million this year and over $100 million per year thereafter.

Also painful but necessary in this economic environment were the implementation of service cuts. All service that the MTA offers was analyzed and extreme care was taken to limit reductions to those areas that would have the least customer impact. These service reductions result in savings of $61 million in 2010 and over $100 million annually thereafter.

Perhaps most importantly, the decision was made to begin an overhaul of the way the MTA conducts its business. Specific areas company-wide were targeted and MTA Agencies were given a mandate to reduce costs immediately. Known as the Budget Reduction Program (BRP), among saving initiatives implemented are: reducing material and supply costs by renegotiating contract terms with the MTA's largest suppliers; scrutinizing material expenditures to avoid non-essential spending and control inventory; eliminating or deferring projects that did not meet rigorous financial or customer service benefit criteria; controlling the escalating cost of paratransit service; and reining in overtime expenses. Targeted cuts were also made in maintenance, cleaning and customer service. MTA Bridges & Tunnels undertook a “top-to-bottom” reorganization. The results were particularly impressive with savings from the revamping of maintenance schedules, an improved engineering process, the implementation of “best practices” guidelines, overtime reductions and other operating capital savings.

Total savings from the BRP are approximately $200 million in 2010 and each year thereafter.

Progress To Date

Thus far this year, under the actions and programs described above, MTA has achieved savings of $381 million in 2010, and recurring annual savings of over $500 million. The 2010 Mid-Year Forecast includes a headcount total that is almost 3,500 positions lower than was projected in November of 2009 – a 5% reduction.

However, it is important to note that while savings have been accomplished thus far in 2010, reaping continuing benefits requires a focused effort on the part of management and labor if these initiatives are to be sustained. Without a continuing focus on successful implementation continuing through 2014, the MTA runs the risk of backsliding into its more comfortable, but more expensive, former habits.

There have also been some positive results from the economy that will also help the MTA to close its 2010 gap. The MTA is projecting a $67 million increase in combined passenger and toll revenue due to higher than expected usage. Lower expenses for energy, pensions, health & welfare, and debt service are projected to save almost $190 million in 2010.

Nevertheless, deficits remain in the Financial Plan which must be addressed.

Financial Plan Challenge

A key recommendation of the State’s “Ravitch Commission” was that regular fare and toll increases are an appropriate and important part of the MTA’s financial structure. This recommendation, for a 7.5% increase in fare and toll revenue in both 2011 and 2013, was included as a component of the 2009 financial package for the MTA that the State Legislature and Governor supported. How that increase is achieved in 2011 will be finalized after the MTA solicits public input this fall, but to achieve a 7.5 percent revenue yield in 2011, actual ticket and toll prices will have to rise by 8% to 10% on average to account for typical fall off in ridership. Our goal must be to use fare policy to maintain ridership, improve equity and reduce the cost of collecting fares.

However, in developing the Financial Plan a central question was whether a plan could be structured that limits fare/toll revenue increases to the 7.5% levels agreed to by the Governor and Legislature in 2009 and carried in the February Plan. And, if so, could this be done without further cuts in service and without sacrificing service quality? If not, then holding the line on fares while compromising service would be a hollow victory.

The desire to hold the line at 7.5% revenue yield despite the steep decline in tax subsidies and the lack of additional reimbursement for Student Fares in New York City is influenced by two considerations. First, 7.5% was determined as part of an overall package that provided a significant new revenue stream to the MTA, including the PMT, Department of Motor Vehicle fees, a taxi surcharge and auto rental fees which, despite yielding less revenue than projected, still provide significant financial support. The package also included essential funding for the first two years of the 2010 - 2014 Capital Program.

Second, the MTA recognized that since many people's incomes are not increasing in this economy, it is important to limit the financial burden on its customers. A 7.5% revenue increase is a very real increase to customers in an economic environment when wage increases are a rarity. Further to achieve the 7.5% increase in revenue, actual prices for MetroCards, commuter rail tickets and vehicle tolls would need to increase by 8 to 10% to account for the typical fall-off in ridership after an increase.

These considerations require the MTA to pursue additional cost and productivity savings before considering a higher increase in fare/toll revenues.

> <u>*MTA Efficiency Initiative*</u> New cost reduction initiatives will continue to be important in each year of the Financial Plan. In 2011, administrative, paratransit and overtime costs will be further reduced. In addition, we will be looking across agencies to identify and better coordinate or combine activities. For example, call centers will be consolidated and more effective use will be made of interactive voice response (IVR) systems; and in IT, e-mail and security systems will be combined while an effort is made to rationalize the Authority's business technology applications across all Agencies.
>
> "Making every dollar count" means more than reducing the MTA's expenses. In many cases it means doing more with less. We can continue to perform well with fewer resources. In some cases, we intend to perform better. By way of example, it is indisputable that New York City Transit's subway car fleet performs dramatically better than it did in the mid-1980's. Today, the department that buys and maintains those cars is 1,600 positions smaller, a 25% reduction. The result has been better performance at lower cost for investing in people, technology and better ways of doing business.

<u>New Labor Initiative</u> Controlling wage and benefit costs have a critical role to play in stabilizing MTA's finances. After all, wages, fringe benefits and other personnel expenses account for two-thirds of MTA operating expenses. This Financial Plan assumes that each new labor contract will not impose any additional financial burden on the MTA for two years. This is intended as a clear statement that the MTA can not afford to allow salary, wage and fringe benefit costs to rise in ways unconnected to productivity and the regional economy's ability to support the system. This, however, does not preclude the possibility of wage increases based on bankable productivity improvements or contributions to benefit costs. Consistent with this "net zero" labor initiative, non-represented employees will not receive a cost of living raise in 2010, which will be the second of two consecutive years without an increase.

