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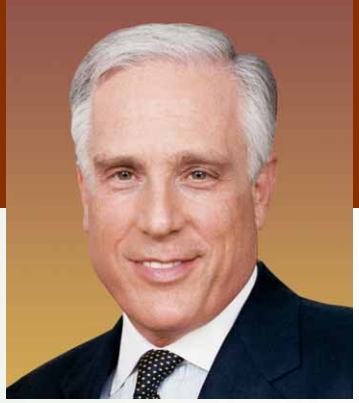
Message from the Chairman and the Executive Director



Peter S. Kalikow, Chairman

Katherine N. Lapp, Executive Director

May 1, 2005

In 2004, we completed the MTA's fifth five-year Capital Program. That nearly $20 billion effort delivered thousands of high-tech rail cars and new buses for our eight million daily customers, renovated and made ADA-accessible dozens of stations and parking facilities, and invested in a host of "invisible" infrastructure improvements that provide greater safety and reliability. But the impacts of the Capital Program reach far beyond the MTA's network and the customers it serves.

From Bay Shore to Buffalo, from Poughkeepsie to Plattsburgh, economic benefits of the Capital Program are felt as the myriad components of the MTA's subways, commuter trains, and buses are manufactured and assembled by businesses located all across the state. The "ripple effect" of dollars invested in the MTA's 2000-2004 Capital Program has generated impressive economic benefits for the overall New York State economy:

- 301,552 total worker-years of employment, or between 16,000 and 35,000 jobs annually for nine years
- $10.2 billion in salaries and wages
- $941 million in state and local personal income and sales taxes
- $25.3 billion in economic activity/sales

Mass transit — subways, buses, commuter rail, bridges and tunnels — and our region's economic and social life have long been intertwined. Three milestones in 2004 — the 100th anniversary of the subways, the 170th anniversary of MTA Long Island Rail Road, and the 40th anniversary of the Verrazano-Narrows Bridge — demonstrate the dimensions of these interrelationships.

The Subway Centennial celebrated the enormous impetus the subways gave to New York City's evolution, transforming it in an incredibly short time from a densely populated, traffic-choked Lower Manhattan into five thriving boroughs united as a prosperous economic and social entity. Productivity and prosperity grew explosively. A huge building boom raised new buildings and blocks of spacious apartments around announced routes. Between 1910 and 1940, the population of New York increased by 56 percent, but the population of Manhattan fell 19 percent. People were moving to more affordable and comfortable homes in upper Manhattan and the former fields and farms of the Bronx, Brooklyn, Queens, and Staten Island.

Our commuter railroads performed a similar service for Long Island and the northern suburbs, with prosperous bedroom communities growing up around new train stations. Today, Long Island Rail Road's Atlantic Terminal is an important part of the economic revitalization of that neighborhood. MTA Metro-North Railroad's electrification of the Harlem Line beyond Brewster (1982-1984) resulted in a 370 percent increase in ridership on the Dover Plains line since 1980. After the Verrazano-Narrows Bridge opened in 1964, the population of Staten Island grew by 20 percent between 1970 and 1990.

But these kinds of economic benefits depend on continuing investment and maintenance — disinvestment and deferred maintenance brought the subways to near ruin in the 70s and 80s, when a third of the fleet was typically out of service during the morning rush hours and the commuter railroads suffered similar, albeit less severe, damage. The resulting delays and lost time wreaked havoc on worker productivity and diminished the desirability of the metropolitan area as a business center.

The MTA has worked diligently over the last 22 years to prevent the recurrence of this scenario, and we are pleased that our 2005-2009 Capital Program proposals represent a balance between our commitment to maintaining and upgrading the system and a realistic vision of expansion that will alleviate strains on the current system, provide new facilities to meet the projected needs of population growth and future customers, and build transportation infrastructure that will spur and support further economic development.

Our core concern is the system's repair, maintenance, and upgrading — most of the infrastructure is fifty to a hundred years old, and so we've allocated substantial resources to these ongoing activities. But we're also planning for a system that will support regional economic development and prosperity.

One step in this direction was the creation of the MTA Bus Company in September to take over the operations of seven bus companies operating under franchises granted by the New York City Department of Transportation. Beginning in January 2005, these lines are being taken over on a staggered basis, and MTA Bus will consolidate and be responsible for their local and express operations.

We continue to look to the future as we plan for East Side Access and the Second Avenue Subway, two visionary projects that are poised to get underway.

On the operating side of the ledger, the MTA's budget showed a significant surplus in 2004 and we have taken great measures to lower deficits previously projected for 2005 and beyond. The first quarter of 2005 showed progress toward a balanced budget with real estate taxes ahead of plan, fares and tolls increased as planned, and cost-reduction programs implemented.

Our 2006 budget will benefit from the recently adopted state budget which provided new revenues to the MTA (increased sales tax and mortgage recording tax revenues, Department of Motor Vehicles fees) as well as the stabilization reserves set aside from the 2004 budget (assuming 2005 continues on plan) and continuing cost-efficiency programs. As a result, our budget planning for 2006 is progressing well.

In addition, our 2007 budget is looking manageable because of new cost-efficiency programs in shared services and reorganization, new revenue sources including sponsorship revenues, and previously planned fare and toll increases. By planning such increases well in advance we can keep pace with inflationary pressures, while the increases are predictable and more moderate, causing less hardship for riders.

Increased efficiency and budgetary discipline are both necessary, and we are exploring more innovative revenue-generating initiatives. But we must also obtain increased support from our federal, state, and local partners, and we are taking every opportunity to make our case aggressively in these forums as well as with the business community. Our strongest argument is that first-rate public transportation is necessary, not only for mobility and prosperity in the metropolitan region, but also to generate significant benefits to the New York State economy from continued investment in the 2005-2009 Capital Program.

The past year was full of challenges and even some frustration, but the accomplishments cited in this report clearly testify that the people of the MTA continue to pursue the goal of safe, reliable, and efficient public transportation despite these difficulties. We remain committed to providing that essential service in a form the future of the region and its citizens desire.

Peter S. Kalikow
Chairman

Katherine N. Lapp
Executive Director

MTA Leadership

MTA Board

Peter S. Kalikow, Chairman

David S. Mack, Vice Chairman

Edward B. Dunn, Vice Chairman

Andrew B. Albert

John H. Banks

James F. Blair

Nancy Shevell Blakeman

Anthony J. Bottalico

Michael J. Canino

Barry L. Feinstein

Lawrence W. Gamache

James H. Harding Jr.

Susan L. Kupferman

Mark D. Lebow

James L. McGovern

Mark Page

Ernest J. Salerno

Andrew M. Saul

James L. Sedore Jr.

