

III. Major Assumptions – 2006-2009 Projections

**Utilization
(Ridership, Traffic and Revenue)**

UTILIZATION

2005 Ridership, Traffic and Revenue

The 2005 Mid-Year Forecast for MTA consolidated ridership is projected to total 2,378.7 million passengers, while crossings at Bridges and Tunnels (B&T) facilities are projected to total 299.9 million vehicular crossings. New York City Transit (NYCT) combined subway and bus ridership for the 2005 Mid-Year Forecast is expected to be 2,194.1 million, while Long Island Rail Road (LIRR) is projecting 78.3 million passengers and Metro-North Railroad (MNR) is projecting 72.6 million passengers for its East-of-Hudson operations. Staten Island Railway (SIR) ridership is estimated to be 3.5 million, and Long Island Bus (LIB) fixed route ridership is estimated to be 30.2 million.

Farebox revenue for the 2005 Mid-Year Forecast is estimated to be \$3,602.2 million, and toll revenue is estimated to be \$1,206.9 million. NYCT combined subway and bus farebox revenue for the 2005 Mid-Year Forecast is expected to be \$2,689.0 million, while LIRR is projecting \$436.8 million in farebox revenue and MNR is projecting \$435.6 million in farebox revenue for its East-of-Hudson operations. SIR farebox revenue is estimated to be \$3.5 million, and LIB fixed route farebox revenue is estimated to be \$37.3 million.

The 2005 Mid-Year Forecasts are based on actual results through May 2005 for NYCT, SIR and B&T, and through April 2005 for LIRR, MNR and LIB.

MTA ridership for the 2005 Mid-Year Forecast is expected to increase on most MTA operations from 2004 ridership levels, the exceptions being estimated ridership declines at LIRR and LIB, while the 2005 Mid-Year Forecast for traffic at B&T facilities is expected to decline from the 2004 traffic level. The 2005 Mid-Year Forecast for fare and toll revenues projects increases for all MTA operations over 2004 fare and toll revenue levels.

The 2005 Mid-Year Forecast for MTA consolidated ridership is projected to increase by 28.5 million trips – a 1.2% increase – over 2004 MTA consolidated ridership. NYCT ridership for the 2005 Mid-Year Forecast is expected to surpass the 2004 ridership level by 27.4 million passengers, a 1.3% increase. The 2005 Mid-Year Forecast for Commuter Rail ridership is also estimated to be greater than 2004 ridership levels, with LIRR projecting a 0.9 million, or -1.2%, ridership decline and MNR projecting a 1.9 million, or 2.6%, ridership improvement. SIR is projecting a 0.2 million, or 5.7%, increase in ridership, while LIB is projecting a ridership decline of 0.1 million, or -0.2%. The 2005 Mid-Year Forecast for B&T traffic is expected to decline by 3.1 million crossings, a 1.0% decrease, over the 2004 traffic level.

The ridership, traffic and revenue changes from 2004 to the 2005 Mid-Year Forecast levels are primarily affected by fare and toll increases that went into effect on February

27, 2005 for NYCT, SIR and LIB, on March 1, 2005 for LIRR and MNR, and on March 13, 2005 for B&T.

At NYCT, the basic two-dollar single-trip fare and the MetroCard pay-per-ride bonus of 20 percent with a \$10 minimum purchase (or six trips for the price of five trips) did not change. Also remaining unchanged was the seven-dollar price for the one-day unlimited-ride Fun Pass. The 30-day unlimited-ride MetroCard increased in price from \$70 to \$76 and the price of the 7-day unlimited-ride MetroCard increased from \$21 to \$24. The price of a single express bus ride increased from \$4 to \$5, and the price of the 7-day express bus pass increased from \$33 to \$41. As a result of the fare increases, the NYCT average non-student fare – the average fare excluding revenue and trips made with student passes – rose from \$1.25 to \$1.31, an increase of 4.8%. Fare increases on SIR and LIB were consistent with the fare increases for NYCT.

At LIRR, fares increased by 5% across-the-board. Additionally, there were changes to three other fare components: the one-way off-peak discount was reduced from 30% to 27.5% of the one-way peak fare; the 9% discount provided to Mail-N-Ride customers, and applied to the LIRR portion of joint monthly LIRR-MetroCards, was reduced to a 5% discount, and; those purchasing tickets on LIRR trains are now subject to a higher on-board differential, which was increased from three dollars to five dollars per ticket. As with LIRR, the fare increase for the New York State portion of MNR included an across-the-board 5% fare increase, an increase in the on-board differential from \$3 to \$5, and a reduction from 9% to 5% in discount on the MNR portion of the joint MNR-MetroCard pass. The MNR fare change, though, also included a 1% commutation discount reduction in the outer-most fare zones where the commutation discount had been greater than 48 percent; other fare zones at the 48 percent discount level were unchanged by this component of the increase. Finally, reverse commute travel during the morning – outbound from 5:30 AM to 9:00 AM – became subject to peak period fares.

B&T cash and E-ZPass tolls for passenger cars at major facilities – Bronx-Whitestone, Triborough and Throgs Neck Bridges and the Brooklyn-Battery and Queens Midtown Tunnels – increased by 50 cents, to \$4.50 per crossing for cash and to \$4 for E-ZPass; at the Verrazano-Narrows Bridge, where tolls are only collected in the westbound direction, the toll increased by one dollar to \$9 for cash tolls and to \$8 for E-ZPass. At the minor facilities – the Henry Hudson, Cross Bay and Marine Parkway Bridges – cash and E-ZPass tolls increased 25 cents to \$2.25 per crossing for cash transactions, and to \$1.75 for E-ZPass transactions at the Henry Hudson Bridge. At the Cross Bay and Marine Parkway Bridges, E-ZPass transactions increased from \$1.33 to \$1.50 per crossing. The base cash toll for commercial vehicles increased by one dollar at the major facilities and by fifty cents at the minor facilities, and the base E-ZPass toll for commercial vehicles increased by 80 cents at the major facilities and by 40 cents at the minor facilities. Additional charges for both passenger cars and commercial vehicles that are assessed for towed items and for multiple axles also increased.

MTA consolidated ridership for the 2005 Mid-Year Forecast is expected to surpass the 2005 Adopted Budget projection by 2 million trips, a 0.1% increase. NYCT ridership for the Mid-Year Forecast is expected to surpass the Adopted Budget ridership level by 1 million passengers, a 0.1% increase. The Mid-Year Forecast for Commuter Rail ridership is also estimated to be greater than the Adopted Budget level, with LIRR projecting a 1 million, or -1.2%, ridership decline and MNR projecting a 1 million, or 1.8%, ridership improvement. SIR is projecting a 0.2 million, or -5.2%, decrease in ridership, while LIB is projecting a ridership increase of 0.2 million, or 0.7%. At B&T facilities, the Mid-Year Forecast projects an increase of 3 million additional vehicular crossings, a 1.1% increase, over the Adopted Budget forecast.

MTA consolidated farebox revenue in the Mid-Year Forecast is projected to increase by \$4 million from the Adopted Budget, a 0.1% increase. NYCT farebox revenue is projected to increase \$1.2 million, a less than 0.1% increase; LIRR farebox revenue is projected to decline \$3 million, or -0.7%; MNR farebox revenue is projected to increase \$6 million, or 1.4%; LIB farebox revenue is projected to increase less than \$0.1 million, or 0.1%, and; SIR farebox revenue is projected to decline \$0.2 million, a 6.1% decrease. The Mid-Year Forecast for B&T toll revenue is projected to increase \$14 million, or 1.2%, over the Adopted Budget forecast.

The downward adjustment in LIRR's Mid-Year Forecast for ridership and farebox revenue relative to the Adopted Budget reflects ridership trends during the first four months of 2005, when ridership was 3.1% below budget and farebox revenue was 0.8% below budget through April. This variance is partially attributed to heavy snowfall during the weekend of January 22 and 23, when over 15 inches of snowfall was recorded in Islip. Additionally, LIRR ridership levels have not increased as expected from the rebound in New York City employment.

MNR's Mid-Year Forecast improvement in ridership and farebox revenue is attributed to greater than projected ridership trends, as well as the seven-week strike during March and April 2005 that cancelled all Westchester County bus service. The impact of the strike is estimated to account for about 18% in the ridership improvement and about 9% of the revenue improvement in the Mid-Year Forecast.

SIR's reduction in ridership – which is calculated from turnstile registrations – and farebox revenue from the Adopted Budget to the Mid-Year Forecast is due to the delay in installing a fare collection system at its Tompkinsville train station. This project has been delayed until January 2007.

LIB ridership is modestly higher in the July Plan, due largely to less drop-off in riders expected from the February 27 fare increase. Also, more riders are taking advantage of MetroCard discounts, thus boosting ridership. Farebox revenue growth is slower due to lower-than-projected average fare, the result of more riders than expected taking advantage of MetroCard discounts.

B&T vehicle crossings and toll revenue are higher in the Mid-Year Forecast due to less traffic loss than expected in the Adopted Budget from the March 13 toll increase.

2006 Ridership, Traffic and Revenue

MTA consolidated ridership for 2006 is expected to surpass the February Plan projection by 1.0 million trips, an increase of less than 0.1%. NYCT ridership for 2006 is expected to surpass the February Plan ridership level by 0.1 million passengers, which is less than a 0.1% increase. The 2006 forecast for Commuter Rail ridership is also estimated to be greater than the February Plan level, with LIRR projecting a 0.3 million, or -0.3%, ridership decline and MNR projecting a 1.1 million, or 1.6%, ridership improvement. SIR is projecting a 0.3 million, or -6.7%, decrease in ridership, while LIB is projecting a ridership increase of 0.2 million, or 0.8%. At B&T facilities, 2006 reflects an increase of 4.8 million additional vehicular crossings, a 1.6% increase, over the February Plan forecast.

MTA consolidated farebox revenue in 2006 is projected to increase by \$2.5 million from the February Plan, a 0.1% increase. NYCT farebox revenue is projected to decline \$0.1 million, a less than 0.1% decrease; LIRR farebox revenue is projected to decline \$3.2 million, or -0.7%; MNR farebox revenue is projected to increase \$6 million, or 1.4%; LIB farebox revenue is projected to increase less than \$0.1 million, or 0.1%, and; SIR farebox revenue is projected to decline \$0.3 million, a 7.8% decrease. In 2006, B&T toll revenue is projected to increase \$19.8 million, or 1.6%, over the February Plan forecast.

The downward adjustment in LIRR's 2006 Budget forecast for ridership and farebox revenue relative to the February Plan reflects continued adjustments based on ridership trends during the first four months of 2005, as well as a due to a slight decline in the average yield per passenger. MNR's improvement in ridership and farebox revenue is attributed to a continuation of projected ridership trends.

SIR's change in 2006 ridership – which is calculated from turnstile registrations – and farebox revenue from the February Plan is due to the delay in installing a fare collection system at its Tompkinsville train station until January 2007. It was expected that collecting fares at Tompkinsville would increase farebox revenue by \$0.3 million and ridership by 0.3 million in 2006.

LIB ridership and farebox are modestly higher in 2006, the result of continuing trends anticipated for 2005.

B&T vehicle crossings and toll revenue estimates continue the trends projected for 2005, which are higher in the July Plan than levels expected in the February Plan.

2007 – 2009 Ridership, Traffic and Revenue

MTA consolidated ridership for the July Plan is expected to surpass the February Plan projection by 4.5 million trips in 2007 and by 4.9 million trips in 2008, increases of 0.2%

over the February Plan for each year. MTA consolidated farebox revenue in the July Plan is projected to increase by \$7.9 million in 2007 and by \$10.1 million in 2008, increases of 0.2% and 0.3% respectively, from the February Plan.

NYCT ridership for the July Plan is expected to surpass the February Plan ridership level by 3.0 million passengers each year, or 0.1% per year. NYCT farebox revenue is projected to increase \$2.6 million, or 0.1% each year. These increases from the February Plan are the result of a re-estimation of the impact of implementing the off-peak bus service loading guidelines.

LIRR ridership is projected to decline by 0.2 million in 2007 and by 0.3 million in 2008 from the February Plan ridership level, a decrease of 0.3% each year. LIRR farebox revenue is estimated to be below the February Plan levels by \$2.3 million in 2007, a 0.5% decline, and by \$2.1 million in 2008, a decline of 0.4%.

MNR ridership is projected to increase by 1.4 million in 2007 and by 1.8 million in 2008 from the February Plan ridership level, an increase of 2.0% in 2007 and 2.4% in 2008. MNR farebox revenue is estimated to be above the February Plan levels by \$7.6 million in 2007, a 1.7% increase, and by \$9.5 million in 2008, an increase of 2.1%.

SIR is projecting no changes to ridership and farebox revenue forecasts from the February Plan for 2007 and 2008 as the delayed installation of the Tompkinsville train station fare collection system is expected to be completed and operational in January 2007.

LIB ridership and farebox are modestly higher in the July Plan – ridership is up 0.3 million each year (0.9% and 1.0%, respectively) while farebox revenue is up \$0.1 million each year (0.2% and 0.3%), the result of continuing trends anticipated for 2005 relative to the February Plan.

At B&T facilities, the July Plan projects an increase over the February Plan forecast of 4.9 million additional vehicular crossings in 2007, a 1.6% increase, and 6.2 million additional vehicular crossings in 2008, a 2.1% increase. Toll revenue is also expected to exceed projections in the February Plan, increasing by \$20.1 million, or 1.6%, in 2007 and by \$25.5 million, or 2.1%, in 2008. B&T vehicle crossings and toll revenue estimates for 2007 and 2008 continue the trends projected for 2005.

In 2009, year-to-year MTA consolidated ridership, vehicle crossings, farebox revenue and toll revenue are expected to modestly increase over the 2008 levels in the July Plan. Year-to-year consolidated ridership is projected to reach 2,453.2 million passengers, up 0.1%, while year-to-year farebox revenue is estimated to reach \$3,772.4 million, an increase of 0.4%. Year-to-year B&T vehicle crossings are projected to be 306.0 million, a 0.3% annual increase, and toll revenue is estimated to increase to \$1,256.8 million, up 0.2%. The smaller year-to-year increases for 2009 are due to the extra Leap Day in 2008, which primarily affects NYCT ridership and B&T vehicular crossings.

MTA Consolidated Utilization Plan-to-Plan Comparison Baseline Before Gap-Closing Actions

MTA Agency Ridership and Traffic Projections, in millions

July Financial Plan 2006-2009					
	Mid-Year Forecast				
	2005	2006	2007	2008	2009
Traffic					
Bridges & Tunnels	299.9	301.4	302.6	305.0	306.0
Ridership					
Long Island Bus ¹	30.2	30.3	30.5	30.6	30.6
Long Island Rail Road	78.3	79.6	81.1	82.2	83.7
Metro-North Railroad ²	72.6	73.5	74.6	75.7	76.4
New York City Transit ^{1,3}	2,194.1	2,214.7	2,238.4	2,257.2	2,258.5
Staten Island Railway	3.5	3.6	3.9	3.9	3.9
<i>Total Ridership</i>	<u>2,378.7</u>	<u>2,401.8</u>	<u>2,428.4</u>	<u>2,449.7</u>	<u>2,453.2</u>

February Financial Plan 2005-2008				
	2005	2006	2007	2008
Traffic				
Bridges & Tunnels	296.7	296.6	297.8	298.8
Ridership				
Long Island Bus ¹	30.0	30.1	30.2	30.3
Long Island Rail Road	79.2	79.9	81.3	82.5
Metro-North Railroad ²	71.3	72.4	73.1	73.9
New York City Transit ^{1,3}	2,192.8	2,214.7	2,235.3	2,254.2
Staten Island Railway	3.7	3.8	3.9	3.9
<i>Total Ridership</i>	<u>2,377.0</u>	<u>2,400.8</u>	<u>2,423.9</u>	<u>2,444.8</u>

Plan-to-Plan Changes				
Favorable / (Unfavorable)				
	2005	2006	2007	2008
Traffic				
Bridges & Tunnels	3.2	4.8	4.9	6.2
Ridership				
Long Island Bus ¹	0.2	0.2	0.3	0.3
Long Island Rail Road	(0.9)	(0.3)	(0.2)	(0.3)
Metro-North Railroad ²	1.3	1.1	1.4	1.8
New York City Transit ^{1,3}	1.3	0.1	3.0	3.0
Staten Island Railway	(0.2)	(0.3)	0.0	0.0
<i>Total Ridership</i>	<u>1.7</u>	<u>1.0</u>	<u>4.5</u>	<u>4.9</u>

¹ Excludes Paratransit Operations.

² Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

³ Excludes Fare Media Liability.