The New Efficiency Initiative and New Labor Initiative together are projected to generate savings in excess of $110 million in 2011 growing to more than $400 million in 2014. These new initiatives replace and exceed the undefined deficit reduction measures included in the February Plan.

However, similar to the over-$500 million in recurring savings discussed above, these additional initiatives will only generate the projected Financial Plan savings if MTA managers and line employees continue to focus on the initiatives' successful implementation and execution. Achieving significant savings from the MTA's complex paratransit operation, or consolidating functions without negatively affecting service, or successfully negotiating collective bargaining agreements that result in no net costs all are very complex undertakings and far from being assured.

Other Policy Actions

This Plan also proposes a number of other policy actions to address the long term financial stability of the MTA.

Counties throughout the MTA region operate local bus systems. While these counties generally contract with private carriers to provide service for a fee or subsidy, Nassau County is unique in that since 1973 it has had an agreement with MTA to operate local bus service in Nassau County. The MTA subsidiary, MTA Long Island Bus operates this service. In Dutchess, Putnam, Orange, Rockland, Westchester and Suffolk Counties, local bus service is totally paid for by county or municipal governments. In New York City the MTA, at the City's request, provides local and express bus service in portions of Queens, Brooklyn and the Bronx; New York City fully pays for MTA Bus Company operations. Notwithstanding the fact that Nassau County owns all of Long Island Bus' assets and is responsible for funding its operations, the County is alone in the region in relying on the MTA to pay a growing portion of the operating costs of its local bus service.

Prior to 2000, Nassau County covered the operating deficit for its county bus service, but in that year began to reduce its financial support, instead using MTA contributions to fill the subsidy gap. Since 2000, Nassau County has failed to contribute $140 million toward its funding obligation, and has been using MTA regional taxes, instead of local revenues, to pay for its bus operation. In 2010, Nassau County actually further reduced its already-modest contribution and will underpay its obligation by $26 million this year. Given the our financial position, the MTA can no longer afford to continue covering deficits arising from Nassau County's unmet obligations, which would amount to $100 million over the Plan period. Therefore, this Financial Plan assumes that the MTA will no longer make a financial contribution to LI Bus and that instead Nassau County will resume total funding of Long Island Bus operations, bringing it in line with the other counties in the MTA region.

The Plan also anticipates the repayment of a Board authorized $500 million interagency loan from the Capital Financing Fund (non-bond related funds dedicated to capital programs) to the operating budget. This interagency loan has been needed to provide operating cash flow requirements until revenues, including state subsidies are received. These funds will be needed for obligated capital program expenditures. However, our present financial condition does not allow these payments to commence at once. Instead, the Plan anticipates repaying this loan in five annual installments beginning in 2012.

Finally, the MTA's unfunded liability for current and future retirees' health and other benefits is significant -- $13.2 billion. It had been the MTA's practice to fund only the annual cost of current retirees' benefits. Beginning in 2006, MTA began making additional contributions of approximately $60 million per year towards this future obligation. To help close the 2010 Budget, the Plan anticipates foregoing this year's contribution and funds only current retirees' health and welfare costs.

Risks to the Financial Plan

However, this plan does contain its share of risks. First, there is little room for error in that the MTA's reserves are limited given the scale of our operation. If management's focus on achieving the initiatives included in the Plan dissipates, the Plan is at risk of not achieving its financial goals. This Plan also assumes that all State aid collected for the MTA and projected to be appropriated is actually paid out; there will be little capacity to deal with further declines in revenues not already anticipated in the Financial Plan. Finally, this Plan assumes a willingness of our workforce, as represented by their unions, to establish a new working relationship that is sustainable in the current economic climate. Without management focus, labor participation and receipt of tax subsidies as projected, the goals identified in this Plan, no matter how realistic or necessary, are at risk of not being achieved.

Conclusion

This Preliminary Budget and Financial Plan clearly break new ground for the MTA. Instead of looking toward Albany for another financial rescue, this plan takes matters into the MTA's hands and works instead to change the way the MTA conducts its business. Unspecified PEGs are replaced with well thought out initiatives. A labor strategy that is consistent for the region's current economic climate replaces one of ever-escalating costs with no productivity improvements. And, fare and toll revenue increases are kept to 7.5%, consistent with the 2009 financial package approved by the State.

This Plan projects ending cash balances/(deficits) of $12 million in 2010, $67 million in 2011, ($92) million in 2012, $156 million in 2013 and ($141) million in 2014. It should be noted that the deficits in 2012 and 2014 reflect the carry over of the prior year's cash balance and otherwise would be correspondingly higher.

While this is a preliminary Plan, the Board's decision regarding the 2011 fare/toll increase will be made in October following public hearings. As we solicit the input of the public and other stakeholders on other aspects of this Plan, opportunity for modification will be available in advance of the Board's adoption of the 2011 Budget in December.

