

Long Island Rail Road

MTA LONG ISLAND RAIL ROAD
2006 Preliminary Budget
July Financial Plan 2006-2009

MISSION STATEMENT

The mission of the MTA Long Island Rail Road is to provide a safe, accessible, clean, cost-effective, customer-focused rail transportation system that runs on time, is comfortable, user-friendly and provides the region with a valued and indispensable service.

FINANCIAL OVERVIEW

The financial projections in the attached statements reflect the most current projections by the LIRR for the balance of 2005, carrying out into 2009. These projections reflect PEGs implemented beginning in 2005, with the objective of ensuring better utilization of resources across the organization and operationally. The LIRR's 2006 Preliminary Budget incorporates those resource requirements that will best enable the Railroad to fulfill its service obligations as efficiently as possible, while minimizing impacts on our customers. In preparing the budget, the LIRR focused on sustaining and enhancing administration reductions and scrutinizing operations to reduce costs and eliminate cost inefficient functions.

The 2006 budget is designed to reflect continuation of current service levels, as well as to sustain the MTA's commitment to safety and security. In looking to sustain service levels, efficiencies were pursued throughout the company to optimize use of available resources. Ongoing review of all functions affords LIRR the opportunity to streamline its operations, take advantage of technology investments and become more cost efficient. All efforts were made to minimize adverse impacts to our customers.

In its projections for 2007 through 2009, the LIRR anticipates no diminution of transportation service levels, even as current and future PEGs are fully implemented.

2005 Mid-Year Forecast

At mid-year, the LIRR is projecting an increase to its net cash deficit of \$17.6 million over the 2005 adopted budget. On the accrued side, revenues are the major driver of unfavorable results. Farebox revenues are projected to run 0.7% below the February plan. Capital reimbursable revenues are the major source of projected shortfall, with a \$17.3 million, or 13.1%, forecasted shortfall.

The unfavorable revenue results are offset by favorable expense projections. While overall Labor expenses are within 0.5% of the February plan, non-reimbursable labor is above plan by \$14.1 million. That is offset by Reimbursable labor projected to underrun the plan by \$18.1 million. Non-reimbursable overtime is projected to be 13.4% above plan, but reimbursable overtime is nearly 10% favorable to plan. By not hiring for reimbursable work that is delayed, total payroll, health and welfare and other fringes are

forecast to be below plan by \$14.4 M or 2.6%. In addition to lower headcount, the major offsetting item is the Railroad Retirement and Railroad Unemployment tax rates, where rates in the 2005 July Plan are being brought into line with actual rates set in late 2004 by the Railroad Retirement Board.

Non-Labor expenses are within 0.3% of plan, with some significant swings in certain areas on the non-reimbursable side of the plan. For example, diesel fuel for trains is projected to run nearly 40% above plan due to higher prices. By contrast, insurance is projected to be 16% favorable to the accrued February plan, with some types of insurance costing less than projected. A 6% projected increase in Maintenance and Other Operating Contracts is associated largely with the need to replace concrete ties that have failed prematurely.

The major cash adjustment from the February plan is an increase to Claim payments. Based on the current status of various claims and litigation, adjustments reflecting increases of nearly \$11 M have been made in the Mid-Year update to the February plan.

Consistent with the labor expense assessment above, the major 2005 PEG projecting reduced overtime will not be met. The Transportation Department projects that \$2.0 M in savings identified for 2005 will not occur. For the LIRR to meet its service and on-time goals in 2005, it will not be able to reduce overtime as planned. In the administrative headcount PEG, charging full-time pension administrative heads to the pension plans has offset certain reductions. New work, in the form of record retention administration, results in one position reduction not occurring, and proposed reductions to human resources in anticipation of the severe reductions formerly proposed for 2006 are withdrawn since total corporate headcount will not drop as planned. The employment and training functions must therefore be sustained.

2006 Preliminary Budget - Baseline

The goals and objectives contained in the 2006 Preliminary Budget are consistent with the LIRR's mission and its aim to continue to improve service attributes. Among the key goals for 2006 are improving on-time performance to 94.3% and achieving an all-time high fleet-wide mean distance between failures (MDBF) of 64,800 miles. The budget plan also reflects a continuing commitment to improve both employee and customer safety, with projected improvements of 10% in both key areas. Other key assumptions incorporated in the baseline are discussed in a later section, along with reconciliation to the February Financial Plan.

More productive use of resources instituted in 2005 carries forward in the 2006 Preliminary budget. For example, reductions were made to advertising expenditures with the opportunity to redirect those savings either to operations or reduction of cash subsidy requirements. Continuing assessments are utilized to reduce budget needs for such items as cell phones and automobiles, with the result that communications costs are being reduced and the size of the automobile fleet is also shrinking. Initiatives to

ensure that pooling opportunities for both automobiles and work trucks are fully explored and utilized offer the potential to further reduce the vehicle fleet. Various administrative procedures, such as requisitioning and change orders, are being tightened up. While these may or may not yield cash savings, they will enhance controls and improve the efficiency of the organization.

The efficiencies that result in labor savings (see 2006 PEG section, below) also give the LIRR the opportunity to reinvest in service improvements for our customers. Approximately \$1.5 million is being reinvested in train service to improve passenger flows and travel opportunities.

The 2006 revenue budget totals \$624.7 million, and the total expense budget is \$1.423 billion, of which \$1.149 billion is for operating expenses and the balance is associated with such non-cash items as depreciation. The cash budget for 2006 incorporates \$696.0 million in cash receipts and \$1.211 billion in cash disbursements. The baseline net cash requirement is \$(515.1) million, as driven by operating expenses paid for in 2006, revenues received in 2006, and other adjustments to cash flow. While much of the operating budget has a direct impact on cash flow, there are some items such as material purchases for capital work that only appear in the cash budget. In addition, the differences between accrued and cash budgets reflect natural lags between when costs are incurred and when they will be paid for.

On an accrued basis, both revenues and expenses in the 2006 Preliminary Budget are higher than in the 2005 Mid-Year Forecast. Total revenues of \$624.7 million are \$47.9 million higher than in the Mid-Year Forecast, with Non-reimbursable revenues rising by \$11.0 million and reimbursable revenues up by \$36.8 million. Baseline Ridership in 2006 grows over the 2005 Forecast by 1.3 million rides, or 1.7%. Operating expenses before depreciation of \$1.149 billion reflect growth of \$77.5 million over the 2005 Mid-Year Forecast, \$40 million of which is in non-reimbursable expenses. While the resulting total operating baseline deficit rises \$53.4 million to \$(798.7) million in 2006, the projected baseline cash deficit (or subsidy requirement) of \$(515.1) million in 2006 is higher by \$47.7 million.

Full-time positions total 6,532 in the 2006 Preliminary Budget, with 5,749 non-reimbursable positions and 783 reimbursable positions. Compared to the 2005 Forecast, this increase of 322 positions includes 145 additional non-reimbursable positions and 177 added reimbursable positions, consistent with anticipated levels of capital funding in 2006.

The major New Needs identified in the 2006 Budget are associated with Operating Budget Impacts from capital investments and unplanned replacement of assets not reaching their useful life. In the Engineering department, new maintenance needs arise such as increased levels of bridge painting, sweeping and cleaning of yards and parking areas, maintenance of the new Atlantic Terminal facility and additional lighting on Jamaica platforms. An Engineering study just completed in 2004 has been proposed for updating in 2006.

Other New Needs arise from third rail extensions and concrete ties that are failing and require replacement well in advance of their expected life cycle. To ensure safe and efficient operations, the LIRR is undertaking special track inspection measures to check for failed ties. Through late May, the LIRR had already spot-replaced more than 800 Rocla ties that had completely failed. Spot replacements of ties are labor-intensive and costly. Because of the unpredictable rate of deterioration, inspections and spot replacements cannot be relied upon to prevent service disruptions. Therefore, the LIRR plans to replace approximately 16,000 Rocla ties before the winter of 2005/2006 and the balance of the 64,000 ties purchased in 1997 in the ensuing years.

In addition, the Atlantic Avenue viaduct requires structural repairs. Also, cost overruns in a signal project between Babylon and Speonk will exhaust available capital project funds and require operating funds to complete the work in 2006. As a result, the Engineering department is proposing a 19% increase in its total headcount (264 positions), including positions for improved project management and reorganization of the Signal function.

In other areas, there are one-time new needs to address added scope identified for the C3 HVAC life cycle maintenance requirements, diesel modifications and acquisition of bench test equipment. Hardware and software technology to support Life Cycle Maintenance creates an ongoing New Need, as does a plan to develop a life cycle maintenance program for Ticket Vending Machines. Additional details on the New Needs identified for 2006 appear in attachments.

2007-2009 Projections

The baseline projections for 2007 through 2009 reflect no notable changes to the LIRR's commitment to its customers. Goals are still in place to continue improving key performance measures in safety, with annual 10% improvements for both employees and customers, and MDBF, which rises by 19% in 2007 and another 3.5% in 2008 to 80,000 mile fleet-wide. Projections are to reach and sustain an on-time performance level of 94.3% throughout the 2006-2009 period. During this period, the LIRR also moves into more widespread implementation of Life Cycle Maintenance for its growing M7 fleet, as many components start to enter key maintenance stages. Fulfillment of LCM requirements will continue to place growing demands on resources, particularly maintenance materials.

The baseline projections for 2007-2009 reflect these various impacts. Both non-reimbursable and reimbursable revenues rise steadily over the years, with higher rates of growth in 2007 and 2009. Non-reimbursable revenues grow less than 1.8% in any year, while Reimbursable revenues increase by more than 2.3% in 2007 and 2009, falling back to 1.5% growth in 2008. All of these growth rates fall below the rate of inflation over the period.

The pace of expense growth is somewhat higher, driven by high rates of increase above normal inflation in health and welfare, insurance and materials. Non-reimbursable expenses (before depreciation) grow by 3.5% from \$997.8 million in 2006 to \$1.033 billion in 2007. They continue to rise by 7.0% in 2008 and 3.5% in 2009, reaching \$1.145 billion. In 2008 particularly, nearly 60% of the \$72 million increase to non-reimbursable operating expenses is for materials. Reimbursable expenses grow by 2.6% (\$4.0 million) in 2007 over 2006, and by another 1.5% in 2008 and 2.3% in 2009, reaching \$161.6 million.

The baseline positions in these projections increase in each year after 2005, with an overall increase of 343 positions over the 2005 mid-year baseline. With the timing of project initiation for the 2005-2009 Capital Program, project plan activities shift. This affects the number of positions supporting reimbursable activity in the earliest years of the program. By 2008, reimbursable positions rise by 37%, or 222 positions, over 2005. Most of these are in the Engineering department, where total positions increase by 239 over 2005. The other function with position increases is the Maintenance of Equipment department, where the number of positions increases by about 3.6% by 2008, or a total of 64 positions, consistent with the commitment to Life Cycle Maintenance.

Appearing in a separate section is a discussion of the major assumptions in the 2006-2008 forecasts and reconciliations to the February plan for the years through 2007.

GAP CLOSING MEASURES

2006 PEG Actions

Achieving balance within the financial plan will require some reductions known as "Programs to Eliminate the Gap" (or PEGs). For 2006, PEGs totaling \$18 million have been identified in a below-the-line section of the Preliminary Budget. Incremental revenue makes up more than \$12 million of that total, comprised of changes to parking agreements with municipalities and increased right-of-way leased line charges.

As part of ongoing management reviews for operating efficiencies, some expense PEGs have been identified to start in 2006 as well. With the continuing migration to off-train ticket sales at Ticket Vending Machines (TVMs), efficiencies can be achieved in staffing of train crews. With the new TVMs, on-board ticket sales have dropped from 10.9% of revenues in January 2003 to 4.3% of revenues as of March 2005. With more revenue collected at the TVM point of sale, management has determined that on-board staffing can be modestly revised to generate savings. This 1% reduction in train crew positions results in ongoing savings of \$2.1 million, including savings in overtime. Other efficiencies are proposed in yard and train dispatching activities that would have no adverse direct impact on operations and would yield \$228 thousand in savings.

The Maintenance of Equipment department routinely reviews its maintenance practices for the various fleet types for opportunities to achieve efficiencies. With the M7 fleet

evidencing a high level of reliability, there is a one-time PEG proposed for 2006 to eliminate the purchase of \$3.0 million of air brake material. This PEG is predicated on getting a waiver from the FRA to revise their maintenance practices without any compromise to safety or performance. The proposed savings are evidence of good business practices associated with ongoing adaptation of maintenance processes to this new fleet.

A total of 14 positions, about 0.2% of current workforce levels, are eliminated as part of the PEG process.

2007-2009 Projections

The PEG actions taken in 2006 are largely carried forward into 2007-2009, escalating in value with inflation. The PEGs total \$15.6 million in 2007, \$15.7 million in 2008 and \$15.7 million in 2009.

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Accrual Statement of Operations by Category
(\$ in millions)

NON-REIMBURSABLE

	2004	2005	2006			
	Actuals	Mid-Year	Preliminary	2007	2008	2009
		Forecast	Budget			
Revenue						
Farebox Revenue	\$410.766	\$436.842	\$445.916	\$454.224	\$460.499	\$468.710
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	25.782	25.250	27.201	27.391	27.924	28.120
Capital and Other Reimbursements	0.000	0.000	0.000	0.000	0.000	0.000
Total Revenue	\$436.548	\$462.092	\$473.117	\$481.615	\$488.423	\$496.830
Expenses						
Labor:						
Payroll	\$347.867	\$357.413	\$371.679	\$384.104	\$398.105	\$407.082
Overtime	67.667	67.718	67.852	68.974	69.866	72.097
Health and Welfare	88.725	96.862	107.003	117.503	130.237	141.983
Pensions	114.217	114.376	114.238	114.230	112.315	112.684
Other Fringe Benefits	72.481	76.865	76.511	77.623	80.287	83.256
Reimbursable Overhead	(19.261)	(17.762)	(23.978)	(24.752)	(24.707)	(25.294)
Total Labor Expenses	\$671.696	\$695.472	\$713.305	\$737.682	\$766.103	\$791.808
Non-Labor:						
Traction and Propulsion Power	\$50.589	\$60.607	\$63.867	\$65.570	\$67.272	\$68.779
Fuel for Buses and Trains	8.769	10.959	11.185	11.520	11.895	12.222
Insurance	15.190	15.603	16.777	18.390	20.180	22.181
Claims	8.971	9.144	13.482	13.760	14.078	14.432
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other						
Operating Contracts	51.442	65.371	72.504	64.148	60.363	61.497
Professional Service Contracts	16.747	25.842	23.158	21.625	21.961	21.896
Materials & Supplies	60.013	67.321	78.488	95.500	138.771	147.044
Other Business Expenses	6.292	6.907	8.136	8.206	8.264	8.333
Total Non-Labor Expenses	\$218.013	\$261.754	\$287.597	\$298.719	\$342.784	\$356.384
Other Expenses Adjustments:						
Other	18.257	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$18.257	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation	\$907.966	\$957.226	\$1,000.902	\$1,036.401	\$1,108.887	\$1,148.192
Depreciation	220.456	250.249	274.012	274.868	259.393	255.760
Total Expenses	\$1,128.422	\$1,207.475	\$1,274.914	\$1,311.269	\$1,368.280	\$1,403.952
Baseline Net Surplus/(Deficit)	(\$691.874)	(\$745.383)	(\$801.797)	(\$829.654)	(\$879.857)	(\$907.122)
PEG Program	0.000	12.000	18.013	15.580	15.653	15.733
Net Surplus/(Deficit)	(\$691.874)	(\$733.383)	(\$783.784)	(\$814.074)	(\$864.204)	(\$891.389)

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Accrual Statement of Operations by Category
(\$ in millions)

**NON-REIMBURSABLE and
REIMBURSABLE**

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Revenue						
Farebox Revenue	\$410.766	\$436.842	\$445.916	\$454.224	\$460.499	\$468.710
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	25.782	25.250	27.201	27.391	27.924	28.120
Capital and Other Reimbursements	126.103	114.742	151.585	155.533	157.904	161.573
Total Revenue	\$562.651	\$576.834	\$624.702	\$637.148	\$646.327	\$658.403
Expenses						
Labor:						
Payroll	\$405.818	\$408.721	\$439.113	\$451.525	\$467.245	\$477.801
Overtime	77.519	74.514	77.100	78.471	79.360	81.883
Health and Welfare	97.133	104.792	117.693	128.769	141.753	153.776
Pensions	122.902	124.656	127.714	128.183	126.243	126.942
Other Fringe Benefits	89.163	89.322	93.305	96.308	99.386	102.815
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenses	\$792.535	\$802.005	\$854.925	\$883.256	\$913.987	\$943.217
Non-Labor:						
Traction and Propulsion Power	\$50.767	\$60.779	\$63.867	\$65.570	\$67.272	\$68.779
Fuel for Buses and Trains	8.769	10.959	11.185	11.520	11.895	12.222
Insurance	15.315	15.945	17.128	18.750	20.465	22.472
Claims	8.971	9.144	13.482	13.760	14.078	14.432
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other						
Operating Contracts	54.611	69.958	77.570	70.616	66.911	68.128
Professional Service Contracts	16.828	26.166	23.589	22.054	22.399	22.345
Materials & Supplies	61.719	69.843	82.372	97.972	141.285	149.596
Other Business Expenses	6.297	7.169	8.369	8.436	8.499	8.574
Total Non-Labor Expenses	\$223.277	\$269.963	\$297.562	\$308.678	\$352.804	\$366.548
Other Expenses Adjustments:						
Other	18.257	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$18.257	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation	\$1,034.069	\$1,071.968	\$1,152.487	\$1,191.934	\$1,266.791	\$1,309.765
Depreciation	220.456	250.249	274.012	274.868	259.393	255.760
Total Expenses	\$1,254.525	\$1,322.217	\$1,426.499	\$1,466.802	\$1,526.184	\$1,565.525
Baseline Net Surplus/(Deficit)	(\$691.874)	(\$745.383)	(\$801.797)	(\$829.654)	(\$879.857)	(\$907.122)
PEG Program	0.000	12.000	18.013	15.580	15.653	15.733
Net Surplus/(Deficit)	(\$691.874)	(\$733.383)	(\$783.784)	(\$814.074)	(\$864.204)	(\$891.389)

**MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Cash Receipts & Expenditures
(\$ in millions)**

	2004 Actuals	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
Receipts						
Farebox Revenue	\$442.423	\$465.542	\$474.916	\$483.524	\$490.099	\$498.610
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	32.023	27.192	29.065	29.325	29.934	30.193
Capital and Other Reimbursements	164.714	150.697	192.043	194.783	197.995	202.088
Total Receipts	\$639.160	\$643.431	\$696.024	\$707.632	\$718.028	\$730.891
Expenditures						
Labor:						
Payroll	408.701	408.226	437.624	450.037	465.757	476.313
Overtime	76.580	74.514	77.100	78.471	79.360	81.883
Health and Welfare	96.571	104.792	117.693	128.769	141.753	153.776
Pensions	123.053	94.292	127.321	127.758	125.784	126.483
Other Fringe Benefits	91.410	89.408	93.305	96.308	99.386	102.815
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenditures	\$796.315	\$771.232	\$853.043	\$881.343	\$912.040	\$941.270
Non-Labor:						
Traction and Propulsion Power	51.516	60.779	63.867	65.570	67.272	68.779
Fuel for Buses and Trains	7.163	10.959	11.185	11.520	11.895	12.222
Insurance	18.142	21.651	22.204	24.425	27.769	29.142
Claims	9.727	19.388	12.722	12.985	13.285	13.619
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	62.249	71.324	79.251	72.327	68.658	69.912
Professional Service Contracts	19.515	21.887	18.889	17.554	17.899	17.845
Materials & Supplies	96.316	100.071	118.031	133.763	177.278	185.713
Other Business Expenses	5.387	4.769	5.959	6.006	6.049	6.104
Total Non-Labor Expenditures	\$270.015	\$310.828	\$332.108	\$344.150	\$390.105	\$403.336
Other Expenditure Adjustments:						
Other	30.278	28.700	29.000	29.300	29.600	29.900
Total Other Expenditure Adjustments	\$30.278	\$28.700	\$29.000	\$29.300	\$29.600	\$29.900
Total Expenditures	\$1,096.608	\$1,110.760	\$1,214.151	\$1,254.793	\$1,331.745	\$1,374.506
Baseline Net Cash Deficit	(\$457.448)	(\$467.329)	(\$518.127)	(\$547.161)	(\$613.717)	(\$643.615)
PEG Program		12.000	18.013	15.580	15.653	15.733
Net Cash Deficit	(\$457.448)	(\$455.329)	(\$500.114)	(\$531.581)	(\$598.064)	(\$627.882)

**MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Cash Conversion (Cash Flow Adjustments)
(\$ in millions)**

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Receipts						
Farebox Revenue	\$31.657	\$28.700	\$29.000	\$29.300	\$29.600	\$29.900
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	6.241	1.942	1.864	1.934	2.010	2.073
Capital and Other Reimbursements	38.611	35.955	40.458	39.250	40.091	40.515
Total Receipt Adjustments	\$76.509	\$66.597	\$71.322	\$70.484	\$71.701	\$72.488
Expenditures						
Labor:						
Payroll	(2.883)	0.495	1.489	1.488	1.488	1.488
Overtime	0.939	0.000	0.000	0.000	0.000	0.000
Health and Welfare	0.562	0.000	0.000	0.000	0.000	0.000
Pensions	(0.151)	30.364	0.393	0.425	0.459	0.459
Other Fringe Benefits	(2.247)	(0.086)	0.000	0.000	0.000	0.000
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenditures	(\$3.780)	\$30.773	\$1.882	\$1.913	\$1.947	\$1.947
Non-Labor:						
Traction and Propulsion Power	(0.749)	0.000	0.000	0.000	0.000	0.000
Fuel for Buses and Trains	1.606	0.000	0.000	0.000	0.000	0.000
Insurance	(2.827)	(5.706)	(5.076)	(5.675)	(7.304)	(6.670)
Claims	(0.756)	(10.244)	0.760	0.775	0.793	0.813
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	(7.638)	(1.366)	(1.681)	(1.711)	(1.747)	(1.784)
Professional Service Contracts	(2.687)	4.279	4.700	4.500	4.500	4.500
Materials & Supplies	(34.597)	(30.228)	(35.659)	(35.791)	(35.993)	(36.117)
Other Business Expenditures	0.910	2.400	2.410	2.430	2.450	2.470
Total Non-Labor Expenditures	(\$46.738)	(\$40.865)	(\$34.546)	(\$35.472)	(\$37.301)	(\$36.788)
Other Expenditure Adjustments:						
Other	(12.021)	(28.700)	(29.000)	(29.300)	(29.600)	(29.900)
Total Other Expenditure Adjustments	(\$12.021)	(\$28.700)	(\$29.000)	(\$29.300)	(\$29.600)	(\$29.900)
Total Cash Conversion Adjustments before Depreciation	\$13.970	\$27.805	\$9.658	\$7.625	\$6.747	\$7.747
Depreciation Adjustment	\$220.456	\$250.249	\$274.012	\$274.868	\$259.393	\$255.760
Baseline Total Cash Conversion Adjustments	\$234.426	\$278.054	\$283.670	\$282.493	\$266.140	\$263.507
PEG Program	0.000	0.000	0.000	0.000	0.000	0.000
Total Cash Conversion Adjustments	\$234.426	\$278.054	\$283.670	\$282.493	\$266.140	\$263.507

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Year-to-Year Changes by Category - Accrual and Cash

Revenue

Farebox Revenue

- The regional economy and employment trends are the primary drivers.
- Ridership trends in the first quarter, as well as employment trends in New York City are lower than what was projected in the 2005 budget which is adversely affecting ridership projections for the balance of 2005.
- 2006 ridership is projected to increase by 1.7% above 2005 level to 79.6 million. This increase in ridership is predicated on some recovery in employment levels.
- Passenger revenue forecasts in the outer years 2006 - 2009 reveal modest annual growth due to increases in ridership.

Other Operating Revenue

- Other revenues (rent, station privileges, etc.) are projected to grow each year primarily through contractual and inflationary increases.

Capital and Other Reimbursements

- Reflects the 2005 - 2009 Capital Program and completion of projects from the 2000 - 2004 Capital Program.

Expenses

Payroll

- 2006 reflects pattern bargaining agreements of 3.0% for represented employees and CPI increases for management employees of 2.57%.
- 2007 - 2009 includes CPI increases for both represented and management employees of 2.79%, 2.94% and 3.18%, respectively.
- Headcount changes each year are associated with new needs, changes in programs (i.e., fleet modifications) and Capital Program activity.

Overtime

- 2005 - 2006 increase is primarily associated with the change in Capital Program activity and new needs, partially offset by a decrease in anticipated weather-related overtime.
- 2007 - 2009 increases reflect CPI increases and changes in Capital Program activity.

Health & Welfare

- 2006 - 2009 reflects annual rate increase of approximately 9.3%.
- Reflects impact of headcount changes each year.

Pensions

- Reflects the latest actuarial valuation for each year.

Other Fringe Benefits

- Railroad Retirement Tax maximum limits are based on the December 2004 projected maximum earnings bases from the Railroad Retirement Board; the tax rate for each tier is expected to remain unchanged.
- Railroad Unemployment reflects an annual increase of approximately 5% in the monthly amount per employee.

Traction and Propulsion Power

- 2005 is based on actuals through March.
- 2006 - 2009 reflects price inflators, historical data and M-7 delivery schedule.

Fuel

- 2005 is based on actuals through March.
- 2006 - 2009 reflects price inflators and historical performance.

Insurance

- 2006 - 2009 reflects price inflators.

Claims

- 2005 reflects actual experience through March and the anticipated settlement and payout of claims for the balance of the year including the payment of \$2.0 million for a case that was not covered by insurance.
- 2006 - 2009 reflects inflationary increases.

Maintenance and Other Operating Contracts

- 2006 reflects contract price increases and increases associated with concrete tie replacements, M-1 decommissioning and Jamaica Central Control/Air Train Facility costs.
- 2006 - 2008 reflects changes in the concrete tie replacement and elimination of the M-1 fleet; as well as inflationary increases.

Professional Service Contracts

- The favorable change from 2005 to 2006 is primarily associated with nonrecurring expenses incidental to project work.
- 2005 - 2007 reflects changes in consultant activity (completion of CE-1 Engineering Study in 2006, and Information Services system initiative plans with the completion of projects and the start of new initiatives).
- 2005 - 2009 reflects price inflators.

Material and Supplies

- 2005 - 2009 reflects inflationary growth.
- The increases in materials each year from 2005 - 2009 is primarily Maintenance of Equipment material needs associated with changes in the LCM program and an increased fleet size.
- 2007 - 2009 also includes the operation of the Arch Street Shop.

Other Business Expenses

- 2005 - 2006 reflects changes in credit/debit card authorization fees and nonrecurring miscellaneous expense credits in 2005.
- 2007 - 2009 includes inflationary increases.

Depreciation

- Reflects depreciation of current assets as well as estimates for capital programs based on their beneficial use.

Cash Adjustments

Revenue

- 2005 - 2007 – Timing of capital reimbursement.

Expense

- Payroll 2005 - 2006 – represented contract settlement paid out in 2005.
- Pension – cash payments versus accrued expenses; prepayment in 2003 for 2005 pension contribution.
- Insurance and Claims & Suits – payments versus accrued expenses.
- Professional, Maintenance and Other Contract services – changes in environmental payments.
- 2005 - 2009 - timing of material purchases versus charge-outs.
- Depreciation and other non-cash adjustments for each year 2005 - 2009.

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Year-to-Year Changes by Category - Accrual Basis
(\$ in millions)

**NON-REIMBURSABLE and
REIMBURSABLE**

	Favorable/(Unfavorable)								
	2005	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007	2009	Change 2009 - 2008
Revenue									
Farebox Revenue	\$436.842	\$445.916	\$9.074	\$454.224	\$8.308	\$460.499	\$6.275	\$468.710	\$8.211
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	25.250	27.201	1.951	27.391	0.190	27.924	0.533	28.120	0.196
Capital and Other Reimbursements	114.742	151.585	36.843	155.533	3.948	157.904	2.371	161.573	3.669
Total Revenue	\$576.834	\$624.702	\$47.868	\$637.148	\$12.446	\$646.327	\$9.179	\$658.403	\$12.076
Expenses									
Labor:									
Payroll	\$408.721	\$439.113	(\$30.392)	\$451.525	(\$12.412)	\$467.245	(\$15.720)	\$477.801	(\$10.556)
Overtime	74.514	77.100	(2.586)	78.471	(1.371)	79.360	(0.889)	81.883	(2.523)
Health and Welfare	104.792	117.693	(12.901)	128.769	(11.076)	141.753	(12.984)	153.776	(12.023)
Pensions	124.656	127.714	(3.058)	128.183	(0.469)	126.243	1.940	126.942	(0.699)
Other Fringe Benefits	89.322	93.305	(3.983)	96.308	(3.003)	99.386	(3.078)	102.815	(3.429)
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenses	\$802.005	\$854.925	(\$52.920)	\$883.256	(\$28.331)	\$913.987	(\$30.731)	\$943.217	(\$29.230)
Non-Labor:									
Traction and Propulsion Power	\$60.779	\$63.867	(\$3.088)	\$65.570	(\$1.703)	\$67.272	(\$1.702)	\$68.779	(\$1.507)
Fuel for Buses and Trains	10.959	11.185	(0.226)	11.520	(0.335)	11.895	(0.375)	12.222	(0.327)
Insurance	15.945	17.128	(1.183)	18.750	(1.622)	20.465	(1.715)	22.472	(2.007)
Claims	9.144	13.482	(4.338)	13.760	(0.278)	14.078	(0.318)	14.432	(0.354)
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other	69.958	77.570	(7.612)	70.616	6.954	66.911	3.705	68.128	(1.217)
Professional Service Contracts	26.166	23.589	2.577	22.054	1.535	22.399	(0.345)	22.345	0.054
Materials & Supplies	69.843	82.372	(12.529)	97.972	(15.600)	141.285	(43.313)	149.596	(8.311)
Other Business Expenses	7.169	8.369	(1.200)	8.436	(0.067)	8.499	(0.063)	8.574	(0.075)
Total Non-Labor Expenses	\$269.963	\$297.562	(\$27.599)	\$308.678	(\$11.116)	\$352.804	(\$44.126)	\$366.548	(\$13.744)
Other Expenses Adjustments:									
Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation									
Depreciation	\$1,071.968	\$1,152.487	(\$80.519)	\$1,191.934	(\$39.447)	\$1,266.791	(\$74.857)	\$1,309.765	(\$42.974)
Depreciation	250.249	274.012	(23.763)	274.868	(0.856)	259.393	15.475	255.760	3.633
Total Expenses	\$1,322.217	\$1,426.499	(\$104.282)	\$1,466.802	(\$40.303)	\$1,526.184	(\$59.382)	\$1,565.525	(\$39.341)
Baseline Net Surplus/(Deficit)	(\$745.383)	(\$801.797)	(\$56.414)	(\$829.654)	(\$27.857)	(\$879.857)	(\$50.203)	(\$907.122)	(\$27.265)
New Needs									
PEG Program	12.000	18.013	6.013	15.580	(2.433)	15.653	0.073	15.733	0.080
Net Surplus/(Deficit)	(\$733.383)	(\$783.784)	(\$50.401)	(\$814.074)	(\$30.290)	(\$864.204)	(\$50.130)	(\$891.389)	(\$27.185)

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Year-to-Year Changes by Category - Cash Basis
(\$ in millions)

	Favorable/(Unfavorable)								
	2005	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007	2009	Change 2009 - 2008
Cash Receipts & Expenditures									
Receipts									
Farebox Revenue	\$465.542	\$474.916	\$9.374	\$483.524	\$8.608	\$490.099	\$6.575	\$498.610	\$8.511
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	27.192	29.065	1.873	29.325	0.260	29.934	0.609	30.193	0.259
Capital and Other Reimbursements	150.697	192.043	41.346	194.783	2.740	197.995	3.212	202.088	4.093
Total Receipts	\$643.431	696.024	52.593	707.632	11.608	718.028	10.396	730.891	12.863
Expenditures									
Labor:									
Payroll	\$408.226	\$437.624	(\$29.398)	\$450.037	(\$12.413)	\$465.757	(\$15.720)	\$476.313	(\$10.556)
Overtime	74.514	77.100	(2.586)	78.471	(1.371)	79.360	(0.889)	81.883	(2.523)
Health and Welfare	104.792	117.693	(12.901)	128.769	(11.076)	141.753	(12.984)	153.776	(12.023)
Pensions	94.292	127.321	(33.029)	127.758	(0.437)	125.784	1.974	126.483	(0.699)
Other Fringe Benefits	89.408	93.305	(3.897)	96.308	(3.003)	99.386	(3.078)	102.815	(3.429)
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenditures	\$771.232	\$853.043	(\$81.811)	\$881.343	(\$28.300)	\$912.040	(\$30.697)	\$941.270	(\$29.230)
Non-Labor:									
Traction and Propulsion Power	\$60.779	\$63.867	(\$3.088)	\$65.570	(\$1.703)	\$67.272	(\$1.702)	\$68.779	(\$1.507)
Fuel for Buses and Trains	10.959	11.185	(0.226)	11.520	(0.335)	11.895	(0.375)	12.222	(0.327)
Insurance	21.651	22.204	(0.553)	24.425	(2.221)	27.769	(3.344)	29.142	(1.373)
Claims	19.388	12.722	6.666	12.985	(0.263)	13.285	(0.300)	13.619	(0.334)
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other									
Operating Contracts	71.324	79.251	(7.927)	72.327	6.924	68.658	3.669	69.912	(1.254)
Professional Service Contracts	21.887	18.889	2.998	17.554	1.335	17.899	(0.345)	17.845	0.054
Materials & Supplies	100.071	118.031	(17.960)	133.763	(15.732)	177.278	(43.515)	185.713	(8.435)
Other Business Expenses	4.769	5.959	(1.190)	6.006	(0.047)	6.049	(0.043)	6.104	(0.055)
Total Non-Labor Expenditures	\$310.828	\$332.108	(\$21.280)	\$344.150	(\$12.042)	\$390.105	(\$45.955)	\$403.336	(\$13.231)
Other Expenditure Adjustments:									
Other	28.700	29.000	(0.300)	29.300	(0.300)	29.600	(0.300)	29.900	(0.300)
Total Other Expenditure Adjustments	\$28.700	\$29.000	(\$0.300)	\$29.300	(\$0.300)	\$29.600	(\$0.300)	\$29.900	(\$0.300)
Total Expenditures	\$1,110.760	\$1,214.151	(\$103.391)	\$1,254.793	(\$40.642)	\$1,331.745	(\$76.952)	\$1,374.506	(\$42.761)
Baseline Net Cash Deficit	(\$467.329)	(\$518.127)	(\$50.798)	(\$547.161)	(29.034)	(613.717)	(66.556)	(643.615)	(29.898)
PEG Program	12.000	18.013	6.013	15.580	(2.433)	15.653	0.073	15.733	0.080
Net Cash Deficit	(\$455.329)	(\$500.114)	(\$44.785)	(\$531.581)	(\$31.467)	(\$598.064)	(\$66.483)	(\$627.882)	(\$29.818)

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Summary of Changes between Financial Plans by Category

2005: July Financial Plan vs. February Financial Plan

2005 July Financial Plan is based on actual performance through March with projections for April through December based on current trends and known activities.

Revenue

- (1.2)% decrease in ridership
- 0.5% increase in average yield per passenger
- Special Services – primarily due to lower yield per assignment
- Lower newsstand/concession, Ronkonkoma Parking revenue, and rental income, partially offset by reimbursement of pension staff by pension plan and higher telephone local/long distance revenue.
- Capital and other reimbursements are lower primarily resulting from changes in capital project activity due to delay in approved funding for the 2005-2009 Capital Program (scopes and schedules).

Expense

- Payroll and benefits – reduced from February Plan due to lower headcount (management controls on hiring; changes in capital activity and headcount need for project work), and lower Railroad Retirement and Railroad Unemployment rates, partially offset by an increase in overtime.
- Fuel for trains is higher primarily resulting from increased rates. Diesel fuel increased by 40% over the budget resulting from higher fuel prices.
- Maintenance and Other Operating Contracts increased primarily due to emergency busing and concrete tie replacement.
- All other non-payroll expenses have been re-estimated based on planned activities and timing of service contracts (primarily consultant activity, environmental services, reduction in claims & suits reserves).

2006: July Financial Plan vs. February Financial Plan

Revenue

- (0.4)% decrease in average yield per passenger
- (0.3)% decrease in ridership
- Special Services – primarily due to lower yield per assignment
- Higher revenue from reimbursement of pension staff by pension plan, telephone local/long distance revenue, partially offset by sale of scrap.

- Capital and other reimbursements are slightly higher primarily resulting from changes in capital project activity resulting primarily from start of 2005 - 2009 Capital Program.