James S. Simpson

Edward A. Vrooman

Ed Watt

Alfred E. Werner

MTA Management

Katherine N. Lapp, Executive Director

(left to right) Stephen L. Kessler, Chief Financial Officer; Christopher P. Boylan, Deputy Executive Director, Corporate and Community Affairs; Linda G. Kleinbaum, Deputy Executive Director, Administration; Gary M. Lanigan, Director, Budgets and Financial Management

William A. Morange, Deputy Executive Director, Director of Security; Timothy A. O'Brien, Corporate Secretary, Chief of Staff; Catherine A. Rinaldi, Deputy Executive Director, General Counsel; Paul Spinelli, Auditor General

Agency Presidents

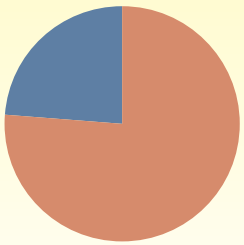
(left to right) Michael C. Ascher, MTA Bridges and Tunnels; Peter A. Cannito, MTA Metro-North Railroad; James J. Dermody, MTA Long Island Rail Road

Mysore L. Nagaraja, MTA Capital Construction; Lawrence G. Reuter, MTA New York City Transit; Thomas J. Savage, MTA Bus Company; Neil S. Yellin, MTA Long Island Bus

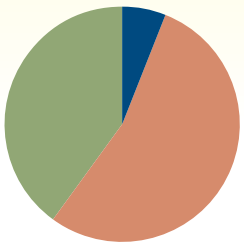
2004 Consolidated Financial Highlights

Assets and Liabilities

($ millions)



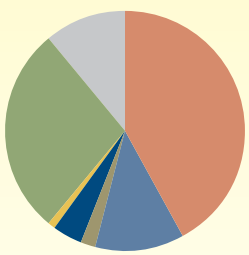
Assets	$43,837	100.00%
Capital assets, net	$33,654	76.77%
Other assets	10,183	23.23



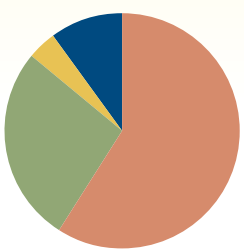
Liabilities and Net Assets	$43,837	100.00%
Current liabilities	$2,487	5.67%
Long-term liabilities	23,754	54.19
Net assets	17,596	40.14

Income and Expenses

($ millions)



Income		
Fares and operating revenues, except tolls	$3,740	42.14%
Tolls	1,097	12.36
State subsidies	206	2.32
Local subsidies	317	3.57
Other subsidies	52	0.59
State/regional taxes	2,453	27.64
Other	1,010	11.38
Federal subsidies	0	0.00
Total	$8,875	100.00%



Expenses		
NYC buses and subways	$5,240	59.05%
Commuter rail, suburban buses, Staten Island Railway, and MTA headquarters	2,417	27.23
Bridges and tunnels	356	4.01
Debt service and other	862	9.71
Total	$8,875	100.00%

Capital Program Progress

Capital Program Funding Received Through December 31, 2004*

($ millions)

	1982–2004	2004
MTA federal grants	$15,581	$284
State service contracts**	1,867	-3
State appropriations	622	1
City appropriations	3,549	90
MTA bonds	12,477	983
MTA debt restructuring	4,480	1,345
MAC surplus	925	–
Lessor equity/Asset sales†	830	53
Investment income	2,031	97
Capital-operating transfer/Pay-as-you-go	1,214	62
Other§	2,454	965
Total	**$46,029**	**$3,878**

* Funding for MTA Bridges and Tunnels Capital Programs not included.

** As part of reconciliation by the MTA Office of the Comptroller, state service contract receipts have been recalculated. Negative figure for 2004 represents the effect of the recalculation.

† Asset sales figures have been consolidated with Lessor equity. Asset sales represent one-time gains from the sales of the East Side Airlines Terminal and the New York Coliseum.

§ Includes consolidation of funds from Beneficial Interest Certificates ($80 million total; no additional funds in 2004), Port Authority of New York and New Jersey ($413 million total; no additional funds in 2004), and Nassau County ($3 million total; $3 million in 2004).

Note: Because of rounding, totals may not add exactly.

Capital Program Progress, 1982-2004

($ millions)

	Commitments	Expenditures	Completions
MTA Total*†	$49,039	$42,541	$36,024
MTA New York City Transit	33,836	29,675	26,282
MTA Long Island Rail Road	6,580	5,748	4,675
MTA Metro-North Railroad	4,815	4,207	3,309
MTA Bridges and Tunnels	2,067	1,685	1,478
MTA Capital Construction	1,407	977	98

Capital Program Progress, 2004

($ millions)

	Commitments	Expenditures	Completions
MTA Total*	$1,759	$3,355	$2,850
MTA New York City Transit	876	1,923	1,540
MTA Long Island Rail Road	137	469	471
MTA Metro-North Railroad	361	393	447
MTA Bridges and Tunnels	79	198	328
MTA Capital Construction	245	295	64

* MTA totals include the following amounts:
World Trade Center recovery: Total commitments, $206 million; total expenditures, $200 million; total completions, $148 million; 2004 expenditures, $62 million.

Planning and Customer Service Projects: Total commitments, $67 million; total expenditures, $49 million; total completions, $34 million; 2004 expenditures, $15 million.
MTA Bus Company: 2004 commitments, $61 million.

† Does not include $92 million of commuter rail project commitments made in the 1982-1991 Capital Program for projects that could not be assigned to either railroad since they benefited both.

Note: Because of rounding, totals may not add exactly. Commitments may be more than receipts since bonds are sold as cash is needed.