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II. MTA Consolidated 2010-2014 Financial Plan

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2011 - 2014

MTA Consolidated Statement Of Operations By Category

($ in millions)

Non-Reimbursable	**2009 Actual**	**2010 Mid-Year Forecast**	**2011 Preliminary Budget**	**2012**	**2013**	**2014**
Operating Revenue						
Farebox Revenue	$4,350	$4,587	$4,675	$4,785	$4,856	$4,923
Student Fare	-	-	-	-	-	
Toll Revenue	1,332	1,411	1,421	1,432	1,434	1,439
Other Revenue	461	504	524	553	584	619
Capital and Other Reimbursements	0	(0)	0	0	(0)	0
Total Operating Revenue	**$6,144**	**$6,501**	**$6,620**	**$6,770**	**$6,874**	**$6,980**
Operating Expense						
Labor Expenses:						
Payroll	$4,163	$4,169	$4,258	$4,363	$4,463	$4,567
Overtime	499	452	443	454	462	471
Health & Welfare	689	739	801	868	947	1,033
OPEB Current Payment	346	367	403	439	478	522
Pensions	1,021	1,024	1,069	1,130	1,182	1,266
Other-Fringe Benefits	517	462	463	476	494	509
Reimbursable Overhead	(322)	(349)	(337)	(339)	(338)	(338)
Sub-total Labor Expenses	**$6,914**	**$6,864**	**$7,100**	**$7,391**	**$7,689**	**$8,030**
Non-Labor Expenses:						
Traction and Propulsion Power	318	342	363	389	422	451
Fuel for Buses and Trains	180	199	210	223	239	254
Insurance	34	34	34	38	44	54
Claims	238	187	196	205	212	219
Paratransit Service Contracts	370	381	384	462	553	660
Maintenance and Other Operating Contracts	562	608	617	635	651	675
Professional Service Contracts	199	214	216	222	227	236
Materials & Supplies	526	577	574	592	624	644
Other Business Expenses	184	200	212	218	223	241
Sub-total Non-Labor Expenses	**$2,612**	**$2,742**	**$2,806**	**$2,985**	**$3,196**	**$3,434**
Other Expense Adjustments:						
Other	($15)	($23)	($20)	($21)	($22)	($24)
General Reserve	0	50	100	100	100	100
Sub-total Other Expense Adjustments	**($15)**	**$27**	**$80**	**$79**	**$78**	**$76**
Total Operating Expense before Non-Cash Liability Adjs.	**$9,512**	**$9,632**	**$9,986**	**$10,454**	**$10,963**	**$11,540**
Depreciation	$1,941	$2,012	$2,105	$2,201	$2,281	$2,364
OPEB Obligation	1,136	1,434	1,493	1,554	1,618	1,678
Environmental Remediation	6.062	11	10	11	11	11
Total Operating Expense	**$12,594**	**$13,090**	**$13,595**	**$14,220**	**$14,873**	**$15,593**
Net Operating Deficit Before Subsidies and Debt Service	**($6,450.57)**	**($6,589)**	**($6,974)**	**($7,450)**	**($7,999)**	**($8,613)**
Dedicated Taxes and State/Local Subsidies	$4,137	$4,937	$5,169	$5,467	$5,716	$5,895
Debt Service (excludes Service Contract Bonds)	(1,404)	(1,841)	(2,052)	(2,204)	(2,376)	(2,555)
Net Deficit After Subsidies and Debt Service	**($3,718)**	**($3,493)**	**($3,857)**	**($4,187)**	**($4,659)**	**($5,273)**
Conversion to Cash Basis: Non-Cash Liability Adjs.	$3,083	$3,457	$3,609	$3,766	$3,910	$4,053
Conversion to Cash Basis: GASB Account	(54)	(57)	(57)	(60)	(63)	(66)
Conversion to Cash Basis: All Other	556	(108)	(195)	(322)	(236)	(305)
CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	**($133)**	**($200)**	**($500)**	**($803)**	**($1,048)**	**($1,590)**
ADJUSTMENTS	**0**	**82**	**555**	**645**	**1,204**	**1,294**
PRIOR-YEAR CARRY-OVER	**263**	**130**	**12**	**67**	**0**	**156**
NET CASH BALANCE	**$130**	**$12**	**$67**	**($92)**	**$156**	**($141)**

METROPOLITAN TRANSPORTATION AUTHORITY

Financial Plan 2011 - 2014

Plan Adjustments

($ in millions)

		2010 Mid-Year Forecast	2011 Preliminary Budget	2012	2013	2014
July Cash Balance Before Prior-Year Carry-Over		**($200)**	**($500)**	**($803)**	**($1,048)**	**($1,590)**
Fare/Toll:						
Fare/Toll Yields on 1/1/11: 7.5%		-	413	432	437	441
Fare/Toll Yields on 1/1/13: 7.5%		-	-	-	457	474
	Sub-Total	0	413	432	894	915
MTA Initiatives:						
New MTA Efficiencies		0	75	125	175	200
Net-Zero Labor Initiative		11	38	129	194	203
Non-Represented Wage Freeze		14	14	15	15	15
Additional Overtime Reductions		-	19	19	19	19
Metrocard Green Fee and Cost Savings		-	-	20	20	20
	Sub-Total	25	146	308	423	457
Policy Actions:						
Repayment of Loan to Capital Financing Fund		-	-	(100)	(100)	(100)
Eliminate MTA Funding of Long Island Bus Deficit		-	27	26	22	24
Eliminate 2010 GASB 45 Contribution		57	-	-	-	-
B&T Holdback		0	(31)	(20)	(35)	(2)
	Sub-Total	57	(4)	(94)	(113)	(78)
TOTAL ADJUSTMENTS		**82**	**555**	**645**	**1,204**	**1,294**
Prior-Year Carry-Over		*130*	*12*	*67*	*0*	*156*
Net Cash Surplus/(Deficit)		**$12**	**$67**	**($92)**	**$156**	**($141)**