Expense

- Payroll and benefits – increased from February Plan due to an increase in headcount and overtime associated with pay rate increases, new needs and capital program activity, partially offset by lower Railroad Retirement and Railroad Unemployment rates.
- Traction Power and Fuel are higher primarily resulting from increased rates.
- Maintenance and Other Operating Contracts increased primarily due to concrete tie replacement.
- Materials have been re-estimated based on changes in the original plans for the Life Cycle Maintenance Program.
- All other non-payroll expenses have been re-estimated based on planned activities, changes in service contracts (primarily consultant activity) and adjustments to inflationary increases.

2007: July Financial Plan vs. February Financial Plan

Revenue

- (0.3)% decrease in ridership
- (0.2)% decrease in average yield per passenger
- Special Services – primarily due to lower yield per assignment
- Higher revenue from reimbursement of pension staff by pension plan, telephone local/long distance revenue, partially offset by lower newsstand/concession income and sale of scrap.
- Capital and other reimbursements are slightly higher primarily resulting from changes in capital project activity associated with the 2005 - 2009 Capital Program.

Expense

- Payroll and benefits – increased from February Plan due to an increase in headcount and overtime associated with pay rate increases, new needs and capital program activity, partially offset by lower Railroad Retirement and Railroad Unemployment rates.
- Traction Power and Fuel are higher primarily resulting from increased rates.
- Maintenance and Other Operating Contracts increased primarily due to concrete tie replacement.
- Materials have been re-estimated based on changes in the original plans for the Life Cycle Maintenance Program.
- All other non-payroll expenses have been re-estimated based on planned activities and changes in service contracts.

2008: July Financial Plan vs. February Financial Plan

Revenue

- (0.3)% decrease in ridership
- (0.1)% decrease in average yield per passenger
- Special Services – primarily due to lower yield per assignment
- Higher revenue from reimbursement of pension staff by pension plan, telephone local/long distance revenue, partially offset by lower newsstand/concession income and sale of scrap.
- Capital and other reimbursements are higher primarily resulting from changes in capital project activity associated with the 2005 - 2009 Capital Program.

Expense

- Payroll and benefits – increased from February Plan due to an increase in headcount and overtime associated with pay rate increases, new needs and capital program activity, partially offset by lower Railroad Retirement and Railroad Unemployment rates.
- Traction Power and Fuel are higher primarily resulting from increased rates.
- Materials have been re-estimated based on changes in the original plans for the Life Cycle Maintenance Program.
- All other non-payroll expenses have been re-estimated based on planned activities and changes in service contracts.

2009: July Financial Plan vs. February Financial Plan

Revenue

- 0.5% increase in ridership
- (0.1)% decrease in average yield per passenger
- Special Services – primarily due to lower yield per assignment
- Higher revenue from reimbursement of pension staff by pension plan, Penn Station rental income and telephone local/long distance revenue.
- Capital and other reimbursements are higher primarily resulting from changes in capital project activity associated with the 2005 - 2009 Capital Program.

Expense

- Payroll and benefits – increased from February Plan due to an increase in headcount and overtime associated with pay rate increases, new needs and capital program activity, partially offset by lower Railroad Retirement and Railroad Unemployment rates.
- Traction Power and Fuel are higher primarily resulting from increased rates.
- Materials have been re-estimated based on changes in the original plans for the Life Cycle Maintenance Program.
- All other non-payroll expenses have been re-estimated based on planned activities and changes in service contracts.

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

NON-REIMBURSABLE

	2005	2006	2007	2008	2009
2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$438.601)	(\$498.505)	(\$537.488)	(\$607.119)	(\$640.548)
Add Back: February Plan Unspecified PEG's	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Baseline 2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$438.601)	(\$498.505)	(\$537.488)	(\$607.119)	(\$640.548)
Baseline:					
Changes					
Revenue					
Farebox Revenue	(\$3.069)	(\$3.152)	(\$2.338)	(\$2.074)	\$1.997
Other Operating Revenue	(0.656)	0.271	0.251	0.254	0.525
Sub-Total Revenue Changes	(\$3.725)	(\$2.881)	(\$2.087)	(\$1.820)	\$2.522
Expenses					
Payroll and Benefits - primarily rate adjustments	(\$9.549)	(\$7.943)	(\$4.235)	(\$5.530)	(\$6.694)
Pension - latest assumptions	(4.532)	(0.331)	(0.386)	(0.257)	0.280
Traction Power rate increases/usage	1.455	(0.627)	(2.297)	(3.656)	(5.390)
Fuel for Trains price per gallon increase/inflation	(3.136)	(2.832)	(3.150)	(3.524)	(3.851)
Material & Supplies re-estimate	0.301	5.090	5.168	6.434	6.486
Insurance re-estimate	3.131	2.483	3.223	4.469	4.933
Claims Reserve and anticipated payment adjustments	4.071	(0.057)	(0.057)	(0.071)	(0.104)
Maintenance & Other Operating Contracts primarily associated with Concrete Tie Replacement	(3.537)	(12.054)	(6.426)	(1.347)	(1.449)
Re-estimate of all other non-payroll expenses	(2.232)	(2.097)	0.338	0.436	0.972
Depreciation Re-estimate	9.867	(1.719)	(6.094)	(6.068)	(5.596)
Sub-Total Expense Changes	(\$4.161)	(\$20.087)	(\$13.916)	(\$9.114)	(\$10.413)
Cash Adjustments:					
Revenue					
Expense					
Pension - re-estimate of cash payments	(\$1.636)	\$0.393	\$0.425	\$0.459	\$0.000
Insurance - timing of payments	(1.490)	(0.443)	0.028	(1.977)	(0.560)
Claims reserve adjustments	(10.989)	0.003	0.003	0.004	0.006
Environmental Professional Services	(0.075)	0.000	0.000	0.000	0.000
Timing of Production Plan Material purchases	2.900	(0.200)	0.000	0.000	0.000
Bad Debt Reserve	(0.200)	(0.200)	(0.190)	(0.180)	(0.170)
Non-cash expense adjustments (Misc. Charges & Credits)	2.605	(0.016)	(0.030)	(0.038)	(0.048)
Depreciation	(9.867)	1.719	6.094	6.068	5.596
Sub-Total Cash Adjustment Changes	(\$18.752)	\$1.256	\$6.330	\$4.336	\$4.824
Total Baseline Changes	(\$26.638)	(\$21.712)	(\$9.673)	(\$6.598)	(\$3.067)
PEG Program	\$12.000	\$18.013	\$15.580	\$15.653	\$15.733
Total Changes	(\$14.638)	(\$3.699)	\$5.907	\$9.055	\$12.666
2005 July Financial Plan - Operating Cash Income/(Deficit)	(\$453.239)	(\$502.204)	(\$531.581)	(\$598.064)	(\$627.882)

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

REIMBURSABLE

	2005	2006	2007	2008	2009
2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$2.090)	\$2.090	\$0.000	\$0.000	\$0.000
Add Back: February Plan Unspecified PEG's	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Baseline 2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$2.090)	\$2.090	\$0.000	\$0.000	\$0.000
Baseline:					
Changes					
Revenue					
Capital and Other Reimbursements - change in Capital Program activity	(\$17.264)	\$2.276	\$2.959	\$3.484	\$4.730
Sub-Total Revenue Changes	(\$17.264)	\$2.276	\$2.959	\$3.484	\$4.730
Expenses					
Payroll and Overheads - primarily changes in Capital Program reimbursable activity	\$18.072	\$0.020	(\$0.679)	(\$1.201)	(\$2.424)
Non-Labor expense adjustments (primarily leases & rentals)	(\$0.808)	(\$2.296)	(\$2.280)	(\$2.283)	(\$2.306)
Sub-Total Expense Changes	\$17.264	(\$2.276)	(\$2.959)	(\$3.484)	(\$4.730)
Cash Adjustments:					
Revenue					
Expense					
Sub-Total Cash Adjustment Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Baseline Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
PEG Program	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
2005 July Financial Plan - Operating Cash Income/(Deficit)	(\$2.090)	\$2.090	\$0.000	\$0.000	\$0.000

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

**NON-REIMBURSABLE and
REIMBURSABLE**

	2005	2006	2007	2008	2009
2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$440.691)	(\$496.415)	(\$537.488)	(\$607.119)	(\$640.548)
Add Back: February Plan Unspecified PEG's	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Baseline 2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$440.691)	(\$496.415)	(\$537.488)	(\$607.119)	(\$640.548)
Baseline:					
Changes					
Revenue					
Farebox Revenue	(\$3.069)	(\$3.152)	(\$2.338)	(\$2.074)	\$1.997
Other Operating Revenue	(0.656)	0.271	0.251	0.254	0.525
Capital and Other Reimbursements - change in Capital Program activity	(17.264)	2.276	2.959	3.484	4.730
Sub-Total Revenue Changes	(\$20.989)	(\$0.605)	\$0.872	\$1.664	\$7.252
Expenses					
Payroll and Benefits - primarily changes in Capital Program reimbursable activity and rate adjustments	\$7.129	(\$7.761)	(\$4.838)	(\$6.566)	(\$8.838)
Pension - latest assumptions	(3.138)	(0.493)	(0.462)	(0.422)	0.000
Traction Power rate increases/usage	1.283	(0.627)	(2.297)	(3.656)	(5.390)
Fuel for Trains price per gallon increase/inflation	(3.136)	(2.832)	(3.150)	(3.524)	(3.851)
Material & Supplies re-estimate	0.356	3.818	5.231	6.493	6.536
Insurance re-estimate	3.131	2.482	3.221	4.467	4.930
Claims Reserve and anticipated payment adjustments	4.071	(0.057)	(0.057)	(0.071)	(0.104)
Maintenance & Other Operating Contracts primarily associated with Concrete Tie Replacement	(4.232)	(13.056)	(8.762)	(3.681)	(3.789)
Re-estimate of all other non-payroll expenses	(2.228)	(2.118)	0.333	0.430	0.959
Depreciation Re-estimate	9.867	(1.719)	(6.094)	(6.068)	(5.596)
Sub-Total Expense Changes	\$13.103	(\$22.363)	(\$16.875)	(\$12.598)	(\$15.143)
Cash Adjustments:					
Revenue					
Expense					
Pension - re-estimate of cash payments	(\$1.636)	\$0.393	\$0.425	\$0.459	\$0.000
Insurance - timing of payments	(1.490)	(0.443)	0.028	(1.977)	(0.560)
Claims reserve adjustments	(10.989)	0.003	0.003	0.004	0.006
Environmental Professional Services	(0.075)	0.000	0.000	0.000	0.000
Timing of Production Plan Material purchases	2.900	(0.200)	0.000	0.000	0.000
Bad Debt Reserve	(0.200)	(0.200)	(0.190)	(0.180)	(0.170)
Non-cash expense adjustments (Misc. Charges & Credits)	2.605	(0.016)	(0.030)	(0.038)	(0.048)
Depreciation	(9.867)	1.719	6.094	6.068	5.596
Sub-Total Cash Adjustment Changes	(\$18.752)	\$1.256	\$6.330	\$4.336	\$4.824
Total Baseline Changes	(\$26.638)	(\$21.712)	(\$9.673)	(\$6.598)	(\$3.067)
PEG Program	\$12.000	\$18.013	\$15.580	\$15.653	\$15.733
Total Changes	(\$14.638)	(\$3.699)	\$5.907	\$9.055	\$12.666
2005 July Financial Plan - Operating Cash Income/(Deficit)	(\$455.329)	(\$500.114)	(\$531.581)	(\$598.064)	(\$627.882)

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Summary of the Programs to Eliminate the Gap (PEGs)
(\$ in millions)

	Favorable/(Unfavorable)									
	2005		2006		2007		2008		2009	
	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars
LIST of PROGRAMS										
Administration:										
Sub-Total Administration	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Customer Convenience & Amenities:										
Train Crew Staffing Reductions			14	2.409	14	2.476	14	2.549	14	2.629
Sub-Total Customer Convenience & Amenities	0	\$0.000	14	\$2.409	14	\$2.476	14	\$2.549	14	\$2.629
Service:										
Sub-Total Service	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Maintenance:										
M7 Airbrake Material				3.000						
Sub-Total Maintenance	0	\$0.000	0	\$3.000	0	\$0.000	0	\$0.000	0	\$0.000
Safety/Security:										
Sub-Total Safety/Security	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Revenue Enhancements:										
Additional Parking Fees				0.500		1.000		1.000		1.000
Babylon Parking				0.104		0.104		0.104		0.104
Right of Way Leased Line Fees		12.000		12.000		12.000		12.000		12.000
Sub-Total Revenue Enhancements	0	\$12.000	0	\$12.604	0	\$13.104	0	\$13.104	0	\$13.104
Total PEGS	0	\$12.000	14	\$18.013	14	\$15.580	14	\$15.653	14	\$15.733

¹ Reflects the impact of amendments on year-end positions.

**MTA LONG ISLAND RAIL ROAD
July Financial Plan 2006 - 2009
Program to Eliminate the Gap (PEG) Worksheet**

PEG Category: Customer Convenience and Amenities

Program: Train Crew Staffing Reductions

Background Details:	N/A
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PEG Description and Implementation Plan:	Abolish 10 Extra collector assignments and protect crew (savings in OT) and eliminate 12 collectors - more cost-effective train crew staffing can be achieved without adverse impact on revenue collection; Abolish 1st & 2nd tour Train Dispatcher in Section	
PEG Implementation Date:	Jan-06	When will PEG savings begin?: Jan-06

	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	0.000	2.409	2.476	2.549	2.629
<i>Total Reduction in Positions Required (List title of positions)</i>					
	0	14	14	14	14
<i>Current Vacancies (List title of vacant positions)</i>					
	0	0	0	0	0
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure					
On-Time Performance					
Other (Identify Appropriate Indicator)					

**MTA LONG ISLAND RAIL ROAD
July Financial Plan 2006 - 2009
Program to Eliminate the Gap (PEG) Worksheet**

PEG Category: Maintenance
Program: M7 Airbrake Material

Background Details:	The LIRR was granted an alternative standard from the FRA on 7/14/04 for periodic maintenance of brake equipment for its M-7 locomotive air brake maintenance cycle from 1104 days (3 yrs.) to 1840 days (5 yrs.). As a result, the life cycle maintenance per
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PEG Description and Implementation Plan:	
PEG Implementation Date:	Jan-06 When will PEG savings begin?: Jan-06

	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	0.000	3.000	0.000	0.000	0.000
<i>Total Reduction in Positions Required (List title of positions)</i>	0	0	0	0	0
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure					
On-Time Performance					
Other (Identify Appropriate Indicator)					

**MTA LONG ISLAND RAIL ROAD
July Financial Plan 2006 - 2009
Program to Eliminate the Gap (PEG) Worksheet**

PEG Category: Revenue Enhancement
Program: Additional Parking Revenue

Background Details: The potential to increase parking revenue may come from the following sources. Renew leases at Hicksville, Bethpage, Massapequa, Farmingdale, Huntington, Massapequa Park, Port Washington and Wantagh. Potential annual gross revenue of \$1.6M. Reserved Pre

PEG Description and Implementation Plan: Increase in monthly/daily parking fees at various locations.

PEG Implementation Date: Jan-06 **When will PEG savings begin?:** Jan-06

	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	0.000	0.500	1.000	1.000	1.000
<i>Total Reduction in Positions Required (List title of positions)</i>	0	0	0	0	0
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure					
On-Time Performance					
Other (Identify Appropriate Indicator)					

**MTA LONG ISLAND RAIL ROAD
July Financial Plan 2006 - 2009
Program to Eliminate the Gap (PEG) Worksheet**

PEG Category: Revenue Enhancement
Program: Babylon Station Parking

Background Details:	LIRR currently leases more than 300 spaces to the village for maintenance and operation; this would place the preponderance of parking spaces at the station under village control. Currently the LIRR receives \$236K annually for the leasing of approximatel
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PEG Description and Implementation Plan:	Completion of an agreement with the Village of Babylon and a vendor to turn parking spaces now under LIRR control over to the village will increase revenue from the village.
PEG Implementation Date:	Jan-06 When will PEG savings begin?: Jan-06

	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	0.000	0.104	0.104	0.104	0.104
<i>Total Reduction in Positions Required (List title of positions)</i>	0	0	0	0	0
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure					
On-Time Performance					
Other (Identify Appropriate Indicator)					

**MTA LONG ISLAND RAIL ROAD
July Financial Plan 2006 - 2009
Program to Eliminate the Gap (PEG) Worksheet**

PEG Category: Revenue Enhancement
Program: Right of Way Leased Line Fees

Background Details:

PEG Description and Implementation Plan: An updated valuation of the right of way indicates that the fees currently charged are understated. This ongoing increment to revenue represents a projection of what may be achieved through negotiations, currently ongoing.

PEG Implementation Date: Jan-06 **When will PEG savings begin?:** Jan-06

	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	12.000	12.000	12.000	12.000	12.000
<i>Total Reduction in Positions Required (List title of positions)</i>	0	0	0	0	0
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure					
On-Time Performance					
Other (Identify Appropriate Indicator)					

**MTA Long Island Rail Road
July Financial Plan 2006 - 2009**

POSITION ASSUMPTIONS

NON-REIMBURSABLE POSITIONS:

- Positions are identified as of year-end (December 31) for each year in the financial plan and reflect an estimate of the total number of paid employees required to meet/achieve corporate goals.
- Annual staffing levels include the impact of new needs and re-estimates consistent with the associated cost changes incorporated in the financial plan.

REIMBURSABLE POSITIONS:

- Positions are identified as of year-end (December 31) for each year in the financial plan and reflect an estimate of the total number of paid employees required for reimbursable activity.
- Annual staffing levels represent the positions required to support the Capital Program, as well as changes in other reimbursable projects.

RIDERSHIP/UTILIZATION PROJECTIONS

- The LIRR Passenger Revenue Forecasting Model provides system wide revenue and ridership projections. The regional economy, employment trends and the impact of the March 1, 2005 fare increase are the primary drivers of passenger ridership and revenue in 2006.
- Ridership projections for the outer years 2007-2010 reveal modest annual growth. This growth is predicated on some recovery in employment and from the price elasticity effects of the fare increase.

MTA Long Island Rail Road
July Financial Plan 2006 - 2009
Ridership/Traffic Volume (Utilization)
(in millions)

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Baseline Total Ridership	79.254	78.322	79.628	81.111	82.232	83.698
<i>Impact of:</i>						
PEG Program						
Total Ridership	79.254	78.322	79.628	81.111	82.232	83.698

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Metro-North Railroad

**MTA METRO-NORTH RAILROAD
2006 PRELIMINARY BUDGET
JULY FINANCIAL PLAN 2006-2009**

MISSION STATEMENT

The mission of MTA Metro-North Railroad is to preserve and enhance the quality of life and economic health of the region we serve through the efficient provision of transportation service of the highest quality.

