New York City Transit Authority

(Component Unit of the Metropolitan Transportation Authority)

Consolidated Financial Statements as of and for the Years Ended December 31, 2018 and 2017, Required Supplementary Information, and Independent Auditors’ Report

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

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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 Consolidated Financial Statements

We have audited the accompanying consolidated statements of net position 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 December 31, 2018 and 2017, and the related consolidated statements of revenues, expenses, and changes in net position and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the Authority's consolidated financial statements, as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated net position of the Authority as of December 31, 2018 and 2017, and the respective changes in the consolidated net position and consolidated 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 consolidated 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 opinion is not modified with respect to this matter.

As described in Note 2 to the consolidated financial statements, in 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is 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 consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the consolidated 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

June 26, 2019

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction to the Annual Report:

This annual report consists of three parts: Management's Discussion and Analysis, Consolidated Financial Statements and 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, 2018 and 2017. 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 Include:

The Consolidated Statements of Net Position provide information about the nature and amounts of resources, with present service capacity, that the New York City Transit Authority (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 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.

FINANCIAL REPORTING ENTITY

The New York City Transit Authority 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.

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, 2018 and 2017. 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

				Increase/(Decrease)	
(In millions)	**2018**	**2017**	**2016**	**2018-2017**	**2017-2016**
Capital assets	$ 66,465	$ 63,507	$ 60,526	$ 2,958	$ 2,981
Accumulated depreciation	(23,270)	(22,190)	(20,549)	(1,080)	(1,641)
Capital assets, net of accumulated depreciation	43,195	41,317	39,977	1,878	1,340
Other assets	2,260	2,470	2,717	(210)	(247)
Total assets	45,455	43,787	42,694	1,668	1,093
Deferred outflows of resources	1,738	1,018	1,402	720	(384)
Total assets and deferred outflows of resources	$ 47,193	$ 44,805	$ 44,096	$ 2,388	$ 709

The Authority's capital assets totaled $66,465 at December 31, 2018. Of the total, depots, yards, signals, and stations were 48.8%, subway cars and buses accounted for 18.5% 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, 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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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, *Accounting and Financial Reporting for Pensions,* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Refer to Notes 6 and 7 to the consolidated financial statements for more information regarding the Authority's pension and postemployment benefits other than pension, respectively.

December 31, 2017 versus 2016

Capital assets increased from December 31, 2016 to December 31, 2017 by $2,981, or 4.9%. This increase was primarily due to station rehabilitation work of $1,971 and track and structures of $752. Accumulated depreciation has increased by $1,641, or 8.0%.

Other assets decreased by $247, or 9.1%, compared with the prior year. This decrease was mostly due to a decrease in receivables from MTA for the purchase of capital assets of $126 and a decrease in due from MTA and constituent authorities of $112.

Deferred outflows of resources decreased by $384, or 27.4% compared with prior year based upon the most current 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.* Refer to Note 6 to the consolidated financial statements for more information regarding the Authority's pensions.

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

(In millions)	2018	2017	2016	Increase/(Decrease) 2018-2017	Increase/(Decrease) 2017-2016
Current liabilities	$ 1,900	$ 1,875	$ 1,710	$ 25	$ 165
Long-term liabilities	21,609	21,390	20,741	219	649
Total liabilities	23,509	23,265	22,451	244	814
Deferred inflows of resources	759	392	210	367	182
Total liabilities and deferred inflows of resources	$ 24,268	$23,657	$22,661	$ 611	$ 996

At the end of 2018, the Authority's liabilities consisted primarily of employee fringe benefit-related liabilities (for retirement, health and other benefits) of 61.9%, net pension liability of 20.1%, and injuries to persons (public liability and workers' compensation) of 13.1%. Included in the employee fringe benefit-related liabilities was $13,784 of post-employment benefits other than pensions.

Significant changes in liabilities include:

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 pension and postemployment benefits other than pension, respectively.

December 31, 2017 versus 2016

Liabilities increased from December 31, 2016 to December 31, 2017 by $814, or 3.6%. Current liabilities increased by $165, or 9.6%, and long-term liabilities increased by $649, or 3.1%.

The net increase in current liabilities was mainly due to higher levels of accounts payable in connection with various maintenance initiatives, including the Subway Action Plan, of $37. An increase in salaries and wages of $30, due to salary increases and retroactive wage reserves, an increase in health and welfare accruals of $36, due to the transition to a new provider, and higher levels of vacation and sick related to policy changes for certain hourly employees to improve availability of $30.

The net increase in long-term liabilities was primarily due to the addition of $1,103 of postemployment benefits other than pensions, a $275 increase in the estimated liability arising from injuries to persons, and a decrease in net pension liability of $787, based upon the most current actuarial valuations.

Deferred inflows of resources increased by $182, or 86.7% compared with prior year based upon the most recent actuarial valuation report in accordance with GASB Statements No. 68. Refer to Note 6 to the consolidated financial statements for more information regarding the Authority's pension.

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

				Increase/(Decrease)	
(In millions)	**2018**	**2017**	**2016**	**2018-2017**	**2017-2016**
Net investment in capital assets	$ 43,018	$ 41,144	$ 39,808	$ 1,874	$ 1,336
Unrestricted	(20,093)	(19,996)	(18,373)	(97)	(1,623)
Total net position	$ 22,925	$ 21,148	$ 21,435	$ 1,777	$ (287)

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, 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).

December 31, 2017 versus 2016

Total net position was $21,148 at the end of 2017, a net decrease of $287, or 1.3% from the end of 2016. The net decrease was primarily due to an operating loss of $5,791 and offset by net nonoperating income of $3,644 and capital contributions from the MTA of $1,860.

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

(In millions)	Year Ended December 31, 2018	2017	2016	Increase/(Decrease) 2018-2017	2017-2016
Operating revenues	$ 4,893	$ 4,912	$ 4,859	$ (19)	$ 53
Operating expenses	(10,804)	(10,703)	(10,650)	(101)	(53)
Operating loss	(5,911)	(5,791)	(5,791)	(120)	-
Nonoperating revenues (expenses):					
Subsidies: New York State and The City of New York	4,072	3,345	3,670	727	(325)
Triborough Bridge and Tunnel Authority	290	310	313	(20)	(3)
Interest expense	(17)	(16)	(20)	(1)	4
Other nonoperating revenue/(expenses)	10	5	3	5	2
Loss on disposal of subway cars	(125)	-	-	(125)	-
Total nonoperating revenues (expenses)	4,230	3,644	3,966	586	(322)
Loss before capital contributions	(1,681)	(2,147)	(1,825)	466	(322)
Capital contributions	2,652	1,860	1,918	792	(58)
Change in net position	971	(287)	93	1,258	(380)
Net position — beginning of year	21,148	21,435	21,342	(287)	93
Restatement of beginning net position — adoption of GASB No. 75	806	-	-	806	-
Net position — end of year	$22,925	$21,148	$21,435	$ 1,777	$ (287)

Revenue from Fares/Ridership

(In millions)	2018	2017	2016	Increase/(Decrease) 2018-2017	2017-2016
Subway revenue	$ 3,427	$ 3,441	$ 3,351	$ (14)	$ 90
Bus revenue	929	952	966	(23)	(14)
Expired fare media revenue	70	76	80	(6)	(4)
Paratransit revenue	21	18	18	3	-
Total revenue from fares	$ 4,447	$ 4,487	$ 4,415	$ (40)	$ 72
Total ridership (millions)	2,259	2,339	2,404	(80)	(65)
Non-student average fare	$ 2.03	$ 1.98	$ 1.90	$ 0.05	$ 0.08

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.