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2011 - 2014

MTA Consolidated Cash Receipts and Expenditures

($ in millions)

Line No	CASH RECEIPTS AND EXPENDITURES		2010	2011			
9		2009	Mid-Year	Preliminary			
10		Actual	Forecast	Budget	2012	2013	2014
11	**Receipts**						
12	Farebox Revenue	$4,403	$4,629	$4,719	$4,823	$4,906	$4,967
13	*Student Fare*	0	0	0	0	0	0
14	Other Operating Revenue	478	556	545	576	607	641
15	Capital and Other Reimbursements	1,495	1,490	1,547	1,493	1,496	1,514
16	**Total Receipts**	**$6,376**	**$6,675**	**$6,812**	**$6,891**	**$7,008**	**$7,123**
17							
18	**Expenditures**						
19	***Labor:***						
20	Payroll	$4,479	$4,639	$4,647	$4,750	$4,854	$4,971
21	Overtime	577	528	511	523	531	543
22	Health and Welfare	730	774	841	910	992	1,081
23	OPEB Current Payment	331	347	381	415	452	494
24	Pensions	892	1,160	1,073	1,134	1,182	1,240
25	Other Fringe Benefits	561	582	572	587	606	625
26	Contribution to GASB Fund	54	57	57	60	63	66
27	**Total Labor Expenditures**	**$7,624**	**$8,087**	**$8,081**	**$8,379**	**$8,681**	**$9,021**
28							
29	***Non-Labor:***						
30	Traction and Propulsion Power	$313	$371	$366	$392	$425	$454
31	Fuel for Buses and Trains	180	199	210	223	239	254
32	Insurance	15	52	38	44	49	60
33	Claims	190	170	167	181	192	201
34	Paratransit Service Contracts	364	387	379	457	548	655
35	Maintenance and Other Operating Contracts	536	624	617	613	624	631
36	Professional Service Contracts	207	234	238	246	249	255
37	Materials & Supplies	667	662	673	694	718	754
38	Other Business Expenditures	201	211	220	226	231	249
39	**Total Non-Labor Expenditures**	**$2,672**	**$2,911**	**$2,908**	**$3,075**	**$3,274**	**$3,514**
40							
41	***Other Expenditure Adjustments:***						
42	Other	$56	$108	$133	$141	$153	$166
43	General Reserve	0	50	100	100	100	100
44	**Total Other Expenditure Adjustments**	**$56**	**$158**	**$233**	**$241**	**$253**	**$266**
45							
46	**Total Expenditures**	**$10,352**	**$11,155**	**$11,223**	**$11,695**	**$12,207**	**$12,800**
47							
48	**Net Cash Deficit Before Subsidies and Debt Service**	**($3,976)**	**($4,481)**	**($4,411)**	**($4,804)**	**($5,199)**	**(5,678)**
49							
50	Dedicated Taxes and State/Local Subsidies	$4,724	$5,510	$5,324	$5,554	$5,853	$5,936
51	Debt Service (excludes Service Contract Bonds)	(881)	(1,229)	(1,413)	(1,554)	(1,702)	(1,848)
52							
53	**CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER**	**($133)**	**($200)**	**($500)**	**($803)**	**($1,048)**	**($1,590)**
54	BASELINE PRIOR-YEAR CARRY-OVER	0	0	0	0	0	
54	**ADJUSTMENTS**	**0**	**82**	**555**	**645**	**1,204**	**1,294**
55	**PRIOR-YEAR CARRY-OVER**	**263**	**130**	**12**	**67**	**0**	**156**
56	**NET CASH BALANCE**	**$130**	**$12**	**$67**	**($92)**	**$156**	**($141)**

MTA Consolidated Subsidies
July Financial Plan 2011 - 2014
Cash Basis
($ in millions)