DESCRIPTION OF SERVICES

MTA Metro-North Railroad provides passenger rail service to five suburban counties in New York State (Westchester, Putnam, Dutchess, Rockland, and Orange), two in Connecticut (Fairfield and New Haven), and two urban counties in New York City (Bronx and Manhattan). East of Hudson train service extends 85 miles from Manhattan, with terminals to the northeast in New Haven, Waterbury, Danbury, and New Canaan on the New Haven Line; to the north in Wassaic on the Harlem Line, and Poughkeepsie on the Hudson Line. The Harlem, Hudson, and New Haven Lines converge and terminate at Grand Central Terminal in Manhattan. West of the Hudson River, the Pascack Valley Line extends to Spring Valley, New York and the Port Jervis Line to Port Jervis, a town 95 miles from Hoboken at the border of New York and Pennsylvania. Both lines terminate in Hoboken, New Jersey. Service on the New Haven line is provided by Metro-North pursuant to a contract between the Connecticut Department of Transportation (ConnDOT) and Metro-North/MTA. Service on the Port Jervis and Pascack Valley Lines is operated by New Jersey Transit under contract to Metro-North. The railroad carried 72.4 million customers in 2004 over 385 route miles, to and from 121 stations, operating 598 trains on an average weekday East of Hudson, and 35 trains on an average weekday West of the Hudson.

FINANCIAL OVERVIEW

Each year within Metro-North's planning process, issues impacting the performance of the railroad are reviewed and initiatives developed to support the achievement of corporate safety, maintenance, customer service, and efficiency objectives. Consequently, operating resource estimates included in each budget are based on the consideration of factors which affect all aspects of the railroad including current operating trends, projected changes in costs, new initiatives/business decisions which affect service quantity, quality or efficiency, and the impacts of capital improvements on operating expenditures. Each of these factors is also carefully reviewed in the context of funding availability from MTA and ConnDOT, the agencies subsidizing Metro-North.

Metro-North's resource requirements in the July Financial Plan 2006-2009 reflect the savings/cost avoidance measures implemented in 2005. They also reflect revised measures for 2006-2009 presented as "Programs to Eliminate the Gap" (PEGs) and

other cost reduction measures (net of increases) detailed later in this document. The reductions were achieved through savings generated by lower than projected cost trends as well as program deferrals and eliminations. In Metro-North's case, these reductions offset a substantial portion of projected cost increases (e. g. lower than projected overhead recoveries, increased subsidy requirements for West of Hudson Service and impact of continually escalating price of diesel fuel as well as increased consumer price index rates). Concurrently, Metro-North is experiencing higher than budgeted ridership increases on the East of Hudson Service, resulting in higher farebox revenue, as well as higher than projected net GCT retail revenue.

2005 MID-YEAR FORECAST

The 2005 Mid-Year Non-Reimbursable Forecast reflects revenue projections totaling \$467.3 million, and expenses, including depreciation, of \$949.6 million that generate an operating deficit of \$482.3 million. Cash adjustments of \$181.3 million reduce that amount to a cash deficit of \$301.0 million, of which \$247.6 million represents MTA share and \$53.4 million ConnDOT share. The Mid-Year Reimbursable revenue and expense projections total \$160.5 million.

The Mid-Year Non-Reimbursable revenue projections reflect a \$7.3 million revenue increase vs. the adopted budget. It includes a \$5.5 million increase in Farebox Revenue due to higher than budgeted ridership increase East of Hudson, and a \$.6 million addition to Farebox Revenue which represents a reclass of West of Hudson Mail & Ride revenue from subsidy. The projections also reflect a \$1.2 million increase in Other Operating Revenue representing primarily higher than projected net GCT retail revenue. Non-Reimbursable expenses reflect a \$4.9 million addition to expenses. It is comprised primarily of a \$4.0 million increase due to lower Reimbursable Overhead, increases in diesel fuel and other fuel-based utility prices, additional West of Hudson subsidy, and net impact of schedule-based changes to the equipment strategy programs. The Mid-Year Forecast of Operating/Capital expenditures reflect the addition of a \$5.5 million project to replace deteriorating concrete ties. The project, the first of two phases, involves the replacement of ties on 8 miles of track. The second phase, involving approximately 12 miles is currently scheduled for 2006. Negotiations with the tie manufacturer for reimbursement of labor costs are continuing. Part of these increases was offset by favorable (increased) receipts associated with Force Account expenditures. Net cash requirements in the Mid-Year Forecast are \$.6 million lower vs. the adopted budget.

2006 PRELIMINARY BUDGET-BASELINE

The 2006 Preliminary Non-Reimbursable Budget reflects revenue projections totaling \$477.1 million, and expenses, including depreciation, of \$992.6 million that generate an operating deficit of \$515.5 million. Cash adjustments of \$186.9 million reduce that amount to a cash deficit of \$328.6 million, of which \$270.6 million represents the MTA share and \$58.0 million the ConnDOT share. The 2006 Preliminary Reimbursable revenues and expenses total \$166.2 million.

The Non-Reimbursable revenue projections reflect current fares and current trends in both Farebox and Other Operating Revenue. PEGs totaling \$1.4 million have been identified for 2006. Once implemented, the resulting 2006 cash deficit would decrease to \$327.2 million, of which \$269.6 million would represent MTA share and \$57.6 million ConnDOT share. The 2006 Preliminary Budget reflects a continuation of current train service levels and an additional \$1.5 million provision for service improvements, and maintains MTA's commitment to safety and security. Major assumptions reflected in the 2006 Preliminary Budget and reconciliation to the February Plan are furnished later in this document.

2007-2009 PROJECTIONS

The Non-Reimbursable revenue projections total \$484.7 million in 2007, \$491.7 million in 2008, and \$498.0 million in 2009. Non-Reimbursable expense projections, including depreciation, total \$1,029.6 million in 2007, \$1,079.3 million in 2008, and \$1,137.7 million in 2009. These revenue and expense projections generate an operating deficit of \$544.9 million in 2007, \$586.6 million in 2008, and \$639.7 million in 2009. Cash adjustments of \$196.6 million in 2007, \$196.2 million in 2008, and \$208.9 million in 2009 reduce the amounts to a cash deficit projection of \$348.2 million in 2007, \$390.4 million in 2008, and \$430.8 million in 2009. The MTA share of the cash deficit totals \$285.4 million in 2007, \$318.0 million in 2008, and \$345.9 million in 2009, while the ConnDOT share totals \$62.8 million, \$72.4 million, and \$84.9 million, respectively. The Reimbursable revenues and expenses total \$176.4 million in 2007, \$176.0 million in 2008, and \$172.3 million in 2009.

The 2007-2009 expenditure projections will allow Metro-North to maintain current service levels and make some service improvements while instituting programs to reduce subsidy requirements. Major assumptions reflected in the 2007-2009 projections and reconciliation to the February Plan are furnished later in this document. PEGs identified for 2007 total \$3.0 million, \$4.9 million for 2008 and \$6.5 for 2009.

GAP CLOSING MEASURES

2006 PEG ACTIONS

As mentioned previously, in addition to cost reduction measures aggregated under Other Reductions (e. g. improvement deferrals, reductions in annual provisions for equipment and/or vehicle replacements), PEGs totaling \$1.4 million have been identified for 2006. Two initiatives are involved. One represents the elimination of a proposed position addition to maintain the track near New Haven Car Washer/Wheel Shop area that is currently scheduled for completion in 2006. The other is the net operating impact of a capital purchase of 36 additional ticket vending machines (TVMs) and their incorporation into Metro-North's expanded ticket selling network. The objective of this project is to improve revenue collection. The impact of a net addition of three positions (addition of 6TVM Technicians and two IT support positions, partially offset by reduction in Ticket Seller positions) and maintenance contracts is more than offset by the projected increase in revenue collection generated as the expanded ticket selling network removes more and more on- board ticket sales.

2007 PEG ACTIONS AND 2008-2009 PROJECTIONS

The value of PEGs listed for 2007 totals \$3.0 million. This amount, in addition to savings generated by PEGs continued from 2006, includes two new measures. One represents the elimination of a provision to fund the purchase of new and/or experimental equipment for testing and research purposes by the Information Technology Department. The other represents preliminary productivity savings projections Metro-North plans to realize from a new Process Review Program it recently began. A complex, multi-faceted and long-term project, similar to one conducted several years ago, the program will focus on the thorough review of several selected functions across departmental lines. The recently completed change to the PeopleSoft Financial and Human Resources Systems, the ongoing replacement of old, difficult to maintain rolling stock with M7s, and the scheduled addition in 2006 of new shop space in New Haven afford the railroad an opportunity to target efficiencies.

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Accrual Statement of Operations by Category
(\$ in millions)

NON-REIMBURSABLE

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Revenue						
Farebox Revenue	\$403.045	\$435.606	\$445.233	\$451.865	\$458.054	\$463.601
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	33.716	31.673	31.889	32.856	33.632	34.423
Capital and Other Reimbursements	0.000	0.000	0.000	0.000	0.000	0.000
Total Revenue	\$436.761	\$467.279	\$477.122	\$484.721	\$491.686	\$498.024
Expenses						
Labor:						
Payroll	\$318.182	\$331.464	\$342.016	\$353.683	\$367.923	\$384.435
Overtime	41.282	40.751	42.471	43.457	45.073	46.626
Health and Welfare	59.105	67.439	74.835	82.347	90.682	100.585
Pensions	29.491	44.870	40.694	42.086	43.305	44.071
Other Fringe Benefits	68.779	67.991	69.998	72.529	75.589	79.073
Reimbursable Overhead	(33.773)	(35.139)	(37.148)	(37.797)	(38.552)	(39.285)
Total Labor Expenses	\$483.066	\$517.375	\$532.866	\$556.306	\$584.020	\$615.504
Non-Labor:						
Traction and Propulsion Power	\$35.979	\$45.492	\$50.788	\$53.046	\$54.887	\$60.339
Fuel for Buses and Trains	8.066	12.002	12.193	12.511	12.850	13.155
Insurance	10.369	11.027	12.392	13.928	15.678	17.730
Claims	13.589	14.111	14.926	14.926	14.926	14.926
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	61.229	75.342	83.823	85.292	90.031	94.622
Professional Service Contracts	20.334	22.072	22.584	23.136	24.629	26.748
Materials & Supplies	57.903	57.520	57.002	57.544	59.091	63.475
Other Business Expenses	37.444	10.742	12.042	12.886	15.160	17.217
Total Non-Labor Expenses	\$244.913	\$248.308	\$265.750	\$273.269	\$287.252	\$308.212
Other Expenses Adjustments:						
Other	0.000	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation	\$727.979	\$765.683	\$798.616	\$829.575	\$871.272	\$923.716
Depreciation	158.272	183.909	194.000	200.000	207.000	214.000
Total Expenses	\$886.251	\$949.592	\$992.616	\$1,029.575	\$1,078.272	\$1,137.716
Baseline Net Surplus/(Deficit)	(\$449.490)	(\$482.313)	(\$515.494)	(\$544.854)	(\$586.586)	(\$639.692)
Cash Conversion Adjustments:						
Depreciation	\$158.272	\$183.909	\$194.000	\$200.000	\$207.000	\$214.000
Operating/Capital	(16.258)	(17.038)	(14.885)	(6.065)	(11.000)	(15.000)
Other Cash Adjustments	35.245	14.472	7.826	2.693	0.162	9.873
Total Cash Conversion Adjustments	\$177.259	\$181.343	\$186.941	\$196.628	\$196.162	\$208.873
Net Baseline NetCash Surplus/(Deficit)	(\$272.231)	(\$300.970)	(\$328.553)	(\$348.226)	(\$390.424)	(\$430.819)
PEG Program	0.000	0.093	1.370	3.036	4.867	6.484
Net Surplus/(Deficit)	(\$272.231)	(\$300.877)	(\$327.183)	(\$345.190)	(\$385.557)	(\$424.335)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Accrual Statement of Operations by Category
(\$ in millions)

**NON-REIMBURSABLE and
REIMBURSABLE**

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Revenue						
Farebox Revenue	\$403.045	\$435.606	\$445.233	\$451.865	\$458.054	\$463.601
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	33.716	31.673	31.889	32.856	33.632	34.423
Capital and Other Reimbursements	130.031	160.542	166.167	176.377	176.043	172.271
Total Revenue	\$566.792	\$627.821	\$643.289	\$661.098	\$667.729	\$670.295
Expenses						
Labor:						
Payroll	\$350.428	\$364.733	\$377.258	\$391.138	\$406.301	\$423.368
Overtime	51.785	50.211	52.008	54.146	55.939	57.661
Health and Welfare	65.392	74.506	82.920	91.643	100.719	111.415
Pensions	32.719	49.901	45.552	47.261	48.543	49.272
Other Fringe Benefits	76.255	75.383	77.757	80.888	84.155	87.783
Reimbursable Overhead	(0.132)	(2.016)	(2.808)	(0.619)	(0.637)	(0.656)
Total Labor Expenses	\$576.447	\$612.717	\$632.687	\$664.458	\$695.020	\$728.842
Non-Labor:						
Traction and Propulsion Power	\$35.979	\$45.492	\$50.788	\$53.046	\$54.887	\$60.339
Fuel for Buses and Trains	8.067	12.002	12.193	12.511	12.850	13.155
Insurance	13.832	14.610	17.271	19.822	22.300	25.112
Claims	13.589	14.111	14.926	14.926	14.926	14.926
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	72.277	100.392	103.042	104.778	107.541	105.733
Professional Service Contracts	23.358	31.439	30.723	31.601	32.348	33.454
Materials & Supplies	77.244	84.408	90.919	91.699	92.026	96.856
Other Business Expenses	37.217	11.054	12.234	13.111	15.417	17.570
Total Non-Labor Expenses	\$281.563	\$313.508	\$332.096	\$341.494	\$352.295	\$367.145
Other Expenses Adjustments:						
Other	0.000	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation	\$858.010	\$926.225	\$964.783	\$1,005.952	\$1,047.315	\$1,095.987
Depreciation	158.272	183.909	194.000	200.000	207.000	214.000
Total Expenses	\$1,016.282	\$1,110.134	\$1,158.783	\$1,205.952	\$1,254.315	\$1,309.987
Baseline Net Surplus/(Deficit)	(\$449.490)	(\$482.313)	(\$515.494)	(\$544.854)	(\$586.586)	(\$639.692)
Cash Conversion Adjustments:						
Depreciation	\$158.272	\$183.909	\$194.000	\$200.000	\$207.000	\$214.000
Operating/Capital	(16.258)	(17.038)	(14.885)	(6.065)	(11.000)	(15.000)
Other Cash Adjustments	35.245	14.472	7.826	2.693	0.162	9.873
Total Cash Conversion Adjustments	\$177.259	\$181.343	\$186.941	\$196.628	\$196.162	\$208.873
Net Baseline NetCash Surplus/(Deficit)	(\$272.231)	(\$300.970)	(\$328.553)	(\$348.226)	(\$390.424)	(\$430.819)
PEG Program	0.000	0.093	1.370	3.036	4.867	6.484
Net Surplus/(Deficit)	(\$272.231)	(\$300.877)	(\$327.183)	(\$345.190)	(\$385.557)	(\$424.335)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Cash Receipts & Expenditures
(\$ in millions)

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
Receipts						
Farebox Revenue	\$410.978	\$443.170	\$452.853	\$459.965	\$466.104	\$471.651
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	53.389	46.749	45.592	47.111	47.887	48.678
Capital and Other Reimbursements	129.644	161.761	168.183	174.665	176.695	173.511
Total Receipts	\$594.011	\$651.680	\$666.628	\$681.741	\$690.686	\$693.840
Expenditures						
Labor:						
Payroll	\$340.805	\$362.940	\$366.243	\$379.892	\$397.907	\$407.784
Overtime	50.814	51.012	53.142	54.386	56.186	57.915
Health and Welfare	68.300	77.301	86.000	94.331	103.476	114.246
Pensions	36.276	40.987	56.458	58.739	60.098	61.220
Other Fringe Benefits	74.649	77.473	78.215	80.946	85.470	87.415
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenditures	\$570.844	\$609.713	\$640.058	\$668.295	\$703.137	\$728.580
Non-Labor:						
Traction and Propulsion Power	\$36.249	\$45.492	\$50.788	\$53.046	\$54.887	\$60.339
Fuel for Buses and Trains	7.999	12.002	12.193	12.511	12.850	13.155
Insurance	16.110	15.390	17.518	19.705	22.912	25.029
Claims	13.475	13.071	12.071	12.071	12.071	12.071
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	90.626	116.232	116.689	107.917	119.714	117.943
Professional Service Contracts	25.599	31.769	31.478	31.942	37.356	42.197
Materials & Supplies	89.646	90.065	94.071	93.649	94.132	99.107
Other Business Expenses	20.390	18.917	20.315	30.831	24.051	26.240
Total Non-Labor Expenditures	\$300.094	\$342.938	\$355.123	\$361.672	\$377.973	\$396.081
Other Expenditure Adjustments:						
Cash Timing and Availability Adjustment	(\$4.696)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Other Expenditure Adjustments	(\$4.696)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenditures	\$866.242	\$952.651	\$995.181	\$1,029.967	\$1,081.110	\$1,124.661
Baseline Net Cash Deficit	(\$272.231)	(\$300.971)	(\$328.553)	(\$348.226)	(\$390.424)	(\$430.821)
Subsidies						
MTA	(\$215.619)	(\$247.629)	(\$270.566)	(\$285.413)	(\$318.057)	(\$345.876)
CDOT	(\$56.612)	(\$53.341)	(\$57.987)	(\$62.812)	(\$72.367)	(\$84.945)
Total Subsidies	(\$272.231)	(\$300.970)	(\$328.553)	(\$348.225)	(\$390.424)	(\$430.821)
2006 Program to Eliminate the Gap	\$0.000	\$0.093	\$1.370	\$3.036	\$4.867	\$6.484
Net Cash Deficit	(\$272.231)	(\$300.877)	(\$327.183)	(\$345.189)	(\$385.557)	(\$424.337)
MTA share of PEGS	\$0.000	\$0.093	\$0.994	\$2.174	\$3.594	\$4.814
CDOT share of PEGS	\$0.000	\$0.000	\$0.376	\$0.862	\$1.273	\$1.670
Total PEGS	\$0.000	\$0.093	\$1.370	\$3.036	\$4.867	\$6.484
Subsidies						
MTA	(\$215.619)	(\$247.536)	(\$269.572)	(\$283.239)	(\$314.463)	(\$341.062)
CDOT	(\$56.612)	(\$53.341)	(\$57.611)	(\$61.950)	(\$71.094)	(\$83.275)
Total Subsidies	(\$272.231)	(\$300.877)	(\$327.183)	(\$345.189)	(\$385.557)	(\$424.337)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Cash Conversion (Cash Flow Adjustments)
(\$ in millions)