MTA Consolidated Utilization Plan-to-Plan Comparison Baseline Before Gap-Closing Actions

MTA Agency Fare and Toll Revenue Projections, in millions

July Financial Plan 2006-2009					
	Mid-Year Forecast				
	2005	2006	2007	2008	2009
Toll Revenue					
Bridges & Tunnels	\$1,206.9	\$1,244.3	\$1,247.2	\$1,254.8	\$1,256.8
Fare Revenue					
Long Island Bus ¹	\$37.3	\$37.5	\$37.7	\$37.9	\$38.1
Long Island Rail Road	436.8	445.9	454.2	460.5	468.7
Metro-North Railroad ²	435.6	445.2	451.9	458.1	463.6
New York City Transit ^{1,3}	2,689.0	2,740.1	2,771.7	2,796.4	2,798.0
Staten Island Railway	3.5	3.5	3.9	3.9	4.0
<i>Total Farebox Revenue</i>	<u>3,602.2</u>	<u>3,672.3</u>	<u>3,719.4</u>	<u>3,756.8</u>	<u>3,772.4</u>

February Financial Plan 2005-2008				
	2005	2006	2007	2008
Toll Revenue				
Bridges & Tunnels	\$1,192.7	\$1,224.5	\$1,227.1	\$1,229.3
Fare Revenue				
Long Island Bus ¹	\$37.3	\$37.5	\$37.6	\$37.8
Long Island Rail Road	439.9	449.1	456.6	462.6
Metro-North Railroad ²	429.5	439.2	444.3	448.6
New York City Transit ^{1,3}	2,687.8	2,740.2	2,769.1	2,793.8
Staten Island Railway	3.7	3.8	3.9	3.9
<i>Total Farebox Revenue</i>	<u>3,598.2</u>	<u>3,669.8</u>	<u>3,711.5</u>	<u>3,746.6</u>

Plan-to-Plan Changes				
Favorable / (Unfavorable)				
	2005	2006	2007	2008
Toll Revenue				
Bridges & Tunnels	\$14.2	\$19.8	\$20.1	\$25.5
Fare Revenue				
Long Island Bus ¹	\$0.0	\$0.0	\$0.1	\$0.1
Long Island Rail Road	(3.1)	(3.2)	(2.3)	(2.1)
Metro-North Railroad ²	6.1	6.0	7.6	9.5
New York City Transit ^{1,3}	1.2	(0.1)	2.6	2.6
Staten Island Railway	(0.2)	(0.3)	0.0	0.0
<i>Total Farebox Revenue</i>	<u>4.1</u>	<u>2.5</u>	<u>7.9</u>	<u>10.1</u>

¹ Excludes Paratransit Operations.

² Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

³ Excludes Fare Media Liability.

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Subsidies

SUBSIDIES - Major Assumptions

Overview

The following pages contain accrual and cash summary tables for the subsidies and dedicated taxes. Following these are additional tables detailing the changes between the July Plan and the February Plan. Detailed narratives describing each subsidy, forecast methodologies and explanations of changes since the February Plan follow. Note that the details of Bridges and Tunnels operations that produce the Operating Surplus Transfer subsidy are discussed in the B&T section of this report.

As shown on the following tables, Dedicated Taxes & State and Local Subsidies for the Mid-Year Forecast total \$3.227 billion, on a cash basis, which is \$583 million higher than the 2005 Adopted Budget (February Plan). This is due largely to the new revenues appropriated in the State's 2005-06 Enacted Budget as well as substantially higher forecasts for real estate taxes. The 2005 Mid-Year Forecast reflects total new tax receipts of \$174 million in additional PBT, MMTOA sales taxes and MRT-1, as well as increases in the real estate tax forecasts of \$369 million¹.

During the period 2006 to 2009, the July Financial Plan projects that overall Dedicated Taxes & State and Local Subsidies will increase over the levels projected in the February Plan by \$497 million in 2006, \$502 million in 2007, \$480 million in 2008 and \$541 million in 2009. These significant increases are largely due to new tax receipts, which represent \$316 million in 2006, \$306 million in 2007, \$308 in 2008 and \$309 in 2009. Changes in real estate forecasts¹ from the February plan represent increases in the 2006 forecast of \$31 million, \$34 million in 2007, \$52 million in 2008 and \$80 million in 2009.

¹ These reflect the net value of MRT subsidy for MTA after all required statutory allocations.

MTA Consolidated Subsidies

July Financial Plan 2006 - 2009

Accrual Basis

(\$ in millions)

	2005		2006	2007	2008	2009
	2004 Actual	Mid-Year Forecast				
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$767.4	\$982.1	\$1,239.0	\$1,281.4	\$1,269.9	\$1,304.5
Petroleum Business Tax (PBT) Receipts	558.2	541.6	633.9	626.4	629.4	632.2
Mortgage Recording Tax (MRT)	644.8	636.8	422.9	433.7	430.6	418.3
MRT Transfer to Suburban Counties	(59.2)	(37.8)	(29.5)	(22.2)	(21.3)	(16.3)
Use of MRT Prior Year Balances	0.0	84.8	0.0	0.0	0.0	0.0
Carryover Balances	0.0	15.1	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	(34.8)	(27.5)	(29.5)	(29.6)	(31.1)
Interest	0.0	0.6	0.0	0.0	0.0	0.0
Real Estate Stabilization Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Urban Tax	337.6	418.0	327.5	355.1	370.4	379.2
Investment Income	6.3	6.3	12.6	15.5	17.0	21.3
	\$2,255.2	\$2,612.7	\$2,578.9	\$2,660.3	\$2,666.4	\$2,708.2
<i>State and Local Subsidies</i>						
State Operating Assistance	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance	187.9	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy	7.4	10.5	10.5	10.5	10.5	10.5
CDOT Subsidy	51.6	53.3	58.0	62.8	72.4	84.9
Station Maintenance	128.5	131.8	135.4	139.3	143.6	148.5
AMTAP	0.0	38.9	0.0	0.0	0.0	0.0
	\$566.3	\$613.3	\$582.7	\$591.4	\$605.3	\$622.7
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,821.4	\$3,226.0	\$3,151.6	\$3,251.7	\$3,271.7	\$3,330.9
<i>Inter-agency Subsidy Transactions</i>						
B&T Operating Surplus Transfer	\$395.5	\$451.6	\$410.5	\$392.3	\$375.5	\$348.2
MTA Subsidy to Subsidiaries	43.4	31.6	32.1	32.9	34.0	35.3
	\$438.9	\$483.2	\$442.6	\$425.3	\$409.5	\$383.6
GROSS SUBSIDIES	\$3,260.3	\$3,709.2	\$3,594.2	\$3,677.0	\$3,681.2	\$3,714.5

MTA Consolidated Subsidies
July Financial Plan 2006 -2009
Summary of Changes Between July Plan and February Plan
Accrual Basis
(\$ in millions)

	2004	2005	2006	2007	2008	2009
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
Metro. Mass Transp. Oper. Asst. (MMTOA)	(1.5)	114.9	333.7	343.8	297.4	312.0
Petroleum Business Tax (PBT) Receipts	3.7	(10.0)	81.2	69.9	70.1	80.1
Mortgage Recording Tax (MRT)	40.0	220.5	6.4	2.6	15.1	14.9
MRT Transfer to Suburban Counties	2.6	(21.2)	(10.3)	(1.2)	(5.6)	(1.0)
Use of MRT Prior Year Balances	(81.2)	46.0	0.0	0.0	0.0	0.0
Carryover Balances	0.0	15.1	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	26.4	(5.6)	3.9	3.9	3.8	3.8
Interest	0.0	0.6	0.0	0.0	0.0	0.0
Real Estate Stabilization Reserve	200.0	0.0	0.0	0.0	0.0	0.0
Urban Tax	36.5	185.4	80.0	80.7	91.9	120.0
Investment Income	1.4	(3.5)	0.6	3.5	3.8	4.8
	\$227.9	\$542.2	\$495.5	\$503.1	\$476.5	\$534.5
<i>State and Local Subsidies</i>						
State Operating Assistance	0.0	0.0	0.0	0.0	0.0	0.0
Local Operating Assistance	0.0	0.0	0.0	0.0	0.0	0.0
Nassau County Subsidy	0.0	0.0	0.0	0.0	0.0	0.0
CDOT Subsidy - Effect of Fare Increase & PEGs	(1.5)	(3.9)	(2.4)	(5.3)	(2.0)	(0.0)
Station Maintenance	0.6	2.0	3.4	4.6	6.0	6.6
AMTAP	0.0	38.9	0.0	0.0	0.0	0.0
	(\$0.9)	\$37.0	\$1.0	(\$0.8)	\$3.9	\$6.5
Commuter Operating Capital Transfer - MNR M-7	0.0	0.0	0.0	0.0	0.0	0.0
Total Dedicated Taxes & State and Local Subsidies	\$227.0	\$579.3	\$496.5	\$502.3	\$480.4	\$541.0
<i>Inter-agency Subsidy Transactions</i>						
B&T Operating Surplus Transfer	34.6	68.1	18.2	34.0	42.7	40.7
MTA Subsidy to Subsidiaries	(0.4)	(4.3)	0.9	(0.2)	0.1	0.0
	\$34.2	\$63.8	\$19.1	\$33.8	\$42.8	\$40.7
GROSS SUBSIDIES	\$261.1	\$643.1	\$515.6	\$536.0	\$523.1	\$581.7

MTA Consolidated Subsidies

July Financial Plan 2006 - 2009

Cash Basis
(\$ in millions)

	2004	2005	2006	2007	2008	2009
	Actual	Mid-Year Forecast				
Subsidies						
Dedicated Taxes						
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$764.8	\$983.0	\$1,239.9	\$1,282.3	\$1,269.9	\$1,304.5
Petroleum Business Tax (PBT) Receipts	563.0	535.0	634.6	626.2	629.1	632.0
Mortgage Recording Tax (MRT)	637.3	636.8	422.9	433.7	430.6	418.3
MRT Transfer to Suburban Counties	(62.9)	(37.8)	(29.5)	(22.2)	(21.3)	(16.3)
Use of MRT Prior Year Balances	58.1	84.8	0.0	0.0	0.0	0.0
Carryover Balances	(43.1)	15.1	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	(26.4)	(34.8)	(27.5)	(29.5)	(29.6)	(31.1)
Interest	0.0	0.6	0.0	0.0	0.0	0.0
Real Estate Stabilization Reserve	(200.0)	0.0	0.0	0.0	0.0	0.0
Urban Tax	322.5	426.5	325.1	353.8	369.7	378.5
Investment Income	6.3	6.3	12.6	15.5	17.0	21.3
	\$2,019.6	\$2,615.3	\$2,578.1	\$2,659.6	\$2,665.4	\$2,707.3
State and Local Subsidies						
State Operating Assistance	\$195.9	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance (18-b)	187.6	188.4	187.9	187.9	187.9	187.9
Nassau County Subsidy (includes 18-b local match)	7.4	10.5	10.5	10.5	10.5	10.5
CDOT Subsidy	56.6	53.3	58.0	62.8	72.4	84.9
Station Maintenance	125.7	129.3	132.6	136.3	140.3	144.8
AMTAP	0.0	38.9	0.0	0.0	0.0	0.0
	\$573.1	\$611.3	\$579.9	\$588.4	\$602.0	\$619.0
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,592.7	\$3,226.7	\$3,148.0	\$3,248.0	\$3,267.4	\$3,326.3
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	\$376.7	\$486.8	\$414.6	\$394.2	\$377.2	\$351.0
MTA Subsidy to Subsidiaries	43.4	31.6	32.1	32.9	34.0	35.3
Investment Income in HQ (non-MRT)	(5.2)	0.0	0.0	0.0	0.0	0.0
	\$414.9	\$518.5	\$446.8	\$427.1	\$411.2	\$386.3
GROSS SUBSIDIES	\$3,007.6	\$3,745.1	\$3,594.7	\$3,675.1	\$3,678.5	\$3,712.7

MTA Consolidated Subsidies
July Financial Plan 2006 - 2009
Summary of Changes Between July Plan and February Plan
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
Dedicated Taxes						
Metro. Mass Transp. Oper. Asst. (MMTOA)	(1.0)	116.9	330.3	341.0	297.4	312.0
Petroleum Business Tax (PBT) Receipts	8.4	(16.6)	81.9	69.7	69.9	79.9
Mortgage Recording Tax (MRT)	32.6	220.5	6.4	2.6	15.1	14.9
MRT Transfer to Suburban Counties	(1.1)	(21.2)	(10.3)	(1.2)	(5.6)	(1.0)
Use of MRT Prior Year Balances	(23.1)	46.0	0.0	0.0	0.0	0.0
Carryover Balances	(43.1)	15.1	0.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	(5.6)	3.9	3.9	3.8	3.8
Interest	0.0	0.6	0.0	0.0	0.0	0.0
Real Estate Stabilization Reserve	0.0	0.0	0.0	0.0	0.0	0.0
Urban Tax	28.5	195.0	80.0	79.8	90.1	112.4
Investment Income	1.4	(3.5)	0.6	3.5	3.8	4.8
	\$2.5	\$547.2	\$492.8	\$499.2	\$474.4	\$526.7
State and Local Subsidies						
State Operating Assistance	0.9	0.0	0.0	0.0	0.0	0.0
Local Operating Assistance (18-b)	(0.4)	0.5	0.0	0.0	0.0	0.0
Nassau County Subsidy (includes 18-b local match)	0.0	0.0	0.0	0.0	0.0	0.0
CDOT Subsidy - Effect of Fare Increase & PEGs	3.6	(3.9)	(2.4)	(5.3)	(2.0)	(0.0)
Station Maintenance	(0.4)	0.7	2.5	3.7	4.9	6.3
AMTAP	0.0	38.9	0.0	0.0	0.0	0.0
	\$3.7	\$36.2	\$0.1	(\$1.7)	\$2.8	\$6.3
Commuter Operating Capital Transfer - MNR M-7	0.0	0.0	0.0	0.0	0.0	0.0
Total Dedicated Taxes & State and Local Subsidies	\$6.3	\$583.4	\$492.9	\$497.5	\$477.2	\$533.0
Inter-agency Subsidy Transactions						
B&T Operating Surplus Transfer	(8.2)	105.6	23.2	32.4	41.8	40.9
MTA Subsidy to Subsidiaries	(0.4)	(4.3)	0.9	(0.2)	0.1	0.0
Unspecified PEGs	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income in HQ (non-MRT)	(5.2)	0.0	0.0	0.0	0.0	0.0
	(\$13.8)	\$101.3	\$24.1	\$32.2	\$41.9	\$40.9
GROSS SUBSIDIES	(\$7.5)	\$684.7	\$517.0	\$529.7	\$519.1	\$573.8

METROPOLITAN MASS TRANSPORTATION OPERATING ASSISTANCE (MMTOA)

Metropolitan Mass Transportation Operating Assistance Taxes (MMTOA) consist of special State taxes imposed within the MTA Transportation District which, subject to State appropriation, supplement the general operating subsidies of transportation systems in the District. Up until 2005, MMTOA has been comprised of the following taxes: petroleum business tax (PBT), which is a small portion of the basic PBT imposed on petroleum businesses operating within New York State; sales tax of one-quarter of one percent (1/4%) imposed on sales and uses of certain tangible personal property and services; corporate franchise taxes imposed on certain transportation and transmission companies; and temporary corporate surcharges imposed on the portion of the franchise and other taxes of certain businesses attributable to the conduct of business within the transportation district.

Total Statewide MMTOA taxes for 2005 are estimated at \$1,410.1 million, of which \$1,345.7 million is allotted for Downstate transit properties. Of the Downstate allotment, \$182.5 million is earmarked to fund the State's 18-b obligations. The percentage allocation of MMTOA's downstate share that comes to NYCT/SIR represents 62.5%, and the share to the commuter railroads represent 27.9%. This is slightly higher than the percentage allocation in the February Plan. A portion was also allotted to Long Island Bus, city private buses and other downstate transportation properties. In 2005, of the total MTA share, \$617.0 million is payable to NYCT and SIR, \$329.7 million to MTA for the commuter railroads, and \$36.3 million to Long Island Bus. MMTOA funds for the city private buses continue to be paid directly to New York City, which totally reimburse MTA for those bus lines run by the MTA Bus Company.

New Revenue

The July Financial Plan incorporates changes to MMTOA that reflect an additional 1/8th of a percent regional sales tax enacted by New York State in its 2005-06 Budget, which took effect on June 1, 2005. The majority of the additional tax revenues are for the benefit of MTA. MTA's estimated share of the new sales tax receipts is \$149.1 million, \$184.4 million, \$187.5 million, \$189.5 million and \$191.5 million in each of the years 2005 through 2009, respectively.

2005 Mid-Year Forecast

The 2005 Mid-Year Forecast reflects the enacted State Budget appropriation for MTA MMTOA of \$983.0 million, or \$116.9 million over the February Plan level. The additional revenue primarily reflects the new sales tax receipts as indicated in the "New Revenue" section above. This is partially offset by lower appropriations than assumed in the February Plan for MTA's share of MMTOA base taxes. The State's funding plan for MTA reflects an additional \$100.0

million in State MMTOA taxes to be generated during State FY 2005-06, which was not included in the enacted State budget for the current year. Instead, the funds are intended to be appropriated in SFY 2006-07 and SFY 2007-08, \$50.0 million in each year.