2017 versus 2016

Total revenue from fares was $4,487 in 2017, an increase of $72, or 1.6%. This increase was due mostly to the March 2017 fare increase. Total ridership was 2,339, a decrease of 65, or 2.7% from 2016.

Operating Expenses, by Major Function

				Increase/(Decrease)	
(In millions)	**2018**	**2017**	**2016**	**2018-2017**	**2017-2016**
Salaries and wages	$ 4,107	$ 3,901	$ 3,632	$ 206	$ 269
Health and welfare	836	860	830	(24)	30
Pensions	599	706	800	(107)	(94)
Other fringe benefits	489	410	592	79	(182)
Reimbursed overhead expenses	(347)	(304)	(263)	(43)	(41)
Postemployment benefits other than pensions	1,170	1,516	1,613	(346)	(97)
Electric Power	301	265	250	36	15
Fuel	112	95	78	17	17
Insurance	67	72	74	(5)	(2)
Public liability claims	226	279	251	(53)	28
Paratransit service contracts	455	393	384	62	9
Maintenance and other operating contracts	234	246	223	(12)	23
Professional service contracts	197	172	134	25	38
Pollution remediation projects	84	8	10	76	(2)
Materials and supplies	353	319	312	34	7
Depreciation	1,833	1,682	1,650	151	32
Other expenses	88	83	80	5	3
Total operating expenses	$ 10,804	$ 10,703	$ 10,650	$ 101	$ 53

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.

2017 versus 2016

Total operating expenses increased by $53 or 0.5% compared to 2016 as follows:

- Salaries and wages were higher than 2016 by $269 or 7.4%. Payroll increased by 4.5% as most represented and non-represented personnel received wage increases in 2017 and headcount increased in support of Subway Action Plan and various maintenance programs and operations requirements. Overtime expenses increased by 27.6%, due mostly to support the Subway Action Plan, various maintenance and weather-related requirements, and vacancy/absentee coverage requirements.

- Health and welfare expenses increased by $30, or 3.6%, due primarily to increased rates for health and welfare plans.

- Pension expenses decreased by $94, or 11.8%, based on the most current actuarial valuation.

- Other fringe benefit expenses decreased by $182, or 30.7%, due primarily to lower workers' compensation reserve requirements from 2016, based upon a current actuarial valuation.

- Post-employment benefits other than pensions decreased by $97, or 6.0%, based on the most current actuarial valuation.

- Electric power expenses increased by $15, or 6.0% due to higher prices.

- Fuel expenses increased by $17, or 21.8%, due mostly to higher prices.

- Public liability claims expenses increased by $28, or 11.2%, due primarily to an actuarial valuation update, which reflected the increase in major claims and the cost of claims.

- Maintenance contract expenses increased by $23, or 10.3%, due largely to additional requirements for revenue vehicle maintenance & repairs, safety equipment and tires & tubes.

- Professional service contract expenses increased by $38, or 28.4%, including implementation of additional professional service contract requirements, and expense increases in information technology regarding additional data communications and other requirements.

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 $2,652 in 2018 and $1,860 in 2017, 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 $971 in 2018 before a restatement of beginning net position of $806 to result in a total net position $22,925 at the end of 2018. The accumulated prior year net position restatement of $806 was related to the adoption of GASB Statements No. 75 (See note 2 to the consolidated financial statements).

Budget Highlights

Total operating revenues in 2018 of $4,893 were lower than budget by $103, or 2.1%. Total revenue from fares underran budget by $104, or 2.3%, due mostly to lower ridership trends, including the impact of adverse weather early in the year. Other operating revenues were above budget by $1, or 0.2%.

Total operating expenses in 2018 of $10,804 were under budget by $486, or 4.3%. Labor-related expenses of $6,853 were under budget by $693, or 9.2%. This result was due primarily to a decrease in post-employment benefits other than pensions of $643, or 35.4%, due to the adoption of GASB Statement No. 75. Additionally, overtime expenses were higher by $219, or 47.0%, due largely to Subway Action Plan requirements and vacancy coverages. Non-labor expenses were above budget by $208, or 5.5%, due largely to additional pollution remediation project requirements of $84.1 million, additional public liability claims reserve requirements of $54, and higher depreciation expenses of $4.8 million, due to additional assets reaching beneficial use. Paratransit service contract expenses were also above budget by $39, or 9.4%, due mostly to increased E-Hail activity.

OVERALL FINANCIAL POSITION, RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Results of Operations and Overall Financial Position

Total revenue from fares was $4,447 in 2018, a decrease of $40 or 0.9% from 2017. Total ridership was 2,259 million, a decrease of $80 or 3.4% from 2017. Total operating expenses, including depreciation, other post-employment benefits and environmental remediation expenses, were $10,804 in 2018, an increase of $101 or 0.9%.

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 service.

Preliminary NYCT system-wide utilization in 2018 decreased by 79.3 million trips (3.4%) relative to 2017. The decrease is driven by Subway ridership, which declined by 47.3 million trips (2.7%), and New York City Transit Bus ridership, which declined by 33.3 million trips (5.5%). In addition, the decline in bus ridership is consistent with a trend that began in 2009 and has been observed nationally, while declining subway ridership is a more recent trend, beginning in the third quarter of 2016. Recent bus and subway ridership trends have been attributed to increased fare evasion, planned subway service changes to accommodate construction and maintenance/repair work, increase in use of for-hire vehicle services, and increases in telecommuting and the use of e-commerce. 2018 Paratransit ridership increased 1.28 million trips (14.9%) from 2017, with accelerated growth since April 2018 due to the popularity of E-Hail services.

Seasonally adjusted non-agricultural employment in New York City for the fourth quarter was higher in 2018 than in 2017 by 67.3 thousand jobs (1.5%). On a quarter-to-quarter basis, New York City employment has increased in each of the last thirty-three quarters – the last decline occurred in the third quarter of 2010 – and is 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 2.6% in the fourth quarter of 2018 according to the most recent advance estimate released by the Bureau of Economic Analysis ("BEA"). The increase in RGDP reflected positive contributions from personal consumption expenditures, nonresidential fixed investment, exports, private inventory investment, and federal government spending. These were partially offset by negative contributions from residential fixed investment, and state and local government spending. Imports, which are a subtraction in the Gross Domestic Product ("GDP") calculation, increased. The deceleration in RGDP growth, relative to the third quarter's revised 3.4% growth rate, reflected a deceleration in private inventory investment, personal consumption expenditures and federal government spending, as well as a downturn in state and local government spending. These were partially offset by an acceleration in nonresidential fixed investment, as well as an upturn in exports and a smaller increase in imports.