	2004	2005	2006			
	Actuals	Mid-Year Forecast	Preliminary Budget	2007	2008	2009
<u>Receipts</u>						
Farebox Revenue	\$7.933	\$7.564	\$7.620	\$8.100	\$8.050	\$8.050
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	19.673	15.076	13.703	14.255	14.255	14.255
Capital and Other Reimbursements	(0.387)	1.219	2.016	(1.712)	0.652	1.240
Total Receipt Adjustments	\$27.219	\$23.859	\$23.339	\$20.643	\$22.957	\$23.545
<u>Expenditures</u>						
Labor:						
Payroll	\$9.623	\$1.755	\$11.015	\$11.246	\$8.394	\$15.584
Overtime	0.971	(0.801)	(1.134)	(0.240)	(0.247)	(0.254)
Health and Welfare	(2.908)	(2.815)	(3.080)	(2.688)	(2.757)	(2.831)
Pensions	(3.557)	8.900	(10.906)	(11.478)	(11.555)	(11.948)
Other Fringe Benefits	1.606	(2.111)	(0.458)	(0.058)	(1.315)	0.368
Reimbursable Overhead	(0.132)	(2.016)	(2.808)	(0.619)	(0.637)	(0.656)
Total Labor Expenditures	\$5.603	\$2.911	(\$7.371)	(\$3.837)	(\$8.117)	\$0.263
Non-Labor:						
Traction and Propulsion Power	(\$0.270)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Fuel for Buses and Trains	0.068	0.000	0.000	0.000	0.000	0.000
Insurance	(2.278)	(0.780)	(0.247)	0.117	(0.612)	0.083
Claims	0.114	1.040	2.855	2.855	2.855	2.855
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	(18.349)	(15.840)	(13.647)	(3.139)	(12.173)	(12.210)
Professional Service Contracts	(2.241)	(0.330)	(0.755)	(0.341)	(5.008)	(8.743)
Materials & Supplies	(12.402)	(5.657)	(3.152)	(1.950)	(2.106)	(2.251)
Other Business Expenditures	16.827	(7.863)	(8.081)	(17.720)	(8.634)	(8.670)
Total Non-Labor Expenditures	(\$18.531)	(\$29.430)	(\$23.027)	(\$20.178)	(\$25.678)	(\$28.936)
Other Expenditure Adjustments:						
Other	\$4.696	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Other Expenditure Adjustments	\$4.696	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Cash Conversion Adjustments before Depreciation	\$18.987	(\$2.660)	(\$7.059)	(\$3.372)	(\$10.838)	(\$5.128)
Depreciation Adjustment	\$158.272	\$183.909	\$194.000	\$200.000	\$207.000	\$214.000
Baseline Total Cash Conversion Adjustments	\$177.259	\$181.249	\$186.941	\$196.628	\$196.162	\$208.872
PEG Program	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Cash Conversion Adjustments	\$177.259	\$181.249	\$186.941	\$196.628	\$196.162	\$208.872

- Agreement wages in 2005 - 2006 include annual wage increases of 3.0% based on the current trend of labor contract settlements. In 2007-2009 Agreement salaries include CPI-based increases of 2.8%, 2.9%, and 3.2% respectively
- 2006 includes additional labor resources primarily for:
 - Security based Initiatives in GCT and upgrading electronic security \$.5million, Maintenance program increases for equipment inspections \$.2million and additional GCT based maintenance forces \$.2 million.
 - Service Plan improvements (\$.1 million)
- 2007 - 2009 additional labor costs are added to support security improvements to systems and facilities, increase service levels and coverage on all lines, increase car cleaning staff and provide additional administrative oversight and quality assurance functions in key operating areas.

Reimbursable

- Non Agreement salaries in 2005 include a cost of living increase of 3.0% effective May 2005. In 2006-2009 Non Agreement salaries include CPI-based increases of 2.6%, 2.8%, 2.9%, and 3.2% respectively.
- Agreement wages in 2005 - 2006 include annual wage increases of 3.0% based on the current trend of labor contract settlements. In 2007-2009 Agreement salaries include CPI-based increases of 2.8%, 2.9%, and 3.2% respectively
- 2006-2007 includes increased staffing for the M2 Critical System Replacement project.

OVERTIME

Non-Reimbursable

- 2005 - 2006 costs include annual wage increases of 3.0%.
- 2007 - 2009 include CPI-based wage increases of 2.8%, 2.9%, and 3.2% respectively.
- 2006-2009 includes additional on-board coverage requirements due to increases in service levels on all lines and emergency preparedness training.

Reimbursable

- 2005 - 2006 costs include annual wage increases of 3.0%.
- 2007 - 2009 include CPI-based wage increases of 2.8%, 2.9%, and 3.2% respectively.

HEALTH AND WELFARE

Non-Reimbursable

- Projected inflationary increases of 12.9% in 2005, and 9.3% in 2006 through 2009.
- 2005-2009 include the non-reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007, \$1.227 million in 2008 and \$1,545 million in 2009.
- Other Cost adjustments for 2005-2009 are the result of changes in staffing levels associated with the programmatic changes that are incorporated into each year of the financial plan for Maintenance Improvements, Service Plan Enhancements, Customer Service Amenities, Security, and Administration

Reimbursable

- Projected inflationary increases of 12.9% in 2005, and 9.3% in 2006 through 2009.

- 2005-2009 include the non-reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007, \$1.227 million in 2008 and \$1,545 million in 2009.

PENSIONS

Metro North Railroad's Pension costs for 2005-2009 include provisions to cover the anticipated cost of the conversion from a Defined Contribution Plan to a Defined Benefit Plan for Agreement employees.

Non-Reimbursable

- Agreement pension cost increases in 2005-2009 are based on projected patterned wage increases of 3% each year for 2005-2006, and CPI-based wage increases for 2007-2009.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 through 2009.
- 2005-2009 management pension costs reflect the non-reimbursable share of a \$0.3 million annual cost increase.

Reimbursable

- Agreement pension cost increases in 2005-2009 are based on projected patterned wage increases of 3% each year for 2005-2006, and CPI-based wage increases for 2007-2009.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 through 2009.
- 2005-2009 management pension costs reflect the reimbursable share of a \$0.3 million annual cost increase

OTHER FRINGE BENEFITS

Non-Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2009 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I is estimated at \$90,537 in 2005, \$93,253 in 2006, \$96,051 in 2007, \$98,932 in 2008 and \$101,900 in 2009.
- Maximum earnings level for Tier II is estimated at \$67,053 in 2005, \$69,065 in 2006, \$71,137 in 2007, \$73,271 in 2008 and \$75,469 in 2009.
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2009 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I is estimated at \$90,537 in 2005, \$93,253 in 2006, \$96,051 in 2007, \$98,932 in 2008 and \$101,900 in 2009.
- Maximum earnings level for Tier II is estimated at \$67,053 in 2005, \$69,065 in 2006, \$71,137 in 2007, \$73,271 in 2008 and \$75,469 in 2009.
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

REIMBURSABLE OVERHEAD

Non-Reimbursable

- Overhead costs for 2005–2009 are based on a percentage share of direct labor costs charged to reimbursable projects. 2006-2009 overhead costs are based on the continuation of 2005 forecast levels, adjusted for changes in the M2 Critical System Replacement project and inflation-based increases in labor costs.
- Increased material handling cost on the M2 Critical System Replacement project from 2006-2009 is also driving the increased levels in these years.
- Equipment recovery increases are predicated on CPI-based inflation rates from 2006-2009 at 2.0%, 2.1%, 2.3%, and 2.5% respectively.

Reimbursable

- Overhead costs for 2005–2009 are based on a percentage share of direct labor costs charged to reimbursable projects. 2006-2009 overhead costs are based on the continuation of 2005 forecast levels, adjusted for changes in the M2 Critical System Replacement project and inflation-based increases in labor costs.
- Increased material handling cost on the M2 Critical System Replacement project from 2006-2009 is also driving the increased levels in these years.
- Equipment recovery increases are predicated on CPI-based inflation rates from 2006-2009 at 2.0%, 2.1%, 2.3%, and 2.5% respectively

TRACTION AND PROPULSION POWER

Non-Reimbursable

- 2005 primarily reflects the impact of lower rate increases from CL&P
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5% respectively.
- 2005-2009 incorporates the net effect of new car procurements and retirements and adds \$2.2 million in 2006 and \$1.1 million in 2007 to Harlem and Hudson Line costs, and \$3.2 million in 2009 to the New Haven Line costs in anticipation of the M8 car procurement.
- Service Plan enhancements increase costs by \$.3 million in 2008 and by \$.5 million in 2009.

Reimbursable

- No Cost

FUEL FOR BUSES AND TRAINS

Non-Reimbursable

- 2005 costs reflect increases based on escalating price trends.
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3%, and 2.5% respectively.
- 2007 and 2008 Service Plan enhancements increase costs by \$.1 million annually.

Reimbursable

- No Cost

INSURANCE

Non-Reimbursable

- Increases in 2005-2009 reflect revised insurance premium estimates.

Reimbursable

- Increases in 2006-2009 reflect revised insurance premium estimates.

CLAIMS

Non-Reimbursable

- 2005 and 2006 include consultant fees for Employee Safety Training.

Reimbursable

- No Cost

MAINTENANCE AND OTHER CONTRACTS

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Equipment maintenance programs increase 2006 costs by \$8.1 million for additional overhaul costs for East and West of Hudson locomotives. These costs are reduced in 2007 and 2008 by \$3.4 million and \$1.6 million respectively with the completion of the West of Hudson program. 2006 and 2008 reflect a decrease in car disposal costs.
- 2006 – 2009 includes rising West of Hudson subsidy payments related to contract cost escalations and increases in service.
- 2006 includes lower costs for GCT electricity due to the withdrawal of outside buildings from the power grid (\$.7 million) and lower DuPont safety training costs.
- 2006 and 2007 also reflects an increase in outlying facility security costs of (\$.8 million and \$1.5 million).
- 2008 includes a provision for office space renovations (\$1.0 million),

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3%, and 2.5%, respectively.
Reduction through 2009 is due to gradual completion of the Shell-at-Grade project.

PROFESSIONAL SERVICE CONTRACTS

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Restoration of the 2005 reduction of MTA police service charges for the NH Line starting in 2009 (\$1.3 million).
- 2008 includes the restoration of a cost provision for general advertising fees (\$.8 million).

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Reduction through 2009 is due to gradual completion of the M2 Critical System Replacement project.

MATERIAL AND SUPPLIES

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively
- 2006 includes reductions for the completion of the Event Recorder Retrofit program (\$.3 million) and software license fees (\$.5 million).
- 2006-2007 includes cost savings related to M1 car retirements.
- 2009 includes incremental material cost provisions to support the anticipated acquisition of M-8 cars.

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.

YEAR-TO-YEAR CHANGES BY CATEGORY – ACCRUAL (TOTAL)

FARE BOX REVENUE

Non-Reimbursable

- Projected ridership growth of 2.6% in 2005, 1.3% in 2006, 1.4% in 2007, 1.5% in 2008 and 1.0% in 2009 is responsible for higher Fare Box Revenue.

Reimbursable

- Not applicable

OTHER OPERATING REVENUE

Non-Reimbursable

- 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
- 2006-2009 primarily incorporates the initiation of higher West of Hudson Parking fees and contractually based increases in GCT tenant fees and advertising revenues.

Reimbursable

- Not applicable

CAPITAL AND OTHER REIMBURSEMENTS

Non-Reimbursable

- Not applicable

Reimbursable

- Capital project cost reimbursements in each year of the financial plan are based on recouping 100% of accrued project expenditures. 2005 accrued expenditures (and receipts) are based upon the latest projection of capital project activity which includes peaking of the Shell-at-Grade and acceleration of the M2 Critical System Replacement project.
- 2006-2009 accrued expenditures (and receipts) are based on a continuation of 2005 forecasted project cost levels adjusted for significant project changes and the impact of inflation:
 - In 2006 and 2007 decreasing levels of maintenance and professional service contracts for the Shell-at-Grade project are offset by increased labor and material requirements for the M2 Critical System Replacement project.
 - In 2008 completion of the Shell-at-Grade project reduces project cost and reimbursement levels.
 - In 2009 the M2 Critical System Replacement project is completed, further reducing overall reimbursement levels.

PAYROLL

Non-Reimbursable

- Non Agreement salaries in 2005 include a cost of living increase of 3.0% effective May 2005. In 2006-2009 Non Agreement salaries include CPI-based increases of 2.6%, 2.8%, 2.9%, and 3.2% respectively.

- Increased material levels in 2006-2009 are due to peaking of the M2 Critical System Replacement project.

OTHER BUSINESS EXPENSES

Non-Reimbursable

- 2006-2009 includes a \$1.5 million provision for service improvements.
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively
- 2008 and 2009 include provisions for maintenance initiatives (\$2.5 million in 2008 and \$2.0 million in 2008).

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.

DEPRECIATION

Non-Reimbursable

- No change

Reimbursable

- No Cost

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Year-to-Year Changes by Category - Accrual Basis
(\$ in millions)

**NON-REIMBURSABLE and
REIMBURSABLE**

	Favorable/(Unfavorable)								
	2005	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007	2009	Change 2009 - 2008
Revenue									
Farebox Revenue	\$435.606	\$445.233	\$9.627	\$451.865	\$6.632	\$458.054	\$6.189	\$463.601	\$5.547
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	31.673	31.889	0.216	32.856	0.967	33.632	0.776	34.423	0.791
Capital and Other Reimbursements	160.542	166.167	5.625	176.377	10.210	176.043	(0.334)	172.271	(3.772)
Total Revenue	\$627.821	\$643.289	\$15.468	\$661.098	\$17.809	\$667.729	\$6.631	\$670.295	\$2.566
Expenses									
Labor:									
Payroll	\$364.733	\$377.258	(\$12.525)	\$391.138	(\$13.880)	\$406.301	(\$15.163)	\$423.368	(\$17.067)
Overtime	50.211	52.008	(1.797)	54.146	(2.138)	55.939	(1.793)	57.661	(1.722)
Health and Welfare	74.506	82.920	(8.414)	91.643	(8.724)	100.719	(9.076)	111.415	(10.696)
Pensions	49.901	45.552	4.348	47.261	(1.709)	48.543	(1.282)	49.272	(0.729)
Other Fringe Benefits	75.383	77.757	(2.374)	80.888	(3.131)	84.155	(3.267)	87.783	(3.628)
Reimbursable Overhead	(2.016)	(2.808)	0.792	(0.619)	(2.189)	(0.637)	0.018	(0.656)	0.019
Total Labor Expenses	\$612.717	\$632.687	(\$19.969)	\$664.458	(\$31.771)	\$695.020	(\$30.562)	\$728.843	(\$33.823)
Non-Labor:									
Traction and Propulsion Power	\$45.492	\$50.788	(\$5.296)	\$53.046	(\$2.258)	\$54.887	(\$1.841)	\$60.339	(\$5.452)
Fuel for Buses and Trains	12.002	12.193	(0.191)	12.511	(0.318)	12.850	(0.339)	13.155	(0.305)
Insurance	14.610	17.271	(2.661)	19.822	(2.551)	22.300	(2.478)	25.112	(2.812)
Claims	14.111	14.926	(0.815)	14.926	0.000	14.926	0.000	14.926	0.000
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other	100.392	103.042	(2.650)	104.778	(1.736)	107.541	(2.763)	105.733	1.808
Professional Service Contracts	31.439	30.723	0.716	31.601	(0.878)	32.348	(0.747)	33.454	(1.106)
Materials & Supplies	84.408	90.919	(6.511)	91.699	(0.780)	92.026	(0.327)	96.856	(4.830)
Other Business Expenses	11.054	12.234	(1.180)	13.111	(0.877)	15.417	(2.306)	17.570	(2.153)
Total Non-Labor Expenses	\$313.508	\$332.096	(\$18.588)	\$341.494	(\$9.398)	\$352.295	(\$10.801)	\$367.145	(\$14.850)
Other Expenses Adjustments:	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Other Expense Adjustments	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenses before Depreciation	\$926.225	\$964.783	(\$38.557)	\$1,005.952	(\$41.169)	\$1,047.315	(\$41.363)	\$1,095.988	(\$48.673)
Depreciation	183.909	194.000	(\$10.091)	200.000	(6.000)	207.000	(7.000)	214.000	(7.000)
Total Expenses	\$1,110.134	\$1,158.783	(\$48.648)	\$1,205.952	(\$47.169)	\$1,254.315	(\$48.363)	\$1,309.988	(\$55.673)
Baseline Net Surplus/(Deficit)	(\$482.313)	(\$515.494)	(\$33.180)	(\$544.854)	(\$29.360)	(\$586.586)	(\$41.732)	(\$639.693)	(\$53.107)
PEG Program	0.093	1.370	1.277	3.036	1.666	4.867	1.831	6.484	1.617
Net Surplus/(Deficit)	(\$482.220)	(\$514.124)	(\$31.903)	(\$541.818)	(\$27.694)	(\$581.719)	(\$39.901)	(\$633.209)	(\$51.490)

YEAR-TO-YEAR CHANGES BY CATEGORY – CASH (TOTAL)

FARE BOX REVENUE

Non-Reimbursable

- Projected ridership growth of 2.6% in 2005, 1.3% in 2006, 1.4% in 2007, 1.5% in 2008 and 1.0% in 2009 is responsible for higher Fare Box Revenue.

Reimbursable

- Not applicable

Cash

- 2005-2009 cash adjustments include receipts from the sale of MetroCards, Westchester County bus fares, and special event promotions, partially offset by credit card fees associated with the purchase of passenger tickets.

OTHER OPERATING REVENUE

Non-Reimbursable

- 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
- 2006-2009 primarily incorporates the initiation of higher West of Hudson Parking fees and contractually based increases in GCT tenant fees and advertising revenues.

Reimbursable

- Not applicable

Cash

- 2005 cash adjustments include a projected \$1.5 million refund for overpayment of prior period force account insurance. 2005-2009 adjustments include the reclassification of Amtrak and other railroad reimbursements (from the Maintenance and Other Operating Contracts category), reimbursements from CDOT for station facilities and unitickets, the MTA for electricity charges, payments by former employees for health insurance coverage, reimbursements for claims settlements, scrap sale receipts, and other miscellaneous items.