2006

For 2006, total MTA MMTOA is estimated to be \$1,239.9 million, an increase of \$330.3 million over the February Plan estimate. Of this total, \$787.1 million is earmarked for NYCT and SIR, and \$412.0 million for the commuter railroads. These amounts assume an additional \$50.0 million available from taxes collected in SFY 2005-06 that were not included in the State's prior year appropriation, as discussed above. In addition, \$40.7 million is allocated for Long Island Bus. The increase in the 2006 MMTOA level is primarily the result of the new sales taxes and the reforecast of the base MMTOA taxes to better reflect the 2005-06 NYS State Budget projections. Of the increase, \$184.4 million represents the new sales taxes.

The July Plan assumes that in 2006, the State's funding of its 18-b will be reverted back to the 2003 level of \$161.1 million. In addition, the July Plan retains the February Plan's percentage allocations of MMTOA's downstate share that comes to MTA, reflecting pre-2004 levels. NYCT/SIR's proposed appropriation represents 61.1% and appropriation to the Commuter Railroads represents 27.7%.

The 2006 forecast of the individual MMTOA taxes assumes the following tax growth rates from the 2005 level:

Sales Tax	16.6%
Petroleum Business Tax	5.0%
Corporate Franchise Tax	1.2%
Corporate Tax Surcharge	3.2%

Note that the 2006 sales tax percentage includes the full 12-month yield from the new tax, thus accounting for the large increase over the 2005 level.

2007 - 2009

In 2007, 2008, and 2009, the forecasts for MMTOA cash receipts are above the February Plan levels by \$341.0 million, \$297.4 million and \$312.0 million respectively. The following reflects the breakout of the changes to the February Plan between the new sales taxes and changes to the MMTOA base. The 2007 projection includes the remaining \$50.0 million of base MMTOA taxes generated in the current State FY, discussed above.

	2007	2008	2009
New Sales Taxes	\$187.54	\$189.52	\$191.5
Changes to Base MMTOA	153.50	107.84	120.5

The 2007 through 2009 forecasts assume the following tax growth rates.

	2007	2008	2009
Sales Tax	3.7%	4.3%	4.3%
Petroleum Business Tax	0.4%	0.4%	0.4%
Corporate Franchise Tax	0.0%	0.0%	0.0%
Corporate Tax Surcharge	3.2%	1.6%	0.7%

MMTOA STATE DEDICATED TAXES

July Financial Plan 2005 -2009

Tax Yield Distribution 2004 - 2009

(\$ in millions)

	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Mid-Year</u> <u>Forecast</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Forecast of MMTOA Gross Receipts (SFY):</u>						
Sales Tax	\$423.3	\$611.5	\$712.8	\$739.4	\$770.8	\$803.7
PBT	134.9	143.1	150.3	150.9	151.5	152.1
Corporate Franchise	59.0	66.8	67.6	67.6	67.6	67.6
1991 "Spin-Up" / 1995-1996 RAF Payment	0.0	0.0	0.0	0.0	0.0	0.0
Corporate Surcharge	540.0	588.6	605.2	624.6	634.8	639.5
Investment Income	4.9	0.0	0.0	0.0	0.0	0.0
Total Gross Receipts Available for Allocation	\$1,162.1	\$1,410.0	\$1,535.9	\$1,582.4	\$1,624.7	\$1,662.8

Allocation of Total Gross Receipts to DownState:

Total Gross Receipts	\$1,162.1	\$1,410.0	\$1,535.9	\$1,582.4	\$1,624.7	\$1,662.8
Less: Upstate Share of PBT	(60.7)	(64.4)	(67.6)	(67.9)	(68.2)	(68.4)
Upstate Percent Share of Investment Income	5.25%	4.57%	4.40%	4.29%	4.20%	4.12%
Less: Upstate Share of Investment Income	(0.3)	0.1	0.0	0.0	0.0	0.0
Total Net DownState Share Available for Allocation	\$1,101.2	\$1,345.7	\$1,468.3	\$1,514.5	\$1,556.6	\$1,594.4
Less: 18-B Adjustment	(174.6)	(182.5)	(161.1)	(161.1)	(161.1)	(161.1)
Adjusted Total Net DownState Share for Allocation	\$926.5	\$1,163.2	\$1,307.2	\$1,353.4	\$1,395.5	\$1,433.3

Allocation of Total Net DownState Share to NYCT/SIR:

NYCT/SIR Share	56.52%	62.51%	61.12%	61.12%	61.12%	61.12%
From Total Net DownState Share	\$622.3	\$841.3	\$897.5	\$925.7	\$951.4	\$974.5
Less: 18-B Adjustment	(150.0)	(152.0)	(146.4)	(146.4)	(146.4)	(146.4)
Adjusted Total Net DownState Share	\$472.4	\$689.2	\$751.1	\$779.3	\$805.0	\$828.1
From Carryover	(9.1)	(72.2)	36.1	36.1	0.0	0.0
Total NYCT/SIR Share of Net DownState Share	\$463.2	\$617.0	\$787.2	\$815.5	\$805.0	\$828.1
Total SIR Share	1.4	1.9	2.4	2.5	2.5	2.6
Total NYCT Share of Net DownState Share	\$461.8	\$615.1	\$784.7	\$812.9	\$802.5	\$825.6

Allocation of Total Net DownState Share to MTA:

MTA Share	26.53%	27.91%	27.71%	27.71%	27.71%	27.71%
From Total Net DownState Share	\$292.1	\$375.6	\$406.9	\$419.7	\$431.3	\$441.8
Less: 18-B Adjustment	(14.7)	(18.1)	(8.7)	(8.7)	(8.7)	(8.7)
Adjusted Total Net DownState Share	\$277.4	\$357.4	\$398.1	\$410.9	\$422.6	\$433.1
From Carryover	(4.3)	(27.8)	13.9	13.9	0.0	0.0
Total MTA Share of Net DownState Share	\$273.1	\$329.7	\$412.0	\$424.8	\$422.6	\$433.1

Allocation of Total Net DownState Share to LIB:

LI Bus Share	2.99%	2.77%	2.77%	2.77%	2.77%	2.77%
From Total Net DownState Share	\$32.9	\$37.3	\$40.7	\$42.0	\$43.1	\$44.2
Less: Used for 18-B/other	(1.5)	(1.8)	(0.8)	(0.8)	(0.8)	(0.8)
Adjusted Total Net DownState Share	\$31.4	\$35.5	\$39.8	\$41.1	\$42.3	\$43.3
From Carryover	(3.1)	0.9	0.9	0.9	0.0	0.0
Total LIB Share of Net DownState Share	\$28.4	\$36.3	\$40.7	\$42.0	\$42.3	\$43.3

PETROLEUM BUSINESS TAXES (PBT) (Trust Fund Taxes)

The Statewide Dedicated Funds Pool is the repository for revenues from the following dedicated taxes and fees: petroleum business taxes, a business privilege tax imposed on petroleum businesses operating in New York State; motor fuel taxes, an excise tax levied with respect to gasoline and diesel motor fuels; and motor vehicle fees that are derived mainly from vehicle registration and driver license fees. Subject to statutory allocation under current State Law, thirty-four percent (34%) of the Dedicated Funds Pool is currently deposited in the Mass Transportation Trust Fund (MTTF) for MTA's benefit. Amounts transferred from the MTTF Account to the MTA's Dedicated Tax Fund constitute MTTF Receipts. For the purposes of budget preparations, MTTF Receipts are also referred to as PBT Receipts interchangeably. Eighty-five percent (85%) of the MTTF Receipts are payable to New York City Transit (NYCT) for the benefit of NYCT and SIR, and the remaining 15% to MTA for the benefit of LIRR and Metro-North.

MTA utilizes the MTTF Receipts (PBT) to pay debt service on MTA's Dedicated Tax Fund Bonds (DTF Bonds). Debt service on DTF Bonds is payable first from PBT Receipts and then, to the extent of any deficiency, from MMTOA Taxes. On an annual basis to date, PBT Receipts have been sufficient to meet all debt service commitments and no MMTOA Taxes have been used.

After debt obligations are satisfied, the remaining PBT funds are transferred for use by New York City Transit and the Commuter Railroads as a subsidy.

New Revenue

The July Financial Plan incorporates changes to PBT that reflect the projected receipts from new taxes appropriated in the 2005-06 NYS Enacted Budget, which affect certain Department of Motor Vehicle fees beginning January 1, 2006. In addition, changes were made to reflect additional tax collections for PBT and the Motor Fuel Tax from Native American businesses. Of the additional Statewide collections, MTA would receive approximately 34%. Total new tax receipts earmarked for the MTA are \$86.0 million in 2006, and \$71.1 million in each of the years 2007, 2008 and 2009.

The following is a break out of the new taxes by category:

New Taxes (In dollars)	Dollars in Millions			
	2006	2007	2008	2009
PBT–Native American Share	\$ 3.1	\$ 4.1	\$ 4.1	\$ 4.1
Motor Fuel Tax – Native American Share	1.1	1.5	1.5	1.5
2005-06 DMV Fee Increases	81.8	65.5	65.5	65.5
Total	\$86.0	\$71.1	\$71.1	\$71.1

2005 Mid-Year Forecast

The 2005 Mid-Year Forecast is based on actual results through June year-to-date.

The 2005 MTA PBT Receipts, on a cash basis, are estimated at \$535.0 million, a decrease of \$16.6 million compared with the February Plan forecast. The change represents a correction made by the State in allocating DMV revenue deposited into the MTTF. Of the MTA allocation, 85% or \$457.2 million is earmarked for New York City Transit and 15%, or \$77.8 million, for the Commuter Railroads.

On an accrual basis, PBT estimates for 2005 are \$541.6 million, which is \$10 million below the February Plan estimate. The accrual estimate is based on a one-month lag in the booking and collections of PBT proceeds.

2006 Forecast

For 2006, PBT cash is estimated to be \$634.6 million, \$81.9 million more than the February Plan estimate. This includes \$86.0 million in additional new taxes, which was discussed in the "New Revenue" Section above. The 2006 forecast inflates the 2005 level by 2.6% before incorporating the new taxes.

On an accrual basis, PBT is estimated at \$633.9 million, an increase of \$81.2 million over the February Plan level.

2007 - 2009

For 2007 through 2009, PBT cash estimates are \$626.2 million, \$629.1 million and \$632.0 respectively. The cash estimates are \$69.7 million, \$69.9 million and \$79.9 million higher than forecasted in the February Plan in each of the respective years. The 2007 through 2009 forecasts inflate the previous year's level by 1.2%, 0.5% and 0.5% respectively.

On an accrual basis, PBT estimates for 2007 through 2009 are \$626.4 million, \$629.4 million and \$632.3 million respectively.

SUMMARY OF DEDICATED TAX FUND PROJECTIONS

July Financial Plan 2006 - 2008
Tax Yield Distribution 2004 - 2009
(\$ in millions)

	<u>2004</u>	<u>2005</u> <u>Mid-Year</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<u>Actual</u>	<u>Forecast</u>				
Net Base PBT Collections Available for Distribution	\$979.3	\$961.6	\$966.4	\$969.3	\$974.2	\$972.3
<i>Forecast of Supplemental PBT Collections for Distribution:</i>						
Supplemental PBT Collections	\$676.6	\$685.4	\$684.0	\$692.2	\$695.7	\$695.7
Month Cash Lag / DOT Special Programs	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Supplemental PBT Collections Available for Distribution	\$676.6	\$685.4	\$684.0	\$692.2	\$695.7	\$695.7
Total Net PBT Collections Available for Distribution	\$1,655.9	\$1,647.0	\$1,650.5	\$1,661.6	\$1,669.9	\$1,668.0
<i>Distribution Shares:</i>						
MTA Total	34.00%	34.00%	34.00%	34.00%	34.00%	34.00%
Other Transit	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Highway Trust Fund	63.00%	63.00%	63.00%	63.00%	63.00%	63.00%
General Fund	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Share Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Amount of Total Net Collections Available for the MTA:</i>						
MTA Total	\$563.0	\$541.6	\$633.9	\$626.4	\$629.4	\$632.2
<i>Accrued</i>						
NYCT/SIR Share of MTA Total	478.5	463.1	541.7	535.3	537.9	540.3
Commuter Railroad Share of MTA Total	<u>84.4</u>	<u>78.5</u>	<u>92.2</u>	<u>91.1</u>	<u>91.5</u>	<u>91.9</u>
MTA Total of Net Collections	\$563.0	\$541.6	\$633.9	\$626.4	\$629.4	\$632.2

MORTGAGE RECORDING TAXES (MRT)

Mortgage Recording Taxes consist of two taxes: Mortgage Recording Tax-1 (MRT-1) and Mortgage Recording Tax-2 (MRT-2).

MRT-1 is imposed on the borrower for recorded mortgages of real property situated in New York State, subject to certain exclusions, and collected by New York City and the seven other counties within the MTA's service area, at the rate of one-quarter of one percent (1/4%) of the debt secured by certain real estate mortgages. (As discussed below, this rate was recently increased). It must be applied, first, to meet MTA Headquarters operating expenses and, second, to make deposits into the New York City Transit (NYCT) Account (55% of the remaining amount) and the Commuter Railroad Account (45% of the remaining amount).

Moneys in the NYCT Account are required to be used to pay operating and capital costs of the Transit Authority, its subsidiaries, and SIR. Moneys in the Commuter Railroad Account are required to be used first to pay up to \$20 million to the State Suburban Transportation Fund each year to finance certain types of highway capital projects in certain areas of the Transportation District. In the event the transfer would result in a Commuter Railroad operating deficit, the amount of the deficit is appropriated to the MTA for Commuter Railroad operating purposes, and not transferred to the Suburban Fund. After first making the required transfers to the State Suburban Transportation Fund, the balance in the Commuter Railroad Account is required to be used to pay operating and capital costs of the commuter railroad operations of MTA, other than SIR.

MRT-2 is a tax imposed on the institutional lender. It consists of one-quarter of one percent (1/4%) of certain recorded mortgages within New York State secured by real estate improved or to be improved by structures containing one to six dwelling units in the Authority's service area. MRT-2 Receipts are to be applied, first, to make deposits into the Payment Sub-accounts of Dutchess, Orange and Rockland counties and, second, to make deposits into the Corporate Purposes Sub-account for the purposes of paying operating and capital costs, including debt service and debt service reserve requirements, if any, incurred for the benefit of MTA, the Transit Authority and their respective subsidiaries.

Each year, MTA is required to transfer in equal quarterly installments, from the Corporate Transportation Account to the Metropolitan Transportation Authority's Dutchess, Orange and Rockland Fund (DORF) an annual amount of \$5.0 million, of which \$1.5 million is for each of the counties of Dutchess and Orange, and \$2.0 million is for the county of Rockland. Additionally, MTA must transfer from that Account to such fund for each of these three counties, respectively, an amount equal to the product of (i) the percentage by which such county's mortgage recording tax payment to MTA in the preceding calendar year increased over such payment in calendar year 1989 and (ii) \$1.5 million each for Dutchess and Orange Counties and \$2.0 million for Rockland County.

New Revenue

The July Financial Plan incorporates changes to MRT-1 that reflect an increase from 25 cents per hundred dollars of recorded mortgage to 30 cents, effective with the June 1, 2005 mortgage origination. The resulting effect is a 20% increase in the MRT-1 tax rate. The new tax revenues are projected to yield additional cash receipts of \$24.5 million, \$45.7 million, \$47.0 million, \$47.0 million and \$46.2 million, respectively, in 2005 through 2009. Since MTA's receipts are lagged approximately one month, the 2005 mid-year cash forecast assumes six months of the tax revenue at the new rate.

2005 Mid-Year Forecast

The 2005 Mid-Year Forecast is based on June year-to-date actual receipts. Mortgage Recording Tax gross cash receipts for June 2005 year-to-date were \$43.3 million (14%) more than the same period in 2004. Mortgage recording activity has remained robust as interest rates have stayed lower than expected.

The MRT forecast for tax collections applied 16 models in total, with New York City and the seven suburban counties (8 jurisdictions) each having an MRT-1 model and an MRT-2 model. Models are time-series regression models, with a log-log specification. In the model, tax collections are a function of the ten-year U.S. Treasury Note rate and population of the county (or New York City).

Global Insight's projection for the 10-year U.S. Treasury Note calls for a rate of 4.8% in 2005. Interest rates for personal mortgages consistently rise and fall as the T-Note rate changes. Population forecasts for each county vary; for 2005, population increases are projected to be 0.3% for New York City, 0.4% for Nassau and Suffolk, 0.1% for Westchester, 1.7% for Putnam, 0.6% for Dutchess, 0.6% for Rockland and 0.7% for Orange.

The 2005 Mid-Year Forecast is based on six months of actual tax receipts. The last six months were derived from tax receipts for the last six months of 2004, reduced by 15% to account for the unusually high level of tax receipts during the second half of 2004, and then adjusted by the impacts projected from the models.