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 2018, with the metropolitan area index increasing by 1.8 %, while the national index increased by 2.2%, when compared with the fourth quarter of 2017. A 5.3% increase in the regional price of energy products, along with a 3.9% national increase, impacted overall inflation. In the metropolitan area, the CPI-U exclusive of energy products increased by 1.6%, while nationally, inflation exclusive of energy products was 2.1%. The spot price for New York Harbor conventional gasoline fell by 3.8%, from an average price of $1.77 per gallon to an average price of $1.70 per gallon, between the fourth quarters of 2017 and 2018.

The Federal Open Market Committee ("FOMC") raised its target for the Federal Funds rate four times in 2018, with the target range set at 1.5% to 1.75% in March, 1.75% to 2.0% in June, 2.0% to 2.25% in September, and 2.25% to 2.5%—the current target level—in December. This was a slight acceleration in rate increases compared to 2017, when the target level was increased three times. The December increase was in view of continued labor market strength and rising economic activity, as job gains were strong and the unemployment rate remained low. Household spending continued to grow strongly, while growth in business fixed investment moderated from its rapid rate of growth in the first three quarters of 2018. Overall inflation and inflation for items other than food and energy remained close to 2 percent and indicators of longer-term inflation expectations were little changed. The FOMC expects that the economic expansion will be sustained, labor market conditions will remain strong, and inflation will remain near the 2 percent objective. In light of muted inflationary pressures and global economic and financial developments, the FOMC has indicated its patience in determining the timing and size of future rate adjustments, assessing realized and expected economic conditions relative to its dual mandate of maximizing employment and targeting 2 percent inflation.

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, 2018, $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, 2018, $11.4 billion has been encumbered to Authority projects from the 2005-2009 approved plan, of which approximately $11.2 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 remain 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. Reallocation between programs, subsequent to the amendments resulted in the overall plan totaling $31.6 billion, of which the Authority's share is $17.1 billion.

The combined funding sources for the 2010-2014 Capital Program are comprised of $11.5 billion in MTA bonds, $7.6 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 $6.3 billion in insurance and federal reimbursement proceeds (including interim borrowing by MTA to cover delays in the receipt of such proceeds), $0.2 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, 2018, $15.0 billion has been encumbered to Authority projects from the 2010-2014 approved plan, of which approximately $11.4 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.

The combined funding sources for the 2015-2019 Capital Program are comprised of $8.0 billion in MTA Bonds, $2.9 billion in MTA Bridges and Tunnels dedicated funds, $8.6 billion in funding from the State of New York, $7.3 billion in Federal Funds, $2.7 billion from City Capital Funds, $2.1 billion in pay-as-you-go (PAYGO) capital, and $1.6 billion from Other Sources.

At December 31, 2018, $10.9 billion has been encumbered to Authority projects from the 2015-2019 approved plan, of which approximately $3.8 billion has been expended.

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 2019 Financial Plan includes certain risks such as:

- Biennial fare increases approximating inflation
- Achieving efficiencies/consolidations
- *Congestion Zone Surcharges* – In April 2018, the approved 2018-2019 New York State Budget established State legislation providing additional long-term sources or revenue to address the financial needs of the MTA and its affiliates and subsidiaries.

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

CONSOLIDATED STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017
(In thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017
CURRENT ASSETS:		
Cash (Note 3)	$ 65,833	$ 55,891
MTA investment pool (Note 4)	359,677	308,060
Receivables:		
Billed and unbilled charges due from New York City	20,738	16,140
Accrued subsidies	104,881	45,709
Due from MTA and constituent Authorities (Note 9)	465,743	528,925
Other	121,452	140,153
Less allowance for doubtful accounts	(10,166)	(10,041)
Net receivables	702,648	720,886
Materials and supplies — at average cost — net	294,008	291,773
Prepaid expenses and other current assets	36,348	46,397
Total current assets	1,458,514	1,423,007
NONCURRENT ASSETS:		
Due from MTA for the purchase of capital assets (Note 9)	801,569	1,046,693
Capital assets (Note 5):		
Construction work-in-progress	4,313,656	4,313,546
Other capital assets, net of accumulated depreciation	38,717,964	36,833,976
Leased property under capital lease, net of accumulated amortization (Note 5)	66,662	69,073
Leasehold improvements on property, net of accumulated depreciation (Note 5)	96,584	99,808
Restricted deposits and other escrow funds	545	796
Total assets	45,455,494	43,786,899
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pensions (Note 6)	725,795	1,017,872
Related to OPEB (Note 7)	1,011,825	-
Total deferred outflows of resources	1,737,620	1,017,872
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 47,193,114	$ 44,804,771

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, 2018 AND 2017
(In thousands)

	2018	2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 170,656	$ 188,654
Accrued expenses:		
Salaries, wages, and payroll taxes	172,957	153,588
Vacation, sick pay, and other benefits	750,113	741,307
Retirement and death benefits	12,679	11,812
Estimated liability arising from injuries to persons (Note 14)	297,223	278,243
Pollution remediation projects (Note 15)	15,514	6,485
Other	142,621	149,829
Total accrued expenses	1,391,107	1,341,264
Unredeemed farecards	301,321	293,737
Revenue advances	27,801	43,802
Loans Payable (Note 8)	9,192	8,140
Total current liabilities	1,900,077	1,875,597
NONCURRENT LIABILITIES:		
Obligation under capital lease, long-term (Note 5)	176,623	172,612
Net pension liability (Note 6)	4,730,720	5,713,213
Net OPEB liability (Note 7)	13,783,851	12,897,429
Estimated liability arising from injuries to persons (Note 14)	2,788,187	2,521,141
Loans Payable (Note 8)	67,884	58,683
Pollution remediation projects (Note 15)	62,054	25,940
Restricted deposits and other escrow funds	545	796
Total liabilities	23,509,941	23,265,411
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions (Note 6)	744,271	391,559
Related to OPEB (Note 7)	14,323	-
Total deferred inflows of resources	758,594	391,559
NET POSITION:		
Net investment in capital assets	43,018,243	41,143,791
Unrestricted	(20,093,664)	(19,995,990)
Total net position	22,924,579	21,147,801
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 47,193,114	$ 44,804,771

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, 2018 AND 2017
(In thousands)