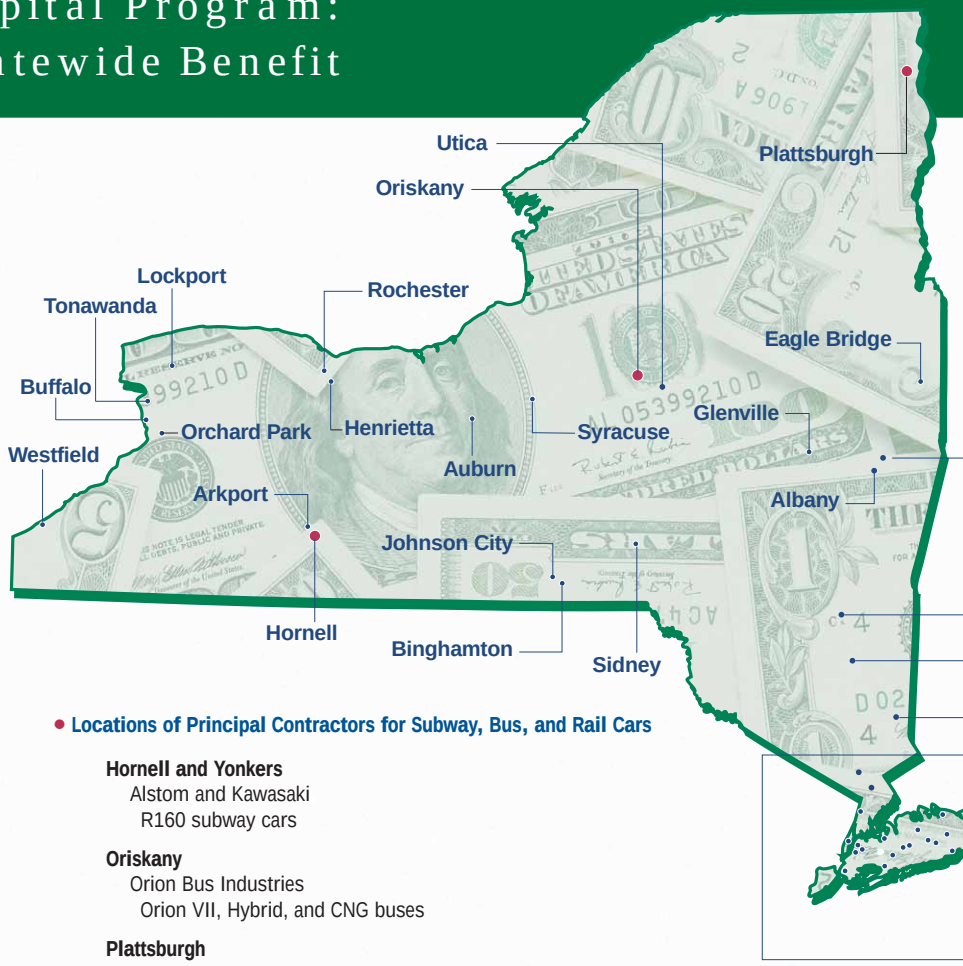
Capital Program: Statewide Benefit

Since 1982 a series of five-year Capital Programs has maintained, rebuilt, and improved the MTA's physical system and thus enhanced our ability to provide our customers with better service. They have also created jobs and important economic benefits throughout the entire New York State economy because the components of the subways, commuter trains, and buses purchased by the MTA are manufactured and assembled by firms located all across the state.

Four principal New York State contractors provide the MTA with subway cars, buses, and commuter rail cars: Alstom (Hornell), Orion Bus Industries (Oriskany), Bombardier (Plattsburgh), and Kawasaki (Yonkers). Another 73 principal subcontractors in 42 cities across the state manufacture electrical systems, subway wheels and air springs, bus filters and hydraulic lines, rail car HVAC, and countless other components.

A Port Authority study conducted in the mid-1990s used a sophisticated "input-output" computer model to estimate the "ripple effect" of dollars invested in the MTA's 1992-1996 Capital Program. Applying those same ratios to the MTA's $19.6 billion 2000-2004 Capital Program dramatizes its impressive economic benefits for New York State's economy:

- 301,552 total worker-years of employment or between 16,000 to 35,000 jobs annually for nine years
- $25.3 billion in economic activity/sales
- $941 million in state and local personal income and sales taxes
- $10.2 billion in salaries and wages.



• Locations of Principal Contractors for Subway, Bus, and Rail Cars

Hornell and Yonkers
Alstom and Kawasaki
R160 subway cars

Oriskany
Orion Bus Industries
Orion VII, Hybrid, and CNG buses

Plattsburgh
Bombardier
R142 subway cars and M7 rail cars

Yonkers
Kawasaki Rail Car
R142A, R142S, R143 subway cars

• Locations of Principal Subcontractors for Subway, Bus, and Rail Cars

Albany
Albatros US Corp
Rail car HVAC, auxiliary power, and monitoring

Arkport
Silk Road Transport
Rail car transportation

Auburn
Auburn Technology
Subway car HVAC

Bay Shore
UFC Aerospace
Subway car lock-tite

Binghamton
Harris Assembly Group
Bus electrical

MELCO
Subway car HVAC

Westcode
Subway car truck final assembly

Brewster
Hudson Machine Works
Subway car floor heat assembly

Brooklyn
Altech Electronics
Subway car radio transceiver

Buffalo
Luminator
Subway car lighting and signs

Vibratech
Subway car truck vibration dampers

Deer Park
Dynalantic
Subway car cab simulator

Woodbine
Subway car communications parts

Eagle Bridge
Cambridge Nicole Industries
Rail car machining

Eagle Bridge
Rail car truck casting

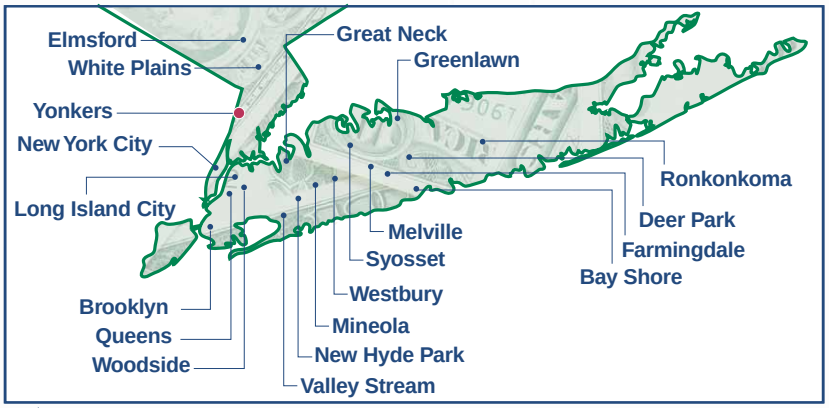
Elmsford
BBA
Subway car hardware

Koito/KPS
Subway car monitoring and diagnostic systems

WABCO
Rail car coupler

Farmingdale
Air & Power Transmission
Bus filters and hydraulic lines

Locations of Principal Contractors and Subcontractors for Subway, Bus, and Rail Cars



Product Technology
Subway car fabricated metal parts

Tape Switch
Bus touch tapes

Telephonics
Subway car communications

Glenville
Melco (Super Steel)
Rail car propulsion

Great Neck
Nishiyama
Subway car air hoses

Greenlawn
Phazer Antenna
Subway car communication network assembly

Henrietta
SMC Pneumatics
Subway car door system parts

Johnson City
BAE Systems N.A.
Bus HybriDrive™ diesel-electric propulsion system

Kingston
Smith Henneke
Subway car fabricated metal parts

Lockport
Diversified Manufacturing Inc.
Bus sheet metal

Long Island City
Honeywell Sensing
Subway car connectors

Melville
Allen Machine
Subway car door system parts

Mineola
Safe T Metals
Subway car door thresholds

New Hyde Park
Motion Industries
Subway car Lock-tite

New York
Big Apple Sign Corporation
Subway car graphic designs

Cox & Company Inc.
Rail car weldments

Newark
Subway car electrical parts

Sumitomo
Subway car wheels and air springs

Orchard Park
Enidine
Subway car vertical shock absorbers

Oriskany
Seifert Graphics
Bus decals

Plattsburgh
Axion Technologies LTD (former Pocatec/PCS)
Subway car electronic signs
Rail car communication

