New York City Transit Authority

(Component Unit of the Metropolitan Transportation Authority)

Financial Statements as of and for the
Years Ended December 31, 2019 and 2018,
Required Supplementary Information, and
Independent Auditors' Report

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112
USA
Tel: +1-212-492-4000
Fax: +1-212-489-1687
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities and the financial statements of the fiduciary activities (collectively, the "financial statements") of the New York City Transit Authority (the "Authority"), a public benefit corporation which is a component unit of the Metropolitan Transportation Authority ("MTA"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Authority is a component unit of the MTA. The MTA is a component unit of the State of New York. The Authority requires significant subsidies from and has material transactions with MTA, The City of New York and the State of New York. Our opinions are not modified with respect to this matter.

As described in Note 2 to the financial statements, as of January 1, 2018, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities.* Our opinions are not modified with respect to this matter.

As discussed in Note 17 to the financial statements, *Subsequent Events*, the novel coronavirus (COVID-19) outbreak has resulted in a significant decline in ridership. The decline in ridership have caused a material impact on the Authority's results of operations, financial position, and cash flows in fiscal 2020. In response to the adverse conditions, the MTA has secured funding under the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act"; received State of New York authorization to increase debt issuing capacity, including $10 billion in deficit bonds; received State of New York authorization to use the Central Business District Tolling lockbox monies to fund COVID-19 operating costs; and has been granted flexibility to apply existing FTA grant program proceeds to operating costs or other purposes to address COVID-19 impacts. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Authority's Net Pension Liability and Related Ratios for the MABSTOA Pension Plan, Schedule of the Authority's Proportionate Share of the Net Pension Liability in the NYCERS Pension Plan, Schedule of the Authority's Contributions to all Pension Plans, Schedule of the Authority's Proportionate Share of the Net OPEB Liability in the MTA OPEB Plan, and Schedule of the Authority's Contributions to the OPEB Plan, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

May 29, 2020

FINANCIAL REPORTING ENTITY

The New York City Transit Authority (NYCTA) and its component unit, Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA) (collectively, the Authority) are public benefit corporations established pursuant to the New York State (the State) Public Authorities Law, to operate public subway, bus and paratransit services within The City of New York (The City). The Authority is a component unit of the Metropolitan Transportation Authority (MTA), which is a component unit of the State, and whose mission is to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York Metropolitan area.

The Reporting entity includes:

(1) the Primary Government which is comprised of NYCTA, a special purpose government, and its blended Component Unit MaBSTOA, together providing transportation services to New York City. The Primary Government engages in Business-Type Activities.

(2) a Fiduciary Fund comprised of the MaBSTOA Pension Plan.

The financial results of the Primary Government are reported as consolidated financial statements.

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction to the Annual Report:

This annual report consists of five parts: Management's Discussion and Analysis, Consolidated Financial Statements, Fiduciary Fund Financial Statements, Notes to the Consolidated Financial Statements, and Required Supplementary Information.

Management's Discussion and Analysis:

The following is a narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2019 and 2018. This management discussion and analysis (MD&A) is intended to serve as an introduction to the Authority's basic consolidated financial statements. It provides an assessment of how the Authority's position has improved or deteriorated and identifies the factors that, in management's view, significantly affected the Authority's overall financial position. It may contain opinions, assumptions or conclusions by the Authority's management that should not be considered a replacement for, and must be read in conjunction with, the consolidated financial statements described below.

The Consolidated Financial Statements:

The Consolidated Statements of Net Position provide information about the nature and amounts of resources, with present service capacity, that the Authority presently controls (assets), consumption of net assets by the Authority that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that the Authority has little or no discretion to avoid (liabilities), and acquisition of net assets by the Authority that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources being reported as net position.

The Consolidated Statements of Revenues, Expenses and Changes in Net Position show how the Authority's net position changed during each year. They account for all of the current year's revenues and expenses, measures the financial results of the Authority's operations over the past year and can be used to determine how the Authority has funded its costs.

The Consolidated Statements of Cash Flows provide information about the Authority's cash receipts, cash payments and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities.

The Fiduciary Fund Financial Statements:

The Fiduciary fund is used to account for resources held in a trustee capacity for the benefit of parties outside of a government entity. The Fiduciary fund is not reported in the Authority's financial statements because the resources of that fund are not available to support Authority's own programs. The fiduciary fund is reported as a Pension Fund.

The Statement of Fiduciary Net Position presents financial information about the assets, liabilities, and the fiduciary net position held in trust of the fiduciary fund of the Authority.

The Statement of Changes in Fiduciary Net Position presents fiduciary activities of the fiduciary fund as additions and deductions to the fiduciary net position.

The Notes to the Consolidated Financial Statements:

The notes provide information that is essential to understanding the basic consolidated financial statements, such as the Authority's accounting methods and policies, details of cash and investments, capital assets, employee benefits, lease transactions, and future commitments and contingencies of the Authority, and information about other events or developing situations that could materially affect the Authority's financial position.

Required Supplementation Information:

The Required Supplementary Information provides information concerning the Authority's net pension liability and net other postemployment benefits (OPEB) liability, employer contributions for the pension plans and OPEB, related ratios and actuarial assumptions used to calculate the net pension liability and net OPEB liability.

CONDENSED FINANCIAL INFORMATION

All amounts are in millions, except as noted.

The following sections will discuss the significant changes in the Authority's financial position for the years ended December 31, 2019 and 2018. Additionally, an examination of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, summaries of the consolidated financial statements and the various exhibits presented conform to the Authority's consolidated financial statements, which are presented in accordance with generally accepted accounting principles in the United States of America.

Total Assets, Distinguishing Between Capital and Other Assets, and Deferred Outflows of Resources

(In millions)	2019	2018	2017	Increase/(Decrease) 2019-2018	2018-2017
Capital assets	$69,980	$66,465	$63,507	$ 3,515	$ 2,958
Accumulated depreciation	(24,657)	(23,270)	(22,190)	(1,387)	(1,080)
Capital assets, net of accumulated depreciation	45,323	43,195	41,317	2,128	1,878
Other assets	2,024	2,260	2,470	(236)	(210)
Total assets	47,347	45,455	43,787	1,892	1,668
Deferred outflows of resources	2,323	1,738	1,018	585	720
Total assets and deferred outflows of resources	$49,670	$47,193	$44,805	$ 2,477	$ 2,388

The Authority's capital assets totaled $69,980 at December 31, 2019. Of the total, depots, yards, signals, and stations were 50.0%, subway cars and buses accounted for 18.0% and track and structures were 20.7%. These gross capital assets exclude significant infrastructure assets such as tunnels and elevated structures, which are assets owned by The City. More detailed information about the Authority's capital assets is presented in Note 5 to the consolidated financial statements.

Significant changes in assets include:

December 31, 2019 versus 2018

Capital assets increased from December 31, 2018 to December 31, 2019 by $3,515 or 5.3%. This increase was primarily due to station rehabilitation work of $1,575, signals work of $764, and track and structure of $711. Accumulated depreciation has increased by $1,387, or 6.0%, due to annual depreciation expense of $1,994, partly offset by normal retirements of $607.

Other assets decreased by $236 or 10.4% compared with the prior year. This decrease was mostly due to a decrease in MTA investment pool of $184 related to operational work requirement, a decrease in receivables from the MTA for the purchase of capital assets of $72, partly offset by an increase in billed and unbilled charges due from New York City of $41 due to timing of payment at year-end related to paratransit reimbursement.

Deferred outflows of resources increased $585 or 33.7% compared with the prior year. The net increase was due to an increase of $614 related to pensions based upon the most recent actuarial valuation report in accordance with GASB Statements No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* offset by a decrease of $28 related to OPEB, also based upon the most recent actuarial valuation report in accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Refer to Note 6 and 7 to the consolidated financial statements for more information regarding the Authority's pensions and postemployment benefits other than pension, respectively.

December 31, 2018 versus 2017

Capital assets increased from December 31, 2017 to December 31, 2018 by $2,958 or 4.7%. This increase was primarily due to station rehabilitation work of $1,170 and signals work of $1,073. Accumulated depreciation has increased by $1,080, or 4.9%, due to annual depreciation expense of $1,833, partly offset by normal retirements of $128 related to buses and other capital assets, and $625 related to disposal of subway cars as result of reviewing the current fleet of cars.

Other assets decreased by $210 or 8.5% compared with the prior year. This decrease was mostly due to a decrease in receivables from the MTA for the purchase of capital assets of $245.

Deferred outflows of resources increased $720 or 70.7% compared with the prior year. The net increase was primarily due to an increase of $1,012 related to OPEB resulting from the adoption of GASB Statement No. 75, partially offset by a decrease of $292 related to pensions based upon the most current actuarial valuation report in accordance with GASB Statements No. 68 and GASB No. 71. Refer to Notes 6 and 7 to the consolidated financial statements for more information regarding the Authority's pensions and postemployment benefits other than pension, respectively.

Total Liabilities, Distinguishing Between Long-Term Liabilities and Current Liabilities, and Deferred Inflows of Resources

				Increase/(Decrease)	
(In millions)	**2019**	**2018**	**2017**	**2019-2018**	**2018-2017**
Current liabilities	$ 1,974	$ 1,900	$ 1,875	$ 74	$ 25
Long-term liabilities	21,867	21,609	21,390	258	219
Total liabilities	23,841	23,509	23,265	332	244
Deferred inflows of resources	1,855	759	392	1,096	367
Total liabilities and deferred inflows of resources	$ 25,696	$24,268	$23,657	$ 1,428	$ 611

At the end of 2019, the Authority's liabilities consisted primarily of employee fringe benefit-related liabilities (for retirement, health and other benefits) of 59.0%, net pension liability of 22.1%, and injuries to persons (public liability and workers' compensation) of 13.9%. Included in the employee fringe benefit-related liabilities was $13,281 of post-employment benefits other than pensions.

Significant changes in liabilities include:

December 31, 2019 versus 2018

Liabilities increased from December 31, 2018 to December 31, 2019 by $332 or 1.4%. Current liabilities increased by $74, or 3.9%, and long-term liabilities increased by $258 or 1.2%.

The net increase in current liabilities was mainly due to higher salaries, wages and payroll taxes of $24, due to general salary increases and retroactive wage reserves, an increase in estimated liability arising from injuries to persons of $23, based upon an updated actuarial valuation, and an increase in revenue advances of $17 mainly related to the prepayment of school fare reimbursement from The City.

The net increase in long-term liabilities was primarily due to the addition of $546 of net pension liability, a $204 increase in the estimated liability arising from injuries to persons, and a decrease in net OPEB liability of $503, based upon the most current actuarial valuations.

Deferred inflows of resources increased by $1,096 or 144.4% compared with prior year. The increase was due to an increase of $1,053 related to OPEB based upon the most current actuarial valuation report in accordance with GASB Statement No. 75, and an increase of $43 related to pensions based upon the most current actuarial valuation report in accordance with GASB Statements No. 68 and GASB No. 71. Refer to Notes 6 and 7 to the consolidated financial statements for more information regarding the Authority's pensions and postemployment benefits other than pension, respectively.

December 31, 2018 versus 2017

Liabilities increased from December 31, 2017 to December 31, 2018 by $244 or 1.0%. Current liabilities increased by $25, or 1.3%, and long-term liabilities increased by $219 or 1.0%.

The net increase in current liabilities was mainly due to higher salaries, wages and payroll taxes of $19, due to wage and headcount increases and an increase in estimated liability arising from injuries to persons of $19, based upon an updated actuarial valuation. The increase was partly offset by lower levels of accounts payable in connection with various maintenance initiatives, including the Subway Action Plan, of $18, and a decrease in revenue advances of $16 due to timing of receipts at year end.

The net increase in long-term liabilities was primarily due to the addition of $886 of net OPEB liability resulting from the adoption of GASB Statement No. 75, a $267 increase in the estimated liability arising from injuries to persons, and a decrease in net pension liability of $982, based upon the most current actuarial valuations.

Deferred inflows of resources increased by $367 or 93.6% compared with prior year. The increase was primarily due to an increase of $14 related to OPEB resulting from the adoption of GASB Statement No. 75, and an increase of $353 related to pensions based upon the most current actuarial valuation report in accordance with GASB Statements No. 68 and GASB No. 71. Refer to Notes 6 and 7 to the consolidated financial statements for more information regarding the Authority's pensions and postemployment benefits other than pension, respectively.

Total Net Position, Distinguishing Among Net Investment in Capital Assets, Restricted and Unrestricted Amounts

				Increase/(Decrease)	
(In millions)	**2019**	**2018**	**2017**	**2019-2018**	**2018-2017**
Net investment in capital assets	$ 45,064	$ 43,018	$ 41,144	$ 2,046	$ 1,874
Unrestricted	(21,090)	(20,093)	(19,996)	(997)	(97)
Total net position	$ 23,974	$ 22,925	$ 21,148	$ 1,049	$ 1,777

Net position represents the residual interest in the Authority's assets after liabilities are deducted and consist of three components: net investment in capital assets, restricted and unrestricted. Net investment in capital assets include capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. All other net position are unrestricted.

December 31, 2019 versus 2018

Total net position was $23,974 at the end of 2019, a net increase of $1,049, or 4.6% from the end of 2018. The net increase was primarily due to an operating loss of $6,372 offset by net nonoperating income of $4,248 and capital contributions from the MTA of $3,173.

December 31, 2018 versus 2017

Total net position was $22,925 at the end of 2018, a net increase of $1,777, or 8.4% from the end of 2017. The net increase was primarily due to an operating loss of $5,911 offset by net nonoperating income of $4,230, capital contributions from the MTA of $2,652, and a restatement of beginning net position of $806 related to the adoption of GASB Statement No. 75 (see Note 2 to the consolidated financial statements).

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(In millions)	Year Ended December 31, 2019	2018	2017	Increase/(Decrease) 2019-2018	2018-2017
Operating revenues	$ 5,061	$ 4,893	$ 4,912	$ 168	$ (19)
Operating expenses	(11,433)	(10,804)	(10,703)	(629)	(101)
Operating loss	(6,372)	(5,911)	(5,791)	(461)	(120)
Nonoperating revenues (expenses):					
Subsidies: New York State and The City of New York	3,920	4,072	3,345	(152)	727
Triborough Bridge and Tunnel Authority	334	290	310	44	(20)
Interest expense	(18)	(17)	(16)	(1)	(1)
Other nonoperating revenue/(expenses)	12	10	5	2	5
Loss on disposal of subway cars	-	(125)	-	125	(125)
Total nonoperating revenues (expenses)	4,248	4,230	3,644	18	586
Loss before capital contributions	(2,124)	(1,681)	(2,147)	(443)	466
Capital contributions	3,173	2,652	1,860	521	792
Change in net position	1,049	971	(287)	78	1,258
Net position — beginning of year	22,925	21,148	21,435	1,777	(287)
Restatement of beginning net position — adoption of GASB No. 75	-	806	-	(806)	806
Net position — end of year	$ 23,974	$ 22,925	$ 21,148	$ 1,049	$ 1,777

Revenue from Fares/Ridership

(In millions)	**2019**	**2018**	**2017**	**Increase/(Decrease) 2019-2018**	**Increase/(Decrease) 2018-2017**
Subway revenue	$ 3,570	$3,427	$3,441	$ 143	$ (14)
Bus revenue	936	929	952	7	(23)
Expired fare media revenue	64	70	76	(6)	(6)
Paratransit revenue	23	21	18	2	3
Total revenue from fares	$ 4,593	$4,447	$4,487	$ 146	$ (40)
Total ridership (millions)	2,266	2,259	2,339	7	(80)
Non-student average fare	$ 2.09	$ 2.03	$ 1.98	$ 0.06	$ 0.05

2019 versus 2018

Total revenue from fares was $4,593 in 2019, an increase of $146, or 3.3%, due mostly to the March 2019 fare increase. Total ridership was 2,266, a slight increase of 7, or 0.3% from 2018.

2018 versus 2017

Total revenue from fares was $4,447 in 2018, a decrease of $40, or 0.9%, due mostly to lower ridership trends. Total ridership was 2,259, a decrease of 80, or 3.4% from 2017.

Operating Expenses, by Major Function

(In millions)	**2019**	**2018**	**2017**	**Increase/(Decrease) 2019-2018**	**Increase/(Decrease) 2018-2017**
Salaries and wages	$ 4,082	$ 4,107	$ 3,901	$ (25)	$ 206
Health and welfare	923	836	860	87	(24)
Pensions	1,042	599	706	443	(107)
Other fringe benefits	458	489	410	(31)	79
Reimbursed overhead expenses	(295)	(347)	(304)	52	(43)
Postemployment benefits other than pensions	1,099	1,170	1,516	(71)	(346)
Electric Power	278	301	265	(23)	36
Fuel	107	112	95	(5)	17
Insurance	70	67	72	3	(5)
Public liability claims	255	226	279	29	(53)
Paratransit service contracts	477	455	393	22	62
Maintenance and other operating contracts	284	234	246	50	(12)
Professional service contracts	191	197	172	(6)	25
Pollution remediation projects	28	84	8	(56)	76
Materials and supplies	342	353	319	(11)	34
Depreciation	1,994	1,833	1,682	161	151
Other expenses	98	88	83	10	5
Total operating expenses	$11,433	$10,804	$10,703	$ 629	$ 101

2019 versus 2018

Total operating expenses increased by $629 or 5.8% compared to 2018 as follows:

- Salaries and wages were lower than 2018 by $25 or 0.6%. Payroll increased by $60, or 1.7%, mainly due to general wage increases. Overtime expenses decreased by $84, or 12.3%, due mostly to a reduction of emergency requirements related to Subway Action Plan.

- Health and welfare expenses increased by $87, or 10.4%, due primarily to an increase in health and hospital claims.

- Pension expenses increased by $443, or 74.0%, based on the most current actuarial valuation, including adjustment to the New York City Employees' Retirement System (NYCERS) census data recognized as pension expense in 2019.

- Other fringe benefit expenses decreased by $31, or 6.3%, due primarily to lower workers' compensation medical reserve requirements from 2018, based upon a current actuarial valuation.

- Post-employment benefits other than pensions decreased by $71, or 6.1%, based on the most current actuarial valuation.

- Electric power expenses decreased by $23, or 7.6% due to lower prices.

- Public liability claims expenses increased by $29, or 12.8%, based on the most current actuarial valuation update, which reflected the increase in major claims.

- Paratransit service contract expenses increased by $22 or 4.8%, due to continued growth in trips.

- Maintenance and other operating contracts increased by $50 or 21.4%, mainly due to Subways Deep Cleaning initiatives and purchases related to paratransit projects.

- Pollution remediation project expenses significantly decreased to $28 compared to $84 in 2018, due to a decrease in new areas of exposure requiring environmental remediation in 2019.

- Depreciation expenses increase by $161, or 8.8%, due to additional capital projects reaching substantial completion and starting depreciation.

2018 versus 2017

Total operating expenses increased by $101 or 0.9% compared to 2017 as follows:

- Salaries and wages were higher than 2017 by $206 or 5.3%. Payroll increased by $114, or 3.4%, as most represented and non-represented personnel received wage increases in 2018 and headcount increased. Overtime expenses increased by $92, or 15.5%, due mostly to support Subway Action Plan requirements.

- Health and welfare expenses decreased by $24, or 2.8%, due primarily to decreased rates for health and welfare plans as a result of credits received from one of the main health care providers.

- Pension expenses decreased by $107, or 15.2%, based on the most current actuarial valuation.

- Other fringe benefit expenses increased by $79, or 19.3%, due primarily to higher workers' compensation reserve requirements from 2017, based upon a current actuarial valuation.

- Post-employment benefits other than pensions decreased by $346, or 22.8%, resulting from the adoption of GASB Statement No. 75.

- Electric power expenses increased by $36, or 13.6% due to higher prices.

- Fuel expenses increased by $17, or 17.9%, due mostly to higher prices and consumption.

- Public liability claims expenses decreased by $53, or 19.0%, based on the most current actuarial valuation update.

- Paratransit service contract expenses increased by $62, or 15.8%, due to growth in advance reservation E-Hail services.

- Pollution remediation project expenses significantly increased to $84 versus $8 in 2017, due to the identification of additional areas of exposure requiring corrective work requirements.

- Depreciation expenses increase by $151, or 9.0%, due to additional assets reaching beneficial use.

Nonoperating Revenues and Expenses

The Authority receives a variety of tax-supported subsidies from New York State and The City of New York. These subsidies represent a State Mobility Tax and corporate franchise, sales, energy, mortgage recording and real estate taxes and are impacted by the strength of the State and City economies and prevailing interest rates.

Operating assistance subsidies from New York State and The City have been maintained at the same level each year.

The Triborough Bridge & Tunnel Authority, another affiliate of the MTA, distributes to the Authority, each year, funds that vary based upon its operating surplus.

Capital contributions from the MTA of $3,173 in 2019 and $2,652 in 2018, represent capital program funding from several sources including bonds, Federal, State and City funding.

Changes in Net Position

The change in net position represents the net total of capital contributions, operating losses and nonoperating income. The net position increased by $1,049 in 2019.

Budget Highlights

Total operating revenues in 2019 of $5,061, were higher than budget by $44, or 0.9%. Total revenue from fares exceeded budget by $56, or 1.2%, which included higher subway revenue of $65, million or 1.9% and bus revenue of $4.7 million (0.5 percent). These results reflect a significant improvement in the ridership trend, particularly in subways, partially offset by fare media liability that underran the budget by $14, or 18.1%. Other operating revenues were lower than budget by $12, or 2.5%.