	2018	2017
OPERATING REVENUES:		
Rapid transit	$ 3,426,813	$ 3,441,124
Surface transit	928,768	952,363
Expired fare media	70,414	75,743
Paratransit fares	20,547	17,526
School, elderly, and paratransit reimbursement	280,810	248,356
Advertising and other (Note 10)	165,336	176,522
Total operating revenues	4,892,688	4,911,634
OPERATING EXPENSES:		
Salaries and wages	4,106,773	3,900,763
Health and welfare	835,982	860,115
Pensions	598,539	705,581
Other fringe benefits	489,257	409,671
Reimbursed overhead expenses	(347,451)	(304,409)
Postemployment benefits other than pensions	1,170,142	1,516,299
Electric power	301,001	265,304
Fuel	112,183	95,440
Insurance	67,313	72,101
Public liability claims	225,666	278,671
Paratransit service contracts	455,471	392,849
Maintenance and other operating expenses (Note 12)	233,963	245,875
Professional service contracts	197,373	172,184
Environmental remediation	84,138	8,537
Materials and supplies	353,250	319,469
Depreciation	1,832,839	1,681,857
Other expenses (Note 11)	88,093	82,909
Total operating expenses	10,804,532	10,703,216
OPERATING LOSS	(5,911,844)	(5,791,582)

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, 2018 AND 2017
(In thousands)

	2018	2017
NONOPERATING REVENUES:		
Tax-supported subsidies:		
New York State (Note 2)	$ 2,551,146	$ 2,493,630
New York City	700,607	539,133
Operating Assistance subsidies:		
New York State	158,672	158,672
New York City	158,672	158,672
Triborough Bridge and Tunnel Authority	290,135	310,367
Less amounts provided to Staten Island Rapid Transit Operating Authority	(5,392)	(5,190)
Other subsidies:		
NYS/NYC Subway Action Plan (Note 2)	507,812	-
Total subsidies revenues	4,361,652	3,655,284
Interest expense	(16,547)	(15,999)
Interest income and other nonoperating revenues	10,268	5,023
Loss on disposal of subway cars	(125,288)	-
Total nonoperating income	4,230,085	3,644,308
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,681,759)	(2,147,274)
CAPITAL CONTRIBUTIONS (Note 2)	2,652,328	1,859,701
CHANGE IN NET POSITION	970,569	(287,573)
NET POSITION:		
Beginning of year	21,147,801	21,435,374
Restatement of beginning net position - adoption of GASB No. 75 (Note 2)	806,209	-
End of year	$ 22,924,579	$ 21,147,801

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, 2018 AND 2017
(In thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passengers, tenants, advertisers, and others	$ 4,869,771	$ 4,900,586
Cash payments for payroll and related employee costs	(6,271,609)	(6,021,359)
Cash payments to suppliers for goods and services	(1,957,653)	(1,713,868)
Net cash used in operating activities	(3,359,491)	(2,834,641)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Subsidies received	4,247,909	3,708,896
Advance from MTA Bus	-	22,948
Payment to MTA Bus	(22,948)	-
Net cash provided by noncapital financing activities	4,224,961	3,731,844
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments	(8,582)	(8,241)
Interest paid	(2,032)	(3,252)
Payments on MTA Transportation bonds issued to fund capital assets	(1,234,053)	(1,230,718)
Subsidies designated for debt service payments	314,791	320,910
Capital project costs incurred for capital program	(1,296,525)	(1,184,004)
Cash transferred to capital program fund	(1,288)	(1,344)
Reimbursement of capital project costs from MTA	1,416,396	1,198,007
Net cash used in capital and related financing activities	(811,293)	(908,642)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in MTA investment pool	(51,617)	2,615
Interest on investments	7,382	3,538
Net cash (used in) provided by investing activities	(44,235)	6,153
NET INCREASE (DECREASE) IN CASH	9,942	(5,286)
CASH — Beginning of year	55,891	61,177
CASH — End of year	$ 65,833	$ 55,891

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, 2018 AND 2017
(In thousands)

	2018	2017
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (5,911,844)	$ (5,791,582)
Adjustments to reconcile operating loss to net cash used in operating activities — depreciation	1,832,839	1,681,857
On-behalf payments related to rent (Note 5)	4,520	4,138
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Increase in operating receivables	(30,501)	(11,753)
Decrease (increase) in prepaid expenses and other current assets	10,049	(1,656)
Increase in materials and supplies	(2,235)	(17,371)
Decrease in deferred outflows of resources related to pensions	292,077	384,302
Increase in deferred outflows of resources related to OPEB	(1,011,825)	-
Increase in farecard liability	7,584	705
Increase in accrued salaries, wages and payroll taxes	19,369	30,392
(Decrease) increase in accounts payable and other accrued liabilities	(26,533)	36,353
Increase in accrued vacation, sick pay and other benefits	8,806	65,993
Increase in accrued retirement and death benefits	867	177
Decrease in net pension liability	(982,493)	(786,915)
Increase in net OPEB liability	1,692,631	1,102,586
Increase in deferred inflows of resources related to pensions	352,712	181,408
Increase in deferred inflows of resources related to OPEB	14,323	-
Increase in estimated liability arising from injuries to persons	286,026	292,440
Increase (decrease) in liability for environmental pollution remediation	84,137	(5,715)
NET CASH USED IN OPERATING ACTIVITIES	$ (3,359,491)	$ (2,834,641)
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES — Contributed capital assets	$ 2,232,490	$ 1,434,712

See notes to consolidated financial statements.

(Concluded)

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 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 MaBSTOA Pension Plan (the Plan) is not a component unit of the Transit Authority, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* and therefore, the financial results of the Plan are not included in the Authority's consolidated financial statements.

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, 2018.

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.*

New Accounting Standards Adopted

The Authority adopted the following GASB Statements for the year ended December 31, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* establishes standards of accounting and financial reporting for postemployment benefits other than pensions (OPEB) that is provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. For defined benefit OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB plans are also addressed.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. As a result of adopting this Statement, the Authority is reporting net OPEB liabilities, deferred outflows of resources and deferred inflows of resources for the MTA Retiree Welfare Benefits Plan (OPEB Plan) and recognizing OPEB expenses in accordance with the provisions of the Statement. The financial statement impact resulting from the implementation of GASB Statement No. 75 and GASB Statement No. 85 is the restatement of 2018 beginning net position, an increase of $806.2 million, representing the retroactive effect of adoption. The Authority did not have readily available information to restate amounts for periods prior to the implementation of GASB Statement No. 75 and GASB Statement No. 85. A net OPEB liability of $13.8 billion, deferred outflow of resources of $1.0 billion, and deferred inflows of resources of $14.3 million were reported at December 31, 2018. The Authority recognized

OPEB expense of $1.2 billion for the year-end December 31, 2018. Refer to Note 7 for more information regarding the MTA OPEB Plan.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues identified during the implementation and application of certain GASB statements. The provisions of this Statement amend and clarify guidance under a variety of topics with the intent to enhance consistency in the application of accounting and reporting requirements. This Statement specifically issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this Statement had no impact on the Authority's financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, establishes standards of accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this Statement had no impact on the Authority's financial statements.

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
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activities*	2019
87	*Leases*	2020
88	*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*	2019
89	*Accounting for Interest Cost Incurred Before the End of a Construction Period*	2020
90	*Majority Equity Interests - An Amendment of GASB Statements No. 14 and No.61*	2019
91	*Conduit Debt Obligations*	2021

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, 2018 and 2017, $265.6 million and $262.2 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 2018 and 2017.