	2009 Actual	2010 Mid-Year Forecast	2011 Preliminary Budget	2012	2013	2014
Subsidies						
Dedicated Taxes						
Metro. Mass Transp. Oper. Asst. (MMTOA)	$1,296.6	$1,374.6	$1,439.5	$1,542.9	$1,617.6	$1,676.9
Petroleum Business Tax (PBT) Receipts	629.6	606.6	616.1	620.3	617.8	617.4
Mortgage Recording Tax (MRT)	241.8	246.6	265.4	301.1	355.4	367.3
MRT Transfer to Suburban Counties	(6.2)	(3.4)	(3.1)	(3.4)	(4.3)	(6.0)
Use of MRT Balances	10.0	0.0	0.0	0.0	0.0	0.0
Carry Over/Adjustments	17.6	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Downsizing	0.0	0.0	0.0	0.0	0.0	0.0
Enhanced Security Training	(6.2)	(6.2)	0.0	0.0	0.0	0.0
MTA Bus Debt Service	(23.2)	(24.9)	(24.9)	(24.9)	(24.9)	(24.9)
Cash Defeasance Loan for TBTA	90.8	0.0	0.0	0.0	0.0	0.0
Interest	4.2	4.2	4.2	4.3	4.3	4.3
Urban Tax	150.5	177.7	225.4	289.3	310.9	322.5
Investment Income	0.9	0.9	1.0	1.0	1.0	1.1
	$2,396.4	$2,366.0	$2,513.6	$2,720.6	$2,867.9	$2,948.6
New State Taxes and Fees						
Payroll Mobility Tax	$787.8	$1,283.0	$1,342.8	$1,404.1	$1,474.1	$1,549.4
MTA Aid	56.1	328.3	328.3	328.3	328.3	328.3
	$844.0	$1,611.3	$1,671.1	$1,732.4	$1,802.4	$1,877.7
State and Local Subsidies						
State Operating Assistance	$190.5	$190.9	$190.9	$190.9	$190.9	$190.9
Local Operating Assistance (18-b)	187.9	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy (includes 18-b local match)	10.5	9.1	9.1	9.1	9.1	9.1
CDOT Subsidy	84.9	81.7	93.7	104.7	118.4	124.0
Station Maintenance	145.2	149.1	152.1	155.3	158.5	161.3
AMTAP	4.0	5.6	0.0	0.0	0.0	0.0
	$623.0	$624.4	$633.7	$647.9	$664.9	$673.2
Other Subsidy Adjustments						
55/25 Pension Funding	34.4	0.0	0.0	0.0	0.0	0.0
2006 Surplus Recovery	25.0	0.0	0.0	0.0	0.0	0.0
Inter-Agency Loan	134.5	134.5	(134.5)	(134.5)	0.0	0.0
NYCT Charge Back of MTA Bus Debt Service	(11.1)	(11.5)	(11.5)	(11.5)	(11.5)	(11.5)
Forward Energy Contracts - 2008 (15 mth Contract)	97.1	0.0	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2009 (12 mth Contract)	(73.0)	73.4	0.0	0.0	0.0	0.0
Pay-As-You-Go Capital	0.0	(50.0)	(100.0)	(150.0)	(200.0)	(250.0)
	$206.9	$146.4	($246.0)	($296.0)	($211.5)	($261.5)
Sub-total Dedicated Taxes & State and Local Subsidies	**$4,070.2**	**$4,748.1**	**$4,572.4**	**$4,804.9**	**$5,123.7**	**$5,238.0**
City Subsidy for MTA Bus	$286.7	$328.4	$319.0	$330.0	$350.2	$363.8
Total Dedicated Taxes & State and Local Subsidies	**$4,356.9**	**$5,076.5**	**$4,891.4**	**$5,134.9**	**$5,474.0**	**$5,601.8**
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	$318.2	$383.2	$377.6	$362.5	$321.7	$273.2
MTA Subsidy to Subsidiaries	48.6	49.9	54.7	57.1	57.6	60.6
	$366.8	$433.1	$432.3	$419.6	$379.2	$333.7
GROSS SUBSIDIES	**$4,723.7**	**$5,509.6**	**$5,323.6**	**$5,554.5**	**$5,853.2**	**$5,935.6**

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

	Favorable/(Unfavorable)			
	2010	2011	2012	2013
FEBRUARY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	**$36**	**($681)**	**($900)**	**($1,184)**
MTA Savings Initiatives	**$276**	**$324**	**$324**	**$333**
Budget Reduction Program (BRP)	202	198	197	205
Administration Savings[1]	74	101	102	103
Additional Overtime Reductions	0	25	25	25
February Plan Adjustments	**($114)**	**($131)**	**($124)**	**($119)**
Reversal of AABB Discrete line[2]	(65)	(131)	(124)	(119)
Reversal of 2010 February Plan Administrative Savings[1]	(49)	0	0	0
Other Adjustments	**($56)**	**$101**	**($33)**	**($27)**
Passenger/Toll Revenue	67	64	91	106
Other Revenue	51	71	74	71
Student Fare Restoration[3]	(49)	(90)	(215)	(215)
NYCT Capital Reimbursement Timing	(50)	50	(0)	0
Retroactive Wage Adjustments	(46)	0	0	0
General Reserve	25	(25)	(25)	(25)
All Other[4]	(53)	31	41	35
Uncontrollable Expenses	**$114**	**$174**	**$221**	**$265**
Traction and Propulsion Power	40	67	90	111
Fuel for Buses and Trains	9	24	25	30
Health & Welfare (including OPEB)	48	44	48	51
Pensions	18	40	59	74
B&T Adjustments[5]	(53)	(78)	(84)	(85)
Net Baseline Change	**$168**	**$390**	**$304**	**$367**
General Reserve	**$25**	**($25)**	**($25)**	**($25)**
Subsidies	**($452)**	**($221)**	**($213)**	**($228)**
Payroll Mobility Tax	*(386)*	*(219)*	*(231)*	*(245)*
Real Estate Taxes	*(112)*	*(102)*	*(105)*	*(122)*
MMTOA	*(33)*	*58*	*60*	*62*
PBT	*(32)*	*(27)*	*(8)*	*(6)*
CDOT Subsidy	*(14)*	*(17)*	*(21)*	*(13)*
City Subsidy for MTA Bus	*19*	*3*	*(2)*	*(6)*
B&T Operating Surplus Transfer	*70*	*89*	*101*	*110*
Other	*37*	*(6)*	*(6)*	*(7)*
Debt Service *(excluding B&T)*	**$47**	**$12**	**$6**	**($2)**
JULY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	**($200)**	**($500)**	**($803)**	**($1,048)**
ADJUSTMENTS	**$82**	**$555**	**$645**	**$1,204**
PRIOR-YEAR CARRY-OVER	**130**	**12**	**67**	**0**
NET CASH BALANCE	**$12**	**$67**	**($92)**	**$156**

Note:

1 In the February Plan, these savings forecast, while very premature were allocate to Agency baselines; however, for 2011 and beyond they were captured below-the-line as Administrative Savings.