Total operating expenses in 2019 of $11,433 were higher than budget by $49, or 0.4%. Labor-related expenses of $6,757 overran the budget by $126, or 1.9%. This result was due primarily to overtime expenses that were higher than budget by $126, or 26.5%, caused primarily by Subway Action Plan requirements of $49, and vacancy coverage. Pension expenses exceeded budget by $121, or 12.8%, due to a major adjustment in the NYCERS actuarial valuation, and health and welfare and OPEB current expenses were under Budget by $95, or 6.6%, due mostly to lower operating employee medical expenses. Non-labor expenses underran the budget due to maintenance contract expense that underran budget by $83, or 22.6%, due to reallocation of the Subway Action Plan expense provision to in-house labor for track, signals, infrastructure, station maintenance and car equipment SAP initiatives, mainly utilizing overtime.

OVERALL FINANCIAL POSITION, RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Results of Operations and Overall Financial Position

Total revenue from fares was $4,593 in 2019, an increase of $146 or 3.3% from 2018. Total ridership was 2,266 million, an increase of $7 or 0.3% from 2018. Total operating expenses, including depreciation, other post-employment benefits and environmental remediation expenses, were $11,433 in 2019, an increase of $629 or 5.8%.

Going forward, the stability of the Authority's financial position is subject to certain risks, requiring the efficient management of costs, including the establishment of new cost reduction programs, in order to counteract any adverse impacts to revenue streams or cost increases.

Economic Conditions

Metropolitan New York is the most transit-intensive region in the United States, and a financially sound and reliable transportation system is critical to the region's economic well-being. New York City Transit (NYCT) consists of urban subway and bus systems, including paratransit services.

Preliminary NYCT system-wide utilization in 2019 increased by a net 6.5 million trips (0.3%) relative to 2018, reflecting an increase in Subway ridership of 17.7 million trips (1.1%), partly offset by a decrease in Bus ridership of 12.3 million trips (2.2%). The Subway ridership increase represented a significant turnaround, following three consecutive years of declining ridership, and despite a fare increase in March 2019. Leadership attributes the increase to the major improvement in subway service quality, notably, significantly improved on-time performance and a reduction in service disruptions following completion of major Subway Action Plan initiatives by year-end 2018. The decline in bus ridership is consistent with a trend that began in 2009 and has been observed nationally, mainly due to trips shifting to for-hire vehicles and increases in fare evasion. 2019 Paratransit ridership increased by 1.1 million trips (10.6%) from 2018, reflecting continued growth in E-Hail and enhanced broker services.

Seasonally adjusted non-agricultural employment in New York City for the fourth quarter was higher in 2019 than in 2018 by 79.5 thousand jobs (1.7%).On a quarter-to-quarter basis, New York City employment increased 32.7 thousand jobs, increasing for thirty-seventh consecutive quarter—the last decline occurred in the third quarter of 2010—and was higher than at any time since 1950, when non-agricultural employment levels for New York City were first recorded by the Bureau of Labor Statistics.

National economic growth, as measured by Real Gross Domestic Product (RGDP), expanded at an annualized rate of 2.1% in the fourth quarter of 2019, according to the most recent advance estimate released by the Bureau of Economic Analysis (BEA). The increase in RGDP reflected increases in consumer spending, government spending, exports, and housing investment, which were partially offset by decreases in inventory investment and business investment. Imports, a subtraction in the calculation of GDP, decreased. The increase in consumer spending reflected increases in goods (led by motor vehicles and parts) and services (led by health care). The increase in government spending reflected increases at the federal, as well as state and local, government levels. The decline in inventory investment reflected a decrease in retail trade inventories (led by motor vehicle dealers), while the decline in business investment reflected a decrease in equipment (led by industrial equipment) and structures (led by mining exploration, shafts, and wells).In the third quarter, the annualized RGDP rate was also 2.1 percent.

The New York City metropolitan area's price inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), was lower than the national average in the fourth quarter of 2019, with the metropolitan area index increasing 1.84% while the national index increased 2.03%, when compared with the fourth quarter of 2018.Decreases in both the regional and national price of energy products (2.52% for the region, and 0.56% nationally) contributed to the low inflation rates; in the metropolitan area, the CPI-U exclusive of energy products increased by 2.15%, while nationally, inflation exclusive of energy products increased 2.25%. However, the spot price for New York Harbor conventional gasoline increased by 1.2%, from an average price of $1.70 per gallon to an average price of $1.72 per gallon between the fourth quarters of 2018 and 2019.

The Federal Open Market Committee (FOMC) lowered its target for the Federal Funds rate during the fourth quarter of 2019, by a quarter point on October 31, 2019 to the target range of 1.50% to 1.75%. Job gains have been solid, on average, in recent months, and the unemployment rate has remained low. Although household spending has been rising at a strong pace, business fixed investment and exports remain weak. On a twelve-month basis, overall inflation and inflation for items other than food and energy are running below 2 percent, and market-based measures of inflation compensation remain low and survey-based measures of longer-term inflation expectations are little changed. The target rate reduction supports the FOMC's view that sustained expansion of economic activity, strong labor market conditions and inflation near the FOMC's 2 percent objective remain the most likely outcomes, but uncertainties remain. The FOMC indicated that the timing and size of future adjustments to the target range would consider realized and expected economic conditions relative to its maximum employment objective and its 2 percent inflation objective, including measures of labor market conditions, indicators of inflation and inflation expectations, and financial and international developments.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Capital Program

The MTA has ongoing programs on behalf of the Authority and other affiliated agencies, subject to approval by the New York State Metropolitan Transportation Authority Capital Program Review Board (the State Review Board), which are intended to improve public transportation in the New York Metropolitan area.

2000-2004 Capital Program — The 2000-2004 Capital Program, which was approved by the State Review Board in May 2000, provided for $17.1 billion in capital expenditures, of which the Authority's portion was $10.3 billion. In May and December of 2002, the MTA Board approved amendments to the program reflecting changes to budgets, schedules, funding and added to the infrastructure and facilities security programs. In December 2003, the MTA Board approved a general update to the plan to incorporate changes and authorized its submission to the MTA Capital Program Review Board (CPRB). In January 2004, the MTA Board approved a further modification to that program to support the accelerated purchase of additional commuter railcars. In December 2004, the MTA Board approved an amendment that incorporated the creation of the MTA Bus Company, and included additional funding from The City for the #7 Extension design work, as well as additional security grant funding. In December 2005, the MTA Board approved an amendment that increased the overall capital program total to $19.9 billion, of which the Authority's share was $10.2 billion.

This amendment included additional federal funds for the Fulton Street Transit Center, South Ferry Station, a new Bus Depot on Staten Island and CCTV installation in NYCT stations. In December 2006, the MTA Board approved an amendment that increased the overall capital program total to $21.2 billion, of which the Authority's share was increased to $10.3 billion. In 2009, the capital program received $0.2 billion in federal stimulus funding. Reallocation between programs resulted in an additional $0.5 billion to the 2000-2004 Capital Program, increasing the overall total plan to $21.7 billion, of which the Authority's share is $10.4 billion. Among the projects included in the 2000-2004 Transit Capital Program and subsequent amendments are the following: rebuilding the 1/9 line track and structures destroyed by the September 11, 2001 attacks on the World Trade Center, design and initiation of construction of the full-length Second Avenue Subway, acquisition of 1,210 new subway cars, replacing 927 existing cars and expanding the fleet by 283 cars, acquisition of 985 new buses, including 135 CNG buses, rehabilitation of 70 stations, provision of full Americans with Disability Act (ADA) accessibility at 23 stations, replacement of 20 escalators at various stations, replacement of approximately 42 miles of mainline track and 212 mainline switches, signal modernization, communications improvements, and improvements to shops, yards, and depots.

The combined funding sources for the 2000-2004 Capital Program are comprised of $7.4 billion in bonds, $7.4 billion in federal funds, $4.6 billion from debt restructuring, and $2.3 billion from other sources.

As part of the 2000-2004 Capital Program, the MTA, the TBTA and the Authority have refunded and defeased substantially all of their outstanding debt and consolidated most of their existing credits.

At December 31, 2019, $10.4 billion has been encumbered to Authority projects from the 2000-2004 approved plan, of which approximately $10.3 billion has been expended.

2005-2009 Capital Program — The MTA Capital Program for 2005-2009 was approved by the CPRB in July 2005 and amended in July 2006. The 2005-2009 Program, as approved, provided for $20.1 billion in capital expenditures, of which the Authority's share was $11.2 billion. In February 2007, the MTA Board further amended the Program to add $1.2 billion of Federal East Side Access Full Funding Grant Agreement (FFGA) funds to the East Side Access project, which relates to the Capital Construction Company's capital program. In July 2008, the MTA Board further amended the Program to add an additional $267 million of Federal East Side Access FFGA funds and $764 million in Federal Second Avenue Subway FFGA funds relating to the Capital Construction Company's capital program. Also included in this amendment were the rollover of unused LaGuardia Airport Project funds from the 2000-2004 Capital Program and other miscellaneous funding adjustments. In 2009, the capital program received $0.7 billion in federal stimulus funding. In 2011, the program received $0.2 billion in HYIC funds to cover the full value of additional work associated with the Number 7 Extension.

The 2005-2009 Capital Program is designed to continue a program of capital expenditures that would support on-going maintenance and provide needed improvements to enhance services to its customers. Reallocation between programs, subsequent to the amendments and federal stimulus funding noted above, resulted in the overall plan totaling $24.4 billion, of which the Authority's share is $11.5 billion. The Authority's portion of the capital program excludes $7.7 billion of approved capital projects managed by the MTA Capital Construction Company on behalf of the Transit Authority and the Long Island Rail Road. Among the projects in the 2005-2009 Transit Capital Program are the following: normal replacement of 1,002 B Division Cars, fleet growth of 23 A Division Cars, the purchase of 1,236 new buses including 1,043 standard, 90 articulated and 103 express buses, the purchase of 1,387 new paratransit vehicles, rehabilitation of 36 stations, replacement of 23 escalators, replacement of 52 miles of mainline track and 143 mainline switches, signal modernization, communications improvements, and improvements to shops, yards, and depots.

The combined funding sources for the 2005-2009 Capital Program are comprised of $7.8 billion in federal funds, $1.5 billion from the New York State voter approved State-Wide Transportation Bond Act, $11.0 billion in bonds, and $4.1 billion from other sources.

At December 31, 2019, $11.5 billion has been encumbered to Authority projects from the 2005-2009 approved plan, of which approximately $11.3 billion has been expended.

2010-2014 Capital Program — The 2010-2014 Capital Program was approved by the MTA Board in September 2009. The program totaling approximately $25.6 billion was subsequently submitted to the NYS Capital Program Review Board (CPRB) for their review and approval. The submitted Program was vetoed without prejudice by the Review Board in December 2009. Subsequently, the resubmitted 2010-2014 Program, totaling $26.3 billion was approved by the MTA Board in April 2010. In June 2010, the CPRB approved the 2010-2014 Capital Program totaling $23.8 billion, as submitted, of which the Authority's share was $12.8 billion. The approved CPRB program fully funded only the first two years of the plan, with a commitment to come back to CPRB with a funding proposal for the last three years. On December 21, 2011, the MTA Board approved an amendment to the 2010-2014 Program that funds the last three years of the program through a combination of self-help (efficiency improvements and real estate initiatives), participation by our funding providers and innovative and pragmatic financing arrangements. The Authority's share of the $24.3 billion revised program was $11.6 billion. On March 27, 2012, the CPRB approved the amended 2010-2014 Capital Program as submitted for the Transit and Commuter systems totaling $22.2 billion. On December 19, 2012, the MTA Board approved an amendment to the 2010-2014 Capital Programs to add projects for the repair and restoration of MTA agency assets damaged as a result of Tropical Storm Sandy, which struck the region on October 29, 2012. The revised programs provide for an additional $4.8 billion in Sandy recovery-related capital expenditures, of which the Authority's share is $3.4 billion. On January 23, 2013, the amended program for the Transit and Commuter systems totaling $26.2 billion as submitted was deemed approved by the CPRB. On July 24, 2013, the MTA Board approved a further amendment to the 2010-2014 Capital Programs for the Transit, Commuter and Bridges and Tunnels systems to include specific revisions to planned projects and to include new resilience/mitigation initiatives, totaling $5.8 billion in response to Tropical Storm Sandy. The Authority's share of the new initiative is $5.1 billion. On August 26, 2013, the CPRB deemed approved those amended 2010-2014 Capital Programs for the Transit and Commuter systems as submitted. On July 28, 2014, the MTA Board approved an amendment to the 2010-2014 Capital Programs to reflect revised project estimates. However, the overall program remained unchanged at $34.8 billion. On September 3, 2014, the amended program for the Transit and Commuter systems totaling $31.8 billion as submitted was deemed approved by the CPRB. On May 24, 2017, the MTA Board approved a further amendment to reduce the overall 2010-2014 capital program by $2.8 billion. The reduction reflects adjustments to the Sandy program to match funding and administrative scope transfers for projects in the Core program. On July 31, 2017, the amended program for the Transit and Commuter systems totaling $29.2 billion as submitted was deemed approved by the CPRB. On September 25, 2019, the MTA Board approved an amendment to the overall 2010-2014 capital program totaling $31.7 billion reflecting administrative budget adjustments and updated project cost and timing assumptions. The Transit and Commuter systems' portion of the amended program totaled $28.9 billion.

The combined funding sources for the last MTA Board approved 2010-2014 Capital Program are comprised of $11.6 billion in MTA bonds, $7.4 billion in federal funds, $2.0 billion in Bridges and Tunnels dedicated funds, $0.1 billion in MTA Bus Federal and City Match, $0.8 billion in State Assistance, $0.7 billion in City Capital Funds, and $1.3 billion from other sources. The funding strategy for Tropical Storm Sandy repair and restoration assumes the receipt of $6.7 billion in insurance and federal reimbursement proceeds (including interim borrowing by MTA to cover delays in the receipt of such proceeds), $0.02 billion in Pay-as-you-go capital, supplemented, to the extent necessary, by external borrowing of up to $1.0 billion in additional MTA and MTA Bridges and Tunnels bonds.

At December 31, 2019, $11.1 billion has been encumbered to Authority projects from the 2010-2014 approved plan, of which approximately $10.3 billion has been expended.

2015-2019 Capital Program — the 2015-2019 Capital Program totaling $32.0 billion was approved by the MTA Board in September 2014. The program totaling approximately $29.0 billion was subsequently submitted to the CPRB for their review and was vetoed without prejudice by the Review Board in October 2014. On October 28, 2015, the MTA Board approved a revised 2015-2019 capital program totaling $26.1 billion. The revised 2015-2019 MTA Bridges and Tunnels Capital Program totaling $2.9 billion was approved by the MTA Board in October 2015 and was not subject to CPRB approval. On April 20, 2016, the MTA Board approved a further revised 2015-2019 capital program totaling $29.5 billion, of which $26.6 billion was subsequently approved by the CPRB on May 23, 2016 (The MTA Bridges and Tunnels 2015-2019 Capital Program totaling $2.9 billion is not subject to CPRB approval.). The Authority's share of the approved 2015-2019 capital program was $15.8 billion. On February 23, 2017, the MTA Board approved an amendment to add three station investment projects to the NYCT and LIRR portions of the Capital Program resulting in a net increase of $0.1 billion transferred from prior capital programs. On May 24, 2017, the MTA Board approved further amendment, adding $2.9 billion to the 2015-2019 Capital Program reflecting increasing support for new priority projects, new funding for Second Avenue Subway Phase 2, and administrative scope transfers. The amended Capital Program, as submitted, was deemed approved by the CPRB on July 31, 2017. On December 13, 2017, the MTA Board approved an amendment to the Capital Program, adding $0.349 billion to incorporate the NYC Subway Action Plan. The Authority's share of the amended 2015-2019 capital program totaling $32.8 billion is $16.7 billion. On April 25, 2018, the MTA Board approved a full amendment to increase the 2015-2019 Capital Programs to $33.3 billion reflecting updated project cost estimates, emerging new needs across the agencies, and reallocation of funds within the East Side Access and Regional Investment programs, among others. On June 1, 2018, the CPRB deemed approved the revised 2015-2019 Capital Programs for the Transit and Commuter systems totaling $30.3 billion as submitted. The Authority's share of the amended capital program was $16.7 billion. The revised 2015-2019 MTA Bridges and Tunnels Capital Program totaling $2.9 billion as approved by the MTA Board in April 2018, was not subject to CPRB approval.

In the 2015-2019 Capital Program, NYC Transit continues normal replacement of key assets like rolling stock and mainline track/switches while also emphasizing overdue investments in signals and other infrastructure. Stations continue to be an important focus of investment given the importance of the station environment to NYC Transit's customers and their communities. Core infrastructure investments include: modernization of six interlockings; the purchase of 535 railcars to replace railcars reaching the end of their useful lives; 1,441 new buses, including 1,086 standard, 305 articulated and 50 express buses; replacement of approximately 51 miles of mainline track and 127 mainline switches; communications improvements and improvements to shops, yards, and depots; ADA accessibility improvements; completion of the new fare payment system; elimination of station defects; substantial access and circulation improvements at the Grand Central and Times Square stations. On September 25, 2019, the MTA Board approved a full amendment to the 2015-2019 Capital Programs totaling $33.9 billion, reflecting updated project timing and cost estimates, new needs, and changing priorities.

The combined funding sources for the last MTA Board approved 2015-2019 Capital Program are comprised of $8.4 billion in MTA Bonds, $2.9 billion in MTA Bridges and Tunnels dedicated funds, $9.1 billion in funding from the State of New York, $7.4 billion in Federal Funds, $2.7 billion from City Capital Funds, $2.1 billion in pay-as-you-go (PAYGO) capital, and $1.2 billion from Other Sources.

At December 31, 2019, $13 billion has been encumbered to Authority projects from the 2015-2019 approved plan, of which approximately $6.5 billion has been expended.

2020-2024 Capital Program – the 2020-2024 Capital program totaling $54.8 was approved by the MTA Board on September 25, 2019. The capital programs for the transit and commuter systems totaling $51.5 billion was subsequently submitted to the CPRB on October 1, 2019 and approved on January 1, 2020. The 2020-2024 MTA Bridges and Tunnels Capital Program totaling $3.3 billion was approved by the MTA Board on September 25, 2019 and was not subject to CPRB approval.

The combined funding sources for the 2020–2024 MTA Capital Programs and the 2020-2024 MTA Bridges and Tunnels Capital Program, include $15 billion in Central Business District tolling sources, $10 billion in new revenue sources, $9.8 billion in MTA bonds, $3.3 billion in MTA Bridges and Tunnels bonds, $10.7 billion in Federal funds, $3 billion in State of New York funding, and $3 billion in City of New York funding.

The federal government has a contingent equity interest in assets acquired by the MTA with federal funds and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale. This provision has not been a substantial impediment to the MTA's operation.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Going forward, the Authority's February 2020 Financial Plan includes certain risks such as:

- Biennial fare increases approximating inflation.
- Achieving efficiencies/consolidations.
- Implementation of Congestion Zone Surcharges.
- Impacts from Global Coronavirus Pandemic:

  On March 12, 2020, the World Health Organization declared the current novel coronavirus (COVID-19) outbreak to be a pandemic in the face of the global spread of the virus. By order of Governor Cuomo (New York State on PAUSE), effective March 2020, all non-essential businesses Statewide were required to be closed, among other restrictive social distancing and related measures.

  - The initial impact of social distancing and Governor Cuomo's PAUSE Executive Order resulted in a severe decline in the utilization of MTA services, dramatic declines in MTA public transportation system ridership and fare revenues. The steep fall in ridership reflects the initial impact of social distancing and subsequent State governmental orders limiting non-essential activities caused by the COVID-19 pandemic. As of May 15, 2020, the Authority's ridership continues to be dramatically below 2019 year-to-year levels. Compared to 2019 results, ridership is down 90 percent on the subways and 70 percent on buses.
  - On March 27, 2020, the CARES Act was signed into law by the President and is expected to provide approximately $3.9 billion to MTA, including the Authority. MTA is working with FTA to amend the initial CARES Act grant to include approximately $98 million in additional formula grant allocations to MTA. MTA is also eligible for FEMA payments in addition to the CARES Act funding. FEMA will cover expenses that are over and above normal costs that are related to COVID-19, such as sanitizing Authority's facilities and safety at job sites to ensure COVID -19 regulations are being adhered to. FEMA guidelines on the application process is forthcoming.
  - On April 16, 2020, MTA Chairman and Chief Executive Officer Patrick J. Foye wrote to the New York State Congressional delegation, urging Congressional action to provide an additional $3.9

billion in Federal grant assistance "to stem the immediate hemorrhaging in the MTA's 2020 operating budget". Such aid would be supplemental to the approximately $3.9 billion contained in the CARES Act, and was requested to be included in any upcoming new Congressional COVID-19 aid package. Such additional federal assistance, if approved, would be exclusive of any capital infrastructure stimulus funding to be considered by Congress and the Administration. MTA is awaiting Congressional consideration of this request. MTA management projects the full 2020 financial impact of the COVID-19 crisis to the MTA to be between $7.0 and $8.5 billion. After the receipt of the expected $3.9 billion under the CARES Act, the net financial impact in 2020 is estimated to be between $3.2 and $4.7 billion. The $3.9 billion request is the midpoint of this range. Moreover, the McKinsey Report, based upon limited available data, forecasts losses of between $1.6 and $1.8 billion in State and local taxes dedicated to MTA in 2020 as a result of the extraordinary economic downturn facing the region and nation. McKinsey & Company was contracted by MTA to analyze the potential impact of the COVID-19 pandemic on MTA's 2020 calendar year revenues.