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 2018 and 2017 is as follows (in thousands):

	Accrued Revenue	
	2018	**2017**
Petroleum business tax*	$ 229,720	$ 194,242
Metro mass tax	1,140,040	1,124,265
Payroll Mobility tax	1,181,386	1,175,123
	$2,551,146	$2,493,630

* Net of $314,791 and $320,910 for debt service payments in 2018 and 2017, 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 $217.3 million in 2018 and $181.9 million in 2017. Total paratransit expenses, including paratransit service contracts, were $536.5 million and $474.7 million in 2018 and 2017, 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 2018 and 2017, 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 2017 and 2018. For the year ended December 31, 2018, the Authority collected $55.3 million from the State and The City. The remaining balance of $15.0 million due from The City was received in January 2019.

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 $3.6 million and $7.6 million in 2018 and 2017, 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.

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 $13.3 million to the New York Health Insurance Plan (NYSHIP) and $23.0 million in risk management related insurance coverage during 2018. The Authority prepaid $23.8 million to the New York Health Insurance Plan (NYSHIP) and $22.6 million in risk management related insurance coverage during 2017.

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, 2018 and 2017, consist of the following (in thousands):

	2018	2017
Capital assets contributed by MTA from:		
Federal grants	$ 1,019,030	$ 1,152,343
Other than federal grants	2,522,316	1,484,686
Petroleum business taxes received for principal and interest payments on debt	314,791	320,910
Principal and interest payments on MTA Transportation bonds issued to fund capital assets	(895,247)	(884,094)
Decrease in funds due from MTA for purchase of capital assets	(308,562)	(214,144)
Total capital contributions	$ 2,652,328	$ 1,859,701

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, 2018 and 2017 of $76.3 million and $74.6 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 $113.8 million and $131.3 million as of December 31, 2018 and 2017, respectively.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governmental employers. The Authority reported under this standard for its Postemployment Benefits Other Than Pensions for the year ended December 31, 2017.

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.

Restatement of Beginning Net Position — The effect of the implementation of GASB No. 75 and 85 is a restatement of 2018 beginning net position to retroactively report the beginning balances for net OPEB liability, deferred outflows of resources related to OPEB, deferred inflows of resources related to OPEB, and the removal of any net OPEB obligations (assets) along with any payables to the OPEB Plan, as follows (in millions):

Net position as of December 31, 2017, as previously reported	$ 21,147,801
Composition of Restatement:	
Deferred outflows related to contributions, beginning of the year	441,879
Net OPEB liabilities, beginning of the year	(12,533,099)
Previously accrued OPEB liabilities	12,897,429
Total Restatement:	806,209
Net position as of December 31, 2017, as restated	$ 21,954,010

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, 2018 and 2017 (in thousands):

	2018		2017	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured and collateralized deposits	$ 20,160	$ 5,772	$ 17,643	$ 17,434
Less escrow and other restricted deposits	(770)	(770)	(1,027)	(1,042)
Commercially insured funds on-hand and in-transit	46,443	-	39,275	-
	$ 65,833	$ 5,002	$ 55,891	$ 16,392

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 $7.8 million and $3.6 million for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Authority had an investment pool balance of $359.7 million and $308.1 million, respectively.

5. CAPITAL ASSETS

Capital assets, at December 31, 2018 and 2017, consist of the following (in thousands):

	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—net	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

	December 2016	Additions / Reclassifications	Deletions / Reclassifications	December 2017
Capital assets not being depreciated:				
Construction work-in-progress	$ 4,984,843	$ 2,986,218	$ (3,657,515)	$ 4,313,546
Total capital assets not being depreciated	4,984,843	2,986,218	(3,657,515)	4,313,546
Capital assets being depreciated:				
Subway cars	9,524,564	(6,463)	-	9,518,101
Buses	2,809,628	208,965	(38,201)	2,980,392
Track and structures	12,313,795	752,512	-	13,066,307
Depots and yards	4,490,853	136,087	-	4,626,940
Stations	16,813,226	1,970,469	-	18,783,695
Signals	6,185,649	497,231	-	6,682,880
Service vehicles	362,829	18,764	-	381,593
Building	166,733	-	-	166,733
Other	2,452,076	114,950	(2,716)	2,564,310
Total capital asset being depreciated	55,119,353	3,692,515	(40,917)	58,770,951
Less accumulated depreciation:				
Subway cars	(4,435,198)	(244,514)	-	(4,679,712)
Buses	(1,619,249)	(168,158)	38,201	(1,749,206)
Track and structures	(4,390,174)	(312,864)	-	(4,703,038)
Depots and yards	(1,933,511)	(125,980)	-	(2,059,491)
Stations	(4,576,647)	(504,719)	-	(5,081,366)
Signals	(1,697,108)	(207,361)	-	(1,904,469)
Service vehicles	(148,811)	(15,924)	-	(164,735)
Building	(82,877)	(3,308)	-	(86,185)
Other	(1,418,095)	(93,394)	2,716	(1,508,773)
Total accumulated depreciation	(20,301,670)	(1,676,222)	40,917	(21,936,975)
Total capital assets being depreciated—net	34,817,683	2,016,293	-	36,833,976
Capital assets—net	$ 39,802,526	$ 5,002,511	$ (3,657,515)	$ 41,147,522

Capitalized interest totaled $8.5 million and $9.6 million in 2018 and 2017, 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 2018 and 2017.

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, 2018, for the Authority, TBTA and MTA (including MTA Bus, MTA Capital Construction Company and MTA Business Service Center) were 57.6%, 7.5% and 34.9%, 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, 2018 and 2017 of $176.6 million and $172.6 million, respectively. Operating rent expenses under the Authority's lease amounted to $7.5 million in 2018 and 2017.

MTA pays the lease payments on behalf of the Authority and subsequently makes monthly chargebacks in the form of rental payments. During 2018, the total of the rental payments charged to the Authority was $4.5 million less than the lease payment made by MTA on behalf of the Authority.

At December 31, 2018, future minimum lease payments under the Authority's lease are as follows (in thousands):

Years Ending December 31	Operating	Capital
2019	$ 7,452	$ 13,543
2020	7,452	13,543
2021	7,452	13,543
2022	7,452	13,543
2023	7,452	13,543
2024–2028	37,260	77,586
2029–2033	37,260	98,121
2034–2038	37,260	116,440
2039–2043	37,260	128,878
2044–2048	33,531	128,077
Total minimum lease payments	219,831	616,817
Less interest		(440,194)
Present value of net minimum lease payments		$ 176,623

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, 2018 and 2017, is as follows (in thousands):

	2018	2017
Capital lease — building	$114,489	$114,489
Less accumulated amortization	(47,827)	(45,416)
Capital lease — building — net	$ 66,662	$ 69,073

The amount of such improvements apportioned to the Authority as of December 31, 2018 and 2017 are as follows (in thousands):

	2018	2017
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	(211,412)	(208,188)
Total leasehold improvements	$ 96,584	$ 99,808

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 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, 2017 and 2016, the date of the latest actuarial valuations:

	2017	2016
Active Plan Members	8,594	8,515
Retirees and beneficiaries receiving benefits	5,609	5,468
Vested formerly active members not yet receiving benefits	1,151	1,100
Total	15,354	15,083

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 $205.4 million and $202.7 million for the year ended December 31, 2018 and 2017, 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, 2018 and 2017 were $768.4 million and $759.6 million, respectively.