Curtis Door Systems
Subway car door parts, end door tracks, and door closures

Group Multina
Rail car passenger seats

Knorr Brake
Subway Car Brake Parts and Subassemblies
Rail car friction brake

PCS Technologies
Subway car information signs

Railtech
Subway car plymetal flooring
Rail car ceiling panels

Temoinsa Corporation
Rail car toilet modules

TransEd
Subway car truck assembly
Rail car truck manufacturing

Vapor
Subway car door systems

Vapor/WABCO
Rail car door operator

WABCO
Subway car brakes, pneumatics, couplers, and current collectors

X-PIo/E-Z Sto
Rail car transportation

Poughkeepsie
Koshii
Subway car floor and interior panels

Queens
Peerless Electronics
Subway car event recorder

Rochester
Acro Industries
Subway car FRP plastics and moldings

Chamberlin Rubber
Subway car elastomers/seals

Garston Sign & Screen
Subway car sealer

Integrated Logistics Solution
Bus hardware

Ronkonkoma
Hytech Industries
Subway car panels

Sidney
Amphenol
Subway car cable assemblies
Rail Car receptacles/jumpers and harness cables

Syosset
Clever Devices
Bus message player

Syracuse
Syracuse Diesel & Electric
Subway car control valves

Tonawanda
Sinclair
Subway car radio antenna

Troy
VPS Control Systems
Subway car control cables

Utica
New Hartford Sheet Metal
Bus sheet metal

Oriskany Manufacturing Technology
Bus sheet metal

Valley Stream
Walker International Transportation Inc.
Rail car warehousing

Westbury
Lin Industries
Subway car floor panels and assemblies
Rail car electro-mechanical assembly fabrication

Westfield
Renold
Subway car gear unit and coupling assembly

White Plains
Benfield Electric
Subway car electric parts

Woodside
Jamaica Bearings
Subway car journal bearings

Yonkers
BBA Project Inc.
Rail car distribution-batteries

Benfield Electric
Subway car electrical parts

Graybar
Subway car conduit

Panasonic
Subway car communications

Tamperproof Screw
Subway car hardware

MTA Operations

Capital Program Overview 2000-2004

In May 2000 the $17.1 billion 2000-2004 Capital Program was approved by the Capital Program Review Board; by December 2004, the addition of World Trade Center repair work (rebuilding the 1/9 line), the MTA security program, the Lower Manhattan recovery projects, the acceleration of M-7 rail car purchases, and the addition of funds for MTA Bus ultimately increased the value of the program to $19.6 billion.

Times Square station complex rehabilitation.

By the end of 2004, 95 percent of the core work of the five-year program had been committed. Thirty-five percent of the core program funding supported the state-of-good-repair needs of the MTA system, 49 percent supported normal replacement of system components at or near the end of their useful life, and 13 percent went to system improvement. MTA Capital Construction committed 58 percent of a $2.6 billion budget for the major expansion projects under its auspices.

Over the course of the 2000-04 Capital Program, MTA New York City Transit fully retired its old "Redbird" fleet and purchased 1,210 new "high-tech" rail cars, 520 of which are currently in service. Of 885 new buses ordered, 685 are in service. A total of 68 station rehabilitations, including Times Square, are underway and 19 have been completed. These rehabilitations are perhaps the most dramatic evidence of capital improvement and upgrading, but improvements are also underway in invisible infrastructure essential to system operation, such as pumps, fans, relays, and signals. Along with these accomplishments, NYC Transit restored 1/9 service in a remarkably quick nine-month recovery from the World Trade Center attacks.

MTA Long Island Rail Road's new bi-level diesel fleet is fully in service as are 344 of 678 ordered M-7 electric cars. The railroad's 2000-2004 track and concrete tie program has been completed as planned and 700 of 1,400 new parking spaces are under construction or complete. LIRR's M-3 overhauls and Atlantic Terminal and Jamaica Station projects are well underway.

The 2000-04 Capital Program witnessed the purchase and delivery of the first 180 of 300 new M-7 electric cars MTA Metro-North Railroad has ordered; 65 coaches have also been ordered and nine locomotives have been delivered. Nine Hudson Line stations are being rehabilitated; two — including the historic Yonkers station — have been completed, and seven others are underway. Other projects that are underway include 1,532 of 2,027 new

parking spaces, Hudson Line Overpass improvements, design work for Harlem Line station renovations, and network infrastructure upgrades. Phase II of the Harmon Shop and Yard replacement is underway and Phase III design is complete.

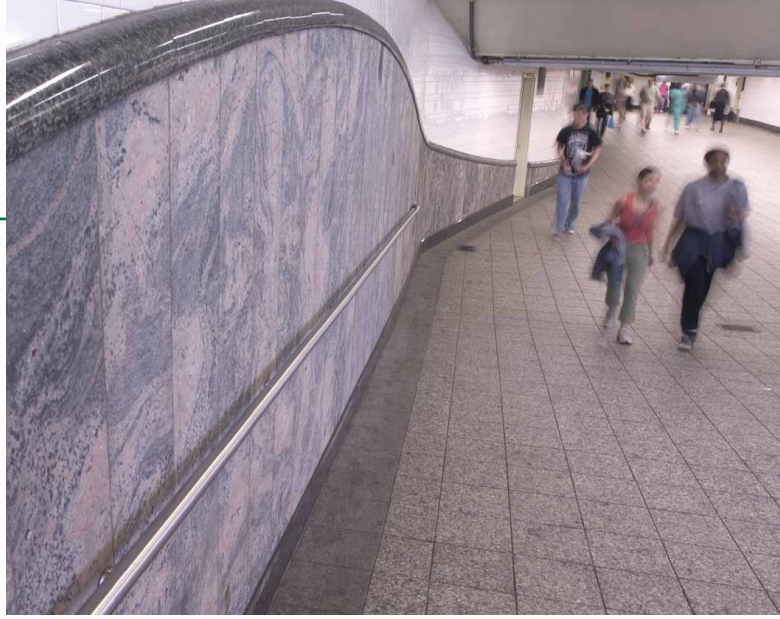
MTA Bridges and Tunnels completed the largest rehabilitation project in its history, the roadway deck rehabilitation of the suspension span and Queens viaduct of the Triborough Bridge, and completely replaced the roadway deck of the Marine Parkway-Gil Hodges Bridge.

By December 2004, 95 percent of the core work of the 2000-2004 Capital Program had been committed.

Construction has begun on the Fulton Street Transit Center, a major reconstruction project that will support the recovery and revitalization of Lower Manhattan. The new transit center, which is being built with 100 percent federal funding, will benefit hundreds of thousands of Lower Manhattan commuters a day as well as accommodate the five million or more visitors a year anticipated for the World Trade Center Memorial and the current 3.5 million visitors to the Statue of Liberty.