- While we cannot estimate the duration of the pandemic and the reduced use of MTA services, based on the current ridership and reasonable forecasts of a slow return to higher (but not pre-COVID-19 pandemic) levels in 2020, MTA, based upon projections in the McKinsey Report, expects to see combined losses in fare and toll revenues of between $4.7 and $5.9 billion in 2020, and additional impacts in 2021.

- On May 6, 2020, effective in the early morning, the Authority began its unprecedented closure of the subway system overnight from 1 – 5 a.m. for daily deep cleaning and a new "Essential Connector" service to continue moving the essential workers on the frontlines of the COVID-19 pandemic. During this overnight period, the Authority will intensify disinfecting operations, cleaning its fleet of thousands of cars and buses every night, and further testing new and innovative cleaning solutions.

Refer to Note 17 to the consolidated financial statements for more information regarding the assessed impact from COVID-19 pandemic on the Authority's finances and operations.

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NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash (Note 3)	$ 48,941	$ 65,833
MTA investment pool (Note 4)	175,397	359,677
Receivables:		
Billed and unbilled charges due from New York City	62,218	20,738
Accrued subsidies	97,232	104,881
Due from MTA and constituent Authorities (Note 9)	466,834	465,743
Other	98,078	121,452
Less allowance for doubtful accounts	(9,387)	(10,166)
Net receivables	714,975	702,648
Materials and supplies — at average cost — net	315,671	294,008
Prepaid expenses and other current assets	38,465	36,348
Total current assets	1,293,449	1,458,514
NONCURRENT ASSETS:		
Due from MTA for the purchase of capital assets (Note 9)	729,763	801,569
Capital assets (Note 5):		
Construction work-in-progress	4,025,832	4,313,656
Other capital assets, net of accumulated depreciation	41,139,850	38,717,964
Leased property under capital lease, net of accumulated amortization (Note 5)	64,250	66,662
Leasehold improvements on property, net of accumulated depreciation (Note 5)	93,359	96,584
Restricted deposits and other escrow funds	584	545
Total noncurrent assets	46,053,638	43,996,980
Total assets	47,347,087	45,455,494
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pensions (Note 6)	1,339,335	725,795
Related to OPEB (Note 7)	983,747	1,011,825
Total deferred outflows of resources	2,323,082	1,737,620
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 49,670,169	$ 47,193,114

See notes to consolidated financial statements. (Continued)

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 155,596	$ 170,656
Accrued expenses:		
Salaries, wages, and payroll taxes	196,697	172,957
Vacation, sick pay, and other benefits	761,269	750,113
Retirement and death benefits	13,748	12,679
Estimated liability arising from injuries to persons (Note 14)	320,694	297,223
Pollution remediation projects (Note 15)	16,572	15,514
Other	155,589	142,621
Total accrued expenses	1,464,569	1,391,107
Unredeemed farecards	299,780	301,321
Revenue advances	44,336	27,801
Loans Payable (Note 8)	9,708	9,192
Total current liabilities	1,973,989	1,900,077
NONCURRENT LIABILITIES:		
Obligation under capital lease, long-term (Note 5)	179,171	176,623
Net pension liability (Note 6)	5,276,945	4,730,720
Net OPEB liability (Note 7)	13,281,035	13,783,851
Estimated liability arising from injuries to persons (Note 14)	2,992,635	2,788,187
Loans Payable (Note 8)	70,429	67,884
Pollution remediation projects (Note 15)	66,288	62,054
Restricted deposits and other escrow funds	584	545
Total noncurrent liabilities	21,867,087	21,609,864
Total liabilities	23,841,076	23,509,941
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions (Note 6)	787,249	744,271
Related to OPEB (Note 7)	1,067,352	14,323
Total deferred inflows of resources	1,854,601	758,594
NET POSITION:		
Net investment in capital assets	45,063,983	43,018,243
Unrestricted	(21,089,491)	(20,093,664)
Total net position	23,974,492	22,924,579
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 49,670,169	$ 47,193,114

See notes to consolidated financial statements. (Concluded)

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
OPERATING REVENUES:		
Rapid transit	$ 3,570,257	$ 3,426,813
Surface transit	935,856	928,768
Expired fare media	64,321	70,414
Paratransit fares	23,324	20,547
School, elderly, and paratransit reimbursement	297,487	280,810
Advertising and other (Note 10)	169,730	165,336
Total operating revenues	5,060,975	4,892,688
OPERATING EXPENSES:		
Salaries and wages	4,082,216	4,106,773
Health and welfare	922,527	835,982
Pensions	1,041,840	598,539
Other fringe benefits	458,038	489,257
Reimbursed overhead expenses	(294,137)	(347,451)
Postemployment benefits other than pensions	1,098,884	1,170,142
Electric power	278,381	301,001
Fuel	106,662	112,183
Insurance	69,825	67,313
Public liability claims	254,856	225,666
Paratransit service contracts	476,888	455,471
Maintenance and other operating expenses (Note 12)	283,971	233,963
Professional service contracts	191,372	197,373
Environmental remediation	27,548	84,138
Materials and supplies	341,877	353,250
Depreciation	1,994,253	1,832,839
Other expenses (Note 11)	98,102	88,093
Total operating expenses	11,433,103	10,804,532
OPERATING LOSS	(6,372,128)	(5,911,844)

See notes to consolidated financial statements. (Continued)

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
NONOPERATING REVENUES:		
Tax-supported subsidies:		
New York State (Note 2)	$ 2,629,111	$ 2,551,146
New York City	641,350	700,607
Operating Assistance subsidies:		
New York State	158,672	158,672
New York City	158,672	158,672
Triborough Bridge and Tunnel Authority	334,064	290,135
Less amounts provided to Staten Island Rapid Transit Operating Authority	(5,899)	(5,392)
Other subsidies:		
NYS/NYC Subway Action Plan (Note 2)	-	507,812
Assistance fund (Note 2)	337,697	-
Total subsidies revenues	4,253,667	4,361,652
Interest expense	(17,889)	(16,547)
Interest income and other nonoperating revenues	12,345	10,268
Loss on disposal of subway cars	-	(125,288)
Total nonoperating income	4,248,123	4,230,085
LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,124,005)	(1,681,759)
CAPITAL CONTRIBUTIONS (Note 2)	3,173,918	2,652,328
CHANGE IN NET POSITION	1,049,913	970,569
NET POSITION:		
Beginning of year	22,924,579	21,147,801
Restatement of beginning net position - adoption of GASB No. 75	-	806,209
End of year	$ 23,974,492	$ 22,924,579

See notes to consolidated financial statements. (Concluded)

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passengers, tenants, advertisers, and others	$ 5,111,122	$ 4,869,771
Cash payments for payroll and related employee costs	(6,570,368)	(6,271,609)
Cash payments to suppliers for goods and services	(2,067,466)	(1,957,653)
Net cash used in operating activities	(3,526,712)	(3,359,491)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies received	4,274,227	4,247,909
Payment to MTA Bus	-	(22,948)
Net cash provided by noncapital financing activities	4,274,227	4,224,961
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments	(9,580)	(8,582)
Interest paid	(3,694)	(2,032)
Payments on MTA Transportation bonds issued to fund capital assets	(1,271,834)	(1,234,053)
Subsidies designated for debt service payments	315,311	314,791
Capital project costs incurred for capital program	(1,194,933)	(1,296,525)
Cash transferred to capital program fund	(329)	(1,288)
Reimbursement of capital project costs from MTA	1,207,055	1,416,396
Net cash used in capital and related financing activities	(958,004)	(811,293)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in MTA investment pool	184,280	(51,617)
Interest on investments	9,317	7,382
Net cash provided by (used in) investing activities	193,597	(44,235)
NET (DECREASE) INCREASE IN CASH	(16,892)	9,942
CASH — Beginning of year	65,833	55,891
CASH — End of year	$ 48,941	$ 65,833

See notes to consolidated financial statements.

(Continued)

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Business-Type Activities	
	2019	**2018**
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (6,372,128)	$ (5,911,844)
Adjustments to reconcile operating loss to net cash used in operating activities — depreciation	1,994,253	1,832,839
On-behalf payments related to rent (Note 5)	5,013	4,520
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Decrease (increase) in operating receivables	51,688	(30,501)
Increase (decrease) in prepaid expenses and other current assets	(2,117)	10,049
Increase in materials and supplies	(21,663)	(2,235)
(Increase) decrease in deferred outflows of resources related to pensions	(613,540)	292,077
Decrease (increase) in deferred outflows of resources related to OPEB	28,078	(1,011,825)
(Decrease) increase in farecard liability	(1,541)	7,584
Increase in accrued salaries, wages and payroll taxes	23,740	19,369
Decrease in accounts payable and other accrued liabilities	(3,346)	(26,533)
Increase in accrued vacation, sick pay and other benefits	11,156	8,806
Increase in accrued retirement and death benefits	1,069	867
Increase (decrease) in net pension liability	546,225	(982,493)
(Decrease) increase in net OPEB liability	(502,816)	1,692,631
Increase in deferred inflows of resources related to pensions	42,978	352,712
Increase in deferred inflows of resources related to OPEB	1,053,029	14,323
Increase in estimated liability arising from injuries to persons	227,918	286,026
Increase in liability for environmental pollution remediation	5,292	84,137
NET CASH USED IN OPERATING ACTIVITIES	$ (3,526,712)	$ (3,359,491)
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES — Contributed capital assets	$ 2,608,320	$ 2,232,490

See notes to consolidated financial statements. (Concluded)

NEW YORK CITY TRANSIT AUTHORITY

(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF FIDUCIARY NET POSITION
PENSION FUND
DECEMBER 31, 2019 AND 2018
(In thousands)

	Fiduciary Activities*	
	2019	**2018**
ASSETS		
Cash	$ 6,494	$ 5,977
Receivables:		
Employee loans	40,092	36,804
Investment securities sold	1,036	672
Interest and dividends	1,419	1,331
Total receivables	42,547	38,807
Investments at fair value:		
Investments measured at readily determined fair value	531,619	433,543
Investments measured at net asset value	2,730,245	2,379,443
Total investments	3,261,864	2,812,986
Total assets	3,310,905	2,857,770
LIABILITIES		
Accounts payable and accrued liabilities	1,629	1,380
Payable for investment securities purchased	3,425	2,148
Accrued benefits payable	19	937
Accrued postretirement death benefits (PRDB) payable	3,360	2,921
Accrued 55/25 Additional Members Contribution (AMC) payable	5,787	5,982
Total liabilities	14,220	13,368
NET POSITION		
Restricted for pensions	3,296,685	2,844,402
Total liabilities and net position	$ 3,310,905	$ 2,857,770

* Includes the Manhattan and Bronx Surface Transit Operating Authority Pension Plan (MaBSTOA Plan) only.

See notes to consolidated financial statements.

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION FUND
YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	Fiduciary Activities*	
	2019	**2018**
ADDITIONS		
Contributions:		
Employer contributions	$ 206,389	$ 205,433
Member contributions	23,552	21,955
Total contributions	229,941	227,388
Investments income:		
Net appreciation (depreciation) in fair value of investments	429,415	(97,896)
Dividend income	31,364	37,259
Interest income	10,534	7,891
Less:		
Investment expenses	27,530	35,206
Investment income, net	443,783	(87,952)
Total additions	673,724	139,436
DEDUCTIONS		
Benefit payments and withdrawals	221,221	213,827
Administrative expenses	220	196
Total deductions	221,441	214,023
Net increase (decrease) in fiduciary net position	452,283	(74,587)
NET POSITION		
Restricted for pensions:		
Beginning of year	2,844,402	2,918,989
End of year	$ 3,296,685	$ 2,844,402

* Includes the Manhattan and Bronx Surface Transit Operating Authority Pension Plan (MaBSTOA Plan) only.

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION

Reporting Entity — The accompanying consolidated financial statements include the accounts of the New York City Transit Authority (Transit Authority), and its component unit, the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA) (collectively, the Authority), which are public benefit corporations and component units of the Metropolitan Transportation Authority (MTA) created pursuant to the Public Authorities Law (the Act) of the State of New York (the State) to operate public subway and bus services within The City of New York (The City).

The operations of the Authority are classified as Business-Type activities in these financial statements. The Authority is operationally and legally independent of the MTA. The Authority enjoy certain rights typically associated with separate legal status including, in some cases, the ability to issue debt. However, the Authority is included in the MTA's consolidated financial statements as a blended component unit because of the MTA's financial accountability and the Authority is under the direction of the MTA Board (a reference to "MTA Board" means the board of MTA and/or the boards of the Authority and other MTA component units that apply in the specific context, all of which are comprised of the same persons). Under accounting principles generally accepted in the United States of America (GAAP), the MTA is required to include the Authority in its consolidated financial statements.

MaBSTOA is a component unit of the Transit Authority and, therefore, the financial results of MaBSTOA are combined with those of the Transit Authority in the consolidated financial statements. The Manhattan and Bronx Surface Transit Operating Authority Pension Plan (MaBSTOA Plan) is categorized as a Pension Fund and is a fiduciary component unit of the Authority.

MaBSTOA is operationally and legally independent of the Authority. MaBSTOA enjoy certain rights typically associated with separate legal status. However, MaBSTOA is included in the Authority's consolidated financial statements as a blended component unit because of the Authority's financial accountability.

The Authority has material transactions with affiliated agencies included in the MTA financial reporting group. Such agencies include the MTA, Triborough Bridge and Tunnel Authority (TBTA), Metro North Commuter Railroad (MNCR), Long Island Rail Road (LIRR), MTA Bus Company (MTA Bus) and Staten Island Rapid Transit Operating Authority (SIRTOA).

The Authority is a part of the financial reporting group of the MTA and is included in the consolidated financial statements of the MTA in accordance with GASB Statement No. 14, as amended by GASB Statement No. 61. The MTA is a component unit of the State and is included in the State of New York Comprehensive Annual Financial Report of the State Comptroller as a public benefit corporation.

In July 2003, the MTA Capital Construction Company was created by action of the MTA Board of Directors as a public benefit corporation subsidiary of the MTA under section 1266(s) of the Public Authorities Law. The mission of this new subsidiary company is to plan, design and construct current and future major MTA system expansion projects. Projects currently underway, include all activities associated with the Long Island Rail Road East Side access, the Number 7 Line Extension, the Lower Manhattan Fulton Transit Center, the new South Ferry station complex, system-wide capital Security Projects, and the Second Avenue Subway, which are consolidated under the management of the MTA Capital Construction Company.

In December of 2004, MTA Bus was created as a public benefit corporation subsidiary of the MTA specifically to operate certain City bus routes. These routes are currently operated by MTA Bus and not by the Authority. All material transactions between MTA Bus and the Authority have been properly recorded as of December 31, 2019.

Staten Island Rapid Transit Operating Authority — The Staten Island Rapid Transit Operating Authority (SIRTOA) is a component unit of the MTA and provides transportation service on Staten Island. SIRTOA is managed by the Authority on behalf of The City. The Authority has no responsibility for the operating deficit of SIRTOA. The Authority collects, on SIRTOA's behalf, its share of certain operating assistance subsidies determined by formula, and transfers such subsidies to SIRTOA. The amount of subsidy funds to which SIRTOA is entitled is recorded as a reduction of the subsidy revenues of the Authority.

Operations — Operations are conducted pursuant to leases with The City which expired on November 1, 1989, except that the terms of the leases continue so long as any financing agreement between the Authority and the MTA and any MTA Transportation Revenue Bonds remain outstanding. The City has the option to terminate the leases at any time. In the event of termination, The City is required to assume the assets and liabilities of the Authority and must pay or make provision for the payment of any debt incurred pursuant to financing agreements of the Authority.

Substantial operating losses (the difference between operating revenues and expenses) result from the essential services that the Authority provides; such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, the Authority receives subsidies from:

a. The State, in the form of annual subsidies of special State and regional tax revenues, operating assistance, and reimbursement of certain expenses;

b. The City, in the form of operating assistance, tax revenues, and reimbursement of certain expenses; and

c. An affiliated agency (TBTA), in the form of a portion of its operating surplus.

The New York State Public Authorities Law and the financing agreement between the Authority and the MTA provide that the Authority shall establish fares, tolls, and other fees for the use of its facilities as may be necessary to maintain its combined operations on a self-sustaining basis as defined in such law. It is the opinion of management that the Authority is in compliance with these requirements. The Authority is not liable for real estate taxes, franchise taxes, or sales taxes on substantially all of its purchases or other excise taxes on its properties.

Capital Financing — The MTA has ongoing programs on behalf of the Authority and other affiliated agencies, subject to approval by the New York State Metropolitan Transportation Authority Capital Program Review Board (the State Review Board), which are intended to improve public transportation in the New York Metropolitan area.

The federal government has a contingent equity interest in assets acquired by the MTA with federal funds and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale. This provision has not been a substantial impediment to the MTA's operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Authority applies Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) Section P80, *Proprietary Accounting and Financial Reporting.*

Basis of Accounting – Fiduciary Funds — The fiduciary fund financial statements provide information about the funds that are used to report resources held in trust for retirees and beneficiaries covered by pension plans. Separate financial statements are presented for the fiduciary fund.

The MaBSTOA Plan is categorized as a Pension Fund and is a fiduciary component unit of the Authority.

The fiduciary statements of the fiduciary funds is prepared using the accrual basis of accounting and a measurement focus on the periodic determination of additions, deductions, and net position restricted for benefits.

New Accounting Standards Adopted

The Authority adopted the following GASB Statements for the year ended December 31, 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations,* establishes accounting and financial reporting standards for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset that is permanently removed from service. This Statement requires that a liability must be recognized when incurred and reasonably estimated. The determination of when a liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019. The adoption of this Statement had no material impact on the Authority's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. The adoption of this Statement resulted in the addition of fiduciary funds financial statements for the years-end December 31, 2019 and 2018.

GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*", requires that additional information be disclosed in the notes to financial statements related to direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. The Statement requires that additional information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences; significant termination events with finance-related consequences; and significant subjective acceleration clauses. GASB Statement No. 88 is effective for reporting periods beginning after June 15, 2019. The adoption of this Statement had no material impact on the Authority's note disclosures.

GASB Statement No. 90, "*Majority Equity Interest- an Amendment of GASB Statements No. 14 and No. 61"*, improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and improves the relevance of financial statement information for certain component units. The Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. In addition, the Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value. GASB Statement No. 90 is effective for reporting periods beginning after December 15, 2019. The adoption of this Statement had no material impact on the Authority's financial statements.

GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance"*, provides temporary relief to government and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. GASB Statement No. 95 is effective immediately. The adoption of this Statement did not have a material impact to the Authority's financial statements. However, the Authority did update the required year of adoption for GASB Statements No. 87, 89, 91, 92 and 93. Refer to Accounting Standards Issued but Not Yet Adopted for further details.

Accounting Standards Issued but Not Yet Adopted

GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of the Authority upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Authority Required Year of Adoption
87	*Leases*	2022
89	*Accounting for Interest Cost Incurred Before the End of a Construction Period*	2021
91	*Conduit Debt Obligations*	2022
92	*Omnibus 2020*	2022
93	*Replacement of Interbank Offered Rates*	2022
94	*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*	2023

Net Position — The Authority follows the "business type" activity requirements of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* which requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by actions of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Subsidies — The Authority receives subsidies from various sources, including the State and The City, which are included in nonoperating revenues. In general, these subsidies are subject to annual appropriations by the governmental units and periodic approval of the continuation of the taxes supporting the subsidies.

The principal funding sources for the Authority are as follows:

Operating Assistance Appropriations and Grants — The Authority receives, subject to annual appropriations, State and City operating assistance funds. The funds received under the State transit operating assistance program are fully matched by contributions from The City. State and City operating assistance subsidies are recognized as non-operating revenue in the amount of the respective annual appropriation when such appropriation becomes effective.

Triborough Bridge and Tunnel Authority — The New York State Public Authorities law requires the TBTA to transfer its annual operating surplus, as defined, to the Authority and the MTA. The initial $24 million of the operating surplus is provided to the Authority and the balance is divided equally between the Authority and the MTA. However, the amounts transferred to the Authority and the MTA are net of a provision for debt service on TBTA bonds issued to finance the acquisition of facilities under their respective portions of the Capital Program. For the years ended December 31, 2019 and 2018, $245.4 million and $265.6 million, respectively, were paid from the operating surplus of the TBTA to satisfy the Authority's portion of debt service requirements.

Mortgage Recording Taxes — Under New York State law, the MTA receives operating and capital assistance from the State Mortgage Recording Tax, which is collected by The City and the seven counties within the MTA transportation region, at the rate of three-tenths of 1% of the debt secured by certain real estate mortgages. Such legislation governs the use of the funds from this revenue source whereby the proceeds of this tax are first used by the MTA to meet the operating costs of the MTA headquarters, with the remaining funds allocated 55% to the Authority and 45% to the commuter railroads for their capital and operating needs. The Authority recognizes such sources of funds when designated by the MTA for the Authority's use. The portion of this subsidy attributable to the Authority is reported in "Tax-supported subsidies: New York State" in the accompanying consolidated statements of Revenues, Expenses, and Changes in Net Position. The Authority records the portion of its State Mortgage Recording Tax subsidy which funds principal and interest payments on long-term debt, net of investment earnings on unexpended proceeds, used to construct capital assets as capital contributions.