Net Pension Liability

The Authority's net pension liabilities for each of the pension plans reported at December 31, 2018 and 2017 were measured as of December 31, 2017 and 2016, respectively for the MaBSTOA plan and June 30, 2018 and 2017, respectively for NYCERS. The total pension liability for each of the pension plans were determined as of the actuarial valuation dates of January 1, 2017 and 2016 for MaBSTOA plan and June 30, 2016 and 2015 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, 2017**	**January 1, 2016**	**June 30, 2016**	**June 30, 2015**
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 a 2012 experience study for all the Authority plans.	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.	75% of the rates from the RP-2000 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, 2017 and June 30, 2018, respectively, are summarized as follows:

	MaBSTOA Plan	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
US Core Fixed Income	10.00%	1.96%
US High Yield Bonds	8.00%	4.62%
Global Bonds	10.00%	0.34%
Emerging Markets Bonds	3.00%	3.30%
US Large Caps	10.00%	4.31%
US Small Caps	5.50%	5.57%
Global Equity	10.00%	4.99%
Foreign Developed Equity	10.00%	5.57%
Emerging Markets Equity	3.50%	7.91%
Global REITs	5.00%	5.62%
Private Real Estate Property	3.00%	3.64%
Private Equity	7.00%	8.99%
Hedge Funds - MultiStrategy	15.00%	3.35%
	100.00%	
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.85%
Portfolio Arithmetic Mean Return as per Actuary		6.80%
Portfolio Standard Deviation		11.54%
Long Term Expected Rate of Return selected by MTA		7.00%

	NYCERS	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Public Market Equities	29.00%	6.30%
International Public Market Equities	13.00%	7.00%
Emergining Public Market Equities	7.00%	9.50%
Private Market Equities	7.00%	10.40%
Fixed Income	33.00%	2.20%
Alternatives (Real Assets, Hedge Funds)	11.00%	5.50%
	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, 2017 and June 30, 2018, 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, 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of December 31, 2015	$ 3,391,989	$ 2,292,316	$ 1,099,673
Changes for fiscal year 2016:			
Service Cost	82,075	-	82,075
Interest on total pension liability	236,722	-	236,722
Effect of economic/demographic (gains) or losses	13,784	-	13,784
Benefit payments and withdrawals	(187,823)	(187,823)	-
Administrative expense	-	(186)	186
Member contributions	-	18,472	(18,472)
Net investment income	-	212,259	(212,259)
Employer contributions	-	220,697	(220,697)
Balance as of December 31, 2016	$ 3,536,747	$ 2,555,735	$ 981,012

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, 2017			December 31, 2016		
	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	$ 1,166,477	$ 757,487	$ 409,121	$ 1,376,916	$ 981,012	$ 643,826

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, 2018 and 2017, and the proportion percentage of the net pension liability of NYCERS allocated to the Authority:

	June 30, 2018	June 30, 2017
	(in millions)	
The Authority's proportion of the net pension liability	22.527 %	22.788 %
The Authority's proportionate share of the net pension liability	$ 3,973.23	$ 4,732.20

The Authority's proportion of the net pension liability was based on the Authority's actual contributions made to NYCERS for the year-ended June 30, 2018 and 2017, 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, 2018			June 30, 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)	
The Authority's proportionate share of the net pension liability	$ 6,090,641	$ 3,973,233	$ 2,186,848	$ 6,839,258	$ 4,732,201	$ 2,881,174

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

For the year ended December 31, 2018 and 2017, the Authority recognized pension expense, gross of reimbursements, related to each pension plan as follows (in thousands):

	December 31,	
Pension Plans	**2018**	**2017**
MaBSTOA	$ 126,833	$ 164,753
NYCERS	509,342	576,316
Total	$ 636,175	$ 741,069

For the years ended December 31, 2018 and 2017, 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, 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

For the Year Ended December 31, 2017	**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	$ 11,663	$ 47,891	$ -	$ 126,266	$ 11,663	$ 174,157
Changes in actuarial assumptions	-	-	233,280	-	233,280	-
Net difference between projected and actual earnings on pension plan investments	88,413	-	-	193,361	88,413	193,361
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	101,463	24,041	101,463	24,041
Employer contributions to plan subsequent to the measurement date of net pension liability	202,684	-	380,369	-	583,053	-
Total	$ 302,760	$ 47,891	$ 715,112	$ 343,668	$ 1,017,872	$ 391,559

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	6.01	6.01	6.01

For the years ended December 31, 2018 and 2017, \$593.5 million and \$583.1 million were reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2018 will be recognized as pension expense as follows (in thousands):

Year Ending December 31:	**MaBSTOA**	**NYCERS**	**Total**
2019	$ (4,711)	$ 31,047	$ 26,336
2020	(13,424)	(122,810)	(136,234)
2021	(50,126)	(242,613)	(292,739)
2022	(32,481)	(106,793)	(139,274)
2023	3,856	(74,583)	(70,727)
Thereafter	1,398	(746)	652
Total	$ (95,488)	$(516,498)	$(611,986)

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 year-ended December 31, 2018, the Authority paid $468.8 million of PAYGO to the OPEB Plan, including an implicit rate subsidy adjustment of $19.9 million.

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, 2017 and December 31, 2016, the measurement dates, are 3.44% and 3.78%, 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, 2017, the employer made a cash payment for retiree healthcare of $19.6 million 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		2017 Retirees
		(in thousands)
Total blended premiums	$	422,260
Employment payment for retiree healthcare		19,619
Net Payments	$	441,879

Net OPEB Liability

The Authority's proportionate share of the Plan's net OPEB liability reported at December 31, 2018 was measured as of the OPEB Plan's fiscal year-end of December 31, 2017. 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. 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, 2017
		(in thousands)
The Authority's proportion of the net OPEB liability		67.878 %
The Authority's proportionate share of the net OPEB liability	$	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, the measurement date. 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
Measurement date	December 31, 2017
Discount rate	3.44%
Inflation	2.50%
Actuarial cost method	Entry Age Normal
Investment rate of return	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:

	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.

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

	NYSHIP Trend		Self-Insured Trend	
Year Ending	Pre-65 Trend	Post-65 Trend	Pre-65 Trend	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%	1.96%
Global Bonds	15.00%	34.00%
Emerging Market Bonds	5.00%	3.30%
Global Equity	35.00%	4.99%
Non-US Equity	15.00%	5.84%
Global REITs	5.00%	5.62%
Hedge Funds - MultiStrategy	12.00%	3.35%
	100.00%	
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.85%
Portfolio Arithmetic Mean Return as per Actuary		6.29%
Portfolio Standard Deviation		11.37%
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, 2017 of 3.44%.