Research of MRT historical tax yields and historical interest rate levels indicated that when interest levels dropped, mortgage activity climbed and conversely, when interest levels increased, mortgage activity dropped. At the end of 2004, leading forecasters were predicting that interest rates would increase steadily during 2005. This has not been the case and mortgage recording activity has remained high, resulting in robust mortgage taxes in 2005.

Total gross MRT-1 receipts for 2005 are estimated at \$370.7 million, an increase of \$136.1 million over the February Plan estimate. This includes the additional receipts from the new tax revenues. Of the total, \$246.9 million is expected to be applied to the MTA Headquarters operating deficit in 2005. MRT-1 distribution to NYCT and SIR is estimated at \$92.4 million and \$70.2 million to the commuter railroads, including actual

receipts received in 2004 but allocated in 2005 after completion of the independent audit of 2004 MTA Financial Statements.

Total gross MRT-2 receipts for 2005 are estimated at \$266.1 million. After all other required adjustments, the NYCT/SIR share is estimated at \$182.9 million, and the Commuter Railroads share is estimated at \$32.3 million in 2005. These subsidy allocations include distribution of \$41.6 million of prior year MRT-2 monies received in December 2004.

2006 - 2009

Refinancing activity is expected to fall off as interest rates increase during the latter part of 2005, which is expected to materially impact receipts in 2006. Therefore, 2006 MRT collections have been estimated by reducing 2005 MRT collections by one-third and then applying the model impacts. The annual 2006 forecast are then used as the basis for projections for 2007 through 2009.

Global Insight's projection for the 10-year U.S. Treasury Note calls for rates of 5.5% in 2006, 5.6% in 2007, 5.8% in 2008, and 6.3% in 2009. Annual population changes are consistent with the annual 2005 forecasts.

In 2006, 2007, 2008 and 2009, total gross MRT collections on a cash basis are projected at \$422.9 million, \$433.8 million, \$430.5, and \$418.3 million, respectively.

Additional Assumptions

The MTA General Reserve is valued at \$40.0 million annually beginning in 2005 and is funded from MRT-2. Funding for the reserve is earmarked before the transfer to NYCT and Commuter Railroads subsidy accounts.

MRT-2 also funds certain Agency Security Costs, which reimburses the agencies for security expenses. MTA Police manages the fund. The July Plan increased the 2005 agency security cost fund by \$10.0 million in order to cover recent heightened security and security-related education outreach programs. These funds have not yet been allocated to MTA agencies. For 2005 through 2009, B&T's reimbursement of certain security overtime costs have been reduced by approximately \$4.0 million annually.

SUMMARY OF MORTGAGE RECORDING TAX PROJECTIONS

July Financial Plan 2006 - 2009

Tax Yield Distribution 2004 - 2009

(\$ in millions)

	2004	2005	2006	2007	2008	2009
	Actual	Mid-Year Forecast				
MORTGAGE RECORDING TAX #261-1						
Receipts Available for Transfer to NYCT and CRs:						
Total Gross Receipts	\$349.2	\$370.7	\$263.4	\$271.2	\$271.3	\$266.3
Carryover	(15.1)	15.1	0.0	0.0	0.0	0.0
Less: MTAHQ Operating Deficit	(219.2)	(246.9)	(251.3)	(257.3)	(260.4)	(266.4)
Net Receipts Available for Transfer	\$114.9	\$138.9	\$12.1	\$13.9	\$11.0	(\$0.1)

Allocation of Net Receipts to NYCT/SIR Account:

Opening Balance	\$0.0	\$15.8	\$0.0	\$0.0	\$0.0	\$0.0
NYCT/SIR Share	55%	55%	55%	55%	55%	55%
From Current Year Net Receipts	63.2	76.4	6.7	7.6	6.0	(0.1)
Interest	0.1	0.3	0.0	0.0	0.0	0.0
Carryover	(10.4)	0.0	0.0	0.0	0.0	0.0
Transfers from MRT-2	0.0	0.0	0.0	0.0	0.0	0.1
Total NYCT/SIR Net Cash Share	\$52.9	\$92.4	\$6.7	\$7.6	\$6.0	\$0.0
Total SIR Net Cash Share	0.2	0.3	0.0	0.0	0.0	0.0
Total NYCT Net Cash Share	\$52.7	\$92.1	\$6.6	\$7.6	\$6.0	\$0.0

Allocation of Net Receipts to Commuter Railroad Account:

Opening Balance - CR/SHF	\$14.5	\$27.4	\$0.0	\$0.0	\$0.0	\$0.0
Commuter Railroad Share	45%	45%	45%	45%	45%	45%
From Net Receipts	51.7	62.5	5.5	6.2	4.9	(0.0)
Interest	0.0	0.3	0.0	0.0	0.0	0.0
Carryover	(23.0)	0.0	0.0	0.0	0.0	0.0
Less: Suburban Highway Fund	(38.9)	(20.0)	(5.5)	(6.2)	(4.9)	0.0
Transfers from MRT-2	0.0	0.0	0.0	0.0	0.0	0.0
Total Commuter Railroad Net Cash Share	\$4.3	\$70.2	\$0.0	\$0.0	\$0.0	\$0.0

MORTGAGE RECORDING TAX #261-2

Receipts Available for Transfer to NYCT and CRs:

Total Receipts to Corporate Account	\$288.2	\$266.1	\$159.5	\$162.6	\$159.2	\$152.0
Opening Fund Balance (starting in 1998)	104.2	41.6	0.0	0.0	0.0	0.0
Transfer (to)/from Agency Operating Accounts	(26.4)	(34.8)	(27.5)	(29.5)	(29.6)	(31.1)
Reserve for Following Year/Cash Flow Provision	(46.1)	0.0	0.0	0.0	0.0	0.0
General Reserve	0.0	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Real Estate Tax Stabilization Account	(200.0)	0.0	0.0	0.0	0.0	0.0
Investment Income	2.9	0.0	0.0	0.0	0.0	0.0
Total Receipts Available for Transfer	\$122.8	\$232.9	\$92.0	\$93.0	\$89.7	\$80.9

Use of Total Receipts:

DORF Opening Balance	\$3.8	\$4.5	\$0.0	\$0.0	\$0.0	\$0.0
Less: Transfer to MTA DORF Account	(20.3)	(22.3)	(24.1)	(16.0)	(16.4)	(16.3)
Less: Transfer to MTAHQ Funds	0.0	0.0	0.0	0.0	0.0	(0.1)
Net Receipts Available	\$106.3	\$215.1	\$67.9	\$77.0	\$73.3	\$64.6

Allocation of Net Receipts to NYCT/SIR Corporate Account:

Projected NYCT/SIR Share	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
From Net Receipts	\$90.4	\$182.9	\$57.7	\$65.5	\$62.3	\$54.9
Total NYCT/SIR Cash Share	\$90.4	\$182.9	\$57.7	\$65.5	\$62.3	\$54.9
Total SIR Cash Share	0.0	0.0	0.0	0.0	0.0	0.0
Total NYCT Cash Share	\$90.4	\$182.9	\$57.7	\$65.5	\$62.3	\$54.9

Allocation of Net Receipts to CRs Corporate Account:

Projected Commuter Railroad Share	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
From Net Receipts	\$15.9	\$32.3	\$10.2	\$11.6	\$11.0	\$9.7
B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Total Commuter Railroad Net Cash Share	\$15.9	\$32.3	\$10.2	\$11.6	\$11.0	\$9.7

URBAN TAXES

Urban Taxes consist of two taxes: a Mortgage Recording Tax imposed on New York City commercial properties' mortgages that exceed \$500,000, and a Real Property Transfer Tax imposed on New York City commercial properties valued over \$500,000. It is available only for transit purposes in New York City. New York City Transit (NYCT) is entitled to 90% of the revenues collected for its general operations. In addition, NYCT receives 6% of the revenues collected for partial reimbursement of Paratransit costs. The remaining 4% is earmarked as subsidy for the City private buses. The City will utilize these funds to reimburse MTA Bus expenses.

2005 Mid-Year Forecast

In the 2005 Mid-Year Forecast, Urban Tax receipts on a cash basis are estimated at \$426.5 million. This represents an increase of \$195.0 million over the February Plan level.

In making the projections for 2005 and the out-years, two models were applied, one for the Mortgage Recording Tax and one for the Real Property Transfer Tax (RPTT). Models are time-series regression models, with a log-log specification. In the model, tax collections are a function of the ninety-day U.S. Treasury Bill rate and New York City private-sector employment. The ninety-day T-Bill rate was forecasted to be 3.2% for 2005. New York City private-sector employment was expected to grow by 1.1% in 2005.

The 2005 projections include actual collections through June. During 2004 and the first half of 2005 (particularly the second quarter), Urban Tax receipts were way above target due to the continued robust commercial real estate market. The Urban Tax projection for the second half of 2005 was based on the second half of 2004, adjusted downwards (by \$6.1 million for RPTT and by \$0.5 million for MRT) to reflect unusually large transaction levels experienced during the year.

2006 - 2009

The MRT and RPTT projections for 2006 were based on adjusted 2005 projections. Downward adjustments of \$78.8 million for RPTT and \$35.7 million for MRT were made to take account of unusually high 2005 yields. The ninety-day T-Bill rate is projected to be 4.2 percent for 2006. Stronger growth is expected in New York City private-sector employment, forecasted to be 1.3 percent.

Cash projections for 2006 are \$80.0 million above the February Plan projections. In 2007, 2008 and 2009, projected receipts are \$79.8 million, \$90.1 million and

\$112.4 million over the February Plan levels, respectively. In 2007, T-Bill rates are expected to reach 4.18% and rise to 4.67% by 2009.

STATE AND LOCAL SUBSIDIES

State and Local Subsidies consist of New York State and Local Section 18-B Operating Assistance, Nassau County Subsidy, Station Maintenance and Connecticut Department of Transportation (CDOT) Subsidy to Metro-North Railroad. In addition the Commuter Railroads' subsidies include additional Mass Transit Assistance Program (AMTAP) aid, appropriated by the State and an operating capital transfer scheduled to be made in 2006.

New York State 18-b Operating Assistance is direct State aid to the MTA appropriated by the State Legislature on an annual basis. Each County in the MTA Transportation District is required by the transportation law to match the State amounts by making quarterly payments of Local 18-b Operating Assistance to the MTA. Beginning in 1994, the State earmarked a portion of the dedicated taxes to fund the State's obligations for 18-b payments.

Nassau County subsidies include of Nassau County's payment obligations to cover LIB's operating deficit. Nassau's Local 18-b match for LIB is also included in the Nassau County subsidy.

Connecticut Department of Transportation (CDOT) subsidy payments are made to Metro-North Railroad as reimbursement for expenses associated with commuter train operations by Metro-North in the State of Connecticut.

Station Maintenance subsidy is paid by the City and each of the seven counties in the MTA region for the operation, maintenance and use of Commuter System passenger stations within the City and each of the counties. Station Maintenance base amounts were established in 1999 and are subject to CPI (Consumer Price Index) adjustment each year thereafter.

2005 Mid-Year Budget

In the 2005 Mid-Year Forecast, State and Local cash subsidy receipts are estimated at \$611.3 million, an increase of \$36.2 million over the February Forecast, due primarily to:

- The commuter railroads were appropriated AMTAP funds of \$38.9 million in 2005 by the State .
- CDOT subsidies were \$4.0 million lower than the February projections due to a reforecast of Connecticut's share.

State and Local 18-b Operating Assistance to MTA has not changed in the last 15 years.

2006 Forecast

In 2006, State and Local subsidy, on a cash basis, is slightly below the February Plan Forecast due to reforecast of CDOT and changes in the CPI affecting Station Maintenance.

2007 - 2009

In 2007, total State and Local cash subsidy estimate is \$2.1 million below the February Plan level. In 2008 and 2009, State and Local subsidy estimates are \$2.4 million and \$5.9 million above the February estimates, respectively. The changes represent reforecast of CDOT and Station Maintenance consistent with the changes in 2006.

In January 2004, the MTA Board authorized the exercise of a M-7 car option to permit Metro-North to accelerate the purchase of 120 additional cars. Included in the action was a provision for the Metro-North Operating Budget to transfer savings of \$10 million to the capital program. Metro-North's financial plan included the requisite \$10 million savings in 2004. Since this resulted in \$10 million of commuter rail subsidy savings, a commensurate operating capital transfer is included as a reduction to 2006 commuter rail subsidies. The car purchase payment schedule will require the transfer in that year.

MTA SUBSIDY TO SUBSIDIARIES

In the 2005 Mid-Year Forecast, total estimated MTA subsidy payment to its subsidiaries on a cash basis is \$31.6 million, a reduction of \$4.3 million from the February Forecast. Staten Island Railroad's (SIR) share is \$17.6 million; Long Island Bus' (LIB) share is \$14.0 million.

SIR's share reflects amounts needed to cover the operating deficit after all other subsidies and operating revenues are allocated.

In 2006, the forecast estimates MTA subsidy payment to LIB and SIR on a cash basis of \$32.1 million.

For each of the years 2007 through 2009, MTA subsidy to its subsidiaries is \$32.9 million, \$34.0 million and \$35.3 million respectively. The Long Island Bus portion remains at \$14.0 million in each year.

MTA New York City Transit Subsidy Allocation
2004-2009
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assist. (MMTOA)	461.8	615.1	784.7	812.9	802.5	825.6
Petroleum Business Tax (PBT) Receipts	478.5	457.2	542.3	535.1	537.7	540.1
Mortgage Recording Tax (MRT)	143.1	275.0	64.4	73.1	68.3	54.9
Urban Tax	322.5	426.5	325.1	353.8	369.7	378.5
	\$1,405.9	\$1,773.8	\$1,716.6	\$1,774.9	\$1,778.2	\$1,799.1
<i>State and Local Subsidies</i>						
State Operating Assistance	158.1	158.2	158.2	158.2	158.2	158.2
Local Operating Assistance	158.2	158.2	158.2	158.2	158.2	158.2
	\$316.2	\$316.4	\$316.4	\$316.4	\$316.4	\$316.4
Total Dedicated Taxes & State and Local Subsidies	\$1,722.2	\$2,090.1	\$2,032.9	\$2,091.3	\$2,094.6	\$2,115.4
<i>Inter-agency Subsidy Transactions</i>						
Bridges and Tunnels Operating Surplus Transfer	148.6	190.1	156.2	145.4	136.9	123.8
MTA Subsidy to Subsidiaries	13.0	0.0	0.0	0.0	0.0	0.0
	\$161.6	\$190.1	\$156.2	\$145.4	\$136.9	\$123.8
GROSS SUBSIDIES	\$1,883.8	\$2,280.2	\$2,189.2	\$2,236.7	\$2,231.5	\$2,239.2

MTA Commuter Railroad Subsidy Allocation
2004-2009
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assistance (MMTOA)	273.1	329.7	412.0	424.8	422.6	433.1
Petroleum Business Tax (PBT) Receipts	84.4	77.8	92.3	91.0	91.5	91.9
Mortgage Recording Tax (MRT)	20.3	102.4	10.2	11.6	11.0	9.7
Investment Income	6.3	6.3	12.6	15.5	17.0	21.3
	\$384.1	\$516.2	\$527.1	\$542.9	\$542.0	\$556.0
<i>State and Local Subsidies</i>						
State Operating Assistance	30.6	29.3	29.3	29.3	29.3	29.3
Local Operating Assistance	28.9	29.7	29.3	29.3	29.3	29.3
CDOT Subsidy	56.6	53.3	58.0	62.8	72.4	84.9
Station Maintenance	125.7	129.3	132.6	136.3	140.3	144.8
AMTAP	0.0	38.9	0.0	0.0	0.0	0.0
	\$241.8	\$280.5	\$249.1	\$257.6	\$271.2	\$288.2
Commuter Operating Capital Transfer - MNR M-7 Acceleration	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$626.0	\$796.7	\$766.1	\$800.5	\$813.2	\$844.2
<i>Inter-agency Subsidy Transactions</i>						
Bridges and Tunnels Operating Surplus Transfer	228.0	296.8	258.4	248.8	240.3	227.2
GROSS SUBSIDIES	\$854.0	\$1,093.4	\$1,024.5	\$1,049.2	\$1,053.5	\$1,071.3

MTA Long Island Bus Subsidy Allocation
2004-2009
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
<i>Dedicated Taxes</i>						
MMTOA Allocation	28.4	36.3	40.7	42.0	42.3	43.3
	28.4	36.3	40.7	42.0	42.3	43.3
<i>State and Local Subsidies</i>						
State Operating Assistance	6.7	3.0	3.0	3.0	3.0	3.0
Nassau County Subsidy	7.4	10.5	10.5	10.5	10.5	10.5
	14.0	13.5	13.5	13.5	13.5	13.5
Total Dedicated Taxes & State and Local Subsidies	42.4	49.8	54.2	55.4	55.7	56.8
<i>Inter-agency Subsidy Transactions</i>						
MTA Subsidy to Subsidiaries	11.2	14.0	14.0	14.0	14.0	14.0
GROSS SUBSIDIES	\$53.6	\$63.8	\$68.2	\$69.4	\$69.7	\$70.8

MTA Staten Island Railway Subsidy Allocation
2004-2009
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assistance (MMTOA)	1.4	1.9	2.4	2.5	2.5	2.6
Mortgage Recording Tax (MRT)	0.2	0.3	0.0	0.0	0.0	0.0
	\$1.6	\$2.2	\$2.5	\$2.6	\$2.5	\$2.6
<i>State and Local Subsidies</i>						
State Operating Assistance	0.5	0.5	0.5	0.5	0.5	0.5
Local Operating Assistance	0.5	0.5	0.5	0.5	0.5	0.5
	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Total Dedicated Taxes & State and Local Subsidies	\$2.6	\$3.2	\$3.4	\$3.5	\$3.5	\$3.6
<i>Inter-agency Subsidy Transactions</i>						
MTA Subsidy to Subsidiaries	19.2	17.6	18.1	18.9	20.0	21.3
GROSS SUBSIDIES	\$21.8	\$20.8	\$21.6	\$22.5	\$23.5	\$24.9

MTA Headquarters Subsidy Allocation
2004 - 2009
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008	2009
<i>Dedicated Taxes</i>						
<u>Mortgage Recording Tax</u>						
Net Receipts After Agency Transfers	488.8	300.7	348.3	349.0	351.2	353.8
<u>Adjustments</u>						
Funding of General Reserve	0.0	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Diversion of MRT to Suburban Counties	(62.9)	(37.8)	(29.5)	(22.2)	(21.3)	(16.3)
Carryover/Opening Balances/Interest	0.0	58.8	0.0	0.0	0.0	0.0
Agency Security Costs from MRT	(26.4)	(34.8)	(27.5)	(29.5)	(29.6)	(31.1)
<i>Total Adjustments</i>	(89.3)	(53.8)	(97.0)	(91.8)	(90.9)	(87.4)
Net Funding of MTA Headquarters	\$399.5	\$246.9	\$251.3	\$257.3	\$260.4	\$266.4

Debt Service

Debt Service in the Financial Plan

The following table reflects debt service projections for 2005 through 2009 associated with approved Capital Programs, including the recently approved five-year capital program for the 2005–2009 period. The table compares all MTA and TBTA debt service as published in the MTA February 2005 Financial Plan with newly revised estimates for this July 2005 Financial Plan (this comparison excludes State Service Contract and Convention Center debt service which is fully paid by New York State).