In addition, the State designated for the MTA's use an additional mortgage recording tax (the Additional Mortgage Recording Tax) of one-quarter of 1% of mortgages secured by real estate improved or to be improved by structures containing one to six dwelling units in the MTA transportation region. The funds from this additional tax are available, after satisfying debt service requirements, to meet the capital and operating needs of the Authority and the commuter railroads to be disbursed at MTA's discretion.

No funds from the Additional Mortgage Recording Tax were disbursed to the Authority in 2019 and 2018.

The Authority receives operating assistance directly from The City through The City Mortgage Recording Tax at the rate of five-eighths of 1% of the debt secured by certain real estate mortgages and through the Real Property Transfer Tax at the rate of 1% of certain properties' assessed value (collectively referred to as Urban Tax Subsidies). These Urban Tax Subsidies are reflected in Tax supported subsidies: New York City, in the accompanying consolidated statements of Revenues, Expenses, and Changes in Net Position. These funds are recognized as revenue, based upon the reported amount of taxes collected by The City from underlying transactions, within the Authority's fiscal year.

New York State Regional Mass Transit Taxes — The Authority receives, subject to annual appropriations, revenues from taxes enacted by the State legislature from various taxing sources.

In 1980, the State enacted a series of taxes, portions of which are deposited in the Metro Mass Transportation Operating Account (MMTOA), to fund the operating deficits of State mass transportation systems. MMTOA taxes currently include a business privilege tax imposed on petroleum business in the State, a one-quarter of 1% sales and use tax on certain personal property and services, a corporate franchise tax imposed on transportation and transmission companies, and a temporary franchise tax surcharge on certain corporations, banks, insurance, utility, and transportation companies attributable to business activity carried on in the State. MMTOA taxes are subject to annual appropriation, availability of sufficient tax collections, and determination of operating need by the State for the MTA. They are recognized as revenue in the amount of the annual appropriation when such appropriation becomes effective.

Under New York State law, subject to annual appropriation, the MTA receives operating and capital assistance through a portion of petroleum business tax receipts, certain motor fuel taxes, and certain motor vehicle fees, which are collected by the State. Such assistance is required by law to be allocated, after provision for debt service on any bonds secured by such taxes, 85% to the Authority and 15% to the commuter railroads for their operating and capital needs. MTA Dedicated Tax Fund Bonds (DFT Bonds) are secured by certain petroleum business tax receipts. The Authority recognizes such sources of funds when designated by the MTA for the Authority's use. A portion of the petroleum business tax receipts collected by the MTA is used to satisfy the debt service requirements for the DTF Bonds and is recorded as capital contributions.

Metropolitan Commuter Transportation Mobility Tax — In June 2009, Chapter 25 of the Laws of 2009 added Article 23, which established the Metropolitan Commuter Transportation Mobility Tax (MCTMT). This tax is administered by the NYS Tax Department, and the proceeds from this tax are distributed to the MTA. This tax is imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Commuter Transportation District (MCTD), which includes all counties in New York City, and the counties of Rockland, Nassau, Suffolk, Orange, Putnam, Duchess, and Westchester. This tax requires certain employers that have payroll expenses within the MCTD to pay at a rate of 0.34% of an employer's payroll expenses for all covered employees for each calendar quarter. The effective date of this tax was March 1, 2009 for employers other than public schools districts; September 1, 2009 for public schools districts, and January 1, 2009 for individuals.

Also in 2009, several amendments to the existing tax law provided the MTA supplemental revenues to be deposited into the MTA's Aid Trust Account. These amendments imposed a supplemental fee of one dollar for each six month period of validity of a learner's permit or a driver's license issued to a person residing in the MCTD, a supplemental fee of twenty-five dollars per year on the registration and renewals of registrants of motor vehicles who reside within the MCTD, imposed on taxicab owners a tax of fifty cents per ride on taxicab rides originating in New York City and terminating within the MCTD, and a supplemental tax of five percent of the cost of rentals of automobiles rented within the MCTD. The supplemental Aid Tax receipts are included in the Mobility Tax amounts for reporting purposes.

The composition of New York State tax-supported subsidies for 2019 and 2018 is as follows (in thousands):

	2019	2018
Petroleum business tax*	$ 229,458	$ 229,720
Metro mass tax	1,235,049	1,140,040
Payroll Mobility tax	1,164,604	1,181,386
	$2,629,111	$2,551,146

* Net of $315,311 and $314,791 for debt service payments in 2019 and 2018, respectively.

Paratransit — Pursuant to an agreement between The City and the MTA, the Authority, effective July 1, 1993, assumed operating responsibility for all paratransit service required by the Americans with Disability Act of 1990. Services are provided by private vendors under contract with the Authority. The City reimburses the Authority for the lesser of 33% of net paratransit operating expenses defined as labor, transportation, and administrative costs less fare revenues and 6% of gross urban tax proceeds as described above, or an amount that is 20% greater than the amount paid by The City for the preceding calendar year. Fare revenues and The City reimbursement aggregated approximately $236.8 million in 2019 and $217.3 million in 2018. Total paratransit expenses, including paratransit service contracts, were $596.0 million and $536.5 million in 2019 and 2018, respectively.

Operating and Non-operating Expenses — Operating and non-operating expenses are recognized in the accounting period in which the liability is incurred. All expenses related to operating the Authority (e.g. salaries, insurance, depreciation, etc.) are reported as operating expenses. All other expenses (e.g. interest on long-term debt, fuel hedge transactions, etc.) are reported as non-operating expenses.

Reimbursement of Expenditures — Engineering and labor costs incurred by the Authority for capital projects are reimbursed under the capital program by the MTA to the extent that they relate to approved expenditures applicable to capital projects primarily initiated after April 1, 1982. They are reimbursed by The City to the extent they relate to amounts approved for prior projects. In 2019 and 2018, reimbursements were netted against gross operating expenses on the consolidated statements of Revenues, Expenses, and Changes in Net Position.

Fare and Service Reimbursement from the State and City — In 1995, The City ceased reimbursing the Authority for the full costs of the free/reduced fare program for students. Beginning in 1996, the State and The City each began paying $45 million per annum to the Authority toward the cost of the program. In 2009, the State reduced its $45 million reimbursement to $6.3 million. Beginning in 2010, the State increased its annual commitment to $25.3 million while The City's annual commitment remained at $45 million. These commitments have been met by both the State and The City for both

2018 and 2019. For the year ended December 31, 2019, the Authority received $115.3 million from the State and City combined, which includes $15.0 million due from The City for the year 2018 and $30.0 million prepaid for the year 2020.

Prior to April 1995, The City was obligated to reimburse the Authority for the transit police force. As a result of the April 1995 merger of the transit police force into the New York City Police Department, The City no longer reimburses the Authority for the costs of policing the Transit System on an ongoing basis since policing of the Transit System is being carried out by the New York City Police Department at The City's expense. The Authority continues to be responsible for certain capital costs and support services related to such police activities, a portion of which is reimbursed by The City. The Authority received approximately $4.1 million and $3.6 million in 2019 and 2018, respectively for the reimbursement of transit police costs.

NYS/NYC Subway Action Plan — In April 2018, the approved 2018-2019 New York State Budget committed both New York State ("NYS") and New York City ("NYC") to equally cover the costs of the 2017-2018 Subway Action Plan ("SAP"), which was launched at the direction of Governor Andrew Cuomo in July 2017 to take extraordinary measures to stabilize and improve the more than 100-year old New York City subway system. The SAP includes a comprehensive $836 million investment to address system failures, breakdowns, delays and deteriorating customer service, and position the New York City subway system for future modernization**.** The SAP provided the MTA with funds already used to advance the SAP, as well as additional operating and capital funding to cover the cost of the remaining SAP through the end of 2018. The MTA, on behalf of the Authority, started receiving the SAP funding in April 2018 and received the full funding by the end of 2018.

Assistance Fund — *Congestion Zone Surcharges* **–** In April 2018, the approved 2018-2019 New York State Budget enacted legislation that provided additional sources of revenue, in the form of surcharges and fines, as defined by Article 29-C, Chapter 59 of the Tax Law, to address the financial needs of the MTA. Beginning on January 1, 2019, the legislation imposed the following:

- A surcharge of $2.75 on for-hire transportation trips provided by motor vehicles carrying passengers for hire (or $2.50 in the case of taxicabs that are subject to the $0.50 cents tax on hailed trips that are part of the MTA Aid Trust Account Receipts), other than pool vehicles, ambulance and buses, on each trip that (1) originates and terminates south of and excluding 96th Street in the City of New York, in the Borough of Manhattan (the "Congestion Zone"), (2) originates anywhere in NYS and terminates within the Congestion Zone, (3) originates in the Congestion Zone and terminates anywhere in NYS, or (4) originates anywhere in NYS, enters into the Congestion Zone while in transit, and terminates anywhere in NYS.

- A surcharge of $0.75 cents for each person who both enters and exits a pool vehicle in NYS and who is picked up in, dropped off in, or travels through the Congestion Zone.

The Congestion Zone Surcharges do not apply to transportation services administered by or on behalf of MTA, including paratransit services.

The April 2018 legislation also created the New York City Transportation Assistance Fund, held by MTA. The fund consists of the three sub-accounts, the Subway Action Plan Account, the Outer Borough Transportation Account and the General Transportation Account.

- *Subway Action Plan Account* – Funds in this account may be used exclusively for funding the operating and capital costs, and debt service associated, with the Subway Action Plan.

- *Outer Borough Transportation Account* – Funds in this account may be used exclusively for funding (1) the operating and capital costs of, and debt service associated with, the MTA facilities, equipment and services in the counties of Bronx, Kings, Queens and Richmond, and any projects improving transportation connections from such counties to Manhattan, or (2) a toll reduction program for any crossing under the jurisdiction of MTA or MTA Bridges and Tunnels.

- *General Transportation Account* – Funds in this account may be used exclusively for funding the operating and capital costs of MTA. In each case, funds may be used for various operations and capital needs or for debt service and reserve requirements.

MTA Investment Pool — The MTA, on behalf of the Authority, invests funds which are not immediately required for Authority's operations in securities permitted by the State Public Authorities Law, including repurchase agreements collateralized by U.S. Treasury securities, U.S. Treasury notes and U.S. Treasury zero-coupon bonds. All investments are held by the MTA's agent in custody accounts in the name of the MTA. The Authority categorizes its fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority's investment in the MTA Investment Pool is valued based on other observable inputs (Level 2 inputs).

Due to/from MTA and Constituent Authorities — Due to/from MTA and constituent Authorities consists of reimbursements due from the MTA Capital Program for billed and unbilled charges relating to capital projects, farecards and intercompany operating receivables, payables, and inter-agency loan transactions.

Prepaid Expenses and Other Current Assets — The Authority prepaid $12.9 million to the New York Health Insurance Plan (NYSHIP) and $25.5 million in risk management related insurance coverage during 2019. The Authority prepaid $13.3 million to the New York Health Insurance Plan (NYSHIP) and $23.0 million in risk management related insurance coverage during 2018.

Due from MTA for Purchase of Capital Assets — Due from MTA for purchase of capital assets consists of funds held by the MTA which are restricted for capital asset acquisitions by the Authority pursuant to the 2002 Transportation Revenue Bond Resolution. This capital program pool is comprised of non-bond proceed funds derived from safe harbor and sale/leaseback transactions, operating fund transfers, legal settlements, TBTA bond purchase rights and swap option agreements, and interest earnings on these pooled funds.

Capital Assets — Capital assets acquired prior to April 1982 were funded primarily by The City, with capital grants made available to the Authority. The City has title to a substantial portion of such assets and, accordingly, these assets are not recorded on the books of the Authority. Subsequent acquisitions, which are part of the capital program, are recorded at cost by the Authority. Funding sources for the acquisition of these capital assets include Federal, State, and City capital grants, grants from the Port Authority of New York and New Jersey, the proceeds from the issuance of Transportation Revenue Bonds, and various TBTA bonding and other sources. Capital assets are recorded at cost and are depreciated on a straight-line basis over 25 or 35 years for subway cars, 12 years for buses, and lives generally ranging from 10 years to 60 years for the other capital assets. Cost includes capitalized interest apportioned to assets during construction. For the purposes of this calculation, interest expense is reported net of investment income.

Contributed Capital — Capital assets contributed by the MTA and restricted funds due from the MTA for the purchase of capital assets are recorded as capital contributions on the consolidated statements of Revenues, Expenses, and Changes in Net Position. Contributed capital is recognized upon identification of capital costs to be funded by the MTA. Capital contributions for the years ended December 31, 2019 and 2018, consist of the following (in thousands):

	2019	**2018**
Capital assets contributed by MTA from:		
Federal grants	$ 1,060,286	$ 1,019,030
Other than federal grants	2,753,008	2,522,316
Petroleum business taxes received for principal and interest payments on debt	315,311	314,791
Principal and interest payments on MTA Transportation bonds issued to fund capital assets	(930,202)	(895,247)
Decrease in funds due from MTA for purchase of capital assets	(24,485)	(308,562)
Total capital contributions	$ 3,173,918	$ 2,652,328

Passenger Revenue — Revenues from the sale of farecards are recognized as income as the farecards are used and are reported as operating income. Expired fare media revenue is recognized on the date of the expiration on the farecard.

Materials and Supplies — Materials and supplies are recorded at weighted average cost, net of a reserve for obsolescence at December 31, 2019 and 2018 of $81.6 million and $76.3 million, respectively.

Employee Benefits — Effective for the year-ended December 31, 2015, the Authority adopted the standards of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for its pension plans.

The Authority recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Authority's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the pension plans' measurement dates. Changes in the net pension liability during the year are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the year incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the year in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In 2003, and as a result of collective bargaining, the Authority assumed responsibility for providing health benefits to its employees who are members of the Transport Workers Union (TWU) Local 100, as well as to retirees who were members of the TWU Local 100 and reach normal retirement age while working for the Authority. During 2005, the Authority also began providing health benefits for active and retired members of the Amalgamated Transit Union (ATU) Local 1056 and Local 726. Previously, these benefits were being provided by the TWU and ATU Health Benefits Trusts (the Trusts) with the Authority required to make monthly contributions to the Trusts on behalf of the participants on a ‘pay as you go’ basis. The majority of the benefits provided under the plan are self-insured with administrative services provided by various health insurance companies.

The Authority has recorded a liability for claims incurred but not reported (IBNR). The liability represents those estimated future payments that are attributable, under the plan’s provisions, to services rendered to participants prior to year-end. The estimated liability of claims includes benefits expected to be paid to retired or terminated employees or their beneficiaries and present employees or their beneficiaries, as applicable. The estimated liability for claims incurred but not reported or paid is \$136.0 million and \$113.8 million as of December 31, 2019 and 2018, respectively.

Effective for the year ended December 31, 2018, the Authority adopted the standards of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85*, Omnibus* for the OPEB Plan.

GASB has issued Statements No. 74 and 75, which replaced GASB Statements No. 43 and 45. The effective date of GASB Statement No. 74 (which applies to financial reporting on a plan basis) is the year ended December 31, 2017. The effective date of GASB Statement No. 75 (which applies to financial reporting by contributing employers) is the year ended December 31, 2018.

The Authority recognizes a proportionate share of the net OPEB liability for the MTA’s cost-sharing multiple-employer OPEB Plan, which represents the excess of the total OPEB liability over the fiduciary net position of the OPEB Plan, measured as of the measurement date of the plan.

Changes in the net OPEB liability during the year are recorded as OPEB expense, or as deferred outflows of resources or deferred inflows of resources relating to OPEB depending on the nature of the change, in the year incurred. Changes in net OPEB liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the year in which they are incurred. Projected earnings on qualified OPEB plan investments are recognized as a component of OPEB expenses. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflow of resources as a component of OPEB expense on a closed basis over a five-year period beginning with the year in which the difference occurred.

Receivables — Receivables are recorded as amounts due to the Authority, reduced by an allowance for doubtful accounts, to report the receivables at their net realizable value.

Pollution Remediation Projects — Pollution remediation costs are being expensed in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (see Note 15). An operating expense provision and corresponding liability measured at current value using the expected cash flow method has been recognized for certain pollution remediation obligations, which previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations occur when any one of the following obligating events takes place: the Authority is in violation of a pollution prevention-related permit or license; an imminent threat to public health due to pollution exists; the Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation; the Authority voluntarily commences or legally obligates itself to commence remediation efforts; or the Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities.

Use of Management's Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. In addition, they affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

3. CASH

The bank balances are insured up to $250 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank in which funds are deposited. Cash, including funds on hand and in transit, consists of the following at December 31, 2019 and 2018 (in thousands):

	2019		2018	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured and collateralized deposits	$ 11,406	$ 11,183	$ 20,160	$ 5,772
Less escrow and other restricted deposits	(828)	(828)	(770)	(770)
Commercially insured funds on-hand and in-transit	38,363	-	46,443	-
	$ 48,941	$ 10,355	$ 65,833	$ 5,002

Deposits in the Authority's bank accounts are collateralized by U.S. Treasury securities, U.S. Treasury notes, and U.S. Treasury zero coupon bonds, pursuant to the New York State Public Authorities Law. The on-hand and in-transit funds consist primarily of passenger revenue funds collected, but not yet deposited.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover the value of its deposits. While the Authority does not have a formal deposit policy for custodial credit risk, New York State statues govern the Authority's investment policies.

4. MTA INVESTMENT POOL

The MTA, on behalf of the Authority, invests funds which are not immediately required for the Authority's operations, in securities permitted by the State Public Authorities Law, including repurchase agreements collateralized by U.S. Treasury securities, U.S. Treasury notes, and U.S. Treasury zero coupon bonds. All investments are held by the MTA's agent, in custody accounts, in the name of the MTA. The Authority records its position in the Pool based upon a net asset value derived on assets invested in the Pool plus all realized income and losses earned. The Authority's earnings from short-term investments approximated $9.0 million and $7.8 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Authority had an investment pool balance of $175.4 million and $359.7 million, respectively.

5. CAPITAL ASSETS

Capital assets, at December 31, 2019 and 2018, consist of the following (in thousands):

	December 2018	Additions / Reclassifications	Deletions / Reclassifications	December 2019
Capital assets not being depreciated:				
Construction work-in-progress	$ 4,313,656	$ 4,001,521	$ (4,289,345)	$ 4,025,832
Total capital assets not being depreciated	4,313,656	4,001,521	(4,289,345)	4,025,832
Capital assets being depreciated:				
Subway cars	9,070,579	417,598	-	9,488,177
Buses	3,176,102	439,129	(604,196)	3,011,035
Track and structures	13,762,787	711,050	-	14,473,837
Depots and yards	4,716,455	192,900	-	4,909,355
Stations	19,954,229	1,574,491	-	21,528,720
Signals	7,755,683	764,257	-	8,519,940
Service vehicles	389,680	56,767	-	446,447
Building	166,733	-	-	166,733
Other	2,736,785	254,310	(3,254)	2,987,841
Total capital asset being depreciated	61,729,033	4,410,502	(607,450)	65,532,085
Less accumulated depreciation:				
Subway cars	(4,296,165)	(248,096)	-	(4,544,261)
Buses	(1,817,835)	(224,676)	604,196	(1,438,315)
Track and structures	(5,049,292)	(367,504)	-	(5,416,796)
Depots and yards	(2,195,759)	(140,596)	-	(2,336,355)
Stations	(5,631,413)	(595,924)	-	(6,227,337)
Signals	(2,130,700)	(255,278)	-	(2,385,978)
Service vehicles	(181,163)	(17,226)	-	(198,389)
Building	(89,490)	(3,308)	-	(92,798)
Other	(1,619,252)	(136,008)	3,254	(1,752,006)
Total accumulated depreciation	(23,011,069)	(1,988,616)	607,450	(24,392,235)
Total capital assets being depreciated—net	38,717,964	2,421,886	-	41,139,850
Capital assets—net	$ 43,031,620	$ 6,423,407	$ (4,289,345)	$ 45,165,682

	December 2017	Additions / Reclassifications	Deletions / Reclassifications	December 2018
Capital assets not being depreciated:				
Construction work-in-progress	$ 4,313,546	$ 3,712,416	$ (3,712,306)	$ 4,313,656
Total capital assets not being depreciated	4,313,546	3,712,416	(3,712,306)	4,313,656
Capital assets being depreciated:				
Subway cars	9,518,101	302,423	(749,945)	9,070,579
Buses	2,980,392	321,637	(125,927)	3,176,102
Track and structures	13,066,307	696,480	-	13,762,787
Depots and yards	4,626,940	89,515	-	4,716,455
Stations	18,783,695	1,170,534	-	19,954,229
Signals	6,682,880	1,072,803	-	7,755,683
Service vehicles	381,593	8,087	-	389,680
Building	166,733	-	-	166,733
Other	2,564,310	175,000	(2,525)	2,736,785
Total capital asset being depreciated	58,770,951	3,836,479	(878,397)	61,729,033
Less accumulated depreciation:				
Subway cars	(4,679,712)	(241,110)	624,657	(4,296,165)
Buses	(1,749,206)	(194,556)	125,927	(1,817,835)
Track and structures	(4,703,038)	(346,254)	-	(5,049,292)
Depots and yards	(2,059,491)	(136,268)	-	(2,195,759)
Stations	(5,081,366)	(550,047)	-	(5,631,413)
Signals	(1,904,469)	(226,231)	-	(2,130,700)
Service vehicles	(164,735)	(16,428)	-	(181,163)
Building	(86,185)	(3,305)	-	(89,490)
Other	(1,508,773)	(113,004)	2,525	(1,619,252)
Total accumulated depreciation	(21,936,975)	(1,827,203)	753,109	(23,011,069)
Total capital assets being depreciated—n	36,833,976	2,009,276	(125,288)	38,717,964
Capital assets—net	$ 41,147,522	$ 5,721,692	$ (3,837,594)	$ 43,031,620

Capitalized interest totaled $11.6 million and $8.5 million in 2019 and 2018, respectively.