At the site of the most heavily used subway lines in Lower Manhattan, the Fulton Street Transit Center (FSTC) will provide a direct connection to the WTC site. The current Fulton Street facility serves over 225,000 passengers each day; the existing complex and nearby stations provide 100 million trips annually. These facilities are poorly connected and difficult to access from the street. The new transit center will create a major connection for 12 subway lines that serve the Fulton Street/Broadway-Nassau complex and nearby stations, improving circulation and reducing crowding by reconfiguring the current maze of narrow ramps and stairs.

The South Ferry Terminal project, which is also 100 percent federally funded, will replace the obsolete curved, single-track number 1 line station — which accommodates only half the length of a subway train — with a straight two-track terminal that will accommodate full-length trains and improve average trip time and reliability of the entire number 1 line. This will also support growth that is already underway and expected to accelerate with the development of the WTC site, the Staten Island Ferry Terminal reconstruction, and planned rehabilitation



Atlantic Avenue station complex rehabilitation; at left is part of *Hook, Line, and Sinker,* a wall sculpture created by George Trakas in collaboration with diDomenico+Partners.

of Battery Park and expansion of its cultural event offerings. Lower Manhattan's residential population is also growing with Battery Park City expansion and new downtown conversions from commercial to residential space.

The Capital Program is funded by a combination of bond sales, resources from debt restructuring, interest income, insurance proceeds, proceeds from selling or leasing assets, and federal, state, and local allocations.

The Fulton Street Transit Center and the South Ferry Terminal are 100 percent federally funded.

Capital Program 2004 Highlights

Rehabilitation and Improvement One of the largest station complexes in the MTA New York City Transit subway system, the Atlantic Avenue complex is made up of three parts: Atlantic Avenue (B, Q), Atlantic Ave (2, 3, 4, 5), and Pacific Street (D, M, N, R), and adjoins Long Island Rail Road's Atlantic Avenue Terminal. Part of the downtown Brooklyn renaissance, its $163.8 million rehabilitation improved passenger flow and Americans with Disabilities Act (ADA) accessibility with a new wide interconnecting passageway between the three stations, new stairs, new control area, new floor and wall finishes, fluorescent lighting, turnstiles, new signage, new toilets, and other amenities.

Although work at Stillwell Avenue Terminal in Coney Island, the terminus of four subway lines, is not fully complete, NYC Transit has reopened the

MTA Operations

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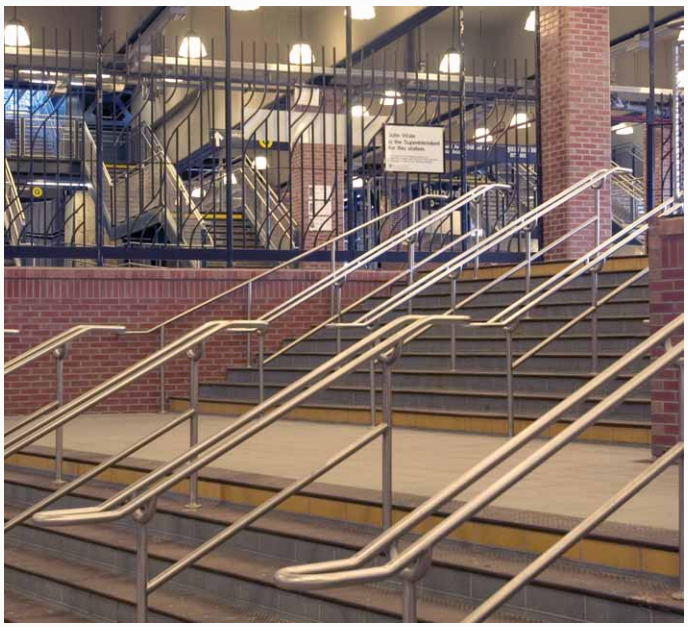


Rehabilitated Stillwell Avenue Terminal.

Over the course of the 2000-04 Capital Program, MTA New York City Transit fully retired its old "Redbird" fleet and purchased 1,210 new "high-tech" rail cars, 520 of which are currently in service. Of 885 new buses ordered, 685 are in service. A total of 68 station rehabilitations, including Times Square, are underway and 19 have been completed. These rehabilitations are perhaps the most dramatic evidence of capital improvement and upgrading, but improvements are also underway in invisible infrastructure essential to system operation, such as pumps, fans, relays, and signals. Along with these accomplishments, NYC Transit restored 1/9 service in a remarkably quick nine-month recovery from the World Trade Center attacks.

MTA Long Island Rail Road's new bi-level diesel fleet is fully in service as are 344 of 678 ordered M-7 electric cars. The railroad's 2000-2004 track and concrete tie program has been completed as planned and 700 of 1,400 new parking spaces are under construction or complete. LIRR's M-3 overhauls and Atlantic Terminal and Jamaica Station projects are well underway.

The 2000-04 Capital Program witnessed the purchase and delivery of the first 180 of 300 new M-7 electric cars MTA Metro-North Railroad has ordered; 65 coaches have also been ordered and nine locomotives have been delivered. Nine Hudson Line stations are being rehabilitated; two — including the historic Yonkers station — have been completed, and seven others are underway. Other projects that are underway include 1,532 of 2,027 new parking spaces, Hudson Line Overpass improvements, design work for Harlem Line station renovations, and network infrastructure upgrades. Phase II of the Harmon Shop and Yard replacement is underway and Phase III design is complete.

MTA Bridges and Tunnels completed the largest rehabilitation project in its history, the roadway deck rehabilitation of the suspension span and Queens viaduct of the Triborough Bridge, and completely replaced the roadway deck of the Marine Parkway-Gil Hodges Bridge.

By December 2004, 95 percent of the core work of the 2000-2004 Capital Program had been committed.

Construction has begun on the Fulton Street Transit Center, a major reconstruction project that will support the recovery and revitalization of Lower Manhattan. The new transit center, which is being built with 100 percent federal funding, will benefit hundreds of thousands of Lower Manhattan commuters a day as well as accommodate the five million or more visitors a year anticipated for the World Trade Center Memorial and the current 3.5 million visitors to the Statue of Liberty.