2 AABBs have now been distributed to generic expense categories that comprise MTA's traditional financial statements.

3 Tariff Change (revenue) only

4 Includes AABB restorations and re-estimates

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

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

	2009	2010	2011	2012	2013
Subsidies					
Dedicated Taxes					
Metro. Mass Transp. Oper. Asst. (MMTOA)	($1.1)	($32.9)	$58.2	$60.1	$61.7
Petroleum Business Tax (PBT) Receipts	(4.5)	(32.4)	(26.6)	(8.1)	(6.2)
Mortgage Recording Tax (MRT)	0.6	(27.5)	(26.4)	(54.0)	(30.6)
MRT Transfer to Suburban Counties	0.0	0.1	0.0	0.0	0.9
Use of MRT Balances	0.0	0.0	0.0	0.0	0.0
Carry Over/Adjustments	0.0	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
Downsizing	0.0	41.0	0.0	0.0	0.0
Enhanced Security Training	0.0	0.0	0.0	0.0	0.0
MTA Bus Debt Service	0.0	0.0	0.0	0.0	0.0
Cash Defeasance Loan for TBTA	0.0	0.0	0.0	0.0	0.0
Interest	(1.0)	(1.0)	(1.1)	(1.1)	(1.1)
Urban Tax	0.7	(84.8)	(76.0)	(51.2)	(91.5)
Investment Income	0.2	0.2	0.2	0.2	0.1
	($5.1)	**($137.3)**	**($71.7)**	**($54.1)**	**($66.7)**
New State Taxes and Fees					
Payroll Mobility Tax	($4.2)	($386.0)	($219.0)	($231.3)	($245.3)
MTA Aid	(13.1)	0.0	0.0	0.0	0.0
	($17.2)	**($386.0)**	**($219.0)**	**($231.3)**	**($245.3)**
State and Local Subsidies					
State Operating Assistance	(0.4)	0.0	0.0	0.0	0.0
Local Operating Assistance (18-b)	0.0	0.0	0.0	0.0	0.0
Nassau County Subsidy (includes 18-b local match)	0.0	0.0	0.0	0.0	0.0
CDOT Subsidy	2.9	(14.5)	(17.4)	(20.8)	(13.1)
Station Maintenance	0.0	1.2	0.9	0.8	1.0
AMTAP	(0.0)	5.6	0.0	0.0	0.0
	$2.5	**($7.7)**	**($16.5)**	**($20.0)**	**($12.1)**
Other Subsidy Adjustments					
55/25 Pension Funding	0.0	0.0	0.0	0.0	0.0
2006 Surplus Recovery	40.0	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	0.4	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2008 (15 mth Contract)	(0.0)	0.0	0.0	0.0	0.0
Forward Energy Contracts - 2009 (12 mth Contract)	0.0	0.0	0.0	0.0	0.0
Pay-As-You-Go Capital	0.0	0.0	0.0	0.0	0.0
	$40.4	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Sub-total Dedicated Taxes & State and Local	**$20.5**	**($531.0)**	**($307.1)**	**($305.3)**	**($324.1)**
City Subsidy for MTA Bus	(27.6)	19.0	3.5	(2.5)	(5.8)
Total Dedicated Taxes & State and Local Subsidies	**($7.1)**	**($511.9)**	**($303.7)**	**($307.8)**	**($329.9)**
Inter-agency Subsidy Transactions					
B&T Operating Surplus Transfer	16.8	70.4	88.6	101.2	109.6
MTA Subsidy to Subsidiaries	(4.4)	(10.2)	(5.9)	(6.4)	(8.0)
	$12.4	**$60.2**	**$82.6**	**$94.9**	**$101.6**
GROSS SUBSIDIES	**$5.3**	**($451.8)**	**($221.0)**	**($212.9)**	**($228.3)**

III. Adjustments

III. ADJUSTMENTS

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

Fare/Toll:

2011 Increased Fare and Toll Yields – A 7.5% increase in MTA consolidated farebox and toll revenue yields is proposed for implementation on January 1, 2011. Consolidated fare and toll revenues, excluding MTA Bus revenues, are expected to increase by $413 million in 2011, $432 million in 2012, $437 million in 2013 and $441 million in 2014. MTA Bus revenue is expected to increase by $13 million a year for 2011 through 2014. These additional MTA Bus revenues will be used to reduce the NYC subsidy used to cover the costs associated with MTA Bus operations.

The February Financial Plan also assumed a 7.5% increase in MTA consolidated farebox and toll revenue yields starting on January 1, 2011. The current projections are slightly favorable from the estimates prepared for the February Plan due to higher baseline and toll revenue forecasts. Compared with the February Plan, consolidated fare and toll revenues from the 7.5% yield increase are higher by $4 million in 2011, by $7 million in 2012 and by $8 million in 2013. For MTA Bus, farebox revenue from this action is unchanged from the February Plan.

2013 Increased Fare and Toll Yields – Another 7.5% consolidated farebox and toll revenue yield increase is also proposed for implementation on January 1, 2013, and is estimated to yield an additional $457 million in 2013 and $474 million in 2014, excluding yield increases for MTA Bus. MTA Bus revenue is expected to increase by $14 million in 2013 and 2014, and will be used to reduce the NYC subsidy to MTA Bus.