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:

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
		(in thousands)	
Proportionate share of the net OPEB liability	$ 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:

	1% Decrease	Healthcare Cost Current Trend Rate *	1% Increase
		(in thousands)	
Proportionate share of the net OPEB liability	$ 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, 2018, the Authority recognized OPEB expense of $1.2 billion, 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, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows ($ in thousands):

	December 31, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,987	$ -
Changes in assumptions	535,075	-
Net difference between projected and actual earnings on OPEB plan investments	-	14,323
Employer contributions to the plan subsequent to the measurement of net OPEB liability	468,763	-
Total	$ 1,011,825	$ 14,323

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

Year ending December 31:		
2019	$	81,273
2020		81,273
2021		81,273
2022		81,273
2023		84,853
Thereafter		118,794
Total	$	528,739

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, 2018 are as follows (in thousand):

Year	Principal	Interest	Total
2019	9,192	1,042	$ 10,234
2020	8,569	914	9,483
2021	7,977	795	8,772
2022	6,866	686	7,552
2023	5,181	602	5,783
2024-2028	20,236	1,751	21,987
2029-2033	18,621	653	19,274
2034-2038	434	4	438
Total	$ 77,076	$ 6,447	$ 83,523
Less current portion	(9,192)		
Long-term loans payable	$ 67,884		

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, 2018 and 2017 (in thousands):

	2018		2017	
	Receivable	**(Payable)**	**Receivable**	**(Payable)**
MTA	$ 8,185,011	$ (7,017,255)	$ 6,831,272	$ (6,386,894)
Constituent authorities	110,582	(11,026)	121,700	(37,153)
Total MTA and constituent authorities	$ 8,295,593	$ (7,028,281)	$ 6,952,972	$ (6,424,047)

10. ADVERTISING AND OTHER INCOME

Advertising and other income for the years ended December 31, 2018 and 2017, consist of (in thousands):

	2018	2017
Advertising revenue	$ 112,186	$ 112,564
Metrocard green fee surcharge	22,274	22,499
Transit Adjudication Bureau collections	9,539	13,867
Station income	6,582	8,392
Rental income	9,976	14,945
Fare media transaction fees	4,560	4,562
All other	219	(307)
	$ 165,336	$ 176,522

11. OTHER EXPENSES

Other expenses for the years ended December 31, 2018 and 2017, consist of (in thousands):

	2018	2017
Credit and debit card fees for fare media sales	$ 50,956	$ 48,886
Fare media sales commissions	12,780	13,269
NYS Metro Commuter Transportation Mobility Tax expense	15,388	14,446
Print and office supplies	7,455	6,265
Allowance for uncollectible accounts	1,407	(1,096)
Business travel, meetings, and conventions	631	402
Dues and subscriptions	437	2,149
Other miscellaneous expenses	(961)	(1,412)
	$ 88,093	$ 82,909

12. MAINTENANCE AND OTHER OPERATING EXPENSES

Maintenance and other operating expenses for the years ended December 31, 2018 and 2017, consist of (in thousands):

	2018	2017
Operating maintenance and repair services	$105,276	$ 86,866
Facility maintenance and repairs	16,555	18,565
Real estate rentals (including 2 Broadway operating expenses)	24,085	27,702
Security services	13,172	16,597
Refuse and recycling	8,063	10,460
Telephone services	7,594	9,970
Tire and tube rentals	14,131	13,037
Janitorial and custodial services	5,734	5,874
Water and sewage	6,949	9,259
Specialized equipment	1,281	2,792
Bridge, tunnel and highway tolls	4,835	4,579
Uniforms	4,404	5,048
Ticket stock material	3,198	3,795
Safety equipment and supplies	11,263	11,250
Other miscellaneous expenses	7,423	20,081
	$233,963	$245,875

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	Cargill	Goldman Sachs	Goldman Sachs	Goldman Sachs	Goldman Sachs	Goldman Sachs
Trade Date	2/28/2017	3/28/2017	4/27/2017	5/30/2017	6/27/2017	7/26/2017
Effective Date	2/1/2018	3/1/2018	4/1/2018	5/1/2018	6/1/2018	7/1/2018
Termination Date	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019
Price/Gal	$1.68	$1.61	$1.59	$1.61	$1.52	$1.62
Notional Qnty (Gal)	2,923,256	2,923,255	2,887,174	2,914,270	2,914,264	2,914,252

Counterparty	Goldman Sachs	Goldman Sachs	Goldman Sachs	Goldman Sachs	Goldman Sachs	Goldman Sachs
Trade Date	8/29/2017	9/22/2017	10/26/2017	11/29/2017	12/27/2017	1/31/2018
Effective Date	8/1/2018	9/1/2018	10/1/2018	11/1/2018	12/1/2018	1/1/2019
Termination Date	7/31/2019	8/31/2019	9/30/2019	10/31/2019	11/30/2019	12/31/2019
Price/Gal	$1.63	$1.72	$1.76	$1.85	$1.91	$1.96
Notional Qnty (Gal)	2,914,252	2,914,244	2,612,515	2,870,561	2,870,574	2,870,565

Counterparty	Goldman Sachs	Goldman Sachs	Macquarie Energy LLC	Goldman Sachs	Goldman Sachs	BOA_ Merrill
Trade Date	2/28/2018	3/28/2018	4/24/2018	5/29/2018	6/26/2018	7/31/2018
Effective Date	2/1/2019	3/1/2019	4/1/2019	5/1/2019	6/1/2019	7/1/2019
Termination Date	1/31/2020	2/29/2020	3/31/2020	4/30/2020	5/31/2020	6/30/2020
Price/Gal	$1.88	$1.98	$2.08	$2.16	$2.18	$2.17
Notional Qnty (Gal)	2,786,237	2,853,500	2,799,258	2,841,090	2,841,069	2,820,856

Counterparty	Goldman Sachs	Goldman Sachs	JPM Ventures Energy Corp	Cargill	BOA_ Merrill
Trade Date	8/29/2018	9/25/2018	10/1/2018	10/30/2018	11/27/2018
Effective Date	8/1/2019	9/1/2019	1/1/2018	10/1/2019	11/1/2019
Termination Date	7/31/2020	8/31/2020	12/31/2018	9/30/2020	10/31/2020
Price/Gal	$2.21	$2.29	$1.75	$2.25	$1.92
Notional Qnty (Gal)	2,831,924	2,831,922	2,923,252	2,831,934	3,023,197

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, 2018, the total outstanding notional value of the ULSD contracts was $49.7 million gallons with a negative fair market value of $12 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 and $0.7 million in 2018 and 2017, respectively.

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, 2018 and 2017, is as follows (in thousands):

	2018	2017
Balance at beginning of year	$2,799,384	$2,506,944
Activity during the year:		
Current year claims and changes in estimates	587,166	548,144
Claims paid	(301,140)	(255,704)
Balance at end of year	3,085,410	2,799,384
Less current portion	(297,223)	(278,243)
Long-term liability	$2,788,187	$2,521,141

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, 2018, the balance of the assets in this program was $152.6 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, 2018, 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, 2018, 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 $3 million per occurrence limit with a $1 million per occurrence deductible.