At the site of the most heavily used subway lines in Lower Manhattan, the Fulton Street Transit Center (FSTC) will provide a direct connection to the WTC site. The current Fulton Street facility serves over 225,000 passengers each day; the existing complex and nearby stations provide 100 million trips annually. These facilities are poorly connected and difficult to access from the street. The new transit center will create a major [illegible]s that serve the Fulton Street/Broadway-Nassau complex and nearby

Ridership

	2003	2004	% change
New York City Transit	2,111,675,448	2,166,626,296	2.60%
Subway	1,384,068,220	1,426,040,136	3.03%
Bus	727,607,228*	740,586,160	1.78%
Long Island Rail Road	80,924,069	79,253,721	-2.06%
Long Island Bus	30,433,281	30,594,795	0.53%
Metro-North Railroad	71,967,650*	72,374,775	0.57%
Bridges and Tunnels (vehicles)	297,465,352*	302,903,321	1.83%
Total System (except Bridges and Tunnels)	2,298,398,680	2,352,192,709	2.34%
Average Weekday (except Bridges and Tunnels)	7,501,955*	7,614,397	1.50%

*Restated from 2003 Annual Report.

stations, improving circulation and reducing crowding by reconfiguring the current maze of narrow ramps and stairs.

The South Ferry Terminal project, which is also 100 percent federally funded, will replace the obsolete curved, single-track number 1 line station — which accommodates only half the length of a subway train — with a straight two-track terminal that will accommodate full-length trains and improve average trip time and reliability of the entire number 1 line. This will also support growth that is already underway and expected to accelerate with the development of the WTC site, the Staten Island Ferry Terminal reconstruction, and planned rehabilitation of Battery Park and expansion of its cultural event offerings. Lower Manhattan's residential population is also growing with Battery Park City expansion and new downtown conversions from comme[illegible]

New York City Transit/Subway

	2002	2003	2004
Overall	6.4	6.2	6.1
Cost	7.0	5.0	5.3
Value	7.2	5.9	6.0
On time	6.7	6.7	6.6
Station environment	6.0	5.8	5.7
Safe/secure in cars	6.3	6.2	6.1
Police in station	5.5	5.3	5.5

Long Island Bus

	2001*	2003	2004
Overall	7.4	6.9	7.2
Cost	8.1	5.3	5.9
Value	8.4	6.4	6.8
On time	7.5	6.9	7.3
Safe/secure on bus	8.4	7.3	7.3

*There was no customer satisfaction survey for Long Island Bus in 2002

New York City Transit/Bus

	2002	2003	2004
Overall	6.3	6.1	5.9
Cost	7.0	5.3	5.5
Value	7.1	5.8	5.9
On time	6.0	5.7	5.6
Safe/secure on bus	7.4	7.1	7.1

Metro-North Railroad

	2002	2003	2004
Overall	8.1	7.3	7.1
Cost	7.2	6.2	6.4
On time	8.4	7.6	7.6
Personal security	7.7	7.6	7.4
Comfort	7.2	6.9	6.8

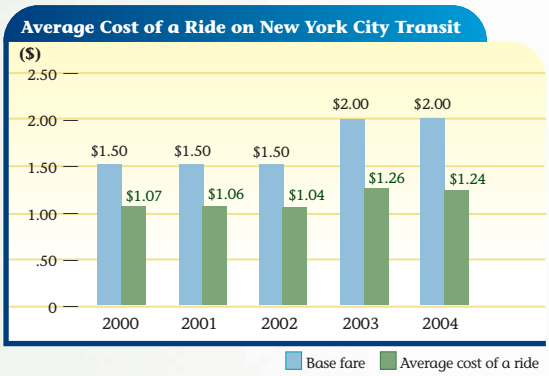
Long Island Rail Road

	2002	2003	2004
Overall	7.6	6.9	6.9
Cost	6.9	5.7	6.0
On time	7.3	7.3	7.2
Personal security	7.3	7.0	6.6
Comfort	7.2	7.1	7.0

Bridges and Tunnels

	2002	2003	2004
Overall*	7.5	7.3	7.4
Cost/value	6.3	6.2	6.3

* With ratings of 7.5 versus 7.2, Bridges and Tunnels E-ZPass customers remained more satisfied with overall service than cash customers, although the cash customer rating rose from the 2003 figure of 6.7. Cash customers also improved their rating of the value of service from 5.1 to 5.5, but E-ZPass customers continued to rate value higher at 6.7.



Note: 2003 figure represents cost of a ride during the portion of the year that the higher $2.00 base fare was in effect (May 3 through December 31).

The Capital Program is funded by a combination of bond sales, resources from debt restructuring, interest income, insurance proceeds, proceeds from selling or leasing assets, and federal, state, and local allocations.

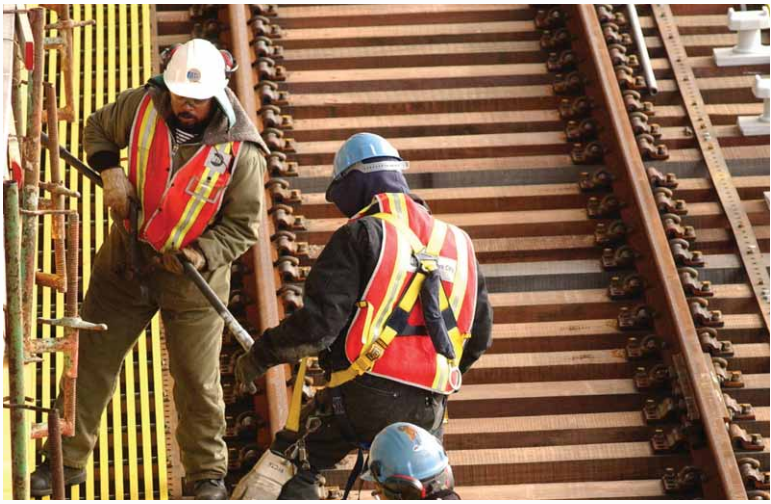
The Fulton Street Transit Center and the South Ferry Terminal are 100 percent federally funded.

Capital Program 2004 Highlights

Rehabilitation and Improvement One of the largest station complexes in the MTA New York City Transit subway system, the Atlantic Avenue complex is made up of three parts: Atlantic Avenue (B, Q), Atlantic Ave (2, 3, 4, 5), and Pacific Street (D, M, N, R), and adjoins Long Island Rail Road's Atlantic Avenue Terminal. Part of the downtown Brooklyn renaissance, its $163.8 million rehabilitation improved passenger flow and Americans with Disabilities Act (ADA) accessibility with a new wide interconnecting passageway between the three stations, new stairs, new control area, new floor and wall finishes, fluorescent lighting, turnstiles, new signage, new toilets, and other amenities.

Although work at Stillwell Avenue Terminal in Coney Island, the terminus of four subway lines, is not fully complete, NYC Transit has reopened the facility to the public and most service has been restored. The terminal features solar panels, a European-style train shed over all tracks instead of just canopies over the platforms, and commercial space.

The $141.3 million White Plains Road signal rehabilitation project installed a fixed-block signal system along the right-of-way from 149th Street-Grand Concourse to East 180th Street. This modernization paves the way for automated train supervision. In addition, four subway stations that were part of the original 1904 IRT line — 103rd, 110th, 116th, and 125th Streets on the number 1 line — were rehabilitated in 2004.



Safety gear and procedures protect workers.