In 1990, the Authority issued approximately $202.8 million of Transit Facility Revenue Bonds, Series 1990 to fund the acquisition of an office building located at 130 Livingston Street in Brooklyn, New York. The bonds were subsequently defeased in May 2002 by the MTA Transportation Revenue bonds. The property is located on land owned by the New York City Economic Development Corporation (NYC EDC), as trustee for The City, with whom the Authority has entered into a 99-year ground lease. In 2011, the ground lease between the MTA and NYC EDC for Livingston Street was renegotiated with monthly lease payments increasing from approximately $47 to $111 per month. Rent expense, on a cash basis, under the lease was approximately $1.3 million in 2019 and 2018.

Lease Transaction — On July 29, 1998, the MTA, (solely on behalf of MTA Long Island Rail Road and MTA Metro-North Railroad, MTA New York City Transit, and MTA Bridges and Tunnels) entered into a lease and related agreements whereby each agency, as sublessee, will rent, an office building at Two Broadway in lower Manhattan. The triple-net-lease has an initial stated term of approximately 50 years, with the right to extend the lease for two successive 15-year periods at a rental of at least 95% of fair market rent. Remaining payments under the lease approximate $1.1 billion. Under the subleases, the lease is apportioned as follows: the Authority, 68.7%, MTA, 21%; and TBTA, 10.3%. However, the involved agencies have agreed to sub-sublease space from one another as necessary to satisfy actual occupancy needs. The agencies will be responsible for obligations under the lease based on such actual occupancy percentages. Actual occupancy percentages at December 31, 2019, for the Authority, TBTA and MTA (including MTA Bus, MTA Capital Construction Company and MTA Business Service Center) were 52.8%, 7.5% and 39.7%, respectively. The Authority's sublease is for a year-to-year term, automatically extended, except upon the giving of a nonextension notice by the Authority.

The lease is comprised of both operating and capital elements, with the portion of the lease attributable to the land recorded as an operating lease, and the portion of the lease attributable to the building recorded as a capital lease. The Authority reflected capital lease obligation as of December 31, 2019 and 2018 of $179.2 million and $176.6 million, respectively. Operating rent expenses under the Authority's lease amounted to $7.5 million in 2019 and 2018.

MTA pays the lease payments on behalf of the Authority and subsequently makes monthly chargebacks in the form of rental payments. During 2019, the total of the rental payments charged to the Authority was $5.0 million less than the lease payment made by MTA on behalf of the Authority.

At December 31, 2019, future minimum lease payments under the Authority's lease are as follows (in thousands):

Years Ending December 31	Operating	Capital
2020	$ 7,452	$ 13,543
2021	7,452	13,543
2022	7,452	13,543
2023	7,452	13,543
2024	7,452	15,517
2025–2029	37,260	81,693
2030–2034	37,260	101,785
2035–2039	37,260	118,927
2040–2044	37,260	131,564
2045–2049	26,082	99,616
Total minimum lease payments	212,382	603,274
Less interest		(424,103)
Present value of net minimum lease payments		$ 179,171

The adjusted capital lease for the aforementioned building is being amortized over the remaining life of the lease. The cost of the building and related accumulated amortization at December 31, 2019 and 2018, is as follows (in thousands):

	2019	**2018**
Capital lease — building	$114,489	$114,489
Less accumulated amortization	(50,239)	(47,827)
Capital lease — building — net	$ 64,250	$ 66,662

The amount of such improvements apportioned to the Authority as of December 31, 2019 and 2018 are as follows (in thousands):

	2019	**2018**
Base building improvements	$ 134,394	$ 134,394
Tenant improvements	130,792	130,792
Furniture and fixtures	11,434	11,434
Computers and equipment	10,781	10,781
Development fees	6,893	6,893
Capitalized interest	13,702	13,702
	307,996	307,996
Less accumulated depreciation	(214,637)	(211,412)
Total leasehold improvements	$ 93,359	$ 96,584

6. EMPLOYEE BENEFITS

Pensions — The Authority participates in two defined benefit pension plans for their employees, the Manhattan and Bronx Surface Transit Operating Authority Pension Plan (MaBSTOA) and New York City Employees' Retirement System (NYCERS). A brief description of each of the pension plans follows:

Plan Descriptions

MaBSTOA — The MaBSTOA Plan is a single-employer governmental retirement plan, administered by MTA New York City Transit. MaBSTOA employees are specifically excluded from NYCERS. Effective January 1, 1999, in order to afford managerial and nonrepresented MaBSTOA employees the same pension rights as like title employees in the New York City Transit Authority, membership in the MaBSTOA Plan is optional. The Plan provides retirement as well as death, accident, and disability benefits.

The Board of Administration, established in 1963, determines eligibility of employees and beneficiaries for retirement and death benefits. Article 12.08 of the MaBSTOA plan assigns authority to the MaBSTOA Board to establish and amend benefit provisions. The Board is composed of five members: two representatives from the Transport Workers Union, Local 100 (TWU) and three employer representatives. The MaBSTOA Plan is a fiduciary component unit of the Authority and is reflected in the Pension Fund section of the Authority's basic financial statements.

The pension plan issues a publicly available financial report that includes financial statements and required supplementary information regarding the employee benefit plan. The report may be obtained by writing to MaBSTOA Pension Plan, New York City Transit Authority, 2 Broadway, 10th Floor, New York, New York, 10004 or at www.mta.info.

NYCERS — The NYCERS Plan is a cost-sharing, multiple-employer retirement system for employees of The City of New York (The City) and certain other governmental units whose employees are not otherwise members of The City's four other pension systems. NYCERS administers the New York City Employees Retirement System qualified pension plan.

NYCERS was established by an act of the Legislature of the State of New York under Chapter 427 of the Laws of 1920. NYCERS functions in accordance with the governing statutes contained in the New York State Retirement and Social Security Law (RSSL), and the New York City Administrative Code, which are the basis by which benefit terms and employer and member contribution requirements are established and amended. The head of the retirement system is the Board of Trustees.

NYCERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York City Employees' Retirement System at 335 Adams Street, Suite 2300, Brooklyn, NY 11201-3724 or at www.nycers.org.

All employees holding permanent civil service positions in the competitive or labor class are required to become members of the NYCERS six months after their date of appointment, but may voluntarily elect to join the NYCERS prior to their mandated membership date. All other eligible employees have the option of joining the NYCERS upon appointment or anytime thereafter. NYCERS members are assigned to a "tier" depending on the date of their membership.

Tier 1 All members who joined prior to July 1, 1973.

Tier 2 All members who joined on or after July 1, 1973 and before July 27, 1976.

Tier 3 Only certain members who joined on or after July 27, 1976 and prior to April 1, 2012.

Tier 4 All members (with certain member exceptions) who joined on or after July 27, 1976 but prior to April 1, 2012. Members who joined on or after July 27, 1976 but prior to September 1, 1983 retain all rights and benefits of Tier 3 membership.

Tier 6 Members who joined on or after April 1, 2012.

Benefits Provided

MaBSTOA — MaBSTOA provides retirement, disability, death, and accident benefits to plan members and beneficiaries. The benefits provided by the Plan are generally similar to the benefits provided to participants in NYCERS. Benefits vest after either 5, 10, or 20 years of credited service, depending on the date of employment.

In 2008, NYCERS has determined that Tier 4 employees are and have been eligible for a post retirement death benefit retroactive to 1986. In June 2012, the MTA Board approved an amendment to the MaBSTOA Plan to provide for incorporation of this benefit.

Tier 1 —

Eligibility and Benefit Calculation: Tier 1 members must be at least age 50 with the completion of 20 years of service to be eligible to collect a service retirement benefit. Generally, the benefit is 1.50% for service before March 1, 1962, plus 2.0% for service from March 1, 1962 to June 30, 1970, plus 2.5% for service after June 30, 1970. The accumulated percentage, up to a maximum of 50%, is multiplied by the member's compensation, which is the greater of earned salary during the year prior to retirement. Once the accumulated reaches 50%, the percentage for each further year of service reverts back to 1.5%. The percentage in excess of 50% is multiplied by the final compensation, which is the highest average earnings over five consecutive years.

Ordinary Disability Benefits — Generally, ordinary disability benefits, are provided to eligible Tier 1 members after ten years of service with the benefit equal to the greater of the service retirement percentages or 25% multiplied by final compensation.

Accidental Disability Benefits — The accidental disability benefit to eligible Tier 1 members is equal to 75% of final compensation reduced by 100% of any worker's compensation payments.

Ordinary Death Benefits — Tier 1 members requires the completion of six months of service but completion of twenty years of service is required to receive a lump sum equal to the present value of the retirement benefit.

Tier 2 —

Eligibility and Benefit Calculation: Tier 2 members must be at least age 55 with the completion of 25 years of service to be eligible to collect a service retirement benefit. Generally, the benefit equals 50% of final 3-year average compensation, defined as the highest average earnings over three consecutive years, plus 1% of final 5-year average compensation, defined as the highest average earnings over five consecutive years, per year of credited service in excess of 20 years. For early retirement, members must be at least age 50 with the completion of at least 20 years of service. The benefit is determined in the same manner as the service retirement but not greater than 2.0% of final 3-year average compensation per year of service.

Ordinary Disability Benefits — Generally, ordinary disability benefits, are provided to eligible Tier 2 members after ten years of service with the benefit equal to the greater of the service retirement percentages or 25% multiplied by the final 5- year average compensation.

Accidental Disability Benefits — The accidental disability benefit to eligible Tier 2 members is equal to 75% of the final 5-year average compensation reduced by any worker's compensation payments.

Ordinary Death Benefits — Tier 2 members require the completion of 90 days of service to receive a lump sum equal to 3 times salary, raised to the next multiple of $1,000.

Tiers 3 and 4 —

Eligibility and Benefit Calculation: Tier 3 and 4 members in the Regular 62 and 5 Plan must be at least age 62 with the completion of at least 5 years of service to be eligible to collect a service retirement benefit. Generally, the benefit for members with at least 20 years of service, is equal to 2.0% of Final Average Salary (FAS) for the first 30 years of service plus 1.5% of FAS for years of service in excess of 30. FAS is defined as the highest average earnings over three consecutive years, of which earnings in a year cannot exceed 110% of the average of the two preceding years. If the member completes less than

20 years of credited service, the benefit equals 1- 2/3% of FAS multiplied by years of service. For early retirement, members must be at least age 55 with the completion of at least 5 years of service. The benefit equals the service retirement benefit reduced by 6% for each of the first two years prior to age 62, and by 3% for years prior to age 60.

Tier 3 and 4 members in the Regular 55 and 25 Plan must be at least age 55 with the completion of at least 25 years of service, or be at least age 62 with the completion of at least 5 years of service, to be eligible to collect a service retirement benefit. Generally, the benefit for members with at least 25 years of service, is equal to 2.0% of FAS for the first 30 years of service plus 1.5% of FAS for years of service in excess of 30. If the member completes less than 25 years of credited service, the benefit equals 1-2/3% of FAS multiplied by years of service.

Tier 4 members in the 57 & 5 Plan must be at least age 57 with the completion of at least 5 years of service to be eligible to collect a service retirement benefit. Generally, the benefit for members with at least 20 years of service, is equal to 2.0% of FAS for the first 30 years of service plus 1.5% of FAS for years of service in excess of 30. If the member completes less than 20 years of credited service, the benefit equals 1- 2/3% of FAS multiplied by years of service.

Ordinary and Accidental Disability Benefits — For eligible members of the Regular 62 and 5 Plan, 55 and 25 Plan and 57 and 5 Plan, ordinary and accidental disability benefits, are provided after 10 years of service for ordinary and no service required for accidental. The benefit equals the greater of 1-2/3% of FAS per year of service and 1/3 of FAS.

Ordinary Death Benefits — For eligible members of the Regular 62 and 5 Plan, 55 and 25 Plan, 57 and 5 Plan, the pre-retirement ordinary death benefit is equal to a lump sum of annual salary times the lesser of completed years of service and 3. After age 60, the benefit is reduced 5% per year, to a maximum reduction of 50%. Accumulated regular member contributions with interest and one-half of accumulated additional member contributions with interest are also payable. Upon retirement, the post-retirement benefit is reduced by 50% and reduced an additional 25% after completion of one year of retirement. After completion of two years of retirement, the benefit equals 10% of the pre-retirement benefit in force at age 60.

Tier 6 —

Eligibility and Benefit Calculation: Tier 6 members in the 55 and 25 Special Plan must be at least age 55 with the completion of at least 25 years, or at least age 63 with the completion of at least 10 years of service, to be eligible to collect a service retirement benefit. Generally, the benefit for members with at least 25 years of service, is equal to 2.0% of FAS for the first 30 years of service plus 1.5% of FAS for years of service in excess of 30. If the member completes less than 20 years of credited service, the benefit equals 1- 2/3% of FAS multiplied by years of service. FAS is defined as the highest average pensionable earnings over five consecutive years.

Tier 6 members in the Basic 63 and 10 Plan must be at least age 63 with the completion of at least 10 years to be eligible to collect a service retirement benefit. Generally, the benefit for members with at least 20 years of service, is equal to 35% of FAS plus 2.0% of FAS for years of service in excess of 20. If the member completes less than 20 years of credited service, the benefit equals 1- 2/3% of FAS multiplied by years of service. FAS is defined as the highest average pensionable earnings over five consecutive years. For early retirement, members must be at least age 55 with the completion of at least 10 years of service. The benefit equals the service retirement benefit reduced by 6.5% for each year prior to age 63.

Ordinary and Accidental Disability Benefits — For eligible members of the 55 and 25 Special Plan and the Basic 63 and 10 Plan, ordinary and accidental disability benefits, are provided after 10 years of service for ordinary and no service required for accidental. The benefit equals the greater of 1-2/3% of FAS per year of service and 1/3 of FAS.

Ordinary Death Benefits — For eligible members of the 55 and 25 Special Plan and the Basic 63 and 10 Plan, the pre-retirement ordinary death benefit is equal to a lump sum of annual salary times the lesser of completed years of service and 3. After age 60, the benefit is reduced 5% per year, to a maximum reduction of 50%. Accumulated regular member contributions with interest and one-half of accumulated additional member contributions with interest are also payable. Upon retirement, the post-retirement benefit is reduced by 50% and reduced an additional 25% after completion of one year of retirement. After completion of two years of retirement, the benefit equals 10% of the pre-retirement benefit in force at age 60.

NYCERS — NYCERS provides three main types of retirement benefits: Service Retirements, Ordinary Disability Retirements (non-job-related disabilities) and Accident Disability Retirements (job-related disabilities) to participants generally based on salary, length of service, and member Tiers.

The Service Retirement benefits provided to Tier 1 participants fall into four categories according to the level of benefits provided and the years of service required. Three of the four categories provide annual benefits of 50% to 55% of final salary after 20 or 25 years of service, with additional benefits equal to a specified percentage per year of service (currently 1.2% to 1.7%) of final salary. The fourth category has no minimum service requirement and instead provides an annual benefit for each year of service equal to a specified percentage (currently 0.7% to 1.53%) of final salary.

Tier 2 participants have provisions similar to Tier 1, except that the eligibility for retirement and the salary base for benefits are different and there is a limitation on the maximum benefit.

Tier 3 participants were later mandated into Tier 4, but could retain their Tier 3 rights. The benefits for Tier 3 participants are reduced by one half of the primary Social Security benefit attributable to service, and provides for an automatic annual cost-of-living escalator in pension benefits of not more than 3.0%.

During March 2012, the Governor signed Chapter 18 of the Laws of 2012 that placed certain limitations on the Tier 3 and Tier 4 benefits available to participants who joined on and after April 1, 2012. In general, these changes, commonly referred to as Tier 6, increase the age requirement to 63 for most non-uniformed employees to retire and receive a full pension, require member contributions for all years of service for non-uniformed employees, institute progressive member contributions for non-uniformed employees, and lengthen the final average salary period from 3 to 5 years.

NYCERS provides automatic Cost-of-Living Adjustments (COLA), death benefits, accident, disability retirement benefits, and other supplemental pension benefits to certain retirees and beneficiaries. Members become fully vested as to benefits upon the completion of 5 years of service.

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983 and 2012, significant amendments made to the State Retirement and Social Security Law (RSSL) modified certain benefits for employees joining the Plan on or after the effective date of such amendments, creating membership tiers.

Membership

Membership in the MaBSTOA pension plan consisted of the following at January 1, 2018 and 2017, the date of the latest actuarial valuations:

	2018	2017
Active Plan Members	8,686	8,594
Retirees and beneficiaries receiving benefits	5,780	5,609
Vested formerly active members not yet receiving benefits	1,232	1,151
Total	15,698	15,354

Contributions and Funding Policy

MaBSTOA — The contribution requirements of plan members are established, approved and may be amended only by the MaBSTOA Board, in accordance with the Articles of the MaBSTOA plan. The financial objective of the Plan is to fund, on an actuarial basis, the retirement and death benefits for eligible MaBSTOA employees and beneficiaries. The Plan's funding policy is for periodic employer contributions to provide for actuarially determined amounts that are designed to accumulate sufficient assets to pay benefits when due. MaBSTOA contributions to the fund are made annually.

The MaBSTOA Pension Plan includes the following plans: (i.) the Tier 3 and 4 Transit Age 62 Plan; (ii.) the Tier 6 Age 63 Plan; (iii.) the 55/25 Plan; (iv.) the Tier 4 25 Year Early Retirement Plan; (v.) the Tier 4 Age 57 Plan, and (vi.) the 2000 amendments which are all under the same terms and conditions as NYCERS.

For employees, the Plan has both contributory and noncontributory requirements depending on the date of entry into service. Employees entering qualifying service on or before July 26, 1976, are non-contributing (Tiers 1 and 2). Certain employees entering qualifying service on or after July 27, 1976, are required to contribute 3% of their salary (Tiers 3 and 4).

In March 2012, pursuant to Chapter 18 of the Laws of 2012, individuals joining NYCERS or the MaBSTOA Pension Plan on or after April 1, 2012 are subject to the provisions of Tier 6. The highlights of Tier 6 include:

- Increases in employee contribution rates. The rate varies depending on salary, ranging from 3% to 6% of gross wages. Contributions are made until retirement or separation from service.

- The retirement age increases to 63 and includes early retirement penalties, which reduce pension allowances by 6.5 percent for each year of retirement prior to age 63.

- Vesting after 10 years of credited service; increased from 5 years of credited service under Tier 3 and Tier 4.

- Adjustments of the Pension Multiplier for calculating pension benefits (excluding Transit Operating Employees): the multiplier will be 1.75% for the first 20 years of service, and 2% starting in the 21st year; for an employee who works 30 years, their pension will be 55% of FAS under Tier 6, instead of 60% percent under Tier 4.

- Adjustments to the FAS Calculation; the computation changed from an average of the final 3 years to an average of the final 5 years. Pensionable overtime will be capped at $15,000 per year plus an inflation factor.

- Pension buyback in Tier 6 will be at a rate of 6% of the wages earned during the period of buyback, plus 5% compounded annually from the date of service until date of payment.

Pursuant to Section 7.03 of the MaBSTOA Plan, active plan members are permitted to borrow up to 75% of their contributions with interest. Their total contributions and interest remain intact and interest continues to accrue on the full balance. The participant's accumulated contribution account is used as collateral against the loan.

Upon termination of employment before retirement, certain participants are entitled to refunds of their own contributions including accumulated interest less any loans outstanding.

The Authority's contributions to the MaBSTOA plan amounted to $206.4 million and $205.4 million for the years ended December 31, 2019 and 2018, respectively.

NYCERS — NYCERS funding policy is to contribute statutorily-required contributions (Statutory Contributions), determined by the Chief Actuary for the New York City Retirement System, in accordance with State statutes and City laws, and are generally funded by employers within the appropriate Fiscal Year. The Statutory Contributions are determined under the One-Year Lag Methodology (OYLM). Under OYLM, the actuarial valuation date is used for calculating the Employer Contributions for the second following Fiscal Year. Statutory Contributions are determined annually to be an amount that, together with member contributions and investment income, provides for NYCERS' assets to be sufficient to pay benefits when due.

Member contributions are established by law. NYCERS has both contributory and noncontributory requirements, with retirement age varying from 55 to 70 depending upon when an employee last entered qualifying service.

In general, Tier 1 and Tier 2 member contribution rates are dependent upon the employee's age at membership and retirement plan election. In general, Tier 3 and Tier 4 members make basic contributions of 3.0% of salary, regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, these members, except for certain Transit Authority employees enrolled in the Transit 20-Year Plan, are not required to make basic contributions after the 10th anniversary of their membership date or completion of ten years of credited service, whichever is earlier. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Effective December 2000, certain Transit Authority Tier 3 and Tier 4 members make basic member contributions of 2.0% of salary, in accordance with Chapter 10 of the Laws of 2000. Certain Tier 2, Tier 3 and Tier 4 members who are participants in special retirement plans are required to make additional member contributions of 1.85%, in addition to their base membership contribution. Tier 6 members are mandated to contribute between 3.0% and 6.0% of salary, depending on salary level, until they separate from City service or until they retire.