CAPITAL AND OTHER REIMBURSEMENTS

Non-Reimbursable

- Not applicable

Reimbursable

- Capital project cost reimbursements in each year of the financial plan are based on recouping 100% of accrued project expenditures. 2005 accrued expenditures (and receipts) are based upon the latest projection of capital project activity which includes peaking of the Shell-at-Grade and acceleration of the M2 Critical System Replacement project.
- 2006-2009 accrued expenditures (and receipts) are based on a continuation of 2005 forecasted project cost levels adjusted for significant project changes and the impact of inflation:

- In 2006 and 2007 decreasing levels of maintenance and professional service contracts for the Shell-at-Grade project are offset by increased labor and material requirements for the M2 Critical System Replacement project.
- In 2008 completion of the Shell-at-Grade project reduces project cost and reimbursement levels.
- In 2009 the M2 Critical System Replacement project is completed, further reducing overall reimbursement levels.

PAYROLL

Non-Reimbursable

- Non Agreement salaries in 2005 include a cost of living increase of 3.0% effective May 2005. In 2006-2009 Non Agreement salaries include CPI-based increases of 2.6%, 2.8%, 2.9%, and 3.2% respectively.
- Agreement wages in 2005 - 2006 include annual wage increases of 3.0% based on the current trend of labor contract settlements. In 2007-2009 Agreement salaries include CPI-based increases of 2.8%, 2.9%, and 3.2% respectively
- 2006 includes additional labor resources primarily for:
 - Security based Initiatives in GCT and upgrading electronic security \$.5million, Maintenance program increases for equipment inspections \$.2million and additional GCT based maintenance forces \$.2 million.
 - Service Plan improvements (\$.1 million)
- 2007 - 2009 additional labor costs are added to support security improvements to systems and facilities, increase service levels and coverage on all lines, increase car cleaning staff and provide additional administrative oversight and quality assurance functions in key operating areas.

Reimbursable

- Non Agreement salaries in 2005 include a cost of living increase of 3.0% effective May 2005. In 2006-2009 Non Agreement salaries include CPI-based increases of 2.6%, 2.8%, 2.9%, and 3.2% respectively.
- Agreement wages in 2005 - 2006 include annual wage increases of 3.0% based on the current trend of labor contract settlements. In 2007-2009 Agreement salaries include CPI-based increases of 2.8%, 2.9%, and 3.2% respectively
- 2006-2007 includes increased staffing for the M2 Critical System Replacement project.

Cash

- Cash includes payments of \$9.6 million in 2005 (excluding fringe) for prior period accrued RWA for unsettled unions. 2005-2009 cash adjustments also include differences between expense accruals and cash disbursements for the number of days paid, vacation and sick day provisions, employee health club memberships, agreement employee allowance for tools and safety shoes, employee contribution to health care coverage, and agreement employee contributions to the Defined Benefit Pension Plan.

OVERTIME

Non-Reimbursable

- 2005 - 2006 costs include annual wage increases of 3.0%.

- 2007 - 2009 include CPI-based wage increases of 2.8%, 2.9%, and 3.2% respectively.
- 2006-2009 includes additional on-board coverage requirements due to increases in service levels on all lines and emergency preparedness training.

Reimbursable

- 2005 - 2006 costs include annual wage increases of 3.0%.
- 2007 - 2009 include CPI-based wage increases of 2.8%, 2.9%, and 3.2% respectively.

HEALTH AND WELFARE

Non-Reimbursable

- Projected inflationary increases of 12.9% in 2005, and 9.3% in 2006 through 2009.
- 2005-2009 include the non-reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007, \$1.227 million in 2008 and \$1,545 million in 2009.
- Other Cost adjustments for 2005-2009 are the result of changes in staffing levels associated with the programmatic changes that are incorporated into each year of the financial plan for Maintenance Improvements, Service Plan Enhancements, Customer Service Amenities, Security, and Administration

Reimbursable

- Projected inflationary increases of 12.9% in 2005, and 9.3% in 2006 through 2009.
- 2005-2009 include the reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007, \$1.227 million in 2008 and \$1,545 million in 2009.

Cash

- 2005-2009 cash adjustments include current and former employee contributions toward health insurance costs.

PENSIONS

Metro North Railroad's Pension costs for 2005-2009 include provisions to cover the anticipated cost of the conversion from a Defined Contribution Plan to a Defined Benefit Plan for Agreement Staffs.

Non-Reimbursable

Metro North Railroad's Pension costs for 2005-2009 include provisions to cover the anticipated cost of the conversion from a Defined Contribution Plan to a Defined Benefit Plan for Agreement employees.

Non-Reimbursable

- Agreement pension cost increases in 2005-2009 are based on projected patterned wage increases of 3% each year for 2005-2006, and CPI-based wage increases for 2007-2009.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 through 2009.
- 2005-2009 management pension costs reflect the non-reimbursable share of a \$0.3 million annual cost increase.

Reimbursable

- Agreement pension cost increases in 2005-2009 are based on projected patterned wage increases of 3% each year for 2005-2006, and CPI-based wage increases for 2007-2009.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 through 2009.
- 2005-2009 management pension costs reflect the reimbursable share of a \$0.3 million annual cost increase

Cash

- 2005-2009 adjustments include difference between expense accruals and cash disbursements, and agreement employee contribution to the Defined Benefit Pension Plan. 2005 reflects a \$20 million cash reduction due to the prepayment of pension costs (paid in 2003).

OTHER FRINGE BENEFITS

Non-Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2009 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I is estimated at \$90,537 in 2005, \$93,253 in 2006, \$96,051 in 2007, \$98,932 in 2008 and \$101,900 in 2009.
- Maximum earnings level for Tier II is estimated at \$67,053 in 2005, \$69,065 in 2006, \$71,137 in 2007, \$73,271 in 2008 and \$75,469 in 2009.
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2009 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I is estimated at \$90,537 in 2005, \$93,253 in 2006, \$96,051 in 2007, \$98,932 in 2008 and \$101,900 in 2009.
- Maximum earnings level for Tier II is estimated at \$67,053 in 2005, \$69,065 in 2006, \$71,137 in 2007, \$73,271 in 2008 and \$75,469 in 2009.
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

Cash

- 2005 include adjustments for railroad retirement taxes related to RWA settlements. 2005-2009 also includes adjustments between expense accruals and cash disbursements.

REIMBURSABLE OVERHEAD

Non-Reimbursable

- Overhead costs for 2005–2009 are based on a percentage share of direct labor costs charged to reimbursable projects. 2006-2009 overhead costs are based on the continuation of 2005 forecast levels, adjusted for changes in the M2 Critical System Replacement project and inflation-based increases in labor costs.
- Increased material handling cost on the M2 Critical System Replacement project from 2006-2009 is also driving the increased levels in these years.

- Equipment recovery increases are predicated on CPI-based inflation rates from 2006-2009 at 2.0%, 2.1%, 2.3%, and 2.5%, respectively.

Reimbursable

- Overhead costs for 2005–2009 are based on a percentage share of direct labor costs charged to reimbursable projects. 2006-2009 overhead costs are based on the continuation of 2005 forecast levels, adjusted for changes in the M2 Critical System Replacement project and inflation-based increases in labor costs.
- Increased material handling cost on the M2 Critical System Replacement project from 2006-2009 is also driving the increased levels in these years.
- Equipment recovery increases are predicated on CPI-based inflation rates from 2006-2009 at 2.0%, 2.1%, 2.3%, and 2.5%, respectively.

TRACTION AND PROPULSION POWER

Non-Reimbursable

- 2005 primarily reflects the impact of lower rate increases from CL&P
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5% respectively.
- 2005-2009 incorporates the net effect of new car procurements and retirements and adds \$2.2 million in 2006 and \$1.1 million in 2007 to Harlem and Hudson Line costs, and \$3.2 million in 2009 to the New Haven Line costs in anticipation of the M8 car procurement.
- Service Plan enhancements increase costs by \$.3 million in 2008 and by \$.5 million in 2009.

Reimbursable

- No Cost

FUEL FOR BUSES AND TRAINS

Non-Reimbursable

- 2005 costs reflect increases based on escalating price trends.
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3%, and 2.5% respectively.
- 2007 and 2008 Service Plan enhancements increase costs by \$.1 million annually.

Reimbursable

- No Cost

INSURANCE

Non-Reimbursable

- Increases in 2005-2009 reflect revised insurance premium estimates.

Reimbursable

- Increases in 2006-2009 reflect revised insurance premium estimates.

Cash

- 2006-2009 reflects increase in force account payments as well as All-Agency insurance costs.

CLAIMS

Non-Reimbursable

- 2005 and 2006 include consultant fees for Employee Safety Training.

Reimbursable

- No Cost

Cash

- 2006-2009 payments reflect lower personal injury payments.

MAINTENANCE AND OTHER CONTRACTS

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Equipment maintenance programs increase 2006 costs by \$8.1 million for additional overhaul costs for East and West of Hudson locomotives. These costs are reduced in 2007 and 2008 by \$3.4 million and \$1.6 million respectively with the completion of the West of Hudson program. 2006 and 2008 reflect a decrease in car disposal costs.
- 2006 – 2009 includes rising West of Hudson subsidy payments related to contract cost escalations and increases in service.
- 2006 includes lower costs for GCT electricity due to the withdrawal of outside buildings from the power grid (\$.7 million) and lower DuPont safety training costs.
- 2006 and 2007 also reflects an increase in outlying facility security costs of (\$.8 million and \$1.5 million).
- 2008 includes a provision for office space renovations (\$1.0 million),

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3%, and 2.5%, respectively. Reduction through 2009 is due to gradual completion of the Shell-at-Grade project.

Cash

- 2005 cash adjustments include payment of prior period accruals for GCT management fees. 2005-2009 includes the reclassification of Amtrak and other railroad reimbursements to Other Operating Revenue. Also included are payments on behalf of CDOT for station facilities and the MTA for electricity charges.

PROFESSIONAL SERVICE CONTRACTS

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Restoration of the 2005 reduction of MTA police service charges for the NH Line starting in 2009 (\$1.3 million).
- 2008 includes the restoration of a cost provision for general advertising fees (\$.8 million).

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Reduction through 2009 is due to gradual completion of the M2 Critical System Replacement project.

MATERIAL AND SUPPLIES

Non-Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively

- 2006 includes reductions for the completion of the Event Recorder Retrofit program (\$.3 million) and software license fees (\$.5 million).
- 2006-2007 includes cost savings related to M1 car retirements.
- 2009 includes incremental material cost provisions to support the anticipated acquisition of M-8 cars.

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.
- Increased material levels in 2006-2009 are due to peaking of the M2 Critical System Replacement project.

OTHER BUSINESS EXPENSES

Non-Reimbursable

- 2006-2009 includes a \$1.5 million provision for service improvements.
- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively
- 2008 and 2009 include provisions for maintenance initiatives (\$2.5 million in 2008 and \$2.0 million in 2008).

Reimbursable

- CPI increases in 2006-2009 of 2.0%, 2.1%, 2.3% and 2.5%, respectively.

Cash

- 2005-2009 cash adjustments include payments for receipt of MetroCards, Westchester County bus fares, special promotions, and employee health club memberships, partially offset by the reclassification of credit card fees as an offset to Farebox Revenue and safety shoe and tool allowance to the Payroll category.

DEPRECIATION

Non-Reimbursable

- No change

Reimbursable

- No Cost

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Year-to-Year Changes by Category - Cash Basis
(\$ in millions)

	Favorable/(Unfavorable)								
	2005	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007	2009	Change 2009 - 2008
Cash Receipts & Expenditures									
Receipts									
Farebox Revenue	\$443.170	\$452.853	\$9.683	\$459.965	\$7.112	\$466.104	\$6.139	\$471.651	\$5.547
Vehicle Toll Revenue	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Operating Revenue	46.749	45.592	(1.157)	47.111	1.519	47.887	0.776	48.678	0.791
Capital and Other Reimbursements	161.761	168.183	6.422	174.665	6.482	176.695	2.030	173.511	(3.184)
Total Receipts	\$651.680	\$666.628	\$14.948	\$681.741	\$15.113	\$690.686	\$8.945	\$693.840	\$3.154
Expenditures									
Labor:									
Payroll	\$362.940	\$366.243	(\$3.303)	\$379.892	(\$13.649)	\$397.907	(\$18.015)	\$407.784	(\$9.877)
Overtime	51.012	53.142	(2.130)	54.386	(1.244)	56.186	(1.800)	57.915	(1.729)
Health and Welfare	77.301	86.000	(8.699)	94.331	(8.332)	103.476	(9.145)	114.246	(10.770)
Pensions	40.987	56.458	(15.471)	58.739	(2.281)	60.098	(1.359)	61.220	(1.122)
Other Fringe Benefits	77.473	78.215	(0.742)	80.946	(2.731)	85.470	(4.524)	87.415	(1.945)
Reimbursable Overhead	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Labor Expenditures	\$609.713	\$640.058	(\$30.345)	\$668.295	(\$28.237)	\$703.137	(\$34.842)	\$728.580	(\$25.443)
Non-Labor:									
Traction and Propulsion Power	\$45.492	\$50.788	(\$5.296)	\$53.046	(\$2.258)	\$54.887	(\$1.841)	\$60.339	(\$5.452)
Fuel for Buses and Trains	12.002	12.193	(0.191)	12.511	(0.318)	12.850	(0.339)	13.155	(0.305)
Insurance	15.390	17.518	(2.128)	19.705	(2.187)	22.912	(3.207)	25.029	(2.117)
Claims	13.071	12.071	1.000	12.071	0.000	12.071	0.000	12.071	0.000
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other									
Operating Contracts	116.232	116.689	(0.457)	107.917	8.772	119.714	(11.797)	117.943	1.771
Professional Service Contracts	31.769	31.478	0.291	31.942	(0.464)	37.356	(5.414)	42.197	(4.841)
Materials & Supplies	90.065	94.071	(4.006)	93.649	0.422	94.132	(0.483)	99.107	(4.975)
Other Business Expenses	18.917	20.315	(1.398)	30.831	(10.516)	24.051	6.780	26.240	(2.189)
Total Non-Labor Expenditures	\$342.938	\$355.123	(\$12.185)	\$361.672	(\$6.549)	\$377.973	(\$16.301)	\$396.081	(\$18.108)
Other Expenditure Adjustments:									
Other	\$0.000	\$0.000	0.000	\$0.000	0.000	\$0.000	0.000	\$0.000	0.000
Total Other Expenditure Adjustments	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Expenditures	\$952.651	\$995.181	(\$42.530)	\$1,029.967	(\$34.786)	\$1,081.110	(\$51.143)	\$1,124.661	(\$43.551)
Baseline Net Cash Deficit	(\$300.971)	(\$328.553)	(\$27.582)	(\$348.226)	(\$19.673)	(\$390.424)	(\$42.198)	(\$430.821)	(\$40.397)
PEG Program	\$0.093	\$1.370	\$1.277	\$3.036	\$1.666	\$4.867	\$1.831	\$6.484	\$1.617
Net Cash Deficit	(\$300.878)	(\$327.183)	(\$26.305)	(\$345.190)	(\$18.007)	(\$385.557)	(\$40.367)	(\$424.337)	(\$38.780)

CHANGES TO THE FEBRUARY FINANCIAL PLAN 2005- 2009

Revisions to Metro-North's financial plan for the 2005-2009 period reflect adjustments resulting from evolving economic conditions, changing cost assumptions and resource allocations, as well as a series of program deferrals that contribute toward cost reduction measures while limiting, to the extent possible, adverse impact to Metro-North's current service levels and performance standards.

2005: JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN

In the July Financial Plan subsidy requirements for non-reimbursable operations are \$.6 million lower than in the February Plan. Several offsetting factors contributed to this favorable result. Revenue increases stemming from ridership growth in excess of budget projections, as well as higher proceeds from retail operations in Grand Central Terminal were the primary causes in subsidy reductions. These favorable results were offset by expense increases associated with the replacement of deteriorating concrete ties on the Hudson Line, rising energy costs, an increase in West of Hudson subsidies due to lower ridership revenues, and lower overhead expense recoveries from capital projects due to the rescheduling of the East Side Access project and the diversion of personnel to emergency coverage related to inclement winter weather conditions.

Reimbursable project costs (and receipts) are \$12.9 million lower than the February Plan. In addition to inclement weather conditions during the first quarter, which reduced overall project activity levels, lower costs reflect scheduling changes to the East Side Access project and the reallocation of resources to the project to replace deteriorating concrete ties on the Hudson Line which is currently classified an Operating/Capital project.

2006: JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN

In the July Financial Plan 2006, subsidy requirements for non-reimbursable operations are \$7.4 million higher than in the February Plan baseline. This increase reflects the general rise in the Consumer Price Index applied to base costs, as well as the continuation of 2005 cost increase trends for West of Hudson operations, energy, and reductions in overhead cost recoveries from capital projects. Other expenditure level increases reflect the addition of a \$1.5 million provision for service improvements, the continuation of concrete tie replacements on the Hudson Line, the rescheduling of equipment overhauls, and the net cost impacts of the rolling stock replacement plan. Offsetting these expenditure increases is the continuation of 2005 revenue growth trends associated with higher ridership and improved parking, advertising and GCT retail income levels.

Reimbursable project costs (and receipts) are \$12.4 million lower than the February Plan reflecting a general decrease in expenditures predicated on the continuation of the revised 2005 expenditure level base, which includes the reallocation of resources to the Operating/Capital project to replace Hudson Line concrete ties. 2007 July Financial Plan vs. February Financial Plan

In the July Financial Plan, 2007 subsidy requirements for non-reimbursable operations are \$7.0 million higher than the February Plan baseline. This increase reflects the general rise in the Consumer Price Index applied to base costs, as well as the continuation of 2005 cost increase trends for West of Hudson operations, energy, the net cost impacts of rolling stock replacement and overhauls, reductions in overhead cost recoveries from capital projects, and an increase in security plan support costs. The July Plan also includes the impact of the service improvement provision added in 2006. Offsetting these expenditure increases is a reduction in Operating/Capital project cost provisions and the continuation of 2005 revenue growth trends associated with higher ridership and improved parking, advertising and GCT retail income levels.

Reimbursable project costs (and receipts) were \$6.4 million lower than the February Plan reflecting a general decrease in expenditures predicated on the continuation of the revised 2006 expenditure level base

2008 JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN

In the July Financial Plan, 2008 subsidy requirements for non-reimbursable operations are \$19.1 million higher than the February Plan baseline. This increase reflects the general rise in the Consumer Price Index applied to base costs, as well as the continuation of 2005 cost increase trends for West of Hudson operations, energy, the net cost impacts of rolling stock replacement and overhauls, reductions in overhead cost recoveries from capital projects, and an increase in security plan support costs. The July Plan also includes the impact of the service improvement provision added in 2006. Offsetting these expenditure increases is a reduction in Operating/Capital project cost provisions and the continuation of 2005 revenue growth trends associated with higher ridership and improved parking, advertising and GCT retail income levels.