Long Island Rail Road completed electric fleet yard renovations at Far Rockaway Yard to facilitate car cleaning, toilet servicing, and running repair ($1.6 million) and yard re-configuration at Long Beach Yard to expand car capacity by 24 cars ($5.5 million). Synchronous Optical Network (SONET) and Asynchronous Transfer Mode (ATM) equipment was installed on the Port Washington Branch for monitoring and controlling substations and a portion of the signal system, completing the first phase of LIRR's fiber optic network ($28 million) and including the installation of over one million feet of cable throughout the system.

A multistory parking facility at Long Beach with 170 additional parking spaces that incorporates the Long Island Bus terminal next to the station was completed. At Jamaica Station the opening of the overpass which interconnects the station to the Air Train and the NYC Transit system was a milestone in the station's continuing revitalization.

Metro-North completed station and parking improvements at five West-of-Hudson stations: Harriman, Campbell Hall, Otisville, Pearl River, and Nanuet ($14 million) and completed projects to install new ticket vending machines at stations throughout the system ($18 million). The Mid-Harlem third track project was completed at a cost

Customer Injuries

Per million customers

	2000	2001	2002	2003	2004
New York City Transit					
Subway	3.25	3.05	2.94	2.85	3.10
Bus	1.79	1.67	1.58	1.45	1.52
Long Island Rail Road	3.97	3.80	2.95	4.83	4.89
Long Island Bus	2.84	1.60	1.75	1.90	1.72
Metro-North Railroad	5.87	4.82	4.30	5.47	6.43
Bridges and Tunnels*	1.95	1.85	1.95	1.46	1.20

* Vehicle accidents with injury per 1 million vehicle crossings.

Lost-time and Restricted Duty Injury Rate*

Per 200,000 work hours

	2000	2001	2002	2003	2004
New York City Transit**	3.78	3.01	3.17	2.94	2.70
Long Island Rail Road	5.26	5.06	4.10	3.44	2.76
Long Island Bus†	5.56	4.33	3.49	6.58	2.40
Metro-North Railroad	5.97	5.25	4.26	4.34	3.49
Bridges and Tunnels†	3.10	3.80	3.70	3.50	2.20

* Some figures have been restated from 2003 Annual Report based on additional information from operating agencies.

** NYC Transit measures lost-time and restricted duty injury rates on an equivalent "per 100 employees" basis.

† Figures reflect lost-time injuries only.

of $57 million.

In its Capital Program, Bridges and Tunnels rehabilitated the structural steel and improved the drainage system at the Throgs Neck Bridge ($32 million) and replaced the concrete roadway decks on the suspended span of the Triborough Bridge ($194.3 million). The existing strengthening truss on the Bronx-Whitestone Bridge was removed and wind fairing was installed to reduce the dead load on the suspension cables and provide stability during periods of high winds ($38 million).

Rolling Stock NYC Transit received 50 R-142 cars in 2004, part of the 80-car purchase from Kawasaki in 2003. No new bus orders were placed in 2004, but 319 vehicles — 43 New Flyer articulated buses, 157 compressed natural gas (CNG) standard buses, and 119 hybrid buses — were received, along with 262 new paratransit vehicles.

Long Island Rail Road took delivery of an additional 142 Bombardier M-7 cars to continue replacement of the M-1 electric fleet ($325 million). This is a joint procurement with Metro-North which began in the 1995-1999 Capital Program.

After the initial Metro-North pilot cars were delivered in December 2003, Metro-North accepted an additional 126 Bombardier M-7 cars to continue replacement of the ACMU (Alternating Current Multiple Unit cars manufactured in 1965) and M-1 electric fleet ($238 million) in a joint procurement with LIRR, and ordered an additional 120 cars, accelerating a purchase planned for the 2005-2009 Capital Program. The delivery of 65 Comet V Coaches for Metro-North's West-of-Hudson service ($74 million) was also completed.

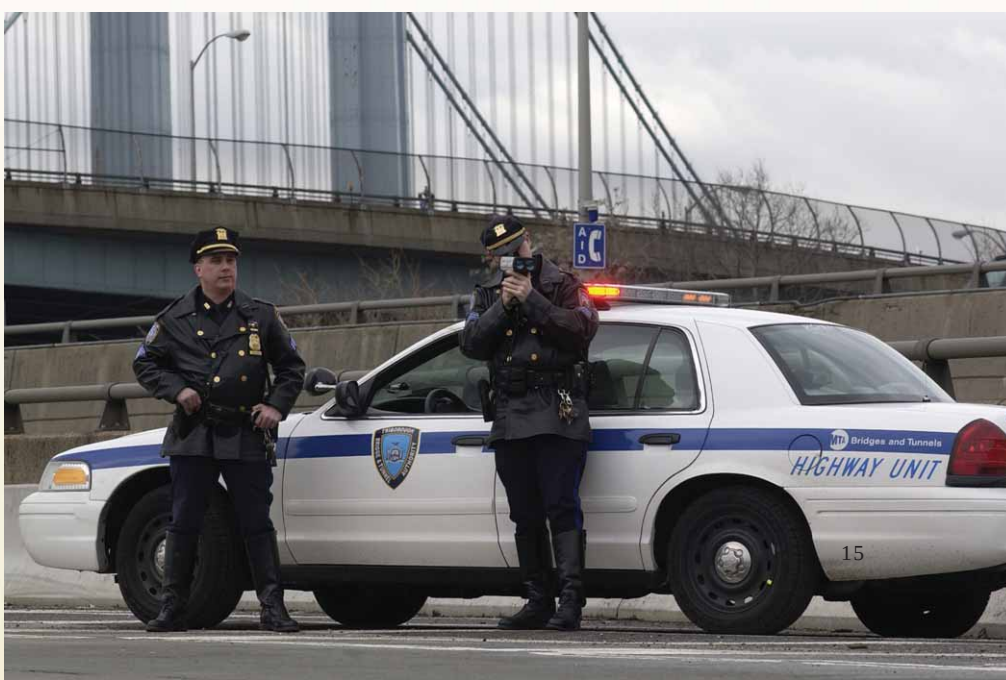
Total network ridership was up by 53,794,029 paid rides in 2004, or 2.3 percent.

Ridership

Total network ridership was up by 2.3 percent in 2004, and all MTA agencies except Long Island Rail Road experienced increases.

Customer Satisfaction

Fare and toll increases historically tend to depress



Enforcing speed regulations at Bridges and Tunnels facilities.

customer satisfaction levels (measured by independent citywide and regional surveys) for overall service as well as for specifics such as cost and value of a ride, station environment, and perception of personal safety.

In 2004, however, ratings of overall service generally remained strong and ratings for cost of the fare/value of the ride began to rise once again.

All survey results are on a scale of 0 to 10.

Commuter trains display emergency instructions prominently.