The Authority is required to contribute at an actuarially determined rate. The Authority's contributions to NYCERS for the years ended December 31, 2019 and 2018 were $904.1 million and $768.4 million, respectively.

Net Pension Liability

The Authority's net pension liabilities for each of the pension plans reported at December 31, 2019 and 2018 were measured as of December 31, 2018 and 2017, respectively for the MaBSTOA plan and June 30, 2019 and 2018, respectively for NYCERS. The total pension liability for each of the pension plans were determined as of the actuarial valuation dates of January 1, 2018 and 2017 for MaBSTOA plan and June 30, 2018 and 2016 for NYCERS, respectively, and updated to roll forward the total pension liability to the respective year-ends. The fiduciary net position and additions to and deductions from the fiduciary net position have been determined on the same basis as reported by NYCERS and MaBSTOA. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the Plan; and investments are reported at fair value.

Actuarial Assumptions

The total pension liability in each pension plan's actuarial valuation dates were determined using the following actuarial assumptions for each of the pension plans as follows:

	MaBSTOA		NYCERS	
Valuation Date:	**January 1, 2018**	**January 1, 2017**	**June 30, 2018**	**June 30, 2016**
Investment Rate of Return	7.00% per annum, net of investment expenses	7.00% per annum, net of investment expenses	7.00% per annum, net of investment expenses	7.00% per annum, net of investment expenses
Salary Increases	In general, merit and promotion increases, plus assumed General Wage increases of 3.5% per year to 15.0% for operating employees and 4.0% to 7.0% for nonoperating employees per year, depending on years of service.	In general, merit and promotion increases, plus assumed General Wage increases of 3.5% per year to 15.0% for operating employees and 4.0% to 7.0% for nonoperating employees per year, depending on years of service.	In general, merit and promotion increases, plus assumed General Wage increases of 3.0% per year.	In general, merit and promotion increases, plus assumed General Wage increases of 3.0% per year.
Inflation	2.50%	2.50%	2.50%	2.50%
Cost-of Living Adjustments	1.375% per annum	1.375% per annum	1.5% per annum for Tiers 1, 2, 4 and certain Tier 3 and Tier 6 retirees. 2.5% per annum for certain Tier 3 and Tier 6 retirees	1.5% per annum for Tiers 1, 2, 4 and certain Tier 3 and Tier 6 retirees. 2.5% per annum for certain Tier 3 and Tier 6 retirees
Mortality	Pre-retirement and post-retirement healthy annuitant rates are projected on a generational basis using Scale AA. As a generational table, it reflects mortality improvements both before and after the measurement date. Mortality assumption is based on an experience study for the plan covering the period from January 1, 2011 to December 1, 2015.	Pre-retirement and post-retirement healthy annuitant rates are projected on a generational basis using Scale AA. As a generational table, it reflects mortality improvements both before and after the measurement date. Mortality assumption is based on an experience study for the plan covering the period from January 1, 2011 to December 1, 2015.	Mortality tables for service and disability pensioners were developed from an experience study of the plan. The mortality tables for beneficiaries were developed from an experience review.	Mortality tables for service and disability pensioners were developed from an experience study of the plan. The mortality tables for beneficiaries were developed from an experience review.
Pre-retirement	RP-2000 Employee Mortality Table for Males and Females with blue collar adjustments.	RP-2000 Employee Mortality Table for Males and Females with blue collar adjustments.	N/A	N/A
Post-retirement- Healthy Lives	95% of the rates from the RP-2000 Healthy Annuitant mortality table for males with blue collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant mortality table for females.	95% of the rates from the RP-2000 Healthy Annuitant mortality table for males with blue collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant mortality table for females.	N/A	N/A
Post-retirement Disabled Lives	RP-2014 Disabled Annuitant mortality table for males and females.	RP-2014 Disabled Annuitant mortality table for males and females.	N/A	N/A

Expected Rate of Return on Investments

The long-term expected rate of return on investments of 7.0% for both the MaBSTOA plan and NYCERS was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocations of each of the funds and the expected real rate of returns (RROR) for each of the asset class in the MaBSTOA plan and NYCERS were as of the measurement dates of December 31, 2018 and June 30, 2019, respectively, are summarized as follows:

	MaBSTOA Plan	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
US Core Fixed Income	9.00%	2.03%
US Long Bonds	1.00%	2.44%
US Bank / Leveraged Loans	7.00%	3.08%
US Inflation-Indexed Bonds	2.00%	1.16%
US High Yield Bonds	4.00%	3.93%
Emerging Markets Bonds	2.00%	3.76%
US Large Caps	12.00%	4.71%
US Small Caps	6.00%	5.93%
Foreign Developed Equity	12.00%	6.15%
Emerging Markets Equity	5.00%	8.22%
Global REITs	1.00%	5.80%
Private Real Estate Property	4.00%	3.69%
Private Equity	9.00%	9.50%
Commodities	1.00%	2.85%
Hedge Funds — MultiStrategy	16.00%	3.28%
Hedge Funds — Event-Driven	6.00%	3.38%
Hedge Funds — Equity Hedge	3.00%	3.85%
	100.00%	
Assumed Inflation — Mean		2.50%
Assumed Inflation — Standard Deviation		1.65%
Portfolio Arithmetic Mean Return as per Actuary		7.19%
Portfolio Standard Deviation		10.87%
Long Term Expected Rate of Return selected by MTA		7.00%

Asset Class	NYCERS Target Asset Allocation	NYCERS Long-Term Expected Real Rate of Return
U.S. Public Market Equities	29.00%	7.00%
International Public Market Equities	13.00%	7.10%
Emergining Public Market Equities	7.00%	9.40%
Private Market Equities	7.00%	10.50%
Fixed Income	33.00%	2.20%
Alternatives (Real Assets, Hedge Funds)	11.00%	5.70%
	100.00%	
Assumed Inflation — Mean		2.50%
Long Term Expected Rate of Return		7.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both the MaBSTOA plan and NYCERS as of December 31, 2018 and June 30, 2019, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each pension plan and that employer contributions will be made at the rates determined by each pension plan's actuary. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and non-active members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability — MaBSTOA

The Authority's net pension liability for the MaBSTOA plan at the measurement date of December 31, 2018 and 2017 were as follows (in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of December 31, 2017	$ 3,676,475	$ 2,918,988	$ 757,487
Changes for fiscal year 2018:			
Service Cost	86,979	-	86,979
Interest on total pension liability	256,085	-	256,085
Effect of economic/demographic (gains) or losses	5,412	-	5,412
Benefit payments and withdrawals	(213,827)	(213,827)	-
Administrative expense	-	(196)	196
Member contributions	-	21,955	(21,955)
Net investment income	-	(87,951)	87,951
Employer contributions	-	205,433	(205,433)
Balance as of December 31, 2018	$ 3,811,124	$ 2,844,402	$ 966,722

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of December 31, 2016	$ 3,536,747	$ 2,555,735	$ 981,012
Changes for fiscal year 2017:			
Service Cost	84,393	-	84,393
Interest on total pension liability	246,284	-	246,284
Effect of economic/demographic (gains) or losses	11,826	-	11,826
Effect of assumptions changes or inputs	6,347	-	6,347
Benefit payments and withdrawals	(209,122)	(209,122)	-
Administrative expense	-	(208)	208
Member contributions	-	19,713	(19,713)
Net investment income	-	350,186	(350,186)
Employer contributions	-	202,684	(202,684)
Balance as of December 31, 2017	$ 3,676,475	$ 2,918,988	$ 757,487

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's net pension liability calculated using the current discount rate of 7.0% for the MaBSTOA Plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate used as of each measurement date:

	December 31, 2018			December 31, 2017		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(in thousands)			(in thousands)	
Net Pension Liability	$ 1,388,193	$ 966,722	$ 607,684	$ 1,166,477	$ 757,487	$ 409,121

The Authority's Proportion of Net Pension Liability — NYCERS

The following table presents the Authority's proportionate share of the net pension liability of NYCERS at the measurement date of June 30, 2019 and 2018, and the proportion percentage of the net pension liability of NYCERS allocated to the Authority:

	June 30, 2019	June 30, 2018
	(in millions)	
The Authority's proportion of the net pension liability	23.271 %	22.527 %
The Authority's proportionate share of the net pension liability	$ 4,310.22	$ 3,973.23

The Authority's proportion of the net pension liability was based on the Authority's actual contributions made to NYCERS for the years ended June 30, 2019 and 2018, relative to the contributions of all employers in the plan.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0% for NYCERS, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate used as of each measurement date:

	June 30, 2019			June 30, 2018		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(in thousands)			(in thousands)	
The Authority's proportionate share of the net pension liability	$ 6,648,704	$ 4,310,223	$ 2,335,795	$ 6,090,641	$ 3,973,233	$ 2,186,848

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended December 31, 2019 and 2018, the Authority recognized pension expense, gross of reimbursements, related to each pension plan as follows (in thousands):

	December 31,	
Pension Plans	**2019**	**2018**
MaBSTOA	$ 171,073	$ 126,833
NYCERS	915,057	509,342
Total	$ 1,086,130	$ 636,175

For the years ended December 31, 2019 and 2018, the Authority's reported deferred outflow of resources and deferred inflow of resources for each pension plan as follows (in thousands):

For the Year Ended December 31, 2019	MaBSTOA		NYCERS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,188	$ 25,455	$ 360,418	$ 299,411	$ 380,606	$ 324,866
Changes in actuarial assumptions	4,394	-	2,753	180,733	7,147	180,733
Net difference between projected and actual earnings on pension plan investments	148,979	-	-	267,447	148,979	267,447
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	163,386	14,203	163,386	14,203
Employer contributions to plan subsequent to the measurement date of net pension liability	206,390	-	432,827	-	639,217	-
Total	$ 379,951	$ 25,455	$ 959,384	$ 761,794	$ 1,339,335	$ 787,249

For the Year Ended December 31, 2018	MaBSTOA Deferred Outflows of Resources	MaBSTOA Deferred Inflows of Resources	NYCERS Deferred Outflows of Resources	NYCERS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,549	$ 36,673	$ -	$ 383,748	$ 19,549	$ 420,421
Changes in actuarial assumptions	5,370	-	60,549	-	65,919	-
Net difference between projected and actual earnings on pension plan investments	-	83,734	-	222,843	-	306,577
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	46,817	17,273	46,817	17,273
Employer contributions to plan subsequent to the measurement date of net pension liability	205,433	-	388,077		593,510	-
Total	$ 230,352	$ 120,407	$ 495,443	$ 623,864	$ 725,795	$ 744,271

The annual differences between the projected and actual earnings on investments are amortized over a five-year closed period beginning the year in which the difference occurs.

The following table presents the recognition periods used by each pension plans to amortize the annual differences between expected and actual experience and the changes in proportion and differences between employer contributions and proportionate share of contributions, beginning the year in which the deferred amount occurs.

	Recognition Period (in years)		
Pension Plan	**Differences Between Expected and Actual Experience**	**Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions**	**Changes in Actuarial Assumptions**
MaBSTOA	6.50	N/A	6.50
NYCERS	6.10	6.10	6.10

For the years ended December 31, 2019 and 2018, $639.2 million and $593.5 million, respectively were reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement dates. The amount of $639.2 million will be recognized as a reduction of the net pension liability in the year-ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2019 will be recognized as pension expense as follows (in thousands):

Year Ending December 31:	MaBSTOA	NYCERS	Total
2020	$ 45,985	$ (61,168)	$ (15,183)
2021	9,282	(184,928)	(175,646)
2022	26,928	(44,333)	(17,405)
2023	63,265	(10,624)	52,641
2024	2,230	59,763	61,993
Thereafter	416	6,053	6,469
Total	$ 148,106	$(235,237)	$ (87,131)

Deferred Compensation Plans — As permitted by Internal Revenue Code Section 457, the Authority has established a trust or custodial account to hold plan assets for the exclusive use of the participants and their beneficiaries. Plan assets and liabilities are not reflected on the Authority's consolidated statements of net position.

Certain Authority employees are participants in a second deferred compensation plan established in accordance with Internal Revenue Code Section 401(k). Participation in the plan is available to all nonunion and certain other employees. All amounts of compensation deferred under the plan, and all income attributable to such compensation, are solely the property of the participants; accordingly, this plan is not reflected in the accompanying consolidated statements of net position. The Authority is not required to contribute to the plan.

7. OTHER POSTEMPLOYMENT BENEFITS

The Authority participates in a defined benefit other postemployment benefits (OPEB) plan for its employees, the Metropolitan Transportation Authority Retiree Welfare Benefits Plan (OPEB Plan). A description of the Plan follows:

Plan Description

The MTA Retiree Welfare Benefits Plan (OPEB Plan) and the related Trust Fund (Trust) was established on January 1, 2009 for the exclusive benefit of MTA and related agencies retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with the Authority's various collective bargaining agreements. Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Amounts contributed to the OPEB Plan are held in an irrevocable trust and may not be used for any other purpose than to fund the costs of health and welfare benefits of its eligible participants.

The OPEB Plan and the Trust are exempt from federal income taxation under Section 115(1) of the Internal Revenue Code. The OPEB Plan is classified as a cost-sharing multiple-employer defined benefit OPEB plan.

The OPEB Plan Board of Managers, comprised of the MTA Chairman, MTA Chief Financial Officer and MTA Director of Labor Relations, are the administrators of the OPEB Plan. The MTA Board has the right to amend, suspend or terminate the OPEB Plan.

The separate annual financial statements of the OPEB Plan may be obtained by writing to MTA Comptroller, 2 Broadway, 16th Floor, New York, New York, 10004 or at www.mta.info.

Benefits Provided — The benefits provided by the OPEB Plan include medical, pharmacy, dental, vision, life insurance and a Medicare supplemental plan. The different types of benefits provided vary by employee type (represented employees versus non-represented) and the relevant collective bargaining agreements. Certain benefits are provided upon retirement as defined in the applicable pension plan. The Authority provides benefits to certain former employees if separated from service within 5 years of attaining retirement eligibility. Employees of the Authority are members of NYCERS and the MaBSTOA Plan.

The Authority participates in the New York State Health Insurance Program (NYSHIP) and provides medical and prescription drug benefits, including Medicare Part B reimbursements, to many of its retirees. NYSHIP offers a Preferred Provider Organization (PPO) plan and several Health Maintenance Organization (HMO) plans. Represented and other New York City Transit employees who retired prior to January 1, 1996 or January 1, 2001, do not participate in NYSHIP. These benefits are provided either through a self-insured health plan, a fully insured health plan or an HMO.

The Authority is a participating employer in NYSHIP. The NYSHIP financial report can be obtained by writing to NYS Department of Civil Service, Employee Benefits Division, Alfred E. Smith Office Building, 805 Swan Street, Albany, NY 12239.

OPEB Plan Eligibility — To qualify for benefits under the OPEB Plan, a former employee of the Authority must:

(a) have retired;

(b) be receiving a pension;

(c) have at least 10 years of credited service as a member of NYCERS or the MaBSTOA Plan; and

(d) have attained the minimum age requirement (unless within 5 years of commencing retirement for certain members). A represented retired employee may be eligible only pursuant to the relevant collective bargaining agreement.

Surviving Spouse and Other Dependents —

- Lifetime coverage is provided to the surviving spouse (not remarried) or domestic partner and surviving dependent children to age 26 of retired managers and certain non-represented retired employees.

- Represented retired employees must follow the guidelines of their collective bargaining agreements regarding continued health coverage for a surviving spouse or domestic partner and surviving dependents. The surviving spouse coverage continues until spouse is eligible for Medicare for represented employees, retiring on or after:

    - May 21, 2014 for Transport Workers Union (TWU) Local 100;

    - September 24, 2014 for Amalgamated Transit Union (ATU) Local 726;

    - October 29, 2014 for ATU Local 1056;

The OPEB Plan Board of Managers has the authority to establish and amend the benefits that will be covered under the OPEB Plan, except to the extent that they have been established by collective bargaining agreement.

Contributions — The Authority is not required by law or contractual agreement to provide funding for the OPEB Plan, other than the “pay-as-you-go” (PAYGO) amounts. PAYGO is the cost of benefits necessary to provide the current benefits to retirees and eligible beneficiaries and dependents. Employees are not required to contribute to the OPEB Plan. The OPEB Plan Board has the authority for establishing and amending the funding policy. For the years ended December 31, 2019 and 2018, the Authority paid $505.6 million and $468.8 million of PAYGO to the OPEB Plan, respectively. The PAYGO amounts included an implicit rate subsidy adjustment of $21.3 million and $19.9 million for the years ended December 31, 2019 and 2018, respectively.

During 2012, the MTA funded $250 million into the Trust and an additional $50 million during 2013. There have been no further contributions made to the Trust. The discount rate estimates investment earnings for assets earmarked to cover retiree health benefits. Under GASB Statement No. 75, the discount rate depends on the nature of underlying assets for funded plans. Since the amount of benefits paid in 2017 exceeded the current market value of the assets, a depletion date is assumed to occur immediately. Therefore, the discount rate is set equal to the municipal bond index. The MTA elected the Bond Buyer 20-Bond General Obligation Index. As a result, the discount rates as of December 31, 2018 and December 31, 2017, the measurement dates, are 4.10% and 3.44%, respectively.

Employer contributions include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy arises when an employer allows a retiree and their dependents to continue on the active plans and pay the active premiums. Retirees are not paying the true cost of their benefits because they have higher utilization rates than actives and therefore are partially subsidized by the active employees. As shown in the following table, for the year ended December 31, 2018 and 2017, the employer made a cash payment for retiree healthcare of $19.9 million and $19.6 million, respectively, as part of the employer’s payment for active-employee healthcare benefits. For purposes of GASB Statement No. 75, this payment made on behalf of the active employees should be reclassified as benefit payments for retiree health care to reflect the retirees’ underlying age-adjusted, retiree benefit costs.

Blended and Age-adjusted Premium	**2018 Retirees**	**2017 Retirees**
	(in thousands)	
Total blended premiums	$ 448,835	$ 422,260
Employment payment for retiree healthcare	19,928	19,619
Net payments	$ 468,763	$ 441,879

Net OPEB Liability

The Authority’s proportionate share of the Plan’s net OPEB liability reported at December 31, 2019 and 2018 was measured as of the OPEB Plan’s fiscal year-end of December 31, 2018 and 2017, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of July 1, 2017, and rolled forward to December 31, 2017 and 2018. The Authority’s proportion of the net OPEB liability was based on a projection of the Authority’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating employers. The following table presents the Authority's proportionate share of the net OPEB liability and corresponding proportion percentage at the measurement date:

	December 31, 2018	December 31, 2017
	(in thousands)	
The Authority's proportion of the net OPEB liability	67.826 %	67.878 %
The Authority's proportionate share of the net OPEB liability	$ 13,281,035	$ 13,783,851

OPEB Plan Fiduciary Net Position — The fiduciary net position has been determined on the same basis used by the OPEB plan. The OPEB plan uses the accrual basis of accounting under which contributions from the employer are recognized when paid. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value based on quoted market prices or Net Asset Value. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report or at www.mta.info.

Actuarial Assumptions

Actuarial valuation involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan, which refers to the plan terms as understood by the employer and the plan members at the time of the valuation, including only changes to plan terms that have been made and communicated to employees. The projections include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members at that time. The Authority may not be obligated to provide the same types or levels of benefits to retirees in the future.

The total OPEB liability was determined by an actuarial valuation performed on July 1, 2017. Update procedures were used to roll forward the total OPEB liability to December 31, 2017 and 2018, the measurement dates. The actuarial valuations were performed using the following actuarial assumptions, applied to all periods included in the measurement, unless specified:

Valuation date	July 1, 2017	July 1, 2017
Measurement date	December 31, 2018	December 31, 2017
Discount rate	4.10%	3.44%
Inflation	2.50%	2.50%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	6.50%	6.50%

Salary Scale — Salary increases vary by years of service and differ for members of NYCERS and the MaBSTOA Plan. Rates are shown below for December 31, 2018 and 2017:

	NYCERS		MaBSTOA	
Years of Service	Rate of Increase	Years of Service	Operating Employee Rate	Non-operating Employee Rate
0	19.0 %	0	12.0 %	5.5 %
1	14.0	1	15.0	7.0
2	10.0	2	15.0	7.0
3	7.0	3	6.0	6.3
4	5.0	4	3.5	5.0
5	4.0	5+	3.5	4.0
6+	3.5			

Healthcare Cost Trend — The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2017 utilizing the baseline assumptions included in the model, except inflation of 2.5% for medical and pharmacy benefits. Additional adjustments apply based on percentage of costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions, separately for NYSHIP and self-insured benefits administered by the Authority. Long-term trend increases are 4% for dental and vision benefits and 4.5% for Medicare Part B reimbursements, but no more than projected medical and pharmacy trends. The self-insured trend is applied directly for represented employees.

The valuation reflects the actuaries understanding of the impact in future health costs due to the Affordable Care Act (ACA) passed into law in March 2010. An excise tax for high cost health coverage or "Cadillac" health plans was included in ACA. The provision levies a 40% tax on the value of health plan costs that exceed certain thresholds for single coverage or family coverage. In December 2019, the President signed into law the "Further Consolidated Appropriations Act, 2020" (the "Act"), which included the permanent repeal of the "Cadillac" tax, effective January 1, 2020. The impact of the elimination of the "Cadillac" tax on the Authority's OPEB liability is a decrease of $523.0 million and will be reflected in the next valuation dated July 1, 2019 and in the reporting year-ended December 31, 2020.