Debt Service Forecast (\$ in millions)			
Year	February Plan Debt Service	July Plan Debt Service	Difference Favorable/(Unfavorable)
2005	1,208.1	1,080.2	127.9
2006	1,400.6	1,342.0	58.6
2007	1,525.4	1,467.5	57.9
2008	1,631.2	1,602.8	28.4
2009	<u>1,729.8</u> *	<u>1,753.7</u>	<u>(23.9)</u>
Total:	\$7,495.1	\$7246.2	\$248.9

* Unpublished estimate.

The favorable variance of \$248.9 million reflected in this July 2005 Plan is due to three key factors:

- (1) Two refunding issues completed this year provide over \$9 million in annual recurring savings. The DTF 2005A Bonds totaling \$350 million advance refunded previously issued higher coupon debt generating savings of approximately \$2 million per year. The TBTA 2005B Bonds totaling \$800 million advance refunded previously issued higher coupon debt and generated savings of over \$7 million per year. Savings in 2005 are \$7.8 million and increase to \$9.3 million in 2006, growing to \$9.6 million in 2009.
- (2) Forecasted debt service is lower as a result of current interest rate assumptions for long term fixed-rate debt which continue to be lower-than-expected, and,
- (3) Capital Program cash flow assumptions have been updated to reflect a slower pace of capital spending.

In 2005 other monies available to pay debt service further reduced the cash deposits needed for debt service. These other monies are from two sources:

- (1) TBTA's over-funding of its debt service accounts in 2004 (TBTA fully funded its cash deposits to bond trustees on variable rate debt at the projected rate of 4%

instead of at the actual rate, which action has been corrected in 2005) of approximately \$23 million, and

- (2) Unspent cost of issuance funds (the difference between the estimates of costs of issuance made at the time of issuance of the individual series of bonds and actual expenditures) since MTA's 2002 Debt Restructuring totaling approximately \$25 million.

The following is a summary of the key assumptions used to determine the debt service projections included in the financial plan.

Debt Issuance Assumptions:

Forecasted Borrowing Schedule	2005	2006	2007	2008	2009
New Money Bonds *(\$ in millions)	666	2,005	2,014	2,179	1,903
Assumed Fixed-Rates					
Transportation Revenue Bonds	4.59%	4.71%	4.80%	4.88%	4.95%
Dedicated Tax Fund Bonds	4.40%	4.51%	4.60%	4.68%	4.75%
Triborough Bridge & Tunnel Authority	4.40%	4.51%	4.60%	4.68%	4.75%
Assumed Variable Rates	4.00%	4.00%	4.00%	4.00%	4.00%
Weighted Average Interest Rates **					
Transportation Revenue Bonds	4.44%	4.53%	4.60%	4.66%	4.72%
Dedicated Tax Fund Bonds	4.30%	4.39%	4.45%	4.51%	4.56%
Triborough Bridge & Tunnel Authority	4.30%	4.39%	4.45%	4.51%	4.56%

* Forecasted borrowing for remainder of 2005. MTA issuance to date in 2005 is \$1.4 billion in bonds for Transit and Commuter projects, and \$150 million for Bridge & Tunnel projects.

** Weighted Average of fixed and variable forecasted rates (see below for explanation)

- All debt is assumed to be issued as 30-year level debt, principal amortized over the life of the bonds.
- 2005 fixed-rate estimates derived from prevailing Fair Market Yield Curves for A- and AA- Transportation issuers using Bloomberg Information Service. Financial Plan years 2006 – 2009 derived by applying changes in U.S. Municipal Forward Curves to prevailing transportation curves.
- Split of fixed-rate debt versus variable rate debt each year is 75% / 25%.
- New bond issues calculated interest rate at time of issuance use weighted average of fixed and variable assumptions (actual fixed-rates in table above assumed for fixed-rate bonds).
- Cost of issuance is 2% of gross bonding amount.

- New money bonds for currently approved transit and commuter projects assumed issued 25% under the DTF credit and 75% under the Transportation credit.
- All bonds issued to finance TBTA capital projects issued under the TBTA General Revenue Resolution.
- No reserve funds.

2005 Debt Service is updated to reflect actual deposits to debt service accounts from January through May.

Bond proceeds as a funding source in the next capital program, the 2005-2009 Capital Programs, are equal to \$9.3 billion. The \$9.3 billion is expected to be financed as follows: \$3.0 billion under the Transportation credit, \$1.2 billion under the TBTA credits for TBTA's own purposes, and \$5.1 billion supported by additional taxes and fees as authorized by the 2005-2006 New York State budget. For further capital program details see "2005-2009 Capital Program" approved by the MTA Board on April 28, 2005.

Metropolitan Transportation Authority
Summary of Total Debt Service (\$ in millions)
2005 to 2009

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>New York City Transit:</u>					
Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	236.691	299.438	298.755	298.611	298.772
Debt Service on Additional Transportation Revenue Bonds Supporting Approved Capital Programs	7.277	49.122	122.013	199.137	270.892
2 Broadway Certificates of Participation - NYCT Lease Portion	22.963	17.516	17.518	19.221	19.226
2 Broadway Certificates of Participation - Additional NYCT Share of MTA Lease Portion	2.453	1.759	1.759	1.931	1.931
Transportation Resolution Commercial Paper	12.575	20.503	20.503	20.503	34.192
Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	164.456	174.064	173.995	174.089	174.232
Debt Service on Additional Dedicated Tax Fund Bonds Supporting Approved Capital Programs	<u>0.101</u>	<u>10.853</u>	<u>32.376</u>	<u>52.689</u>	<u>68.637</u>
<i>Sub-Total MTA Paid Debt Service</i>	446.515	573.254	666.919	766.180	867.883
Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	131.708	143.336	143.621	143.548	143.581
Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	<u>77.606</u>	<u>85.720</u>	<u>85.658</u>	<u>85.751</u>	<u>85.695</u>
<i>Sub-Total B&T Paid Debt Service</i>	209.314	229.056	229.279	229.299	229.276
Total NYCT Debt Service	655.829	802.310	896.198	995.479	1,097.159
<u>Commuter Railroads:</u>					
Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	162.652	222.215	221.708	221.600	221.720
Debt Service on Additional Transportation Revenue Bonds Supporting Approved Capital Programs	12.526	36.168	53.846	71.570	95.207
Transportation Resolution Commercial Paper	6.840	9.809	9.809	9.809	16.359
Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	32.071	33.602	33.588	33.607	33.634
Debt Service on Additional Dedicated Tax Fund Bonds Supporting Approved Capital Programs	<u>0.233</u>	<u>1.117</u>	<u>3.087</u>	<u>6.598</u>	<u>11.072</u>
<i>Sub-Total MTA Paid Debt Service</i>	214.322	302.910	322.039	343.185	377.993
Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	58.952	64.157	64.285	64.252	64.267
Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	<u>34.097</u>	<u>37.662</u>	<u>37.634</u>	<u>37.675</u>	<u>37.651</u>
<i>Sub-Total B&T Paid Debt Service</i>	93.049	101.819	101.919	101.927	101.917
Total Commuter Railroad Debt Service	307.370	404.729	423.957	445.112	479.910
<u>Bridges and Tunnels:</u>					
Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	77.317	87.952	88.127	88.083	88.103
Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	30.656	33.861	33.836	33.873	33.851
Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Approved Capital Programs	0.578	6.940	19.197	33.381	47.873
2 Broadway Certificates of Participation - TBTA Lease Portion	3.417	2.626	2.626	2.882	2.883
2 Broadway Certificates of Participation - Additional TBTA Share of MTA Lease Portion	5.014	3.595	3.595	3.945	3.946
Total Bridges and Tunnels Debt Service	116.981	134.974	147.382	162.163	176.656
<u>MTA Wide Total</u>					
Budgeted Gross Debt Service for Existing Bonds	1,006.204	1,182.006	1,181.207	1,181.089	1,181.506
2 Broadway Certificates of Participation	33.847	25.496	25.500	27.979	27.986
Transportation Resolution Commercial Paper	19.415	30.312	30.312	30.312	50.551
Debt Service on Additional Transportation Revenue Bonds Supporting Approved Capital Programs	19.803	85.290	175.859	270.707	366.099
Debt Service on Additional Dedicated Tax Fund Bonds Supporting Approved Capital Programs	0.334	11.970	35.463	59.287	79.709
Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Approved Capital Programs	0.578	6.940	19.197	33.381	47.873
Total MTA Wide Debt Service	1,080.180	1,342.013	1,467.538	1,602.754	1,753.725

Debt Service Affordability Statement

MTA 2005 - 2009 Financial Plan

Debt Service Affordability Statement

\$ in millions

Forecasted Debt Service and Borrowing Schedule		Notes	2005	2006	2007	2008	2009
		1, 2, 3					
Combined MTA/TBTA Forecasted Debt Service Schedule		4	1,046.3	1,316.5	1,442.0	1,574.8	1,725.7
Forecasted New Money Bonds Issued		5	680.0	2,046.3	2,055.5	2,223.4	1,942.0
Forecasted Debt Service by Credit		Notes	2005	2006	2007	2008	2009
Transportation Revenue Bonds							
Pledged Revenues		7	\$ 7,147.5	\$ 7,001.9	\$ 7,127.3	\$ 7,151.3	\$ 7,198.7
Debt Service		11, 12	438.6	637.3	726.6	821.2	937.1
Debt Service as a % of Pledged Revenues			6%	9%	10%	11%	13%
Dedicated Tax Fund Bonds							
Pledged Revenues		8	\$ 541.6	\$ 633.9	\$ 626.4	\$ 629.4	\$ 632.2
Debt Service		12	196.9	219.6	243.0	267.0	287.6
Debt Service as a % of Pledged Revenues			36%	35%	39%	42%	45%
Triborough Bridge and Tunnel Authority General Revenue Bonds							
Pledged Revenues		9	\$ 898.4	\$ 904.5	\$ 899.6	\$ 898.2	\$ 886.3
Debt Service		12	268.6	302.4	315.2	329.3	343.8
Debt Service as a % of Total Pledged Revenues			30%	33%	35%	37%	39%
Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds							
Pledged Revenues		10	\$ 629.9	\$ 602.1	\$ 584.3	\$ 569.0	\$ 542.5
Debt Service		12	142.4	157.2	157.1	157.3	157.2
Debt Service as a % of Total Pledged Revenues			23%	26%	27%	28%	29%
Cumulative Debt Service (Excluding State Service Contract Bonds)		Notes	2005	2006	2007	2008	2009
Total Debt Service			\$ 1,046.3	\$ 1,316.5	\$ 1,442.0	\$ 1,574.8	\$ 1,725.7
Operating Revenues and Subsidies			8,572.2	8,460.8	8,624.5	8,755.0	8,846.8
Total Debt Service as a % of Operating Revenues and Subsidies			12%	16%	17%	18%	20%
Fare and Toll Revenues			4,830.3	4,938.3	4,989.6	5,036.1	5,055.3
Total Debt Service as a % of Fare and Toll Revenue			22%	27%	29%	31%	34%
Non-reimbursable expenses			8,704.5	9,202.9	9,592.6	10,012.1	10,440.0
Total Debt Service as % of Non-reimbursable expenses			12%	14%	15%	16%	17%

Notes on the following page are an integral part of this statement.

Notes

- 1** Unhedged tax-exempt variable rate debt, excluding Transportation Revenue Commercial Paper Notes, reflect assumed interest rate of 4.00% (2005 estimates based on actuals for first five months).
- 2** Unhedged taxable variable rate debt assumed interest rate of 4.50% (2005 estimates based on actuals for first five months).
- 3** Synthetic fixed-rate debt assumed at swap rate.
- 4** Total debt service excludes COPS lease payments, and includes debt service prepayments made in 2005.
- 5** New money bonds amortized as 30-year level debt. Assumes an increase in the MTA/TBTA bond cap by the State Legislature in conjunction with the 2005-09 Capital Program. New debt issued assumed 75% fixed-rate and 25% variable rate.
- 6** Transportation Revenue Bonds pledged revenues consist generally of the following: fares and other miscellaneous revenues from the transit and commuter systems, including advertising, rental income and certain concession revenues (not including Grand Central Terminal and Penn Station); revenues from the distribution to the transit and commuter system of TBTA surplus; State and local general operating subsidies; special tax-supported operating subsidies after the payment of debt service on the MTA Dedicated Tax Fund Bonds; New York City urban tax for transit; station maintenance and service reimbursements; and revenues from the investment of capital program funds. Pledged revenues secure Transportation Revenue Bonds before the payment of operating and maintenance expenses.
- 7** Dedicated Tax Fund pledged revenues consist generally of the following: petroleum business tax, motor fuel tax and motor vehicle fees deposited into the Dedicated Mass Transportation Trust Fund for the benefit of the MTA; and the petroleum business tax, district sales tax, franchise taxes and temporary franchise surcharges deposited into the Metropolitan Mass Transportation Operating Assistance Account for the benefit of the MTA. Assumes the continuation by the State Legislature of the temporary franchise surcharges that expire beginning in 2004.
- 8** Triborough Bridge and Tunnel Authority General Revenue Bond pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels. Pledged revenues secure TBTA General Revenue Bonds after the payment of TBTA operating and maintenance expenses, including certain reserves.
- 9** Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels, after the payment of debt service on the TBTA General Revenue Bonds.
- 10** Transportation Revenue debt service includes effect of deferred gain from debt restructuring and prepayments of debt service in 2005
- 11** Debt service schedules for each credit are attached as addendum hereto.

Special Notes

- 1** Debt service estimates reflect a Financial Plan assumption of \$9.3 billion of bonds as a funding source for the 2005-2009 Capital Programs. \$3 billion of bonding for Transit and Commuter projects is expected under the existing Transportation Revenue credit, \$1.2 billion for Bridge & Tunnel Projects will be done under the TBTA credits, and the remaining \$5.1 billion will be associated with new augmented fees and taxes authorized in the New York State budget.
- 2** Pledged revenues as discussed in above notes 7, 9, and 10 do not include proposed 2006 PEGs or 2007 fare/toll increase.