This 2013 increase was also assumed in the February Financial Plan. The projections from this action are slightly favorable from the estimates prepared for the February Plan, and are also due to higher baseline farebox and toll revenue forecasts. From this action, consolidated fare and toll revenues, compared with the February Plan are higher by $8 million in 2013, and MTA Bus farebox revenue from this action is unchanged.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions

Including the Impact of PEGs and 2011 & 2013 Fare & Toll Yield Increases

		2010 Mid-Year Forecast	2011	2012	2013	2014
Fare Revenue						
Long Island Bus [1]	- Baseline	$41.921	$42.256	$42.679	$43.020	$43.322
	- 1/1/11 Fare Yield	0.000	3.169	3.201	3.227	3.249
	- 1/1/13 Fare Yield	0.000	0.000	0.000	3.469	3.493
		$41.921	**$45.425**	**$45.880**	**$49.715**	**$50.064**
Long Island Rail Road	- Baseline	$529.368	$538.082	$546.204	$552.194	$557.511
	- 1/1/11 Fare Yield	0.000	40.356	40.965	41.415	41.813
	- 1/1/13 Fare Yield	0.000	0.000	0.000	44.521	44.949
		$529.368	**$578.439**	**$587.169**	**$638.129**	**$644.273**
Metro-North Railroad [2]	- Baseline	$525.160	$536.460	$552.472	$563.719	$572.896
	- 1/1/11 Fare Yield [3]	0.000	24.373	25.271	25.912	26.457
	- 1/1/13 Fare Yield [3]	0.000	0.000	0.000	27.176	27.751
		$525.160	**$560.833**	**$577.743**	**$616.807**	**$627.104**
MTA Bus Company	- Baseline	$165.498	$167.152	$169.659	$171.865	$174.099
	- 1/1/11 Fare Yield [4]	0.000	12.536	12.724	12.890	13.057
	- 1/1/13 Fare Yield [4]	0.000	0.000	0.000	13.857	14.037
		$165.498	**$179.688**	**$182.384**	**$198.612**	**$201.193**
New York City Transit [1]	- Baseline	$3,249.380	$3,314.275	$3,393.581	$3,441.525	$3,486.726
	- 1/1/11 Fare Yield	0.000	248.571	254.519	258.114	261.504
	- 1/1/13 Fare Yield	0.000	0.000	0.000	277.473	281.117
		$3,249.380	**$3,562.846**	**$3,648.100**	**$3,977.112**	**$4,029.348**
Staten Island Railway	- Baseline	$5.125	$5.231	$5.352	$5.431	$5.503
	- 1/1/11 Fare Yield	0.000	0.392	0.401	0.407	0.413
	- 1/1/13 Fare Yield	0.000	0.000	0.000	0.438	0.444
		$5.125	**$5.623**	**$5.753**	**$6.276**	**$6.359**
Total Farebox Revenue	*- Baseline*	*$4,516.451*	*$4,603.456*	*$4,709.947*	*$4,777.754*	*$4,840.057*
	- 1/1/11 Fare Yield	*0.000*	*329.397*	*337.082*	*341.964*	*346.494*
	- 1/1/13 Fare Yield	*0.000*	*0.000*	*0.000*	*366.932*	*371.791*
		$4,516.451	***$4,932.854***	***$5,047.030***	***$5,486.651***	***$5,558.341***
Toll Revenue						
Bridges & Tunnels	- Baseline	$1,411.134	$1,421.045	$1,432.029	$1,433.990	$1,438.515
	- 1/1/11 Toll Yield [5]	0.000	95.921	107.320	107.535	107.855
	- 1/1/13 Toll Yield [5]	0.000	0.000	0.000	104.054	115.944
		$1,411.134	**$1,516.966**	**$1,539.349**	**$1,645.578**	**$1,662.313**
TOTAL FARE & TOLL REVENUE [2]						
	- Baseline	$5,927.585	$6,024.501	$6,141.976	$6,211.744	$6,278.572
	- 1/1/11 Fare/Toll Yield	*0.000*	*425.318*	*444.402*	*449.499*	*454.348*
	- 1/1/13 Fare/Toll Yield	*0.000*	*0.000*	*0.000*	*470.986*	*487.735*
		$5,927.585	***$6,449.819***	***$6,586.378***	***$7,132.230***	***$7,220.654***

1 Excludes Paratransit Operations.

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

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

4 MTA Bus revenue from Fare Yield will be used to reduce NYC subsidy to MTA Bus.

5 Reflects 10% delay in the distribution of surplus toll revenues per MTA Board resolution. This has no impact on ridership

MTA Initiatives:

New MTA Efficiencies – MTA will continue to identify new initiatives that will improve the way its businesses are operated. Plans include a reduction in the reliance on overtime, bringing even more efficiencies to the paratransit operation, additional consolidations, better management of IT systems and reduced costs for inventory and procurement systems and purchases. By 2014, these initiatives are expected to save an additional $200 million annually. These savings are on top of those BRP savings captured within Agency baselines.

Net-Zero Labor Initiative – This Financial Plan assumes that each new labor contract will not impose any additional financial burden on the MTA for two consecutive years and reflect annual CPI-based increases thereafter. This is intended as a clear statement that the MTA can not be financially stable as long as salary, wage and fringe benefit costs rise in ways unconnected to productivity and the regional economy's ability to support the system. A net-zero approach to wage increases could be achieved through collectively bargained work rule changes, productivity improvements or contributions to benefit costs. These savings are captured below-the-line as savings compared with the baseline dollars captured in Volume II.

The baseline assumes a TWU pattern settlement for represented employees of B&T, MTA Police, LI Bus, MTA Bus and the remaining NYCT represented workers not covered by the TWU contract. Upon the expiration of that pattern, inflationary increases are assumed. For the commuter rail employees, the baseline assumes inflation-based raises starting in the summer of 2010.