Healthcare Cost Trend Rates — The following lists illustrative rates for the NYSHIP and self-insured trend assumptions for December 31, 2018 and 2017:

	NYSHIP Trend		Self-Insured Trend	
Year Ending	**Pre-65**	**Post-65**	**Pre-65**	**Post-65 Trend**
2018	8.50 %	8.20 %	6.80 %	9.10 %
2019	6.20 %	5.50 %	6.20 %	5.30 %
2020	5.80 %	5.30 %	5.80 %	5.20 %
2021	5.50 %	5.20 %	5.50 %	5.20 %
2022	7.20 %	5.10 %	11.10 %	5.10 %
2023	6.10 %	5.10 %	6.00 %	5.10 %
2024	6.10 %	5.00 %	5.90 %	5.00 %
2025	5.90 %	5.00 %	5.80 %	5.00 %
2026	5.90 %	5.00 %	5.80 %	5.00 %
2027	5.80 %	4.90 %	5.70 %	4.90 %
2037	5.60 %	5.00 %	5.50 %	5.00 %
2047	5.40 %	5.90 %	5.30 %	4.90 %
2057	5.10 %	5.40 %	5.10 %	5.20 %
2067	4.80 %	5.00 %	4.80 %	4.80 %
2077	4.20 %	4.30 %	4.10 %	4.50 %
2087	4.10 %	4.20 %	4.10 %	4.40 %
2097	4.10 %	4.20 %	4.10 %	4.40 %

For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date are based on the ultimate rates, which are 4.1% for medical and pharmacy costs prior to age 65, 4.2% for NYSHIP costs at age 65 and later, and 4.3% for self-insured medical and pharmacy costs at age 65 and later.

Mortality — Preretirement and postretirement healthy annuitant rates are projected on a generational basis using Scale AA. As a generational table, it reflects mortality improvements both before and after the measurement date. The postretirement mortality assumption is based on an experience analysis covering the period from January 1, 2011 to December 31, 2015 for the MaBSTOA pension plan.

Preretirement — RP-2000 Employee Mortality Table for Males and Females with blue-collar adjustments.

Postretirement Healthy Lives — 95% of the RP-2000 Healthy Annuitant mortality table for males with blue collar adjustments and 116% of the rates from the RP-2000 Healthy Annuitant mortality table for females.

Postretirement Disabled Lives — RP-2014 Disabled Annuitant mortality table for males and females.

Expected Rate of Return on Investments — The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
US Core Fixed Income	13.00%	2.03%
Global Bonds	15.00%	0.41%
Emerging Market Bonds	5.00%	3.76%
Global Equity	35.00%	5.65%
Non-US Equity	15.00%	6.44%
Global REITs	5.00%	5.80%
Hedge Funds — MultiStrategy	12.00%	3.28%
	100.00%	
Assumed Inflation — Mean		2.50%
Assumed Inflation — Standard Deviation		1.65%
Portfolio Arithmetic Mean Return as per Actuary		6.65%
Portfolio Standard Deviation		10.39%
Long Term Expected Rate of Return selected by MTA		6.50%

Discount Rate — The discount rate used in this valuation to measure the total OPEB liability was updated to incorporate GASB Statement No. 75 guidance.

The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient. Therefore, the discount rate is set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of December 31, 2018 and 2017 of 4.10% and 3.44%, respectively.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate — The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the actual discount rate used for the measurement:

	December 31, 2018			December 31, 2017		
	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
		(in thousands)			(in thousands)	
Proportionate share of the net OPEB liability	$ 15,194,985	$ 13,281,035	$ 11,705,018	$ 15,888,151	$ 13,783,851	$ 12,093,955

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates used for the measurement:

	December 31, 2018			December 31, 2017		
	1% Decrease	Healthcare Cost Current Trend Rate *	1% Increase	1% Decrease	Healthcare Cost Current Trend Rate *	1% Increase
		(in thousands)			(in thousands)	
Proportionate share of the net OPEB liability	$ 11,345,745	$ 13,281,035	$ 15,716,167	$ 11,806,693	$ 13,783,851	$ 16,320,436

* For further details, refer to the Health Care Cost Trend Rates tables in the Actuarial Assumptions section of this Note Disclosure.

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019 and 2018, the Authority recognized OPEB expense of $1.1 billion and $1.2 billion, respectively, which represents its proportionate share of the Plan's OPEB expense.

The annual differences between the projected and actual earnings on investments are amortized over a 5-year closed period beginning the year in which the difference occurs. The annual differences between expected and actual experience, changes in assumptions and the changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a 7.4-year close period, beginning the year in which the deferred amount occurs.

At December 31, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows ($ in thousands):

	December 31, 2019		December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,734	$ 11,381	$ 7,987	$ -
Changes in assumptions	451,129	1,055,971	535,075	-
Net difference between projected and actual earnings on OPEB plan investments	12,591	-	-	14,323
Changes in proportion and differences between contributions and proportionate share of contributions	7,654	-	-	-
Employer contributions to the plan subsequent to the measurement of net OPEB liability	505,639	-	468,763	-
Total	$ 983,747	$ 1,067,352	$ 1,011,825	$ 14,323

For the year ended December 31, 2019 and 2018, $505.6 million and $468.8 million, respectively, were reported as deferred outflows of resources related to OPEB resulting from both the Authority's contributions subsequent to the measurement date and an implicit rate subsidy adjustment. The amount of $505.6 million will be recognized as a reduction of the net OPEB liability in the year-ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at December 31, 2019 will be recognized in OPEB expense as follows:

Year ending December 31:	
2020	$ (78,535)
2021	(78,535)
2022	(78,535)
2023	(74,957)
2024	(80,789)
Thereafter	(197,893)
Total	$ (589,244)

8. LOANS PAYABLE

Loans Payable — The MTA and the New York Power Authority (NYPA) entered into an updated Energy Services Program Agreement (ESP Agreement). The ESP Agreement authorized the Authority, as an affiliate of the MTA, to enter into a Customer Installation Commitment (CIC) with NYPA for turn-key, energy efficiency projects, which would usually be long-term funded and constructed by NYPA. The repayment period for the NYPA loan can be up to 20 years, but can be repaid at any time without penalty.

The debt service requirements at December 31, 2019 are as follows (in thousand):

Year	Principal	Interest	Total
2020	$ 9,708	$ 1,778	$ 11,486
2021	9,214	1,554	10,768
2022	8,022	1,346	9,368
2023	6,052	1,185	7,237
2024	6,061	1,042	7,103
2025–2029	26,757	3,091	29,848
2030–2034	14,323	596	14,919
Total	$ 80,137	$ 10,592	$ 90,729
Less current portion	9,708		
Long-term loans payable	$ 70,429		

The above interest amounts include both fixed and variable rate calculations. Interest on the variable-rate loan is paid at the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) rate and is reset annually.

9. RELATED PARTY TRANSACTIONS

The Authority receives support services from the MTA in the areas of budget, cash management, finance, legal, real estate, treasury, risk and insurance management, and other services, most of which are charged back to the Authority through intercompany billings. The MTA also provides funding for the Authority's capital program via MTA debt issuance, federal capital grant pass-throughs, and proceeds from the sale of tax benefits on leasing transactions. The Authority recognizes funds contributed to Transit capital programs as contributed capital in the consolidated statements of revenues, expenses, and changes in net position. State and City tax — supported subsidies received by the Authority from the MTA to support operations are recorded as nonoperating revenues. The MTA also provides short-term loans, as required, to supplement the Authority's working capital needs.

The Authority has intercompany transactions with MNCR, LIRR, MTA Bus, TBTA, and SIRTOA related to farecard settlements, service agreements, shared operating contracts, inter-agency loan transactions, and other operating receivables and payables.

The resulting receivables and payables from the above transactions are recorded in Due from MTA and constituent authorities and Due from MTA for the purchase of capital assets, included in the accompanying consolidated statements of net position.

Related party transactions consist of the following at December 31, 2019 and 2018 (in thousands):

	2019		2018	
	Receivable	(Payable)	Receivable	(Payable)
MTA	$8,074,712	$ (7,688,823)	$8,185,011	$ (7,017,255)
Constituent authorities	94,962	(14,017)	110,582	(11,026)
Total MTA and constituent authorities	$8,169,674	$ (7,702,840)	$8,295,593	$ (7,028,281)

10. ADVERTISING AND OTHER INCOME

Advertising and other income for the years ended December 31, 2019 and 2018, consist of (in thousands):

	2019	2018
Advertising revenue	$ 112,002	$ 112,186
Metrocard green fee surcharge	22,898	22,274
Transit Adjudication Bureau collections	12,874	9,539
Station income	5,625	6,582
Rental income	11,359	9,976
Fare media transaction fees	4,861	4,560
All other	111	219
	$ 169,730	$ 165,336

11. OTHER EXPENSES

Other expenses for the years ended December 31, 2019 and 2018, consist of (in thousands):

	2019	2018
Credit and debit card fees for fare media sales	$54,274	$50,956
Fare media sales commissions	12,509	12,780
NYS Metro Commuter Transportation Mobility Tax expense	15,189	15,388
Print and office supplies	6,351	7,455
Allowance for uncollectible accounts	277	1,407
Business travel, meetings, and conventions	412	631
Dues and subscriptions	1,688	437
Other miscellaneous expenses	7,402	(961)
	$98,102	$88,093

12. MAINTENANCE AND OTHER OPERATING EXPENSES

Maintenance and other operating expenses for the years ended December 31, 2019 and 2018, consist of (in thousands):

	2019	2018
Operating maintenance and repair services	$112,111	$105,276
Facility maintenance and repairs	14,059	16,555
Real estate rentals (including 2 Broadway operating expenses)	23,513	24,085
Security services	14,650	13,172
Refuse and recycling	11,315	8,063
Telephone services	5,627	7,594
Tire and tube rentals	14,660	14,131
Janitorial and custodial services	6,906	5,734
Water and sewage	9,968	6,949
Specialized equipment	3,632	1,281
Bridge, tunnel and highway tolls	5,331	4,835
Uniforms	4,317	4,404
Ticket stock material	3,878	3,198
Safety equipment and supplies	14,139	11,263
Environmental/hazardous waste removal	22,764	-
Other miscellaneous expenses	17,101	7,423
	$283,971	$233,963

13. FUEL HEDGE

MTA partially hedges its fuel cost exposure using financial hedges. All MTA fuel hedges provide for up to 24 monthly settlements. The table below summarizes the active ultra-low sulfur diesel (ULSD) hedges in whole dollars:

Counterparty	**Goldman Sachs**	**Goldman Sachs**	**Goldman Sachs**	**Macquarie Energy LLC**	**Goldman Sachs**	**Goldman Sachs**
Trade Date	1/31/2018	2/28/2018	3/28/2018	4/24/2018	5/29/2018	6/26/2018
Effective Date	1/1/2019	2/1/2019	3/1/2019	4/1/2019	5/1/2019	6/1/2019
Termination Date	12/31/2019	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020
Price/Gal	$1.96	$1.88	$1.98	$2.08	$2.16	$2.18
Notional Qnty (Gal)	2,870,565	2,786,237	2,853,500	2,799,258	2,841,090	2,841,069
Counterparty	**BOA_ Merrill**	**Goldman Sachs**	**Goldman Sachs**	**Cargill**	**BOA_ Merrill**	**BOA_ Merrill**
Trade Date	7/31/2018	8/29/2018	9/25/2018	10/30/2018	11/27/2018	1/3/2019
Effective Date	7/1/2019	8/1/2019	9/1/2019	10/1/2019	11/1/2019	12/1/2019
Termination Date	6/30/2020	7/31/2020	8/31/2020	9/30/2020	10/31/2020	11/30/2020
Price/Gal	$2.17	$2.21	$2.29	$2.25	$1.92	$1.79
Notional Qnty (Gal)	2,820,856	2,831,924	2,831,922	2,831,934	3,023,197	2,856,019
Counterparty	**Cargill**	**Cargill**	**Goldman Sachs**	**Goldman Sachs**	**Goldman Sachs**	**Goldman Sachs**
Trade Date	1/29/2019	2/28/2019	3/28/2019	4/30/2019	5/28/2019	6/25/2019
Effective Date	1/1/2020	2/1/2020	3/1/2020	4/1/2020	5/1/2020	6/1/2020
Termination Date	12/31/2020	1/31/2021	2/28/2021	3/31/2021	4/30/2021	5/31/2021
Price/Gal	$1.94	$2.05	$2.00	$2.07	$1.97	$1.92
Notional Qnty (Gal)	2,856,014	2,793,123	2,849,714	2,874,889	2,851,286	2,851,258
Counterparty	**Goldman Sachs**	**Macquarie Energy LLC**	**BOA_ Merrill**	**Goldman Sachs**	**Goldman Sachs**	**BOA_ Merrill**
Trade Date	7/30/2019	8/27/2019	9/30/2019	10/29/2019	11/26/2019	12/30/2019
Effective Date	7/1/2020	8/1/2020	9/1/2020	10/1/2020	11/1/2020	12/1/2020
Termination Date	6/30/2021	7/31/2021	8/31/2021	9/30/2021	10/31/2021	11/30/2021
Price/Gal	$1.89	$1.78	$1.81	$1.84	$1.86	$1.90
Notional Qnty (Gal)	2,788,533	2,842,790	2,844,946	2,839,784	2,839,778	2,839,796

The monthly settlements are based on the daily prices of the respective commodities whereby MTA will either receive a payment, or make a payment to the various counterparties, depending on the average monthly price of the commodities in relation to the contract prices. At a contract's termination date, the Authority will take delivery of the fuel. As of December 31, 2019, the total outstanding notional value of the ULSD contracts was 52.5 million gallons with a negative fair market value of $1.3 million. The valuation of each trade was based on discounting future net cash flows to a single current amount (the income approach) using observable commodity futures prices (Level 2 inputs).

The Transit Authority recognized a fuel hedge loss of $1.3 million in 2019 and 2018.

14. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of its assets; injuries to persons, including employees; and natural disasters.

The Authority is self-insured up to certain per occurrence limits for liability claims arising from injuries to persons, excluding employees. For claims arising from incidents that occurred on or after November 1, 2001, but before November 1, 2006, the self-insured retention limit was $7 million per occurrence. Claims arising on or after November 1, 2006, but before November 1, 2009 were subject to an $8 million limit. Effective November 1, 2009, the retention limit was increased to $9 million per occurrence and effective November 1, 2012, the retention limit was increased to $10 million. Effective October 31, 2015, the self-insured retention limit was increased to $11 million. Lower limits applied for claims arising prior to November 1, 2001. The Authority is self-insured for work-related injuries to employees. The annual cost associated with injuries to persons, other than employees, and damage to third-party property, is reflected in expenses as public liability claims in the accompanying consolidated statements of revenues, expenses and change in net position.

The Authority establishes its liability for injuries to employees and to the general public on the basis of independent actuarial estimates of future liability.

A summary of activity in estimated liability arising from injuries to persons, including employees, and damage to third-party property, for the years ended December 31, 2019 and 2018, is as follows (in thousands):

	2019	2018
Balance at beginning of year	$3,085,410	$2,799,384
Activity during the year:		
Current year claims and changes in estimates	575,555	587,166
Claims paid	(347,636)	(301,140)
Balance at end of year	3,313,329	3,085,410
Less current portion	(320,694)	(297,223)
Long-term liability	$2,992,635	$2,788,187

Liability Insurance — First Mutual Transportation Assurance Company (FMTAC), an insurance captive subsidiary of MTA, operates a liability insurance program (ELF) that insures certain claims in excess of the self-insured retention limits of the agencies on both a retrospective (claims arising from incidents that occurred before October 31, 2003) and prospective (claims arising from incidents that occurred on or after October 31, 2003) basis. For claims arising from incidents that occurred on or after November 1, 2006, but before November 1, 2009, the self-insured retention limit is: $8 million for the Authority. For claims arising from incidents that occurred on or after November 1, 2009, but before November 1, 2012, the self-insured retention limit is: $9 million for Authority. Effective November 1, 2012, the self-insured retention limits for ELF was increased to $10 million for the Authority. Effective October 31, 2015 the self-insured retention limit for ELF was increased to $11 million for the Authority. The maximum amount of claims arising out of any one occurrence is the total assets of the program available for claims, but in no event greater than $50 million. The retrospective portion contains the same insurance agreements, participant retentions, and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. On a prospective basis, FMTAC issues insurance policies indemnifying the other MTA Group entities above their specifically assigned self-insured retention with a limit of $50 million per occurrence with a $50 million annual aggregate. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. On December 31, 2019, the balance of the assets in this program was $164.1 million.

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA Group additional coverage limits of $350 million for a total limit of $400 million ($350 million excess of $50 million). In certain circumstances, when the assets in the program described in the preceding paragraph are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of $50 million.

On March 1, 2019, the “nonrevenue fleet” automobile liability policy program was renewed. This program provides third-party auto liability insurance protection for the MTA Group with the exception of the Authority.

On March 1, 2019, the “Access-A-Ride” automobile liability policy program was renewed. This program provides third-party auto liability insurance protection for the MTA New York City Transit’s Access-A-Ride program, including the contracted operators. This policy provides a $2 million per occurrence limit excess of a $1 million self-insured retention.

Property Insurance — Effective May 1, 2019, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, 2019, FMTAC directly insures property damage claims of the Related Entities in excess of a $25 million per occurrence deductible, subject to an annual $75 million aggregate deductible. The total All Risk program annual limit is $575 million per occurrence and in the annual aggregate for Flood and Earthquake covering property of the Related Entities collectively. FMTAC is reinsured in the domestic, Asian, London, European and Bermuda reinsurance markets for this coverage. Losses occurring after exhaustion of the deductible aggregate are subject to a deductible of $7.5 million per occurrence. The property insurance policy provides replacement cost coverage for all risks (including Earthquake, Flood and Wind) of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverage.

Supplementing the $575 million per occurrence noted above, FMTAC’s property insurance program has been expanded to include of $125 million of fully collateralized earthquake coverage for an event of a certain index value and for storm surge coverage for losses from storm surges that surpass specified trigger levels in the New York Harbor or Long Island Sound and are associated with named storms that occur at any point in the three year period from May 23, 2017 to April 30, 2020. The expanded protection is reinsured by MetroCat Re Ltd. 2017-1, a Bermuda special purpose insurer independent from the MTA and formed to provide FMTAC with capital markets based property reinsurance. The MetroCat Re Ltd. 2017-1 reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided is parametric and available for storm surge losses resulting from a storm that causes water levels that reach the specified index values, and also for an earthquake event of a certain index value.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 81% of “certified” losses in 2019 and 80% of “certified” losses in 2020, as covered by the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) of 2015. The remaining 19% (2019) and 20% (2020) of the Related Entities’ losses arising from an act of terrorism would be covered under the additional terrorism policy described below. No federal compensation will be paid unless the aggregate industry insured losses exceed a trigger of $180 million in 2019 and $200 million in 2020. In December 2019, the United States government’s reinsurance was extended until December 31, 2027.

To supplement the reinsurance to FMTAC through the TRIPRA, MTA obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces. That policy provides coverage for (1) 19% of any “certified” act of terrorism up to a maximum recovery of $204.3 million for any one occurrence and in the annual aggregate during 2019 and 20% of any “certified” act of terrorism up to a maximum recovery of $215 million for any one occurrence and in the annual aggregate during 2020, (2) the TRIPRA FMTAC captive deductible (per occurrence and on an aggregated basis) that applies when recovering under the “certified” acts of terrorism insurance or (3) 100% of any “certified” terrorism loss which exceeds $5 million and less than the $180 million TRIPRA trigger up to a maximum recovery of $180 million for any occurrence and in the annual aggregate during 2019 or 100% of any “certified” terrorism loss which exceeds $5 million and less than the $200 million TRIPRA trigger up to a maximum recovery of $200 million for any occurrence and in the annual aggregate during 2020.

Additionally, MTA purchases coverage for acts of terrorism which are not certified under TRIPRA to a maximum of $204.3 million in 2019 and $215 million in 2020, Recovery under the terrorism policy is subject to a deductible of $25 million per occurrence and $75 million in the annual aggregate in the event of multiple losses during the policy year. Should the Related Entities’ deductible in any one year exceed $75 million future losses in that policy year are subject to a deductible of $7.5 million. The terrorism coverages expire at midnight on December 31, 2020.

During 2019 there were FMTAC excess loss claim reimbursements of $0.867 million to the Authority. FMTAC had open claims for the Authority at December 31, 2019. At December 31, 2019, FMTAC had $971 million of assets to insure current and future claims.

15. CONTINGENCIES

The Authority is involved in various litigation and claims involving personal liability claims and certain other matters. The ultimate outcome of these claims and suits cannot be predicted at this time. Nevertheless, management does not believe that the ultimate outcome of these matters will have a material effect on the consolidated financial position of the Authority.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. While questioned costs may occur, ultimate repayments required of the MTA or the Authority have been infrequent in prior years.

In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2019 and 2018, the Authority recognized $27.5 million and $84.1 million, respectively, in pollution remediation expenses. The expense provision was measured at its current value utilizing the prescribed expected cash flow method (see Note 2). Pollution remediation obligations are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The Authority does not expect any recoveries of cost that would have a material effect on the recorded obligations.