REVISED 7/27/05

Metropolitan Transportation Authority (including Triborough Bridge and Tunnel Authority)

Total Budgeted Annual Debt Service

All Issuance to July 2005 (\$ in millions)

Fiscal Year	Transportation Revenue Resolution			Dedicated Tax Fund Resolution			TBTA General Revenue Resolution			TBTA Subordinate Resolution			MTA and TBTA Debt Service		
	Existing DS	Additional	Combined	Existing DS	Additional	Combined	Existing DS	Additional	Combined	Existing DS	Additional	Combined	Existing DS	Additional	Combined
		DS			DS			DS			DS			DS	
2005	418.8	19.8	438.6	196.5	0.3	196.9	268.0	0.6	268.6	142.4	-	142.4	1,025.6	20.7	1,046.3
2006	552.0	85.3	637.3	207.7	12.0	219.6	295.4	6.9	302.4	157.2	-	157.2	1,212.3	104.2	1,316.5
2007	550.8	175.9	726.6	207.6	35.5	243.0	296.0	19.2	315.2	157.1	-	157.1	1,211.5	230.5	1,442.0
2008	550.5	270.7	821.2	207.7	59.3	267.0	295.9	33.4	329.3	157.3	-	157.3	1,211.4	363.4	1,574.8
2009	571.0	366.1	937.1	207.9	79.7	287.6	296.0	47.9	343.8	157.2	-	157.2	1,232.1	493.7	1,725.7
2010	570.6	457.8	1,028.5	207.7	97.3	305.0	296.0	60.9	356.9	157.1	-	157.1	1,231.5	616.1	1,847.6
2011	570.9	541.2	1,112.1	207.9	113.0	320.9	294.9	72.9	367.8	157.3	-	157.3	1,231.0	727.1	1,958.1
2012	570.1	600.9	1,170.9	207.7	124.0	331.7	294.8	82.4	377.2	157.7	-	157.7	1,230.2	807.3	2,037.5
2013	571.3	634.2	1,205.5	209.6	130.3	340.0	295.6	88.1	383.7	157.1	-	157.1	1,233.7	852.6	2,086.3
2014	570.8	648.5	1,219.3	207.8	133.0	340.8	294.6	90.8	385.5	157.1	-	157.1	1,230.3	872.4	2,102.6
2015	571.0	652.8	1,223.8	208.1	133.8	341.8	294.7	91.9	386.6	157.4	-	157.4	1,231.2	878.5	2,109.7
2016	570.7	653.6	1,224.3	208.1	134.0	342.1	294.4	92.1	386.4	157.2	-	157.2	1,230.4	879.6	2,110.0
2017	570.6	653.6	1,224.1	208.5	134.0	342.5	294.9	92.1	386.9	160.9	-	160.9	1,234.9	879.6	2,114.5
2018	571.1	653.6	1,224.7	211.3	134.0	345.3	294.6	92.1	386.7	159.7	-	159.7	1,236.7	879.6	2,116.3
2019	572.1	653.6	1,225.7	207.8	134.0	341.8	294.5	92.1	386.5	157.4	-	157.4	1,231.8	879.6	2,111.4
2020	571.1	653.6	1,224.7	210.1	134.0	344.0	294.8	92.1	386.9	157.1	-	157.1	1,233.1	879.6	2,112.8
2021	571.0	653.6	1,224.6	209.5	134.0	343.5	292.0	92.1	384.1	157.6	-	157.6	1,230.1	879.6	2,109.7
2022	569.7	653.6	1,223.3	206.7	134.0	340.6	294.7	92.1	386.7	157.5	-	157.5	1,228.5	879.6	2,108.1
2023	579.2	653.6	1,232.8	209.8	134.0	343.8	290.5	92.1	382.5	157.3	-	157.3	1,236.8	879.6	2,116.4
2024	579.3	653.6	1,232.9	209.7	134.0	343.7	294.6	92.1	386.7	157.7	-	157.7	1,241.4	879.6	2,121.0
2025	578.4	653.6	1,232.0	209.9	134.0	343.8	294.5	92.1	386.6	157.0	-	157.0	1,239.8	879.6	2,119.5
2026	578.5	653.6	1,232.1	209.9	134.0	343.9	293.1	92.1	385.2	157.3	-	157.3	1,238.9	879.6	2,118.6
2027	579.2	653.6	1,232.8	209.8	134.0	343.8	293.0	92.1	385.0	157.4	-	157.4	1,239.4	879.6	2,119.1
2028	579.3	653.6	1,232.8	210.1	134.0	344.1	294.7	92.1	386.8	157.5	-	157.5	1,241.5	879.6	2,121.1
2029	579.3	653.6	1,232.9	210.0	134.0	344.0	292.7	92.1	384.8	157.4	-	157.4	1,239.4	879.6	2,119.0
2030	579.3	653.6	1,232.9	210.0	134.0	343.9	294.7	92.1	386.8	157.4	-	157.4	1,241.4	879.6	2,121.0
2031	576.6	653.6	1,230.2	208.7	134.0	342.7	317.0	92.1	409.1	155.0	-	155.0	1,257.4	879.6	2,137.1
2032	479.9	653.6	1,133.5	190.6	134.0	324.6	235.1	92.1	327.2	122.9	-	122.9	1,028.5	879.6	1,908.1
2033	175.4	653.6	829.0	60.1	134.0	194.1	8.9	92.1	101.0	14.6	-	14.6	259.0	879.6	1,138.6
2034	170.6	653.6	824.2	19.0	134.0	153.0	8.9	92.1	101.0	12.2	-	12.2	210.6	879.6	1,090.3
2035	134.5	633.8	768.3	-	133.6	133.6	7.4	91.5	98.9	-	-	-	141.9	858.9	1,000.9
2036	50.6	568.3	618.8	-	122.0	122.0	-	85.1	85.1	-	-	-	50.6	775.4	826.0
2037	50.6	477.7	528.3	-	98.5	98.5	-	72.9	72.9	-	-	-	50.6	649.1	699.7
2038	50.6	382.9	433.4	-	74.7	74.7	-	58.7	58.7	-	-	-	50.6	516.3	566.8
2039	-	287.5	287.5	-	53.6	53.6	-	44.2	44.2	-	-	-	-	385.3	385.3
2040	-	195.7	195.7	-	36.6	36.6	-	31.2	31.2	-	-	-	-	263.6	263.6
2041	-	112.3	112.3	-	21.0	21.0	-	19.2	19.2	-	-	-	-	152.5	152.5
2042	-	52.7	52.7	-	9.9	9.9	-	9.7	9.7	-	-	-	-	72.3	72.3
2043	-	19.4	19.4	-	3.7	3.7	-	4.0	4.0	-	-	-	-	27.0	27.0
2044	-	5.1	5.1	-	1.0	1.0	-	1.2	1.2	-	-	-	-	7.3	7.3
2045	-	0.8	0.8	-	-	-	-	0.2	0.2	-	-	-	-	1.0	1.0

Notes:

Does not include debt service for State Service Contract Bonds and Convention Center Bonds, which is paid by NY State. Also excludes COPS lease payments. Includes interest budgeted for Transportation Revenue Commercial Paper and bonds for defeasance in 2009.

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Agency Baseline Assumptions

Agency Baseline Assumptions

The July 2005 Preliminary Budget and Financial Plan updates the February Financial Plan and includes one additional year (2009). The February Plan included, within its baseline, 2005 Program to Eliminate the Gap (PEG) savings of \$140 million in 2005, \$169 million in 2006, \$147 million in 2007 and \$191 million in 2008. The 2009 value of these PEGs are \$189 million. These programs remain in the baseline and are monitored quarterly.

The February Financial Plan also included other below-the-line service-related reductions that were to begin in 2006. Because revenue from real-estate-related taxes continues to be strong, these service reductions will not be required. The 2006 Preliminary Budget replaces the assumed savings from these reductions (\$151 million) with the \$200 million real estate tax reserve established in 2004. The following summarizes net accrual and cash forecasts contained in the July Plan contributing to MTA consolidated annual closing cash balances.

For the July Plan, the Agencies were asked to identify additional savings of \$50 million in 2006 and \$100 million for 2007 and the outer years. The objective of this action was to produce savings that would not only reduce expenses in the short-term, but would also result in long-term improvements to MTA's financial picture. Some of these savings are captured in the baseline through favorable expense re-estimates. The remaining savings are being generated through the 2006 PEG Program and are not part of the baseline; but rather are included below the line as part of MTA gap-closing actions. The details of this program are included in the subsequent section of this report called Gap Closing and Other Actions. The total combined Agency savings included in both the baseline and as gap-closing actions below the line total \$104 million for 2005 and 2006 combined, \$109 million for 2007, \$118 million for 2008 and \$153 million for 2009.

The following table details the major changes in the Agency Baseline Forecasts between the February and July Plans:

AGENCY BASELINE
JULY CHANGES FROM FEBRUARY PLAN

Favorable/(Unfavorable)
(\$ in millions)

	2005	2006	2007	2008	2009
Inflation	(\$7.1)	(\$66.0)	(\$111.4)	(\$143.4)	(\$195.0)
Energy	(7.4)	(7.9)	(9.9)	(11.6)	(13.7)
New Needs/Investments:					
Maintenance	(25.8)	(71.3)	(41.6)	(84.8)	(75.5)
Other	(10.8)	(8.8)	(8.4)	(10.2)	(9.7)
Service and Cleaning Enhancements:					
NYCT Cleaning Initiative	(1.6)	(6.4)	(6.4)	(6.4)	(6.4)
Commuter Rail Service	0.0	(3.0)	(3.0)	(3.0)	(3.0)
Match SI Ferry Service	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
2005 PEG Program Re-Forecast	(2.6)	(19.8)	(10.9)	(11.5)	(10.7)
Toll/Farebox Revenue	20.3	25.9	27.7	35.0	34.0
Baseline Re-Estimates	5.3	38.9	62.2	55.0	79.8
Net Change to Baseline	(\$29.9)	(\$118.8)	(\$102.1)	(\$181.2)	(\$200.5)

The baseline is increasing in each year from the February Plan as a result of higher forecasted inflation, higher energy costs, new needs for maintenance and other investments, cleaning and service enhancements, and 2005 PEG re-forecasts. These increases are being partially offset by greater revenue (toll, farebox, paratransit urban tax) and baseline cost re-estimates.

The single biggest change in the baseline is the increase that is resulting from higher inflation. Global Insight's inflation forecasts for the MTA region used in the July Plan were adjusted significantly upward from assumptions used in the February Plan. Global Insight projections used in the February Plan (the September 2004 Global Insight forecast) were based on the assumption that energy prices would fall during the fourth quarter of 2004 and throughout 2005. Energy prices, however, continued to rise through the end of 2004 and through the first half of 2005, reaching record levels. The Global Insight projections utilized in this Plan (the April 2005 Global Insight forecast) incorporate this recent trend, with energy prices remaining high for 2005 and then gradually falling during 2006. The change in the energy price assumption has significant implications on inflation forecasts since the cost of manufacturing and delivering goods, as well as the operation of the workplace, are all affected by energy costs.

The July, 2006 Plan uses the following rates for All Urban Consumers (CPI-U): 2.57% in 2006; 2.79% in 2007; 2.94% in 2008; 3.18% in 2009. The rates used in February were: 1.24% in 2006; 1.94% in 2007; 2.09% in 2008; 2.24% in 2009. Due to the compounding effects of the higher rates, this cost increase grows steadily in each year.

Energy rates are expected to increase beyond what was anticipated in the February Plan, which already included a significant provision for electricity and fuel increases.

Changes in inflators and higher fuel prices in 2005 have led to a net increase in fuel prices throughout the Plan; higher costs for Fuel for Buses and Trains will be partially offset by lower Traction and Electric Power costs.

The 2006 Preliminary Budget includes a significant increase in resources to address maintenance needs. NYCT is adding the necessary resources required to improve maintenance and cleaning standards system-wide. In addition, revisions to its Bus Shop Maintenance program will result in additional costs in the out-years. MNR is increasing the number of overhauls for its Genesis Locomotive fleet.

Both the LIRR and MNR are including additional costs to replace concrete ties that are deteriorating well in advance of normal expectations. It has been determined that these ties need to be replaced as soon as possible to prevent future service disruptions; thus work will commence shortly. The tie manufacturer has agreed to fund the cost of the ties, however, negotiations for the reimbursement of labor and other related costs are on-going. The LIRR Forecast includes additional costs of \$7.2 million in 2005, \$15.0 million in 2006 and \$8.0 million in 2007 to fund these additional costs. Likewise, the MNR Forecast includes additional costs of \$5.6 million in 2005 and \$8.4 million in 2006.

The July Forecast is also being impacted by other New Needs/Investments. NYCT has identified additional requirements in its Information Technology (IT) area that are impacting costs by \$3.6 million in 2005 and 2006. NYCT will explore ways to attain IT efficiencies that are expected to begin generating savings in 2007. In addition, MNR's and the LIRR's Forecast includes additional funds for security projects.

The 2006 Preliminary Budget includes funding for cleaning and service enhancements. NYCT has added new cleaning initiatives that will improve track infrastructure and station cleanliness in subways. This is expected to reduce the number of track fires which will have a beneficial impact on safety and service interruptions. On the commuter rail side, both MNR and the LIRR are intending to expand service. MNR will add additional late-night service; while the LIRR will make improvements in service for the AM Peak and early-afternoon service from Penn Station. Both NYCT and SIR will add service in order to match expanded Staten Island Ferry service. The cost of these enhancements will be offset by recurring debt service refunding savings.

Recent developments involving international terrorist attacks are resulting in the need to increase security MTA-wide. A program is being established to provide an enhanced police presence as well as education to improve public awareness. MTA has established a \$10 million fund for this at the corporate level; but these monies have not been allocated to Agencies as of yet. These monies are referenced in the analysis of MRT which is included within the Subsidies portion of this section.

Changes in the forecasted savings of the 2005 PEG Program will result in additional costs in 2005 and each following year. However, there are offsets to mitigate the adverse impact on the MTA Financial Plan. The February Financial Plan contained a \$20 million PEG implementation provision as a contingency for delays or cancellations affecting the 2005 PEG Program. Also, reductions to NYCT's PEG program are being

mitigated in 2005 by lower-than-anticipated costs associated with excess employees; these costs are expected to be approximately \$10 million less than budget.

Primary among the PEG slippages were delays in the implementation of the 100% Off-Peak Bus Guidelines and the "L" line One Person Train Operation (OPTO). The deferral of the Bus Off-Peak Load Guideline until 2006 will increase costs by \$4.5 million in 2005. In addition, increases to off-peak bus headways will be limited to five minutes on all routes in any hour, which will result in additional costs in the out-years. In the case of B&T, the 2005 PEG values are increasing due to a modestly higher value of revenue from E-ZPass account maintenance fees.

In developing the 2006 Preliminary Budget and July Financial Plan, the MTA Agencies were asked to identify additional cost reduction measures above those identified in the 2005 PEG Program. The goal of this reduction program was to achieve \$50 million in savings in 2006 and \$100 million annually thereafter, without negatively impacting customer service or operations. A significant portion of the savings was identified through expense re-estimates captured in the July baseline. These baseline re-estimates, which adjust items contained in the February Plan, total \$44 million in 2005/2006 combined, \$62 million in 2007, \$55 million in 2008, and \$80 million in 2009. In addition, Agencies have proposed savings to be achieved by specific productivity/management improvements or other actions (2006 Agency PEGs), that are captured below the line and described subsequently in this report. These actions total \$60 in 2005/2006 combined, \$46 million in 2007, \$63 million in 2008 and \$73 million in 2009. The baseline re-estimates and specific PEG initiatives achieve the targeted savings without a negative impact on service, operations, safety or security.

NYCT baseline savings include reductions in data center charges, revised credit card fees, lower costs for work shoes and uniforms, lower insurance premiums, and lower costs for telephone service and maintenance.

LIRR baseline savings include reductions in costs for information services and health & welfare as well as lower rates for railroad retirement taxes and insurance. In addition, LIRR will generate savings through a re-estimate of its life cycle maintenance material requirements.

MNR's baseline includes savings from maintenance efficiencies, advertising reductions, vehicle repairs, and lower operating-capital purchases.

B&T's baseline includes payroll savings, efficiencies in the E-ZPass tag swap program, health & welfare cost savings, lower credit card fees and lower lease and rental expenses.

MTAHQ baseline savings will result from a more efficient deployment of Police overtime and lower data center expenses.

LI Bus baseline expense reductions come from lower health & welfare costs and additional vacancy savings.

Additional decreases from the February Plan include higher revenue from farebox at NYCT and MNR. They also include higher B&T toll revenue due to less than anticipated traffic loss after the March 2005 fare increase. Paratransit Urban Tax estimates are increasing due to a continuation of the strong real estate market.

Partially offsetting the cost reductions are some unfavorable cost re-estimates. Delays in LIRR Capital Projects are resulting in a \$12.4 million increase in 2005 cash needs. MNR's forecast includes higher subsidies for West-Of-Hudson service which is operated under contract by New Jersey Transit. B&T expenses include an increase in E-ZPass Customer Service Center funding to cover potential start-up and transition costs in the event that a new vendor is selected. The MTAHQ Forecast funds higher costs and retroactive payments for MTA Police stemming from a recent arbitration.

Accrued Baseline Assumptions

The following presents Agency baseline assumptions supporting the Accrued Statement of Operations. Additional detail is available in each Agency section.