Property Insurance — Effective May 1, 2018, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, 2018, 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 program annual limit is $800 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.

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 82% of "certified" losses in 2018, 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 18% (2018), 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 $160 million in 2018, $180 million in 2019 and $200 million in 2020. The United States government's reinsurance is in place through December 31, 2020.

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) 18% of any "certified" act of terrorism up to a maximum recovery of $193.5 million for any one occurrence and in the annual aggregate during 2018, 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 $160 million TRIPRA trigger up to a maximum recovery of $160 million for any occurrence and in the annual aggregate during 2018, or 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 $193.5 million in 2018, $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 May 1, 2020.

During 2018 there were FMTAC excess loss claim reimbursements of $2.6 million to the Authority. FMTAC had open claims for the Authority at December 31, 2018. At December 31, 2018, FMTAC had $978 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 2018 and 2017, the Authority recognized $84.1 million and $8.5 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, 2018 and 2017, were as follows (in thousands):

	2018	2017
Balance at beginning of year	$ 32,425	$ 38,140
Activity during the year:		
Changes in estimates	84,138	8,537
Payments	(38,995)	(14,252)
Balance at end of year	77,568	32,425
Less current portion	(15,514)	(6,485)
Long-term liability	$ 62,054	$ 25,940

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 component unit of the Authority (in thousands):

December 31:	**2018**	**2017**
Current assets	$ 252,012	$ 154,226
Capital assets	483,573	370,723
Deferred outflows of resources	230,352	302,760
Total assets and deferred outflows of resources	965,937	827,709
Current liabilities	265,731	248,852
Non-current liabilities	1,508,406	3,875,075
Deferred inflows of resources	120,407	47,891
Total liabilities and deferred inflows of resources	1,894,544	4,171,818
Net Investment in capital assets	483,573	370,723
Unrestricted	(1,412,180)	(3,714,832)
Total net position	$ (928,607)	$ (3,344,109)
For the Year Ended December 31:		
Fare revenue	$ 429,700	$ 441,312
Advertising and other revenue	15,654	16,634
Total operating revenue	445,354	457,946
Total labor expenses	1,100,959	1,270,700
Total non-labor expenses	128,065	156,170
Depreciation	62,868	52,726
Total operating expenses	1,291,892	1,479,596
Operating (deficit) surplus	(846,538)	(1,021,650)
Loss before capital contributions	(846,538)	(1,021,650)
Capital contributions	3,262,040	933,616
Change in net position	2,415,502	(88,034)
Net position, beginning of the year	(3,344,109)	(3,256,075)
Net position, end of year	$ (928,607)	$ (3,344,109)

17. SUBSEQUENT EVENTS

On February 27, 2019, the MTA Board voted to increase the Authority's Subway and Bus fares effective April 21, 2019. MetroCard seven-day passes increased from $32 to $33 and MetroCard thirty-day passes increased from $121 to $127. The base fare of $2.75 and the single-ride ticket fare of $3.00 remained the same. The bonus value of five percent is eliminated.

The New York State Fiscal Year 2019-2020 Enacted Budget established the Central Business District Tolling Program (CBD Tolling Program), the goals of which are to reduce traffic congestion in the Manhattan Central Business District, improve air quality, and provide a stable and reliable funding source for the repair and revitalization of the MTA's public transportation systems. The CBD Tolling Program revenues are not expected to begin to flow to MTA until at least early 2021. MTA Bridges and Tunnels is directed to establish the CBD Tolling Capital Lockbox Fund. Monies in the fund cannot be commingled with any other MTA Bridges and Tunnel monies. Funds on deposit in the CBD Tolling Capital Lockbox Fund shall be applied to: (1) operating, administration and other necessary expenses relating to the program, or to DOT pursuant to the MOU; and (2) costs of MTA capital projects included in the 2020-2024 Capital Program or any successor capital program. The 2019-2020 State Enacted Budget further provides that capital project costs paid for by the CBD Tolling Capital Lockbox Fund are subject to the following revenue split: (1) 80 percent for MTA New York City Transit, MaBSTOA, MTA Staten Island Railway and MTA Bus capital project costs, with priority given to subway system, new signaling, new subway cars, track and car repair, accessibility, buses and bus system improvements and further investments in expanding transit availability in the outer boroughs; (2) 10 percent for MTA Long Island Rail Road capital projects, including parking facilities, rolling stock, capacity enhancements, accessibility and expanding transit availability; and (3) 10 percent for MTA Metro-North Railroad capital projects including parking facilities, rolling stock, capacity enhancements, accessibility and expanding transit availability.

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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)

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

	2018	2017	2016	2015
The Authority's proportion of the net pension liability	22.527 %	22.788 %	22.227 %	22.380 %
The Authority's proportionate share of the net pension liability	$ 3,973	$ 4,732	$ 5,400	$ 4,530
The Authority's actual covered-employee payroll	$ 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	128.576 %	156.481 %	184.300 %	158.277 %
Plan fiduciary net position as a percentage of the total pension liability	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:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	$ 202.5	$ 202.9	$ 220.7	$ 214.9	$ 226.4	$ 234.5	$ 228.9	$ 186.5	$ 200.6	$ 204.3
Actual Employer Contribution	205.4	202.7	220.7	214.9	226.4	234.5	228.9	186.5	200.6	204.3
Contribution Deficiency (Excess)	$ (2.9)	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	776.2	749.7	716.5	686.7	653.3	582.1	576.0	579.7	591.1	569.4
Contributions as a % of Covered Payroll	26.5 %	27.0 %	30.8 %	31.3 %	34.7 %	40.3 %	39.7 %	32.2 %	33.9 %	35.9 %

NYCERS:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	$ 768.4	$ 759.6	$ 753.2	$ 694.4	$ 708.2	$ 702.9	$ 695.8	$ 630.1	$ 549.1	$ 523.9
Actual Employer Contribution	768.4	759.6	753.2	694.4	708.2	702.9	695.8	630.1	549.1	523.9
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	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	2,652.8
Contributions as a % of Covered Payroll	20.0 %	21.0 %	22.2 %	20.8 %	20.5 %	25.0 %	24.9 %	22.7 %	20.0 %	19.7 %

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

The following actuarial methods and assumptions were used in the January 1, 2017 and 2016 funding valuation for the MaBSTOA pension plan as follows:

	MaBSTOA	
Valuation Date	January 1, 2017	January 1, 2016
Measurement Date	December 31, 2017	December 31, 2016
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, 2015 funding valuation.

Changes of Assumptions

There were no changes of benefit assumptions in the June 30, 2015 funding valuation.

(Concluded)

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 OPEB LIABILITY IN THE MTA OPEB PLAN AT:
(In millions)

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

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

(1) Actual employer contribution includes the implicit rate of subsidy adjustment of $19.9 and $19.6 for the years ended December 31, 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
Measurement date	December 31, 2017
Discount rate	3.44%
Inflation	2.50%
Actuarial cost method	Entry Age Normal
Investment rate of return	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.