Non-Represented Wage Freeze – Consistent with the "net-zero labor initiative", non-represented employees will not receive a cost of living raise in 2010, which will be the second of two consecutive years without an increase.

Additional Overtime Reductions -- One of the key areas identified during the review of MTA's cost structure was overtime. As a result of an internal review that revealed the potential for additional overtime savings, MTA has instituted tighter management controls and has established savings goals of more than $20 million in 2010 -- annualized to savings of over $60 million starting in 2011. To that end, Agencies identified overtime BRP strategic initiatives and were given additional overtime targets for 2011 and beyond, both of which were captured in Agency baseline forecasts (in Volume II). Additional overtime reduction goals of $19 million starting in 2011 are dependent on the cooperation of represented labor. These savings have not been allocated and remain below-the-line as an MTA initiative.

MetroCard Green Fee and Cost Savings – The MTA prints 170 million MetroCards each year at an annual cost of nearly $13 million. Of the 850 million cards produced over the last 5 years, many of these cards were used once and then discarded, often ending up as litter in the system. To overcome this waste by encouraging customers to re-use their

MetroCards, MTA is proposing a $1.00 “green” fee for each new MetroCard bought in the subway system, where it is just as easy to refill a card as to get a new one. The estimated financial impact is a combination of additional revenue from the fee and lower costs from producing fewer cards.

Policy Actions:

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

Eliminate MTA Funding of Long Island Bus Deficit – While MTA operates the Nassau County bus system, the County owns all assets and is responsible for funding operations. Prior to 2000, the County covered the deficit but in that year began to reduce its financial support, relying on MTA contributions to fill the subsidy gap. Since 2000, Nassau County has failed to contribute $140 million toward its funding obligation. If this continues unchanged this year, Nassau will underfund its obligation by $26 million. The Plan assumes that Nassau County will increase its funding of LI Bus in an amount totaling $99 million over the Plan period.

Eliminate 2010 GASB #45 Contribution – GASB #45 deals with “Other Post Employment Benefits” or “OPEBS”, primarily retiree medical benefits and other non-pension benefits. Among other things, it requires governmental entities to provide information about the actuarial accrued liability for these benefits and the progress made toward funding this cost. In 2006, the MTA began accumulating funds designated for this purpose from revenues generated by increased real-estate related tax activity and from annual Agency contributions. The July Baseline projects voluntary Agency contributions of $57 million in 2010, $57 million in 2011, $60 million in 2012, $63 million in 2013, and $66 million in 2014. This policy action cancels the 2010 $57 million contribution in order to help offset this year’s deficit. The Financial Plan assumes that these contributions will continue in 2011 and beyond.

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

Prior-Plan Actions Not Carried in this Plan:

Gap Closing Program – External Action

Federal Legislation - This Plan no longer assumes any savings from MTA-proposed changes in Federal legislation. Prior Plans assumed the elimination of certain federal mandates for commuter rail employees could be accomplished that would lower costs without impacting employee benefits. While the MTA still believes this to be a worthwhile endeavor and is hopeful of its ultimate passage, there is no imminent relief in this area and we, therefore, are removing any savings from the Plan.

Cash Management Action

Energy Hedge - The Financial Plan still includes the assumption that it will hedge portions of its 2011 fuel budget if favorable prices can be locked in. However, this Plan no longer assumes that 2010 cash will be used to secure that hedge. Instead, any hedge will be funded within that same calendar year, thereby eliminating any year-to-year cash transfers.

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

Metropolitan Transportation Authority

By: ______________________________
Jay H. Walder
Chairman and Chief Executive Officer

Dated: July 26, 2010

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V. Other

The MTA Budget Process

The July 2010 Financial Plan provides the opportunity for the MTA to present a revised forecast of 2010 finances, a preliminary presentation of the 2011 proposed budget, and a reforecast of out-year finances, including the first look at 2014.

As is customary, the July Plan is divided into two distinct volumes. Volume I supports the complete financial plan, including the baseline as well as policy items and below-the-line gap closing items. Volume II includes the detailed information supporting baseline revenue, expense, cash and headcount projections. Also included is detailed information supporting 2010's Administrative Reduction Program (ARP) and Budget Reduction Program (BRP), as well as individual Agency sections.

The July 2010 Financial Plan provides the opportunity for the MTA to present a revised forecast of 2010 finances, a preliminary presentation of the 2011 proposed budget, and a reforecast of out-year finances, including the first look at 2014.

MTA budgeting is a rigorous and thorough process that begins in the spring and culminates with the passage of the Budget in December. In the course of a year, MTA prepares a February, July and November Financial Plan, and Adoption Materials in December. In addition to the existing year, each Plan requires Agencies to prepare four-year projections which include the upcoming and three future calendar years.

The July Plan updates the February Plan, which involves the development of a draft preliminary budget for the upcoming year and projections for three out-years. This Plan may include a series of gap closing proposals necessary to maintain a balanced budget and actions requiring public hearings.

After customers, interest groups and politicians 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, the finalization of the budget for the upcoming year (proposed budget) and projections for three out-years.

Finally, in December, the November Plan is updated to capture further developments, risks and actions that are necessary to ensure budget balance, which is ultimately presented to the MTA Board for review and approval of an annual budget for the upcoming year.

Even then the work isn't finished, as any below-the-line policy issues are moved into the baseline and technical adjustments are made. This results in what is called the February Plan -- its current year (the Adopted Budget) is allocated over the period of 12 months and becomes the basis in which monthly results are compared.

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