Reimbursable project costs (and receipts) are \$1.8 million below the February Plan reflecting a general decrease in expenditures predicated on the continuation of 2006 project expenditure levels.

2009 JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN

In the July Financial Plan, 2009 subsidy requirements for non-reimbursable operations are \$25.5 million higher than the February Plan baseline. This increase reflects the general rise in the Consumer Price Index applied to base costs, as well as the continuation of 2005 cost increase trends for West of Hudson operations, energy, the net cost impacts of rolling stock replacement and overhauls (including the anticipated of M8 cars for the New Haven Line), reductions in overhead cost recoveries from capital projects, and an increase in security plan support costs. The July Plan also includes the impact of the service improvement provision added in 2006. Offsetting these expenditure increases is a reduction in Operating/Capital project cost provisions and the continuation of 2005 revenue growth trends associated with higher ridership and improved parking, advertising and GCT retail income levels.

Reimbursable project costs (and receipts) are \$1.7 million below the February Plan reflecting a general decrease in expenditures predicated on the continuation of 2006 project expenditure levels.

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

	2005	2006	2007	2008	2009
NON-REIMBURSABLE					
2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$301.525)	(\$301.973)	(\$321.995)	(\$358.461)	(\$397.097)
Add Back: February Plan Unspecified PEG's	\$0.000	\$17.816	\$16.187	\$7.967	\$1.749
Baseline 2005 February Financial Plan - Operating Cash/(Deficit)	(\$301.525)	(\$319.789)	(\$338.182)	(\$366.428)	(\$398.846)
Baseline:					
Changes					
Revenue					
FARE BOX REVENUE RIDERSHIP GROWTH	\$5.496	\$5.428	\$6.972	\$8.876	\$8.197
OTHER REVENUE	1.235	0.691	1.013	1.088	1.087
RECLASS OF W OF H MAIL AND RIDE REVENUE (Incl. in E of H Fin. Stmt.)	0.600	0.600	0.600	0.600	0.600
Sub-Total Revenue Changes	\$7.331	\$6.719	\$8.585	\$10.564	\$9.884
Expenses					
ADVERTISING - (GENERAL RIDERSHIP)	\$0.000	\$0.825	\$0.825	\$0.000	\$0.000
CUSTOMER SERVICE-GROUP SALES INITIATIVE	0.000	0.110	0.109	0.000	0.000
EQUIP STRATEGY - INVERTER CONVERSION (GTO TO IGBT) ON M4/M6	0.200	0.000	0.000	0.000	0.000
EQUIP STRATEGY - M3 HVAC CONTROL REPLACEMENT	0.254	0.000	0.000	0.000	0.000
EQUIP STRATEGY - W OF H COMET 3 OVERHAUL	0.000	0.800	0.000	0.000	0.000
M OF E - PREVENTATIVE MAINTENANCE PROGRAM	0.000	0.700	0.700	0.700	0.700
METRO-NORTH 25TH ANNIVERSARY	0.000	0.000	0.185	(0.185)	0.000
PORTABLE RADIOS FOR CONDUCTORS	0.000	0.163	0.000	0.000	0.000
PREVENTIVE MAINTENANCE PROGRAM PROVISION	0.000	0.000	6.500	6.500	6.500
PROVISION FOR MANAGEMENT INITIATIVES	0.000	0.000	2.500	2.000	0.000
SECURITY PLAN - CONNECT FIBER OPTIC BREWSTER TO NH	0.000	0.000	0.000	0.195	0.195
SECURITY PLAN - ECC (MAINTENANCE COST)	0.000	0.315	0.315	0.000	(0.459)
SECURITY PLAN - GCT HALLS/TRAINSHED FIRE	0.000	0.357	0.713	0.000	0.000
SECURITY PLAN - REDUNDANT PBX IN MIDTOWN	0.000	0.225	0.225	0.000	0.000
SERVICE PLAN 2006	0.000	0.157	0.314	0.314	0.314
SERVICE PLAN 2007	0.000	0.000	0.159	0.318	0.318
SERVICE PLAN 2009	0.000	0.000	0.000	0.000	0.654
SIGNAL & CTC IMPROVEMENTS DANBURY BRANCH	0.000	0.000	0.346	(0.030)	0.000
MISC ENVIROMENTAL IMPROVEMENTS	0.000	0.000	0.000	0.137	0.107
ELECTRIC PROPULSION FCST REDUCTION)	3.956	3.956	3.956	3.956	3.956
OTE-OT- CORP	2.367	1.367	1.367	1.367	1.367
MOFE DECR IN MAT'L	1.032	0.676	0.676	0.676	0.676
CLAIMS ACCRUAL ADJ IN 2005	1.000	1.000	1.000	1.000	1.000
DECREASE IN DATA CENTER	0.700	0.700	0.700	0.700	0.700
CUT SLE PROVISION IN 2005	0.600	0.000	0.000	0.000	0.000
CUT GCT OCCUPANCY	0.488	0.000	0.000	0.000	0.000
LOWER INSURANCE CARRIED FORWARD	0.459	0.459	0.459	0.459	0.459
LOWER 2005 NA WAGE INCREASE	0.351	0.000	0.000	0.000	0.000
MOFE SCRAP CREDIT	0.300	0.000	0.000	0.000	0.000
CUT MW VEHICLE REPAIRS	0.250	0.250	0.250	0.250	0.250
ALL OTHER	1.515	0.226	(0.181)	(2.031)	2.029
EQUIPMENT REPLACEMENT PLAN - DISPOSAL COSTS	(2.287)	0.657	(1.219)	0.000	0.000
EQUIPMENT REPLACEMENT PLAN - H&H (OP. COSTS)	(1.712)	(1.806)	(2.477)	(2.445)	(2.412)
MID-HUDSON STATION/OVERPASS IMPROVEMENTS	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
PENTA SYSTEM UPGRADE/MAINTENANCE	0.000	0.000	0.000	(0.075)	0.000
TVMS/TOMS/MAIL & RIDE (EXCLUDING REVENUE)	(0.147)	(0.294)	(0.294)	(0.294)	(0.294)
SERVICE PLAN 2008	0.000	0.000	0.000	(0.329)	(0.658)
W OF H SUBSIDY CHANGE (INCLUDING SERVICE PLAN) (1)	(3.497)	(3.624)	(4.039)	(4.865)	(5.490)
W OF H INCREASE FARE HOLDDOWN	(0.030)	(0.060)	(0.060)	(0.060)	(0.060)
EQUIP STRATEGY - GENESIS LOCOMOTIVE OVERHAUL	2.400	(1.760)	(5.560)	(8.340)	(8.340)
EQUIP STRATEGY - W OF H LOCOMOTIVE OVERHAUL	1.790	(1.770)	(1.630)	(0.010)	(0.010)
SECURITY PLAN - GCT FIRE/LIFE SAFETY TRAIN SHED	0.000	(0.050)	(0.050)	(0.050)	(0.050)
SECURITY PLAN - IMPROVE/PROTECT IT NETWORK	0.000	(0.034)	(0.034)	(0.034)	(0.034)
SECURITY PLAN - OUTLYING SHOPS AND YARDS	0.000	0.000	(1.500)	(1.500)	(1.500)
SECURITY PLAN - PARK AVE TUNNEL UPS SYSTEM	0.000	0.000	(0.059)	(0.059)	(0.059)
SECURITY PLAN - UPPER HUDSON EMERGENCY	0.000	(0.025)	(0.025)	(0.025)	(0.025)
ELECTRIC PROPULSION 2006 BRIDGE ADD	0.000	(1.954)	(1.954)	(1.954)	(1.954)
2006 -2010 ADJ FOR 2005 NA WAGE INCR (3%VS 2.5%)	0.000	(0.360)	(0.360)	(0.360)	(0.360)
2006 FIRE SUPPRESSION CONTRACT IN SAFETY	0.000	(0.350)	(0.350)	(0.350)	(0.350)
INCREASE OFFICE RENT GRAYBAR	0.000	(0.332)	(0.332)	(0.332)	(0.332)
INFLATION	0.000	(2.511)	(7.788)	(13.680)	(20.815)
MOFE T&E SWITCHING	(0.156)	(0.078)	(0.156)	(0.078)	0.000

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

	2005	2006	2007	2008	2009
MOFE INCR IN OCCUPANCY	(0.264)	(0.132)	(0.132)	(0.132)	(0.132)
INCR STA SVC OCCUPANCY	(0.296)	(0.251)	(0.251)	(0.251)	(0.251)
MOFE INCR IN OTHER OP CONTRACTS	(0.480)	(0.480)	(0.480)	(0.480)	(0.480)
LOWER NA VACANCY BY 5 POSITIONS	(0.497)	0.000	0.000	0.000	0.000
INCREASE IN CREDIT CARD FEES	(0.700)	(0.700)	(0.700)	(0.700)	(0.700)
2005 FRINGE CHANGE	(0.969)	(0.546)	(0.546)	(0.546)	2.354
NA ADJ FOR PAYBACK OF LAG DAYS	(0.984)	0.000	0.000	0.000	0.000
OTE-OT- MOFE INCR	(1.190)	(0.590)	(0.590)	(0.590)	(0.590)
OTE-ST- CORP ADJ	(1.700)	(1.700)	(1.700)	(1.700)	(1.700)
2005 DIESEL FUEL PRICE ADD	(3.568)	(3.568)	(3.568)	(3.568)	(3.568)
OH RECOVERY	(4.035)	(2.625)	(2.536)	(2.025)	(1.713)
CONSTRUCTION CP-248 INTERLOCKING	0.000	(0.111)	(0.092)	(0.147)	(0.152)
EQUIPMENT REPLACEMENT PLAN - NHL (OP.	0.095	0.200	0.204	(0.238)	(6.229)
FUEL FACILITY IMPROVEMENTS - NH & STAMFORD	0.000	0.000	0.000	0.000	(0.087)
HARLEM RIVER LIFT BRIDGE SYSTEM REHABILITATION	0.000	(0.090)	(0.089)	(0.091)	(0.094)
HIGHBRIDGE YARD - CONSTRUCT CAR WASHER	0.000	0.000	0.000	0.000	(0.109)
INSTALLATION OF SECTIONALIZED SWITCHES - GCT	0.000	0.000	0.000	(0.091)	(0.094)
NEW HAVEN RUNNING REPAIR SHOP	0.000	(0.187)	(0.380)	(0.389)	(0.399)
NEW HAVEN WHEEL TRUE SHOP	0.000	0.000	0.000	0.000	(0.305)
EQUIP STRATEGY - P-40 LEASE FOR NHL SVC	(0.170)	(0.173)	(0.177)	(0.181)	0.000
MATERIAL STORAGE EQUIP NWP & HBRDG	0.000	(0.367)	(0.375)	(0.383)	(0.393)
SECURITY PLAN - GCT ELECTRONIC SECURITY	0.000	(0.366)	(2.712)	(4.035)	(4.125)
PROVISION FOR SERVICE IMPROVEMENTS	0.000	(1.500)	(1.500)	(1.500)	(1.500)
EQUIP STRATEGY - F-40 LEASE FOR W OF H	(\$0.100)	(\$0.082)	(\$0.031)	\$0.000	\$0.000
Sub-Total Expense Changes	(\$5.040)	(\$15.348)	(\$22.439)	(\$35.576)	(\$44.259)
Cash Adjustments:					
Revenue	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Expenses					
Sub-Total Cash Adjustments	(\$1.737)	(\$0.135)	\$3.810	\$1.016	\$2.402
Total Baseline Changes	\$0.554	(\$8.764)	(\$10.044)	(\$23.996)	(\$31.973)
PEG Program					
NEW HAVEN SHOPS & YARD - CAR WASHER / WHEEL SHOP	\$0.000	\$0.117	\$0.120	\$0.122	\$0.125
TVMs PURCHASE ADDITIONAL 36 MACHINES	\$0.093	\$1.253	\$2.562	\$4.138	\$5.250
IT-EVALUATION EQUIPMENT & TECHNOLOGY	\$0.000	\$0.000	\$0.104	\$0.107	\$0.109
PROCESS REVIEW FOR PRODUCTION SAVINGS	\$0.000	\$0.000	\$0.250	\$0.500	\$1.000
TOTAL PEGS	\$0.093	\$1.370	\$3.036	\$4.867	\$6.484
Total Changes	\$0.647	(\$7.394)	(\$7.008)	(\$19.129)	(\$25.489)
2005 July Financial Plan - Operating Cash Income/(Deficit)	(\$300.878)	(\$327.183)	(\$345.190)	(\$385.557)	(\$424.335)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

	2005	2006	2007	2008	2009
REIMBURSABLE					
2005 February Financial Plan - Operating Cash Income/(Deficit)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Add Back: February Plan Unspecified PEG's					
Baseline 2005 February Financial Plan - Operating Cash Income/(Deficit)					
Baseline:					
Changes					
Revenue					
CHANGES IN CAPITAL PROJECT ACTIVITY LEVELS	(12.892)	(12.388)	(6.374)	(1.843)	(1.664)
Sub-Total Revenue Changes	(\$12.892)	(\$12.388)	(\$6.374)	(\$1.843)	(\$1.664)
Expenses					
CHANGES IN CAPITAL PROJECT ACTIVITY LEVELS	12.892	12.388	6.374	1.843	1.664
Sub-Total Expense Changes	\$12.892	\$12.388	\$6.374	\$1.843	\$1.664
Cash Adjustments:					
Revenue					
Expense					
Sub-Total Cash Adjustment Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Baseline Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Programmatic New Needs					
PEG Program					
Total Changes	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

	2005	2006	2007	2008	2009
NON-REIMBURSABLE and REIMBURSABLE					
2005 February Financial Plan - Operating Cash Income/(Deficit)	(\$301.525)	(\$301.973)	(\$321.995)	(\$358.461)	(\$397.097)
Add Back: February Plan Unspecified PEG's	\$0.000	\$17.816	\$16.187	\$7.967	\$1.749
Baseline 2005 February Financial Plan - Operating Cash/(Deficit)	(\$301.525)	(\$319.789)	(\$338.182)	(\$366.428)	(\$398.846)
Baseline:					
Changes					
Baseline:					
Changes					
Revenue					
FARE BOX REVENUE RIDERSHIP GROWTH	\$5.496	\$5.428	\$6.972	\$8.876	\$8.197
OTHER REVENUE	1.235	0.691	1.013	1.088	1.087
CHANGES IN CAPITAL PROJECT ACTIVITY LEVELS	(12.892)	(12.388)	(6.374)	(1.843)	(1.664)
RECLASS OF W OF H MAIL AND RIDE REVENUE (Incl. in E of H Fin. Stmt.)	0.600	0.600	0.600	0.600	0.600
Sub-Total Revenue Changes	(\$5.561)	(\$5.669)	\$2.211	\$8.721	\$8.220
Expenses					
ADVERTISING - (GENERAL RIDERSHIP)	\$0.000	\$0.825	\$0.825	\$0.000	\$0.000
CUSTOMER SERVICE-GROUP SALES INITIATIVE	0.000	0.110	0.109	0.000	0.000
EQUIP STRATEGY - INVERTER CONVERSION (GTO TO IGBT) ON M4/M6	0.200	0.000	0.000	0.000	0.000
EQUIP STRATEGY - M3 HVAC CONTROL REPLACEMENT	0.254	0.000	0.000	0.000	0.000
EQUIP STRATEGY - W OF H COMET 3 OVERHAUL	0.000	0.800	0.000	0.000	0.000
M OF E - PREVENTATIVE MAINTENANCE PROGRAM	0.000	0.700	0.700	0.700	0.700
METRO-NORTH 25TH ANNIVERSARY	0.000	0.000	0.185	(0.185)	0.000
PORTABLE RADIOS FOR CONDUCTORS	0.000	0.163	0.000	0.000	0.000
PREVENTIVE MAINTENANCE PROGRAM PROVISION	0.000	0.000	6.500	6.500	6.500
PROVISION FOR MANAGEMENT INITIATIVES	0.000	0.000	2.500	2.000	0.000
SECURITY PLAN - CONNECT FIBER OPTIC BREWSTER TO NH	0.000	0.000	0.000	0.195	0.195
SECURITY PLAN - ECC (MAINTENANCE COST)	0.000	0.315	0.315	0.000	(0.459)
SECURITY PLAN - GCT HALLS/TRAINSHED FIRE	0.000	0.357	0.713	0.000	0.000
SECURITY PLAN - REDUNDANT PBX IN MIDTOWN	0.000	0.225	0.225	0.000	0.000
SERVICE PLAN 2006	0.000	0.157	0.314	0.314	0.314
SERVICE PLAN 2007	0.000	0.000	0.159	0.318	0.318
SERVICE PLAN 2009	0.000	0.000	0.000	0.000	0.654
SIGNAL & CTC IMPROVEMENTS DANBURY BRANCH	0.000	0.000	0.346	(0.030)	0.000
MISC ENVIROMENTAL IMPROVEMENTS	0.000	0.000	0.000	0.137	0.107
ELECTRIC PROPULSION FCST REDUCTION)	3.956	3.956	3.956	3.956	3.956
OTE-OT- CORP	2.367	1.367	1.367	1.367	1.367
MOFE DECR IN MAT'L	1.032	0.676	0.676	0.676	0.676
CLAIMS ACCRUAL ADJ IN 2005	1.000	1.000	1.000	1.000	1.000
DECREASE IN DATA CENTER	0.700	0.700	0.700	0.700	0.700
CUT SLE PROVISION IN 2005	0.600	0.000	0.000	0.000	0.000
CUT GCT OCCUPANCY	0.488	0.000	0.000	0.000	0.000
LOWER INSURANCE CARRIED FORWARD	0.459	0.459	0.459	0.459	0.459
LOWER 2005 NA WAGE INCREASE	0.351	0.000	0.000	0.000	0.000
MOFE SCRAP CREDIT	0.300	0.000	0.000	0.000	0.000
CUT MW VEHICLE REPAIRS	0.250	0.250	0.250	0.250	0.250
ALL OTHER	1.515	0.226	(0.181)	(2.031)	2.029
EQUIPMENT REPLACEMENT PLAN - DISPOSAL COSTS	(2.287)	0.657	(1.219)	0.000	0.000
EQUIPMENT REPLACEMENT PLAN - H&H (OP. COSTS)	(1.712)	(1.806)	(2.477)	(2.445)	(2.412)
MID-HUDSON STATION/OVERPASS IMPROVEMENTS	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
PENTA SYSTEM UPGRADE/MAINTENANCE	0.000	0.000	0.000	(0.075)	0.000
TVMS/TOMS/MAIL & RIDE (EXCLUDING REVENUE)	(0.147)	(0.294)	(0.294)	(0.294)	(0.294)
SERVICE PLAN 2008	0.000	0.000	0.000	(0.329)	(0.658)
W OF H SUBSIDY CHANGE (INCLUDING SERVICE PLAN) (1)	(3.497)	(3.624)	(4.039)	(4.865)	(5.490)
W OF H INCREASE FARE HOLDDOWN	(0.030)	(0.060)	(0.060)	(0.060)	(0.060)
EQUIP STRATEGY - GENESIS LOCOMOTIVE OVERHAUL	2.400	(1.760)	(5.560)	(8.340)	(8.340)
EQUIP STRATEGY - W OF H LOCOMOTIVE OVERHAUL	1.790	(1.770)	(1.630)	(0.010)	(0.010)
SECURITY PLAN - GCT FIRE/LIFE SAFETY TRAIN SHED	0.000	(0.050)	(0.050)	(0.050)	(0.050)
SECURITY PLAN - IMPROVE/PROTECT IT NETWORK	0.000	(0.034)	(0.034)	(0.034)	(0.034)
SECURITY PLAN - OUTLYING SHOPS AND YARDS	0.000	0.000	(1.500)	(1.500)	(1.500)
SECURITY PLAN - PARK AVE TUNNEL UPS SYSTEM	0.000	0.000	(0.059)	(0.059)	(0.059)
SECURITY PLAN - UPPER HUDSON EMERGENCY	0.000	(0.025)	(0.025)	(0.025)	(0.025)
ELECTRIC PROPULSION 2006 BRIDGE ADD	0.000	(1.954)	(1.954)	(1.954)	(1.954)
2006 -2010 ADJ FOR 2005 NA WAGE INCR (3%VS 2.5%)	0.000	(0.360)	(0.360)	(0.360)	(0.360)
2006 FIRE SUPPRESSION CONTRACT IN SAFETY	0.000	(0.350)	(0.350)	(0.350)	(0.350)
INCREASE OFFICE RENT GRAYBAR	0.000	(0.332)	(0.332)	(0.332)	(0.332)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of Changes Between Financial Plans by Category
(\$ in millions)

