



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341
(212) 669-3500

WILLIAM C. THOMPSON, JR.
COMPTROLLER

December 18, 2002

Peter S. Kalikow
Chairman
Metropolitan Transportation Authority
347 Madison Avenue
New York, New York 10017

Dear Mr. Kalikow:

While the City breathes a sigh of relief over the successful conclusion of the Metropolitan Transportation Authority's (MTA's) labor negotiations with the Transit Workers Union, the events over the past several weeks called attention to the lack of transparency of the MTA's and NYC Transit's (TA's) finances.

Given the fiscal difficulties facing the MTA and its subordinate agencies, including New York City Transit (TA), I directed my staff to review the MTA's and the TA's FY 2003 Operating Budget proposal. In reviewing the proposal that was released on December 9, 2002, we found that although the TA had accumulated a cash surplus of \$76 million through October 2002, the MTA projected TA budget deficits of \$1.632 billion in FY 2003 and \$1.657 billion in FY 2004.

The projected deficits in the December 9th document did not include resources from State, City, and tax-supported subsidies. These subsidies totaled \$1.4 billion in FY 2001 and are projected to total \$1.452 billion in FY 2002. Moreover, the estimated budget deficits did not include debt service expense estimated at approximately \$293 million in FY 2003 and did not specify any provisions for new collective bargaining costs or reserves to offset some of these costs. Therefore, it was not possible to calculate to what degree costs from a new collective bargaining settlement would impact the TA's projected deficits.

Although the MTA revised the TA's FY 2003 Operating Budget Proposal to the Finance Committee of its Board of Directors on December 16, 2002, this budget proposal still contained a number of deficiencies that caused it to be far from complete. The submission did not clearly identify how the savings from the proposed debt restructuring or the resources generated from the proposed toll surcharge for bridges and tunnels for security will be allocated between the TA and the other subordinate agencies of the MTA. Also, the MTA did not clearly show how any of

its proposed solutions to eliminate its overall budget deficits will impact the budget deficits of the TA.

All New Yorkers need to understand to what degree a fare increase is necessary to solve the TA's fiscal problems. The financial documents the MTA has made public to date have failed to provide such information. While the glaring deficiencies in the MTA's presentation of the TA's budget proposal may not constitute a breach of the MTA's fiduciary responsibilities, it does constitute a breach of responsibility to the citizens of New York City. As offered, the MTA's presentation of the TA's FY 2003 Operating Budget does not provide adequate details and appropriate disclosure to allow for proper public debate on the proposed fare increase.

In light of the lack of transparency in the presentation of the budget proposal, I have directed my staff to commence an audit of the TA. In the coming week, you will receive a letter from Mr. Greg Brooks, Deputy Comptroller for Policy, Audit, Contracts and Accountancy, advising you of the details of this pending audit.

I look forward to working with you to ensure that the public has full information regarding the Transit Authority's finances.

Very truly yours,

William C. Thompson, Jr.

CC: Governor George E. Pataki
Mayor Michael Bloomberg
MTA Board Members
Lawrence G. Reuter, President, MTA-NYC Transit