2005 Mid-Year Forecast

Overall, MTA's 2005 Mid-Year Baseline Forecast is very close to the Adopted Budget. It projects a Net Operating Deficit Before Subsidies and Debt Service of \$3,464 million, \$11 million (0.3%) worse than the Adopted Budget. Total Operating Revenue of \$5,240 million is \$69 million higher than Budget and Total Operating Expenses of \$8,704 million are \$80 million higher.

The 2005 Mid-Year Forecast includes the impact of 2004 results; however, the impact was negligible as Agency 2004 results were very close to the Final Estimate. As mentioned previously, the Mid-Year Baseline Forecast does not include any of the \$18 million in savings from PEGs in the 2006 program that are starting early.

Revenue

Farebox Revenue is expected to be \$4 million better as higher ridership at MNR is more than offsetting ridership reductions at the LIRR. The table in the Utilization section details changes in ridership by Agency. The deferral of the 2005 PEG adjusting Off-Peak Bus Guidelines until Jan.1, 2006 is expected to increase farebox revenue by \$1.2 million in 2005.

Toll Revenue is expected to be \$14 million better than Budget due to higher traffic volume resulting from lower than expected elasticity from the March 2005 toll increase.

Other Revenue is increasing by \$55 million. Some \$37 million is due to the inclusion of 2 Broadway rental income, the offset of which (2 Broadway expenses) is recorded in operating expenses. The 2005 Budget did not reflect the current accounting of revenues and expenses. NYCT is anticipating an additional \$14 million from higher Paratransit Urban Taxes due to the strong real estate market. MNR will increase \$1.2 million mainly as a result of higher net GCT retail revenue.

Expenses

Payroll expenses are expected to increase \$40 million from the Budget. HQ Payroll costs will be \$15 million higher mainly as a result of the arbitration ruling between MTA and the MTA Police collective bargaining units (\$9 million) and the capturing of Inspector General (IG) costs within various generic expense categories instead of as a lump-sum (\$6 million). NYCT costs will be higher due to leave reserve and rate adjustments as well as delays in the implementation of PEGs relating to Off-Peak Bus Guidelines and OPTO on the L line.

Overtime costs are increasing \$16 million from the Budget. NYCT is \$14 million higher due to vacancy coverage, service disruptions and inclement weather. Overtime at the LIRR is increasing \$8 million due primarily to weather and vacancies. Partially offsetting these overages are reduced overtime costs at B&T (\$2.7 million).

Health & Welfare costs are decreasing \$11 million from the Budget due to lower rates. This decrease in the 2005 base resulted in savings throughout the Plan period.

Overall energy costs are increasing over the Budget. Traction and Propulsion Power is decreasing \$11 million as a result of lower rates; however, Fuel for Buses and Trains is increasing \$24 million due to higher fuel prices.

Costs for Maintenance and Other Operating Contracts are increasing \$26 million from the budget. MTA Headquarters includes a \$36 million reflected increase for the inclusion of 2 Broadway operating expenses as the Budget did not reflect the current accounting of revenues and expenses. This was partially offset by an \$12 million reduction in NYCT expenses relating to non-cash accounting adjustments.

Professional Service Contracts are expected to increase \$13 million from the Budget. MTAHQ costs are \$9 million greater due mainly to the inclusion of operating costs for 2 Broadway and the Mineola Project (revenue offsets are captured elsewhere). In addition, HQ is experiencing higher costs for energy consultants, and West Side Yard legal fees. The LIRR is increasing by \$4 million in this category due to non-cash write-offs.

Other Business Expenses are decreasing primarily as a result of MTAHQ redistributing costs relating to the Inspector General into expense categories that are consistent with the current reporting of monthly and quarterly statements.

2006 Preliminary Budget

MTA's 2006 Preliminary Baseline Budget projects a Net Operating Deficit before Subsidies and Debt Service of \$3,840 million. Total Operating Revenue of \$5,363 million is \$123 million higher than the 2005 Mid-Year Forecast as farebox and toll forecasts include a full year of the 2005 fare/toll increase. When compared with the 2006 Forecast in the February Plan, revenue is \$68 million better due to increased toll revenue from higher vehicular volume and greater Other Revenue from the inclusion of 2 Broadway revenue and higher Paratransit Urban tax receipts.

Total 2006 Operating Expenses of \$9,203 million are \$499 million higher than the 2005 Mid-Year Forecast due to contractual wage increases, inflation, increases in depreciation and increases in maintenance and cleaning requirements. When compared with the 2006 Forecast in the February Plan, expenses are \$201 million higher. MTA-wide, increases for maintenance from the February Plan are estimated at \$71 million. Increases in the projected rate of inflation are increasing costs another \$66 million. Other increases include higher costs for energy, various new needs and the budget change in the treatment of 2 Broadway operating expenses. Offsetting some of these increases are 2006 favorable baseline re-estimates of \$39 million.

2007 – 2009 Forecast

The July Forecast includes increases to the baseline in the out-years mainly as a result of higher inflation and greater maintenance requirements. Higher revenue from tolls and favorable expense re-estimates help to offset these increases. The following pages provide a more detailed description of the assumptions used in formulating the 2006 Preliminary Budget and the forecasts for the years 2007 through 2009.

OTHER OPERATING REVENUE

Other Operating Revenue growth from 2005 through 2009 was influenced by a number of different factors including government reimbursements, fees and contractual and inflationary increases.

NYCT's year-to-year increases are primarily NYC reimbursements that are limited contractually and serve to partially fund the annual growth in Paratransit expenses. LIRR's year-to-year growth is primarily due to contractual and inflationary increases. MNR's 2005 increase reflects higher net retail GCT tenant and miscellaneous event revenues and higher utility revenues due to the delayed withdrawal of all outside buildings from the GCT power grid now scheduled to be completed by January 1, 2006. These increases are offset by the delayed implementation of higher West of Hudson parking fees, which are scheduled to be implemented beginning in 2006. B&T Other Revenues increase in 2005 and 2006 (primarily due to new E-Z Pass account fees), but decline in 2007 and 2008 as a result of completion of the E-ZPass Tag Swap Program and expected reductions in maintenance fees based on new allocation formulas among E-ZPass agencies. Headquarters year-to-year growth is primarily due to contractual and inflationary increases.

The February Plan to July Plan increases in 2005 through 2009 are mostly the result of Headquarters capturing 2 Broadway rent in Other Revenue and NYCT estimating higher Urban Tax yields based upon the strong local real estate market which increased Paratransit revenues.

PAYROLL

Payroll expenses from 2006 through 2009 were influenced by a number of different factors including pattern settlement increases, Global Insight inflation assumptions, deferred salaries & wages, and capital project activity. Pattern settlement increases were assumed for represented personnel (either settled or pending). Regional CPI growth was assumed for 2007 and outer years for non-represented personnel and represented personnel upon contract expiration.

Results of collective bargaining for MTA Agencies are a major driving force on payrolls. As of July 2005, 38 units (61%) representing 50,023 employees (90%) have settled contracts through 2005 and 2006. Most of the remaining 24 units representing 5,254 employees are in negotiations. In general, MTA Agencies reflect pattern bargaining agreement increases of 3.0% in 2005 and 2006.

Overall, Global Insight CPI inflation increases for the MTA Region used in the July Plan have adjusted upward from assumptions used in the February Plan. The July Plan for 2006 uses the following April, 2005 Global Insight All Urban Consumers (CPI-U) rates: 2.57% in 2006, 2.79% in 2007, 2.94% in 2008 and 3.18% in 2009. Global Insight CPI rates used in the February, 2005 Plan were as follows: 1.24% in 2006, 1.94% in 2007, 2.09% in 2008, and 2.24% in 2009.

Payroll Assumptions: 2005 Mid-Year Forecast

MTA consolidated payroll expenses are forecasted to be \$40 million or 1.2% higher than the 2005 February Plan. The bulk of this increase is due to NYCT (\$22 million), MTA HQ (\$15 million), LIRR (\$6 million) and MNR (\$1.0 million), partially offset by a favorable variance at B&T of \$2.5 million.

NYCT's increase is due primarily to a Sick and Vacation Reserve Adjustment of \$12 million, a Train Operator Rate Adjustment of \$5 million, and delayed implementation of PEGs related to OPTO and Bus Guidelines totaling \$6 million. These are partially offset by a favorable \$8 million re-estimate of the cost of carrying excess employees. Non-Reimbursable positions are likewise forecast to exceed the February Plan by 311. Delays in implementation of the "L" line OPTO and Off-Peak Bus Guidelines PEGs account for 219 positions, while ATS/CBTC implementation delays and Cleaning Initiatives in Track Infrastructure and Stations account for another 67 positions.

MTA HQ's increase reflects the MTA Police collective bargaining agreement which resulted from an arbitration ruling between the MTA and the MTA Police.

The LIRR's increase is due primarily to higher-than-planned rates of pay for vacancy coverage, higher Non-Reimbursable maintenance due to Reimbursable project delays, additional training for equipment maintainers, and funding for the Concrete Tie Replacement Program. Non-Reimbursable positions are forecast to be 36 less than the February Plan at year-end.

MNR's slight increase is due primarily to revised rates and re-estimated expenses based on actual results through May.

B&T's decrease is due to higher-than-planned retirements, backfilled with new employees at lower starting salaries.

Payroll Assumptions: 2006 Preliminary Budget

MTA consolidated payroll expenses are forecasted to be \$106 million or 3.1% higher than the 2005 Mid-Year Forecast. The bulk of this increase is made up of NYCT (\$68 million), LIRR (\$14 million), MNR (\$11 million), MTA HQ (\$6 million), B&T (\$4 million) and LIB (\$2 million).

NYCT's increase reflects the Global Insight CPI rate of 2.57%, subway car Scheduled Maintenance System (SMS) revisions, new maintenance requirements, and increased cleaning of stations, track and infrastructure. Non-Reimbursable positions are forecasted to be 11 higher than the Mid-Year Forecast.

Increases at the LIRR and MNR reflect pattern bargaining of 3.0% for represented employees and CPI increases of 2.57% for non-represented employees. Additional increases at the LIRR are primarily due to increased levels of funding for concrete tie replacement and other repairs and maintenance. MNR's increase is primarily due to additional security-based initiatives and increased maintenance.

Non-Reimbursable positions are forecasted to be higher than the Mid-Year forecast at the LIRR and MNR by 145 and 10, respectively.

MTAHQ's increase reflects the full-year impact of the MTA Police labor agreement and a CPI rate of 2.57% for non-represented employees. Non-Reimbursable positions at MTAHQ remain unchanged from the Mid-Year forecast.

Increases at B&T and LIB reflect a CPI rate of 2.57%. B&T's increase also contains contractual step-up increases and increased funding for the repair and maintenance of the centralized access and monitoring control system. Non-Reimbursable positions at B&T are projected to be three positions higher than the Mid-Year forecast, while LIB positions are projected to remain the same.

Payroll Assumptions: 2007 – 2009

MTA Agency payroll expenses in 2007 through 2009 primarily reflect CPI rate increases provided by Global Insight of 2.79% in 2007, 2.94% in 2008 and 3.18% in 2009. Additional increases at NYCT are due primarily to new maintenance and cleaning requirements. At the end of 2009, NYCT is forecasting 93 fewer Non-Reimbursable positions (before PEGs) than 2005.

Additional increases at LIRR are due primarily to a continuation of repair and maintenance initiatives from 2005 and 2006. At the end of 2009, LIRR is forecasting 121 more Non-Reimbursable positions (before PEGs) than 2005.

Additional increases at MNR are due primarily to increased support for security improvements to systems and facilities and additional car cleaning staff. At the end of 2009, MNR is forecasting 173 more Non-Reimbursable positions (before PEGs) than the Mid-Year forecast.

Payroll increases in B&T, LIB, HQ and SIR primarily reflect CPI-U adjustments provided by Global Insight, with B&T reflecting additional increases for contractual step-ups.

OVERTIME

The July, 2006 Plan uses the following April, 2005 Global Insight All Urban Consumers (CPI-U) rates: 2.57% in 2006, 2.79% in 2007, 2.94% in 2008 and 3.18% in 2009. Global Insight CPI rates used in the February, 2005 Plan were as follows: 1.24% in 2006, 1.94% in 2007, 2.09% in 2008, and 2.24% in 2009.

Overtime Assumptions: 2005 Mid-Year Forecast

MTA consolidated overtime expenses are forecasted to be \$16 million or 4.9% higher than the 2005 February Plan. The bulk of this increase is due to NYCT (\$14 million) and LIRR (\$8 million), partially offset by favorable variances at B&T (\$2.7 million), MTA HQ (\$2.4 million), and MNR (\$0.7 million).

NYCT's increase is due primarily to overtime requirements for vacancy coverage, responses to service disruptions, and inclement weather. LIRR's unfavorable variance is due primarily to increased overtime requirements for vacancy and absentee coverage, inclement weather and concrete tie replacement, partially offset by lower-than-planned maintenance due to fleet reliability.

B&T's decrease is due primarily to lower-than-planned overtime for Bridge and Tunnel Officers.

MTAHQ's decrease is due primarily to increased MTA Police Management efforts to better utilize staffing and reduce overtime.

Overtime Assumptions: 2006 Preliminary Budget

MTA consolidated overtime expenses are forecasted to be \$4 million or 1.1% less than the 2005 Mid-Year Forecast. The bulk of this favorable variance is due to a large decrease at NYCT (\$7 million), partially offset by increases at MNR (\$1.7 million), MTAHQ (\$.7 million) and B&T (\$.4 million).

NYCT's decrease reflects the Global Insight CPI rate of 2.57% and higher 2005 requirements caused by vacancy coverage, service disruptions, and adverse winter weather not anticipated to recur in 2006.

MNR's increase reflects pattern bargaining of 3.0% for represented employees and CPI increases of 2.57% for non-represented employees. Additional increases are due to emergency preparedness training.

MTAHQ's increase over the 2005 Mid-Year Forecast reflects the full-year impact of the MTA Police collective bargaining agreement.

LIRR's increase reflects pattern bargaining of 3.0% for represented employees and CPI increases of 2.57% for non-represented employees. Additional increases reflect changes in Capital Program activity, partially offset by a decrease in weather-related overtime.

Smaller increases at other Agencies reflect CPI related adjustments.

Overtime Assumptions: 2007 – 2009

MTA Agency overtime expenses in 2007 through 2009 primarily reflect CPI rate increases provided by Global Insight of 2.79% in 2007, 2.94% in 2008 and 3.18% in 2009. Additional increases at MNR are due primarily to additional on-board coverage requirements related to increased service levels and emergency preparedness training.

HEALTH & WELFARE

The inflators for Health and Welfare are unchanged from the February Plan and are consistent with the New York State Empire Plan's most recent report. An inflator of 9.3% is assumed for years 2006 through 2009. Slightly lower Health & Welfare rates than planned in 2005 result in slightly lower expenses for some Agencies from the February Plan. The inflator of 9.3% is applied to these slightly lower rates, the impact of which is reflected in the July Forecast.

MNR incorporates escalating levels of agreement employee premium contributions in 2005, which continue into years 2006 through 2009. MTA Headquarters incorporates projected increases in Empire Plan costs for employers in 2006. These increases also are being applied in years 2007 through 2009.

PENSIONS

MTA Consolidated Pensions July Financial Plan (\$ in millions)						
	2004 Actual	2005 Mid- Year Forecast	2006	2007	2008	2009
Accrual						
Non-Reimbursable	\$479	\$643	\$736	\$763	\$770	\$774
Reimbursable	19	29	36	40	40	41
Total Accrual	499	672	773	803	810	815
Cash	\$393	\$489	\$729	\$788	\$799	\$807

The July Plan changes only modestly from the February Plan, covering 2005 to 2008, mainly due to no changes in the underlying actuarial assumptions. Changes are primarily due to increases in the NYCERS and MaBSTOA Pension plans with some smaller changes to other plans. The NYCERS and MaBSTOA changes are primarily due to an increase in the number of employees at NYCT.

MTA Consolidated Pensions				
July Financial Plan vs. February Financial Plan				
Favorable / (Unfavorable)				
(\$ in millions)				
	2005	2006	2007	2008
Accrual				
Non-Reimbursable	(\$5)	(\$8)	(\$10)	(\$15)
Reimbursable	0	(2)	(3)	(3)
Total Accrual	(5)	(10)	(13)	(18)
Cash	(\$8)	(\$10)	(\$13)	(\$16)

Accrual Assumptions

The accrued pension expense increase from 2005 to 2006 is \$100 million, of which over \$90 million is in the NYCERS Plan reflecting the continued amortization of the losses in the equities that resulted from the bear market of 2000 to 2002. The NYCERS increase is consistent with the certification by the Chief Actuary of the New York City Pension Plans. The projections in the MTA sponsored Defined Benefit plans reflect the October 2004 valuation prepared by the independent actuarial firm of Milliman, USA. The increase in the MTA Defined Benefit Plan assumes that some 3,400 represented employees from MNR will choose to transfer from the MNR Defined Contribution Plan to the MTA Defined Benefit Plan before 2006.