	2005	2006	2007	2008	2009
INFLATION	0.000	(2.511)	(7.788)	(13.680)	(20.815)
MOFE T&E SWITCHING	(0.156)	(0.078)	(0.156)	(0.078)	0.000
MOFE INCR IN OCCUPANCY	(0.264)	(0.132)	(0.132)	(0.132)	(0.132)
INCR STA SVC OCCUPANCY	(0.296)	(0.251)	(0.251)	(0.251)	(0.251)
MOFE INCR IN OTHER OP CONTRACTS	(0.480)	(0.480)	(0.480)	(0.480)	(0.480)
LOWER NA VACANCY BY 5 POSITIONS	(0.497)	0.000	0.000	0.000	0.000
INCREASE IN CREDIT CARD FEES	(0.700)	(0.700)	(0.700)	(0.700)	(0.700)
2005 FRINGE CHANGE	(0.969)	(0.546)	(0.546)	(0.546)	2.354
NA ADJ FOR PAYBACK OF LAG DAYS	(0.984)	0.000	0.000	0.000	0.000
OTE-OT- MOFE INCR	(1.190)	(0.590)	(0.590)	(0.590)	(0.590)
OTE-ST- CORP ADJ	(1.700)	(1.700)	(1.700)	(1.700)	(1.700)
2005 DIESEL FUEL PRICE ADD	(3.568)	(3.568)	(3.568)	(3.568)	(3.568)
OH RECOVERY	(4.035)	(2.625)	(2.536)	(2.025)	(1.713)
CONSTRUCTION CP-248 INTERLOCKING	0.000	(0.111)	(0.092)	(0.147)	(0.152)
EQUIPMENT REPLACEMENT PLAN - NHL (OP.	0.095	0.200	0.204	(0.238)	(6.229)
FUEL FACILITY IMPROVEMENTS - NH & STAMFORD	0.000	0.000	0.000	0.000	(0.087)
HARLEM RIVER LIFT BRIDGE SYSTEM REHABILITATION	0.000	(0.090)	(0.089)	(0.091)	(0.094)
HIGHBRIDGE YARD - CONSTRUCT CAR WASHER	0.000	0.000	0.000	0.000	(0.109)
INSTALLATION OF SECTIONALIZED SWITCHES - GCT	0.000	0.000	0.000	(0.091)	(0.094)
NEW HAVEN RUNNING REPAIR SHOP	0.000	(0.187)	(0.380)	(0.389)	(0.399)
NEW HAVEN WHEEL TRUE SHOP	0.000	0.000	0.000	0.000	(0.305)
EQUIP STRATEGY - P-40 LEASE FOR NHL SVC	(0.170)	(0.173)	(0.177)	(0.181)	0.000
MATERIAL STORAGE EQUIP NWP & HBRDG	0.000	(0.367)	(0.375)	(0.383)	(0.393)
SECURITY PLAN - GCT ELECTRONIC SECURITY	0.000	(0.366)	(2.712)	(4.035)	(4.125)
PROVISION FOR SERVICE IMPROVEMENTS	0.000	(1.500)	(1.500)	(1.500)	(1.500)
EQUIP STRATEGY - F-40 LEASE FOR W OF H	(0.100)	(0.082)	(0.031)	0.000	0.000
CHANGES IN CAPITAL PROJECT ACTIVITY LEVELS	12.892	12.388	6.374	1.843	1.664
Sub-Total Expense Changes	\$7.852	(\$2.960)	(\$16.065)	(\$33.733)	(\$42.595)
Cash Adjustments:					
Revenue					
Expenses					
Sub-Total Cash Adjustments	(\$1.737)	(\$0.135)	\$3.810	\$1.016	\$2.402
Total Baseline Changes	\$0.554	(\$8.764)	(\$10.044)	(\$23.996)	(\$31.973)
PEG Program					
NEW HAVEN SHOPS & YARD - CAR WASHER / WHEEL SHOP	\$0.000	\$0.117	\$0.120	\$0.122	\$0.125
TVMs PURCHASE ADDITIONAL 36 MACHINES	0.093	1.253	2.562	4.138	5.250
IT-EVALUATION EQUIPMENT & TECHNOLOGY	0.000	0.000	0.104	0.107	0.109
PROCESS REVIEW FOR PRODUCTION SAVINGS	0.000	0.000	0.250	0.500	1.000
TOTAL PEGS	\$0.093	\$1.370	\$3.036	\$4.867	\$6.484
Total Changes	\$0.647	(\$7.394)	(\$7.008)	(\$19.129)	(\$25.489)
2005 July Financial Plan - Operating Cash Income/(Deficit)	(\$300.878)	(\$327.183)	(\$345.190)	(\$385.557)	(\$424.335)

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Summary of PEGs
(\$ in millions)

	Favorable/(Unfavorable)											
	2004 Actuals		2005		2006		2007		2008		2009	
	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars	Positions ¹	Dollars
LIST of PROGRAMS												
Administration:												
IT - EVALUATION EQUIPMENT & TECHNOLOGY		.000		.000		.000		.104		.107		.109
PROCESS REVIEW FOR PRODUCTIVITY SAVINGS		.000		.000		.000		.250		.500		1.000
Sub-Total Administration	0	\$0.000	0	\$0.000	0	\$0.000	0	\$.354	0	\$.607	0	\$1.109
Customer Convenience & Amenities:												
TVMs PURCHASE ADDITIONAL 36 MACHINES		\$0.000	0	\$.093	(3)	\$1.253	(3)	\$2.562	(3)	\$4.138	(3)	\$5.250
Sub-Total Customer Convenience & Amenities	0	\$0.000	0	\$.093	(3)	\$1.253	(3)	\$2.562	(3)	\$4.138	(3)	\$5.250
Service:												
Sub-Total Service	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Maintenance:												
NEW HAVEN SHOPS & YARD - CAR WASHER / WHEEL SHOP	0	.000	0	.000	1	.117	1	.120	1	.122	1	.125
Sub-Total Maintenance	0	\$0.000	0	\$0.000	1	\$.117	1	\$.120	1	\$.122	1	\$.125
Revenue Enhancements:												
Sub-Total Revenue Enhancements	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Other:												
Sub-Total Other	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000	0	\$0.000
Total PEGs	0	\$0.000	0	\$0.093	(2)	\$1.370	(2)	\$3.036	(2)	\$4.867	(2)	\$6.484

¹ Reflects the impact of amendments on year-end positions.

**MTA Metro-North Railroad
July Financial Plan 2006-2009
PEG Financial Impact Worksheet**

PEG Program Category: ADMINISTRATION
Program: PROCESS REVIEW FOR PRODUCTIVITY SAVINGS

Background Details: The recently implemented PeopleSoft Financial and Human Resource Systems, other new and upgraded systems developed in-house, as well as the ongoing replacement of old, difficult to maintain rolling stock with M7s, and the scheduled addition of new shop space in NH, afford the railroad an opportunity for a program of process reviews that is likely to yield productivity savings. MNR recently began just such a Process Review Program that will target several functions across departmental lines.

PEG Description/Implementation Plan: In its early stage, the program was started with the preliminary identification of target functions and review focus. The next steps include the establishment of review teams, assignment of priorities, and settlement of schedules and timeframes. A number of these reviews are likely to take a few weeks, some will take months. The current plan is to update the status of this Process Review Program with each Financial Plan update.

PEG Implementation Date: When will PEG savings begin?:

	2004 Actuals	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>						
Net Savings (in millions)	\$0.000	\$0.000	\$0.000	\$0.250	\$0.500	\$1.000
<i>Total Reduction in Positions Required</i>						
<i>(List Title of Positions)</i>						
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0	0
<i>Impact on Operations:</i>						
Ridership Per Week (in thousands)						
Mean Distance Between Failure						
On-Time Performance						
Other <i>(Identify Appropriate Indicator)</i>						
<i>List of Other Concerns:</i>						
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

**MTA Metro-North Railroad
July Financial Plan 2006-2009
PEG Financial Impact Worksheet**

PEG Program Category: CUSTOMER SERVICE
Program: TVMs PURCHASE ADDITIONAL 36 MACHINES

Background Details: MNR is in the process of purchasing 36 additional ticket vending machines (TVMs) and replacing the existing Control Support System. The project will expand MNR's automated ticket selling network, thereby improving customer service at many outlying stations and concurrently reducing on-board ticket sales. Reduction in on-board ticket sales translates into improved revenue collection.

PEG Description/Implementation Plan: The addition of the TVMs will require the addition of 6 TVM Technicians, two IT support positions (Dbase Administrator, Sr. Network Field Support Analyst), and maintenance contracts. These additional costs, however, will be offset by a reduction in Ticket Agents positions (for a net increase of three positions), and the projected increase in revenue collection. Ticket Agent positions at seven stations are scheduled to be affected. The single tours of duty (6am-2pm Mon-Fri) at Hastings, Mamaroneck, Pelham and Tuckahoe are to be eliminated, as well as the part-time (6am-10am Mon-Fri) position at Norton Heights and one of the 22 positions at Grand Central Terminal. One of the Ticket Agent position reductions will be offset by the recently authorized addition of a Ticket Agent position at Fordham to handle increasing sales.

PEG Implementation Date: September 2005 & April 2006 **When will PEG savings begin?:** January 2006

	2004 Actuals	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
<i>Financial Impact (Operating)</i>						
Net Savings (in millions)	\$0.000	\$0.093	\$1.253	\$2.562	\$4.138	\$5.250
<i>Total Reduction in Positions Required</i>			(3)	(3)	(3)	(3)
<i>(List Title of Positions)</i>						
Current Vacancies <i>(List title of vacant positions)</i>	0	0	0	0	0	0
<i>Impact on Operations:</i>						
Ridership Per Week (in thousands)						
Mean Distance Between Failure						
On-Time Performance						
Other <i>(Identify Appropriate Indicator)</i>						
<i>List of Other Concerns:</i>	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

POSITION ASSUMPTIONS

NON-REIMBURSABLE POSITIONS

- Positions are stated as of December 31 of each year and reflect the estimated number of paid employees. Consequently, position totals incorporate existing vacancy and turnover estimates.
- Annual staffing levels include the impact of program deferrals, eliminations, or re-estimates, consistent with the associated cost changes incorporated into the financial plan.

REIMBURSABLE POSITIONS

- Positions are stated as of December 31 of each year and reflect employees estimated to be paid. Consequently, position totals incorporate existing vacancy and turnover estimates.
- 2005 staffing levels reflect changes in project requirements.
- 2006-2009 staffing levels assume a continuation of 2005 project activity levels.

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Total Non-Reimbursable - Reimbursable Positions at End-of-Year
Full-Time Positions and Full Time Equivalents

FUNCTION/DEPARTMENT	2004 Actuals	2005 Mid-Year Forecast	2006 Preliminary Budget	2007	2008	2009
Administration						
President	6	6	6	6	6	6
Labor Relations	11	13	13	13	13	13
Safety	12	13	14	14	14	14
Corporate & Media Relations	15	15	15	15	15	15
Legal	15	16	16	16	16	16
Claims Services	21	21	22	22	22	22
Environmental Compliance & Serv	6	6	6	6	6	6
VP Human Resources	3	3	3	3	3	3
Human Resources	46	47	47	47	47	47
Training	30	31	31	31	31	31
Workforce Diversity	4	4	4	4	4	4
VP Planning & Development	5	5	5	5	5	5
Operations Planning	12	13	13	13	13	13
Capital Planning	14	14	14	14	14	14
Business Development & Facilities	14	14	14	14	14	14
Marketing	10	10	10	10	10	10
Industrial Engineering	9	9	9	9	9	9
Executive Vice President	1	1	1	1	1	1
Controller	126	128	128	128	128	128
Information Technology	114	121	127	127	127	127
Budget	15	16	16	16	16	16
Customer Service	63	65	65	66	67	67
Corporate *	-	(23)	(45)	(45)	(45)	(45)
Total Administration	552	548	534	535	536	536
Operations						
VP Operations	37	37	37	37	50	50
Operations Services	1,953	1,828	1,835	1,838	1,849	1,895
Metro-North West	28	32	32	32	32	32
Total Operations	2,018	1,897	1,904	1,907	1,931	1,977
Maintenance						
GCT	344	344	348	354	373	393
Maintenance of Equipment	1,128	1,247	1,253	1,253	1,253	1,253
Maintenance of Way	1,519	1,440	1,447	1,470	1,479	1,490
Procurement & Material Mgmt	173	171	172	172	172	172
Total Maintenance	3,164	3,202	3,220	3,249	3,277	3,308
Engineering/Capital						
Project Budget	12	13	13	13	13	13
Construction Management	37	39	41	41	41	41
Engineering & Design	60	62	62	62	62	62
Total Engineering/Capital	109	114	116	116	116	116
Baseline Total Positions	5,843	5,761	5,774	5,807	5,860	5,937
<i>Non-Reimbursable</i>	5,481	5,219	5,229	5,262	5,315	5,392
<i>Reimbursable</i>	362	542	545	545	545	545
<i>Total Full-Time</i>	5,837	5,756	5,769	5,802	5,855	5,932
<i>Total Full-Time-Equivalents</i>	6	5	5	5	5	5
Impact of:						
2005 Program to Eliminate the Gap						
2006 Program to Eliminate the Gap		2	2	2	2	2
Total Positions	5,843	5,763	5,776	5,809	5,862	5,939
<i>Non-Reimbursable</i>	5,481	5,221	5,231	5,264	5,317	5,394
<i>Reimbursable</i>	362	542	545	545	545	545
<i>Total Full-Time</i>	5,837	5,758	5,771	5,804	5,857	5,934
<i>Total Full-Time-Equivalents</i>	6	5	5	5	5	5

* Reflects turnover vacancies in December not included in department totals.

RIDERSHIP/UTILIZATION PROJECTIONS

- Ridership projections are developed primarily by the application of line segment ridership forecasting models that incorporate current trends and the impact of economic and demographic factors and government-supported mass transit initiatives. In addition, internal programs that affect service, customer awareness, and access to Metro-North are also incorporated into ridership forecasts.
- The current financial plan incorporates higher customer growth rates for East of Hudson Service than the February Plan. This increase is attributed to general growth trends, which are incorporated into the 2006-2009 ridership base, as well as several 2005 extraordinary ticket sale events related to the pre-purchase of ten-trip tickets prior to the March 2005 fare increase, and the diversion of Westchester County bus riders to Metro-North during the Bee-Line Bus Strike.

The 2005 forecast reflects East of Hudson service ridership that is 1.8% higher than the adopted (February Plan) budget, and 2.6% higher than 2004 actual results. In 2006, 2007, 2008 and 2009, ridership is projected to grow 1.3%, 1.4%, 1.5% and 1.0%, respectively.

- West of Hudson utilization reflects lower customer levels than included in the February Plan. This decrease reflects lower than previously projected ridership growth from new service, the opening of the Secaucus transfer and the re-opening of PATH Service in lower Manhattan.

The 2005 forecast reflects West of Hudson ridership that is 15.4% lower than the adopted (February Plan) budget, but 18.8% higher than 2004 actual results. In 2006, 2007, 2008 and 2009, ridership is projected to grow 8.4%, 5.6%, 4.2% and 2.6%, respectively.

MTA Metro-North Railroad
July Financial Plan 2006 - 2009
Ridership/Traffic Volume (Utilization)
(in millions)

	2004	2005	2006			
	Actuals	Mid-Year	Preliminary	2007	2008	2009
		Forecast	Budget			
<u>Farebox Revenue *</u>						
Harlem Line	\$118.063	\$127.059	\$130.899	\$133.290	\$135.058	\$136.826
Hudson Line	81.757	88.618	91.541	93.804	95.816	97.165
New Haven Line	202.669	219.329	222.193	224.171	226.580	229.010
Total Farebox Revenue	\$402.489	\$435.006	\$444.633	\$451.265	\$457.454	\$463.001
<i>Impact of:</i>						
Program to Eliminate the Gap	-	-	1.590	3.180	4.770	5.962
Total Revenue	\$402.489	\$435.006	\$446.223	\$454.445	\$462.224	\$468.963
<u>Ridership</u>						
Harlem Line	24.039	24.696	25.074	25.496	25.857	26.120
Hudson Line	13.616	14.011	14.255	14.567	14.876	15.032
New Haven Line	33.102	33.905	34.199	34.524	34.974	35.283
Baseline Total Ridership	70.757	72.612	73.528	74.587	75.707	76.435
<i>Impact of:</i>						
Program to Eliminate the Gap	-	-	-	-	-	-
Total Ridership	70.757	72.612	73.528	74.587	75.707	76.435

* Excludes Mail and Ride Fare box Revenue from West of Hudson Service of \$.600 million 2005-2010.

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