A summary of the activity in pollution remediation liability at December 31, 2019 and 2018, were as follows (in thousands):

	2019	2018
Balance at beginning of year	$ 77,568	$ 32,425
Activity during the year:		
Changes in estimates	27,548	84,138
Payments	(22,256)	(38,995)
Balance at end of year	82,860	77,568
Less current portion	(16,572)	(15,514)
Long-term liability	$ 66,288	$ 62,054

The Authority's pollution remediation liability primarily consists of future remediation activities associated with asbestos removal, lead abatement, ground water contamination, and soil remediation.

16. CONDENSED COMPONENT UNIT INFORMATION

The following table presents condensed financial information for MaBSTOA, a blended component unit of the Authority (in thousands):

December 31:	**2019**	**2018**
Current assets	$ 365,804	$ 252,012
Capital assets	629,767	483,573
Deferred outflows of resources	379,951	230,352
Total assets and deferred outflows of resources	1,375,522	965,937
Current liabilities	274,751	265,731
Non-current liabilities	1,748,792	1,508,406
Deferred inflows of resources	25,455	120,407
Total liabilities and deferred inflows of resources	2,048,998	1,894,544
Net Investment in capital assets	616,643	483,573
Unrestricted	(1,290,119)	(1,412,180)
Total net position	$ (673,476)	$ (928,607)
For the Year Ended December 31:		
Fare revenue	$ 430,417	$ 429,700
Advertising and other revenue	15,714	15,654
Total operating revenue	446,131	445,354
Total labor expenses	1,127,291	1,100,959
Total non-labor expenses	126,099	128,065
Depreciation	77,727	62,868
Total operating expenses	1,331,117	1,291,892
Operating (deficit) surplus	(884,986)	(846,538)
Loss before capital contributions	(884,986)	(846,538)
Capital contributions	1,140,117	3,262,040
Change in net position	255,131	2,415,502
Net position, beginning of the year	(928,607)	(3,344,109)
Net position, end of year	$ (673,476)	$ (928,607)

17. SUBSEQUENT EVENTS

Assessment of impacts from the novel coronavirus (COVID-19) pandemic on the Authority's finances and operations:

- *Background relating to the global coronavirus pandemic* – The COVID-19 outbreak is continuing to have an adverse and severe impact on MTA's financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus was first detected in China and has since spread globally, including to the United States and to New York State. On March 12, 2020, the World Health Organization declared the COVD-19 outbreak to be a pandemic in the face of the global spread of the virus. The COVID-19 pandemic has dramatically altered the behavior of businesses and people in a manner that is having negative effects on global and local economies. In addition, stock markets in the U.S. and globally, have seen significant declines and volatility attributed to concerns over COVID-19, and capital markets remain disrupted. These adverse impacts have intensified and continue to evolve daily globally, nationally, and particularly within the State and the Authority's service area, which has become the most severely impacted region in the United States, with the most confirmed cases of infection, and regrettably the most fatalities, from COVID-19. On March 7, 2020 Governor Cuomo declared a Disaster Emergency in the State of New York and on March 13, 2020 President Trump declared a national state of emergency as a result of the COVID-19 pandemic. In addition, by order of Governor Cuomo (New York State on PAUSE), as of Sunday, March 22nd, all non-essential businesses statewide were required to be closed, among other restrictive social distancing and related measures. New York State on PAUSE restrictions remain in place at least through May 15, 2020. This intervention to fight the aggressive spread of the COVID-19 pandemic has further eroded already severely diminished public transportation usage during the duration of the COVID-19 pandemic.

- *Currently adopted Federal legislative and administrative actions* – The Federal government has taken several actions which are expected to provide flexibility and substantial additional funding to the Authority. The Federal Transit Administration (FTA) has given transit grantees, including the Authority, the flexibility to apply certain existing grant program proceeds, previously only available for capital expenditures, to operating expenses or other purposes to address COVID-19 pandemic impacts.

  In addition, Federal emergency legislation, the "Coronavirus Aid, Relief and Economic Security Act" or "CARES Act", received final passage by Congress and was signed into law by the President on March 27, 2020. The CARES Act through FTA's formula funding provisions is expected to provide approximately $3.9 billion to MTA. Funding will be provided at a 100 percent Federal share, with no local match required, and will be available to support operating, capital and other expenses generally eligible under those programs and incurred beginning on January 20, 2020, to prevent, prepare for, and respond to the COVID-19 pandemic, including operating service for essential workers, such as medical personnel and first responders.

- *Updated assessment of 2020 impacts of the COVID-19 pandemic and economic study analysis* – Compared to 2019 results, ridership has now declined 90 percent on the subways and 70 percent on buses. The Authority is also incurring additional expenses related to ensuring the safety of employees and riders, by disinfecting stations, rolling stock and work spaces to a new, even more costly level.

  The CARES Act funding amounts for the Authority were derived from a conservative estimate based on the information MTA management had at the time. A clearer picture of the impact of the crisis has emerged over the last few weeks, and now with the aid of a detailed economic study led by

McKinsey & Company (the "McKinsey Report"), the Authority expects a significant shortfall in fare revenues. The McKinsey Report provided an estimate of the shortfalls through the end of calendar year 2020. The impact to the Authority's finances is material and leaves a gap that must be filled in order to sustain normal operations. The Authority has begun refining the fare revenue loss projections to reflect these changes, as well as projecting losses in the tax and other subsidy revenues that generally make up approximately one-half of the Authority's total revenue sources. McKinsey & Company was contracted by MTA to analyze the potential impact of the COVID-19 pandemic on MTA's 2020 calendar year revenues, including the Authority.

- *MTA liquidity resources* – MTA currently has liquidity resources, consisting of a current running cash balance, internal available flexible funds, OPEB resources and commercial bank lines of credit totaling $901 million ($704 million of which has been drawn). These funds provide a temporary funding "bridge" to a permanent solution to the lost revenue and higher expenses. They must be repaid or replaced. Use of these monies will leave MTA with a significant gap in funding for both the operating budget and capital plan over the longer term and will likely result in additional debt issuance and unfunded operating needs.

  Longer-term resource options to address the COVID-19 pandemic impacts, may include, but are not limited to, (i) approximately $4 billion in federal emergency transit grants pursuant to the CARES Act, (ii) replacing programmed pay-as-you-go capital funds with long term bonding, (iii) various debt restructuring options generating potential resources depending upon market conditions and other matters, and (iv) applying new, federal FTA grant flexibility rules to use in the current federal fiscal year for operating relief in the emergency. The MTA Board on March 25, 2020 authorized MTA to secure an additional $2 billion in commercial bank lines of credit market conditions permitting. Also, see the additional significant financial assistance and flexibility provided in the State's FY 2020-21 Enacted Budget. There can be no assurance that MTA will be successful in securing additional lines of credit.

  As noted above, exercising these options would come at a cost, including increased longer-term borrowing and potential adverse impacts on the timing of MTA initiatives to improve its systems. The loss of farebox and toll revenues, potential declines in State and local, as well as reprogramming of available federal and possibly State generated funding support for capital purposes, to urgent financial needs, will result in delays and shortfalls in implementing Capital Plan projects. The full impact of the COVID-19 pandemic on Capital Plan implementation cannot be determined at this time.

- *NY Essential Service Plan* – On March 24, 2020, MTA management announced the implementation of the "NY Essential Service Plan (Service Plan)." The Service Plan is designed to ensure healthcare workers, first responders and essential personnel are able to get to and from work by public transportation. The Authority have implemented temporary reduced service schedules.

  The Service Plan includes the following specific measures:

  - *Subways and buses:* On the subways, beginning March 25, 2020, service reductions were implemented. The service changes preserve the Authority's a.m. and p.m. peak service to get first responders and essential personnel to their destinations. The service plan for buses started on March 26, 2020. The plan retains 75 percent of normal bus service.
  - *Paratransit:* The paratransit program has eliminated shared rides, in accordance with the recommended public health guidance, and extended eligibility for existing Access-A-Ride customers. The paratransit system continues to have capacity to serve demand.

The schedule changes follow the Governor's "New York State on PAUSE" order, which directed New Yorkers use of public transportation for only essential travel and attempts to limit potential exposure by spacing out riders by six feet.

- *Capital plan procurement and construction contract delays* – MTA Construction and Development Company (MTACDC) is currently evaluating the impacts of the COVID-19 pandemic on MTA's Capital Plans. MTACDC will cease the award of new Capital Plan construction or consulting contracts and, with few exceptions, MTACDC is, effective April 1, 2020, suspending action on open solicitations for all such contracts. The full impact of the COVID-19 pandemic on Capital Plan implementation cannot be determined at this time.

- *New York State fiscal year 2020-21 budget provisions of Importance to MTA* – Several provisions in the State's fiscal year 2020-21 budget (as passed by both the State Assembly and State Senate and signed by the Governor on April 3, 2020 the "State FY 2020-21 Enacted Budget"), are intended to provide significant financial assistance and flexibility to aid MTA in addressing the adverse impacts caused by the COVID-19 pandemic. Among the provisions in the State FY 2020-21 Enacted Budget addressing MTA's needs are the following:

(1) amends existing law to allow MTA to use monies in the Central Business District Tolling Lockbox Fund (the CBD Tolling Lockbox Fund) for two years (2020 and 2021) to offset decreases in revenue (i.e. lost taxes, fees, charges, fares and tolls) or increases in operating costs due in whole or in part to the State emergency disaster caused by the COVID-19 pandemic. The CBD Tolling Lockbox Fund currently includes Internet sales tax revenue and mansion tax revenue that will be used for operations. In the future, CBD tolling revenue will be added when that program is up and running, although CBD tolling revenue may be restricted under Federal law to capital expenses. All revenues deposited in such fund were under prior law only available for capital costs of MTA's 2020-24 Capital Plan and successor capital plans, and costs of the Central Business District tolling program. This provision also provides that if MTA receives funds/reimbursements from Federal government or insurance due to the COVID-19 pandemic, MTA must repay the CBD Tolling Lockbox Fund, but only after it has first fully repaid any COVID-19 pandemic related public or private borrowings, draws on lines of credit; issuances of revenue anticipation notes, internal loans; or use of corpus of MTA's OPEB trust;

(2) amends existing law to increase MTA's bond cap from $55.5 billion to $90.1 billion through 2024;

(3) creates new authorization for MTA to issue up to $10.0 billion of bonds for three years (2020-2022) to offset decreases in revenue (i.e. lost taxes, fees, charges, fares and tolls) or increases in operating costs of the MTA and its Related Entities due in whole or in part to the State disaster emergency caused by the COVID-19 pandemic;

(4) commits the State and the City to each pay $3.0 billion to fund capital costs of the MTA's 2020-2024 Capital Plan. Additionally,
    a. State's Director of the Budget will determine schedule for the City's payments of its $3 billion share to MTA,
    b. if the City does not pay in full any of its scheduled payments, the Director of the Budget shall require the State Comptroller to intercept aid to localities appropriations to the City, or any other revenue source of the City, including sales and use tax, in an amount equal to the City's unpaid balance and deposit

it into a newly established State-held fund, the MTA Capital Assistance Fund, and

c. the State Comptroller must pay monies deposited in the MTA Capital Assistance Fund to MTA without appropriation, and

(5) requires the City, beginning on July 1, 2020, to pay one-half of the Authority's net paratransit operating expenses for four years: 2020, 2021, 2022, and 2023, and provides a statutory mechanism to intercept funds otherwise available to the City to insure payment of the City's share, if necessary. The City's contribution for each of those years is capped in the law as follows: 2020: $215 million; 2021: $277 million; 2022: $290 million; and 2023: $310 million.

- *Dedication of 341-7 Madison Avenue Redevelopment Proceeds to MTA Capital Program -* MTA and the City of New York announced on April 2, 2020, an agreement on a site-specific value capture strategy to speed development of 341-7 Madison Avenue, the site of the MTA's former headquarters in midtown Manhattan. Real estate taxes and other revenue generated from the future ground lease for the redevelopment of the property will be dedicated to the MTA capital program. The redevelopment plan is projected to generate more than $1 billion over the life of the ground lease to fund approved MTA New York City Transit projects. The agreement is part of the City of New York's commitment to provide $600 million from alternative non-tax-levy revenue sources as part of its $2.66 billion contribution to MTA's 2015-2019 Capital Plan.

- *COVID-19 family benefits agreement* – On April 14, 2020 the MTA, Transport Workers Union Local 100 (TWU) reached an agreement on COVID-19 family benefits for transportation workers tragically lost in the pandemic. The benefits include a payment of $500,000 from the Authority to the surviving family of any worker who lost their life as a result of COVID-19, in addition to providing health insurance to the spouse and dependents to the age of 26 of the surviving family for three years. The Authority continues to have ongoing discussions with all labor partners to extend the COVID-19 family benefits agreement to all members of its represented workforce. The agreement will also be extended to all non-represented employees. The agreement was approved by the Board on April 22, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE MABSTOA PENSION PLAN AT DECEMBER 31:
(In millions)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 87	$ 84	$ 82	$ 77	$ 72
Interest	256	246	237	233	224
Differences between expected and actual experience	6	12	14	(69)	(2)
Change of assumptions	-	6	-	-	-
Benefit payments and withdrawals	(214)	(209)	(188)	(180)	(175)
Net change in total pension liability	135	139	145	61	119
Total pension liability — beginning	3,676	3,537	3,392	3,331	3,212
Total pension liability — ending(a)	3,811	3,676	3,537	3,392	3,331
Fiduciary net position:					
Employer contributions	205	202	221	215	226
Member contributions	22	20	19	16	15
Net investment income	(88)	350	212	(24)	105
Benefit payments and withdrawals	(214)	(209)	(188)	(180)	(175)
Administrative expenses	-	-	-	-	-
Net change in plan fiduciary net position	(75)	363	264	27	171
Plan fiduciary net position — beginning	2,919	2,556	2,292	2,265	2,094
Plan fiduciary net position — ending(b)	2,844	2,919	2,556	2,292	2,265
Employer's net pension liability — ending(a)-(b)	$ 967	$ 757	$ 981	$1,100	$1,066
Plan fiduciary net position as a percentage of the total pension liability	74.6 %	79.4 %	72.3 %	67.6 %	68.0 %
Covered-employee payroll	776	750	717	687	653
Employer's net pension liability as a percentage of covered-employee payroll	124.6 %	100.9 %	136.8 %	160.1 %	163.2 %

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. In accordance with GASB No. 68, information was not readily available for periods prior to 2014.

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY IN THE NYCERS PENSION PLAN AT JUNE 30:
(In millions)

	2019	2018	2017	2016	2015
The Authority's proportion of the net pension liability	23.271 %	22.527 %	22.788 %	22.227 %	22.380 %
The Authority's proportionate share of the net pension liability	$ 4,310	$ 3,973	$ 4,732	$ 5,400	$ 4,530
The Authority's actual covered-employee payroll	$ 3,256	$ 3,090	$ 3,024	$ 2,930	$ 2,862
The Authority's proportionate share of the net pension liability as a percentage of the Authority's covered-employee payroll	132.371 %	128.576 %	156.481 %	184.300 %	158.277 %
Plan fiduciary net position as a percentage of the total pension liability	78.836 %	78.826 %	74.805 %	69.568 %	73.125 %

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. In accordance with GASB No. 68, information was not readily available for periods prior to 2015.

NEW YORK CITY TRANSIT AUTHORITY
(Component Unit of the Metropolitan Transportation Authority)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO ALL PENSION PLANS
FOR THE YEARS ENDED DECEMBER 31:
(In millions)

MaBSTOA:	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 209.3	$ 202.5	$ 202.9	$ 220.7	$ 214.9	$ 226.4	$ 234.5	$ 228.9	$ 186.5	$ 200.6
Actual Employer Contribution	206.4	205.4	202.7	220.7	214.9	226.4	234.5	228.9	186.5	200.6
Contribution Deficiency (Excess)	$ 2.9	$ (2.9)	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	786.6	776.2	749.7	716.5	686.7	653.3	582.1	576.0	579.7	591.1
Contributions as a % of Covered Payroll	26.2 %	26.5 %	27.0 %	30.8 %	31.3 %	34.7 %	40.3 %	39.7 %	32.2 %	33.9 %

NYCERS:	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 904.1	$ 768.4	$ 759.6	$ 753.2	$ 694.4	$ 708.2	$ 702.9	$ 695.8	$ 630.1	$ 549.1
Actual Employer Contribution	904.1	768.4	759.6	753.2	694.4	708.2	702.9	695.8	630.1	549.1
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	3,784.2	3,841.0	3,624.4	3,386.1	3,344.3	3,449.1	2,811.1	2,797.7	2,771.9	2,751.5
Contributions as a % of Covered Payroll	23.9 %	20.0 %	21.0 %	22.2 %	20.8 %	20.5 %	25.0 %	24.9 %	22.7 %	20.0 %

The following actuarial methods and assumptions were used in the January 1, 2018 and 2017 funding valuation for the MaBSTOA pension plan as follows:

	MaBSTOA	
Valuation Date	January 1, 2018	January 1, 2017
Measurement Date	December 31, 2018	December 31, 2017
Actuarial cost method	Frozen Initial Liability (FIL)(1)	Frozen Initial Liability (FIL)(1)
Amortization method	For FIL bases, period specified in current valuation report. Future gains/losses are amortized through the calculation of the normal cost in accordance with the FIL cost method amortized based on expected working lifetime, weighted by salary, of the projected population.	For FIL bases, period specified in current valuation report. Future gains/losses are amortized through the calculation of the normal cost in accordance with the FIL cost method amortized based on expected working lifetime, weighted by salary, of the projected population.
Asset Valuation Method	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.	Actuarial value equals market value less unrecognized gains/losses over a 5-year period. Gains/losses are based on market value of assets.
Actuarial assumptions:		
Discount Rate	7.0%	7.0%
Investment rate of return	7.0%, net of investment expenses	7.0%, net of investment expenses
Mortality	Based on experience of all MTA members reflecting mortality improvement on a generational basis using Scale AA.	Based on experience of all MTA members reflecting mortality improvement on a generational basis using Scale AA.
Inflation	2.5% per annum	2.5% per annum
Salary increases	In general, merit and promotion increases plus assumed general wage increases of 3.5% to 15.0% for operating employees, and 4.0% to 7.0% for nonoperating employees per year, depending on years of service.	In general, merit and promotion increases plus assumed general wage increases of 3.5% to 15.0% for operating employees, and 4.0% to 7.0% for nonoperating employees per year, depending on years of service.
Overtime	Except for managerial employees, 8.5% of base salary for operating employees and 2.0% of base salary for nonoperating employees, with different assumptions used in the year before retirement. For Tier 6 members, all overtime was assumed to be less than the overtime cap.	Except for managerial employees, 8.5% of base salary for operating employees and 2.0% of base salary for nonoperating employees, with different assumptions used in the year before retirement. For Tier 6 members, all overtime was assumed to be less than the overtime cap.
Cost-of-Living Adjustments	1.375% per annum	1.375% per annum
Rate of normal retirement	Tables based on recent experience. Rates vary by age, years of service at retirement and Tier/Plan. All members are assumed to retire by age 80.	Tables based on recent experience. Rates vary by age, years of service at retirement and Tier/Plan. All members are assumed to retire by age 80.

(1) Under this actuarial method, the initial liability has been established by the Entry Age Actuarial Cost Method for determining changes in the Unfunded Actuarial Accrued Liability (UAAL) due to plan provision and assumption changes.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO ALL PENSION PLANS:

Significant methods and assumptions used in calculating the actuarially determined contributions of an employer's proportionate share in a Cost Sharing, Multiple-Employer pension plan, the NYCERS Plan, should be presented as notes to the schedule. Factors that significantly affect trends in the amounts reported are changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. Following is a summary of such factors:

Changes of Benefit Terms

There were no changes of benefit terms in the June 30, 2018 funding valuation.

Changes of Assumptions

There were no changes of benefit assumptions in the June 30, 2018 funding valuation.

(Concluded)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY IN THE MTA OPEB PLAN AT:
(In millions)

Plan Measurement Date (December 31):	2018	2017
The Authority's proportion of the net OPEB liability	67.83%	67.88%
The Authority's proportionate share of the net OPEB liability	$ 13,281	$ 13,784
The Authority's covered payroll	$ 4,617	$ 3,619
The Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.65%	380.88%
Plan fiduciary net position as a percentage of the total OPEB liability	1.76%	1.79%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE OPEB PLAN AND NOTES TO SCHEDULE OF THE AUTHORITY'S CONTRIBUTION TO THE OPEB PLAN FOR THE YEARS ENDED DECEMBER 31:
(In millions)

	2019	2018	2017
Actuarially Determined Contribution	n/a	n/a	n/a
Actual Employer Contribution (1)	$ 505.6	$ 468.8	$ 441.9
Contribution Deficiency (Excess)	n/a	n/a	n/a
Covered Payroll	4,570.8	4,617.2	3,618.6
Actual Contribution as a Percentage of Covered Payroll	11.06%	10.15%	12.21%

(1) Actual employer contribution includes the implicit rate of subsidy adjustment of $21.3, $19.9 and $19.6 for the years ended December 31, 2019, 2018 and 2017, respectively.

Notes to Schedule of the Authority's Contribution to the OPEB Plan:

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017	July 1, 2017
Measurement date	December 31, 2018	December 31, 2017
Discount rate	4.10%	3.44%
Inflation	2.50%	2.50%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Investment rate of return	6.50%	6.50%

Changes of benefit terms: In the July 1, 2017 actuarial valuation, there were no changes to the benefit terms.

Changes of assumptions: In the July 1, 2017 actuarial valuation, there was a change in assumptions. The discount rate used to measure liabilities was updated to incorporate GASB 75 guidance and changed to reflect the current municipal bond rate.

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.