The increase from 2006 to 2007 is approximately \$30 million, almost all of which is in the NYCERS Plan and continues to reflect the amortization of the losses in the equities. The changes to 2008 and 2009 are very modest in large part because by that time all the NYCERS losses will have been amortized with the balance comprised of small adjustments throughout the other pension plans.

Cash Assumptions

The significant change between cash and accrual in 2005 results from a number of factors. For the NYCERS Plan the accruals recognize liabilities sooner than the required cash payments. For the MaBSTOA, LIRR and MTA Defined Benefit (MNR) pension plans prior year payments reduce the cash needs in 2005. Recently enacted New York State legislation provided for a one-time cash benefit in 2004 by delaying a December payment until January for the NYSLRS plans. For 2006 to 2009 the differences between accrual and cash are far less significant.

ENERGY

MTA agencies receive electric power from the New York Power Authority (NYPA) within New York City and Westchester, from the Long Island Power Authority (LIPA) in Nassau and Suffolk Counties, from Connecticut Light & Power (CL&P) and other utilities in

Connecticut, and from New York State Electric & Gas Corporation (NYSEG) in upstate New York.

Traction and Propulsion

NYCT has reduced its expense for Traction & Propulsion Power by an estimated \$7 million from the February Plan in 2005 as a result of less than anticipated electricity costs. MNR and LIRR have reduced expenses in 2005 since the February Plan by \$2.2 million and \$1.5 million, respectively. For years 2006 through 2009, electricity costs have remained consistent with previous inflator adjustments. In addition to CPI increases, MNR has incorporated the net effect of new car procurements and retirements for years 2005 through 2009 in anticipation of the M-7 and M-8 car procurements. LIRR has calculated its 2005 energy expenses based on actual expenses through March 2005. In addition, LIRR has used historical data, the M-7 delivery schedule, and price inflators to calculate expenses for 2006 through 2009. Agency projections for power reflect current contracts with utilities.

Fuel for Buses and Trains

Fuel prices have risen since the February Plan and there are increased fuel costs for each Agency in 2005: for NYCT, the increase is \$15 million (partly due to the addition of Paratransit fuel in this category); for LIRR, the increase is \$3.1 million; for MNR, the increase is \$3.5 million; for LIB, the increase is \$1.8 million. For years 2006 through 2009, fuel price growth remains consistent with the previous inflation forecast. MNR is also incorporating expenses associated with service enhancements in 2007 and 2008.

INSURANCE

Insurance expenses in the July Plan are somewhat lower than those shown in the February Plan. Actual insurance rates in 2005 have been better than Plan as a result of stable market premiums. The forecast for 2006 and out continues to assume a growth rate in the range of 10% per annum based on an assessment of market conditions made by MTA's Risk Management Department. Since the base year of 2005 is \$6 million lower than in the February Plan, inflated costs in the out-years are expected to be lower as well.

The First Mutual Transportation Assurance Company's (FMTAC) is incorporated into MTA consolidated financials. Increases in Insurance premiums paid by MTA Agencies to FMTAC are necessary in order to maintain the appropriate capital and reserve levels pursuant to the State of New York Insurance guidelines. FMTAC's figures increased from the February Plan by approximately \$1 million per year based on increases in claims expenses and reserve adjustments.

MAINTENANCE AND OTHER OPERATING CONTRACTS

Increases in Maintenance and Other Operating Contracts for all MTA Agencies for 2006 through 2009 are inflated primarily by Global Insight inflation forecasts for the MTA region.

NYCT has included non-cash accounting adjustments in 2005 associated with 2 Broadway rent expenses (reclassified to non-operating interest expense) and the reclassification of "purchased assets" over \$25,000 to the balance sheet. Facility power cost rate assumptions based upon the most recent projections of power rates are also included. SIR expenses reflect projected NYPA annual rate increases for lighting expenses. For 2006 through 2009, increased costs for increased power consumption associated with the new signal system also are included.

LIRR has increased expenses in 2005 due primarily to emergency busing and concrete tie replacement. Concrete tie replacement, the decommissioning of the M-1 fleet and costs associated with the Jamaica Central Control/Air Train Facility are incorporated in 2006. Changes in the concrete tie replacement and the elimination of the M-1 fleet are reflected in 2007 through 2009.

MNR Rail Road has included rising West of Hudson subsidy payments related to contract cost escalations and increases in service for 2006 through 2009. An increase in outlying facility security costs is reflected in 2006 and 2007. A provision for office space renovations is included in 2008.

MTA Headquarters has reflected increases related to the budgeting of 2 Broadway operating expenses consistent with new reporting standards beginning in 2005. These increases are carried out for 2006 through 2009.

B&T has included expenses related to its bridge painting program in 2006. Also included in 2006, the start-up and transition costs for the new E-ZPass Customer Service Center contract. In 2008, a decrease from 2007 is reflected to capture the expected completion of transitioning a new vendor for the E-ZPass Customer Service Center contract.

PROFESSIONAL SERVICE CONTACTS

Increases in Professional Service Contracts for all agencies for 2006 through 2009 are inflated primarily by Global Insight's Regional CPI-U forecasts.

NYCT expenses are projected to decrease by \$7 million in 2006 from 2005 largely due to the timing of expenses. MTAHQ expenses decrease by \$6 million in 2006 from 2005 as a result of one-time expenses that were required in 2005. The LIRR reflects a favorable change of \$2.6 million in 2006 from 2005, primarily due to an expense write-off in 2005 of Environmental Impact Study (EIS) expenses related to the Port Jefferson Yard project. B&T expenses increased by \$1.2 million from 2005 to 2006 due to a re-estimate of bond insurance fees, legal services, training and planning studies, and CPI-U increases.

Increases from the February Plan are due primarily to the inclusion in MTAHQ of expenses for 2 Broadway that were previously budgeted net of revenue. Additional increases in expenses are also attributed to higher consultant costs and the inclusion of the Mineola Project whose expenses are recovered from the LIRR and show a corresponding increase in MTAHQ's Expense Recovery (Other Revenue).

MATERIAL & SUPPLIES

All-Agency increases in Material and Supplies for 2006 through 2009 are inflated primarily by Global Insight's Regional CPI-U forecasts.

The LIRR reflects an unfavorable change of \$13 million between 2005 and 2006 primarily due to Maintenance of Equipment material needs associated with changes in the Life-Cycle Maintenance program and an increased fleet. This also accounts for most changes between 2007 and 2009. NYCT non-reimbursable expenses are projected to decrease by \$11 million in 2006 from 2005, mostly due to the timing of subway and bus scheduled maintenance programs. NYCT and SIR increases in years 2007, 2008, and 2009 include inflation increases of 1.69%, 1.20%, and 1.19%, respectively. MTAHQ expense changes between 2005 and 2009 were based on anticipated spending primarily for 2 Broadway and MTA Security projects. B&T expenses increase \$0.2 million in 2006 from 2005 primarily due to a reduction in security surveillance equipment purchases and E-ZPass tag purchases. MNR expenses decrease in 2006 from 2005 primarily due to reductions for the completion of the Event Recorder Retrofit program and software license fees. MNR and B&T increases in years 2007, 2008, and 2009 include inflation increases of 2.06%, 2.31%, and 2.52%, respectively.

Decreases from the February Plan will result from a LIRR re-estimate of its Life-Cycle Maintenance material requirements.

OTHER BUSINESS EXPENSES

Increases in Other Business Expenses in 2005-2009 are inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

MTA Long Island Railroad unfavorable expense changes from 2005 to 2006 are in part due to credit/debit authorization fees and non-recurring miscellaneous credits in 2005.

The July Plan reduces expenses compared with the February Plan in 2005 through 2009 mostly reflecting MTAHQ's redistribution of MTA Inspector General costs into expense categories that are consistent with monthly and quarterly statements.

Status of the 2005 PEGs

The 2005 Adopted Budget, as presented in the February Plan, contains \$140.2 million in Agency generated savings called Programs to Eliminate the Gap (PEGs). The MTA has developed a quarterly monitoring and reporting program that is designed to measure and report progress on PEGs with a value of \$1.0M or greater. The attached table summarizes the results of the 1st Quarter, 2005 PEG Monitoring Program.

First Quarter Results

The MTA is monitoring PEGs with an annual value of \$102 million, representing 73% of the total 2005 annual PEG savings of \$140 million. Of the \$102 million in PEGs monitored, 26% of the full-year dollar savings were achieved at the end of the 1st Quarter, and 99% of the total planned savings for the quarter, \$27 million, were achieved.

Results by Agency

NYCT – In 2005, 29 PEGs are being monitored with full-year savings of 799 positions and \$52.1 million. These account for 87.6% of the total PEG position reduction of 912 and 85.4% of the total dollar savings of \$61.1 million. Results for the first quarter show that \$10.0 million or 97.1% of the planned PEG savings of \$10.3 million were realized. Additionally, 19.1% of the planned full-year monitored PEG savings were realized in the first quarter.

LIRR – In 2005, 16 PEGs are being monitored with full-year savings of 86 positions and \$21.5 million. These account for 42.2% of the total PEG position reductions of 204 and 49.3% of the total dollar savings of \$43.6 million. Results for the first quarter show that \$3.7 million or 92.8% of the planned PEG savings of \$4.0 million were realized. Additionally, 17.1% of the planned full-year monitored PEG savings were realized in the first quarter.

MNR – In 2005, eight PEGs are being monitored with full-year savings of 92 positions and \$7.2 million. These account for 76.0% of the total PEG position reduction of 121 and 67.3% of the total dollar savings of \$10.7 million. Results for the first quarter show that \$1.3 million or 100% of the planned PEG savings were realized. Additionally, 17.5% of the planned full-year monitored PEG savings were realized in the first quarter.

MTA HQ – In 2005, three PEGs are being monitored with full-year savings of 5 positions and \$13.2 million. These account for 29.4% of the total PEG position reduction of 17 and 87.8% of the total dollar savings of \$15.0 million. Results for the first quarter show that planned savings of \$11.0 million was exceeded by \$.4 million or 3.4%. Additionally, 86.4% of the planned full-year monitored PEG savings were realized in the first quarter.

B&T – Two PEGs fall within the criteria for quarterly reporting requirements and represent \$7.1 million or 96.3% of the \$7.4 million total PEG program for 2005. Since these PEGs are not scheduled to begin until July, 2005, there were no results to report in the first quarter.

LIB – In 2005, one PEG is being monitored with full-year savings of 9 positions and \$1.0 million. This accounts for 100% of the total PEG position reductions, and 71.5% of the total dollar savings of \$1.4 million. Results for the first quarter show that \$0.3 million or 100% of the planned PEG savings were realized. Additionally, 25.0% of the planned full-year monitored PEG savings were realized in the first quarter.

2005 Mid-Year Forecast

The 2005 Mid-Year Forecast saw changes to a number of PEGs. The effects of these (described below) will be reflected in the 2nd Quarter results of the PEG Monitoring Program.

NYCT – PEG changes will reduce 2005 PEG savings by \$0.1 million.

LIRR – PEG changes will reduce 2005 PEG savings by \$2.9 million.

B&T – PEG changes will increase 2005 PEG savings by \$.7 million.

SIR – PEG changes will reduce 2005 PEG savings by \$.3 million.

**Metropolitan Transportation Authority
1st Quarter 2005
Peg Monitoring Summary
(\$ in millions)**

MTA Agencies	2005 PEG Total		2005 PEGs Monitored		2005 PEGs Monitored as % of Total PEGs		1st Quarter Results				% of 2005 Monitored PEGs Implemented at end of Quarter
	Pos	(\$)	Pos	(\$)	Pos	(\$)	"Planned" Savings	"Realized" Savings	Variance Fav/(Unfav)	"Realized" Savings as % of "Planned" Savings	
							(\$)	(\$)	(\$)	(\$)	
New York City Transit	912	61.060	799	52.144	87.6%	85.4%	10.259	9.959	(0.300)	97.1%	19.1%
Long Island Rail Road	204	43.607	86	21.494	42.2%	49.3%	3.967	3.683	(0.284)	92.8%	17.1%
Metro North Rail Road	121	10.680	92	7.186	76.0%	67.3%	1.254	1.254	0.000	100.0%	17.5%
MTA Bridges & Tunnels	1	7.380	0	7.105	0.0%	96.3%	0.000	0.000	0.000	0.0%	0.0%
MTA Headquarters	17	15.013	5	13.188	29.4%	87.8%	11.022	11.393	0.371	103.4%	86.4%
Long Island Bus	9	1.399	9	1.000	100.0%	71.5%	0.250	0.250	0.000	100.0%	25.0%
Staten Island Rail	9	1.018	0	0.000	0.0%	0.0%	0.000	0.000	0.000	0.0%	-
MTA CONSOLIDATED	1273	140.156	991	102.117	77.8%	72.9%	26.752	26.539	(0.213)	99.2%	26.0%
PEG Implementation Prov.		(20.000)									
MTA CONSOLIDATED	1273	120.156	991	102.117	77.8%	85.0%	26.752	26.539	(0.213)	99.2%	26.0%

Positions (Headcount)

Positions (Headcount)

2005 Mid-Year Forecast

MTA consolidated baseline positions of 63,791 are 106 higher than the 2005 Adopted Budget. Non-Reimbursable positions are forecast to increase by 244 and Reimbursable positions to decrease by 138. Total positions increase by 302 at NYCT, while positions decrease by 101 at LIRR, 68 at MTACC, 21 at SIR and 6 at MNR.

The 2005 Adopted Budget included within its baseline, headcount reductions associated with the approved 2005 PEG of 1,273 in 2005, 1,595 in 2006, 1,405 in 2007, 1,605 in 2008 and 1,394 in 2009.

NYCT's increase is due to implementation delays related to the "Off-Peak Guidelines" and "L Line OPTO" PEGs which add 164 positions and 55 positions, respectively. Additional increases are due to a service enhancement of 37 positions for cleaning initiatives in Track and Stations, and 30 positions related to delays in implementing ATS/CBTC.

LIRR's decrease is due to Non-Reimbursable position reductions of 36 due primarily to the timing of hires. Reimbursable positions decreased by 65, due primarily to reduced levels of capital project activity.

MTACC's decrease is in Reimbursable positions and reflects delays in the award of major construction contracts.

SIR's decrease of 25 is due to the merger of the SIR Police and MTA Police, and resulting transfer of positions from SIR to MTAHQ.

2006 Preliminary Budget

The MTA consolidated 2006 baseline reflects positions of 64,047, which are 256 higher than the 2005 Mid-Year Forecast. Non-Reimbursable positions increase by 180 and Reimbursable positions increase by 76. Positions decrease by 158 at NYCT, while positions increase by 322 at the LIRR, 68 at MTACC, 13 at MNR, 8 at SIR and 3 at B&T.

NYCT's decrease from the 2005 Mid-Year Forecast is mostly due to a reduction of 169 Reimbursable positions resulting from the completion of a number of capital projects.

LIRR's increase of 145 Non-Reimbursable positions is due to the timing of hires and additional needs for signal maintainer and engineering personnel. Reimbursable positions increase by 177, consistent with anticipated levels of capital funding in 2006.

MTACC's increase assumes major construction contracts that were delayed in 2005 will be awarded in 2006.

Baseline positions are increasing by 472 compared with the February Plan. NYCT and the LIRR accounted for most of this, with increases of 437 positions and 50 positions, respectively. NYCT's baseline increase of 437 positions over the February Plan is due primarily to Cleaning Initiatives in Track and Stations, Increased Traffic Checking to monitor off-peak bus loads, revisions to the Scheduled Maintenance System (SMS), ATS/CBTC Implementation delays and the delay in implementing new Off-Peak Bus Guidelines. LIRR's baseline increase of 50 positions over the February Plan is due primarily to increased hiring for Maintenance and Training staff.

2007-2009

The forecasted position levels didn't fluctuate greatly over the 2007 through 2009 period with a net reduction of 106 positions from the end of 2006 to the end of 2009, primarily because of changes at NYCT and MNR.

Overall, NYCT positions are dropping by 293 positions from the end of 2006 to the end of 2009. Reductions of 133 are due to position increases in 2006 (New Needs or Other Increases) which will not be sustained in 2009. Programs falling into this category include "ATS/CBTC Implementation Delays", "SMS Plan Revisions", "Stop-Circuit Modifications" and "LED Signal Head Conversions". Additional reductions of approximately 150 positions are due to the completion of the "Subway Car Floor Program" and the "Tunnel Lighting Replacement Program".

MNR positions increase by 163 positions from the end of 2006 to the end of 2009. The bulk of this increase is due to planned hiring of security improvement maintainers, coach cleaners, quality control staff, and train crews related to planned increases in train service levels.

When compared with the February Plan, the positions are higher in each of the out-years by 87 in 2007 and 451 in 2008. This is primarily the result of cleaning and maintenance initiatives at NYCT and maintenance and training Initiatives at the LIRR.