MetroCard

Over the last decade New Yorkers have responded very positively to the package of options and discounts offered by MetroCard®, and tourists have found it a convenient, flexible, and cost-effective way to travel in New York.

MetroCard sales in the tourist market are up substantially since 2000, when 277,000 were sold. In 2004, tourists bought 440,000 cards worth $4.5 million. Many visitors bought MetroCard as part of their tour package: $2.5 million of the total revenue came through tour operators and travel agents. Especially popular with tourists are the 1-Day Fun Pass, sold at hotels and at popular city attractions, and the 7-Day Unlimited Ride MetroCard.

Tourism is one of New York City's largest industries, and the growth of this market for the MTA reflects growing national and international awareness that Capital Program investments have made the transit system safer and more reliable.

Safety

All agencies improved their safety performance in

2004, indicating that safety programs are producing results.

NYC Transit's employee lost and restricted time accident total of 1,343 (2.70 per 100 employees) in 2004 surpassed the previous 12-year low of 1,447 accidents (2.94 per 100 employees) set in 2003.

Two efforts in particular contributed to Transit's improved safety performance. Continuing a 2003 initiative, employee lost-time accidents at each Responsibility Center were analyzed each month to identify centers with increases and the types of injury that contributed to the increase. Special efforts were then developed to remedy the problem. In another effort, every injury caused by a piece of equipment or a workplace condition was audited to ensure that the equipment or condition was inspected and repaired to prevent future accidents.

Long Island Rail Road's employee lost-time and restricted duty rate of 2.76 per 200,000 work hours surpassed its 2003 performance of 3.44. Its enhanced accident investigation training program and safety auditing program have driven the accident rate down.

At Long Island Bus, lost-time claims declined dramatically from 74 in 2003 to 27 and its lost-time rate fell from 6.6 to 2.4 in 2004. Training, communications, and safety audits resulted in the lowest number of employee lost-time accidents in five years.

Metro-North also achieved its best year ever across all safety categories in 2004. Total employee injuries were down by 14 percent compared with the previous record set in 2002. Federal Railroad Administration (FRA) reportable injuries dropped by 4 percent compared to the previous record also set in 2002. And lost-time injuries were down 3 percent from the railroad's previous record lost-time injury rate set in 1998. Metro-North's employee lost-time and restricted duty accidents, at 203 and a rate of 3.5 per 200,000 work hours, showed a marked reduction from the 247 accidents and 4.3 rate of 2003. The railroad's safety success in 2004 is due to its Priority One safety program – especially the 24/7 and Safety Audits components of the program.

Lost-time injuries for Bridges and Tunnels employees, at just 41, were down 37 percent from the previous year's 65. Over the long term, the frequency rate of lost-time injuries per 200,000 hours has been reduced from 22.0 in 1994 to 2.2 last year. Capital and major maintenance construction programs reduced contractor lost-time accidents by 38 percent. Despite record traffic, collisions with serious injury per million vehicles were reduced by 18 percent to 1.20, down from 1.46 in 2003.

Bridges and Tunnels continues to improve roadway safety and enforce roadway safety regulations, focusing attention on problem areas identified through the Achieving Collision Reduction on Bridges and Tunnels (ACROBAT) program. In addition, both traffic incidents and remediation efforts are reviewed to help focus the entire organization on improving customer safety. And contractors working on Bridges and Tunnels facilities must now meet the same high safety standards as agency employees.

Security and Preparedness

Hybrid electric buses contribute to clean operations.

MTA Operations

In 2004, the MTA Office of Security's Interagency Counterterrorism Task Force (ICTF) generated 91 emergency management projects. Target hardening and security vulnerability assessments were performed along with an in-depth review and evaluation of agency-wide emergency action plans; target hardening and mitigation strategies were developed and implemented throughout the MTA network. Emergency management equipment procured for MTA Police and Bridges and Tunnels officers includes gas masks, certified escape hoods, and personal radiation detection devices.

A 100-percent-accessible bus fleet provides options for people with disabilities.

In collaboration with MTA agencies and other partners, security plans were developed for two major events: the 2004 United States Golf Association Open held at the Shinnecock Hills Golf Club, Long Island, and the Republican National Convention at Madison Square Garden, both of which were models for similar events throughout the country.

In 2004, the ICTF aggressively investigated 170 separate reported incidents of suspicious activity occurring on MTA properties, an increase of 172 percent over 2003. Of these investigations, 89 percent have been satisfactorily closed.

To ensure that all employees are aware of new or emerging threats, the "MTA Guide for Security Awareness for Employees" and "Emergency Action Plan Training" were developed and distributed to employees and customers alike. In partnership with the U.S. Department of Homeland Security, training in "Incident Response to Terrorist Bombings" was provided to MTA Police, Bridges and Tunnels officers, and partnering law enforcement agencies; other training included "Response to Suspicious Package & Substance Incidents" and "Emergency Evacuation Procedures." Evacuation videos for the subways and commuter railroads have been posted on the internet, and the campaign to enlist everyone's involvement in security continues to be emphasized with the MTA's "If You See Something, Say Something" advertising campaign.

Target hardening and mitigation strategies were developed and implemented throughout the MTA network.

The MTA Police dramatically expanded its Canine Unit to ensure that explosive-detecting dogs are available for both Metro-North and LIRR. Key training components included cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED) certification as well as executive leadership programs and mandated supervisory training required by the state Department of Criminal Justice Services. Department members have been assigned to form Emergency Service Units and dedicated Train Patrol Units.

Capital Construction ensures that security is an integral component of all capital construction projects. With $591 million earmarked for security measures in the MTA's 2000-04 Capital Program and another $500 million in the 2005-09 Program, Capital Construction is aggressively planning and implementing security work for all MTA agencies.

At New York City Transit vital assets and infrastructure are being hardened. Actions taken in 2004 include: installing access control devices, intrusion detection devices, closed circuit television surveillance equipment, perimeter security bollards, and motorized gates at vehicle entrances; replacing aging fencing with newer, more secure fencing; and installing fencing at unfenced areas.

To ensure that all Transit employees know how to recognize, report, and respond to a nuclear, biological, or chemical incident, 335 newly hired train operators, conductors, station agents, and station cleaners received "Eyes and Ears Security Awareness" and "Escape Mask" training.

At Bridges and Tunnels, overt security (visible checkpoints and patrols) is maintained at all facilities. Security throughout the agency has been enhanced, including hardening of facilities and the addition of new and more effective electronic security systems.

Robert Wilson's *My Coney Island Baby* at the Stillwell Avenue Terminal.

Communications and coordination through the Bridges and Tunnels Command Center has contributed to effective cooperation among law enforcement agencies at all levels of government.

Environment

By the end of 2004, New York City Transit had installed a total of 2,553 diesel particulate filters on existing buses and accepted delivery of 43 new articulated buses and 119 hybrid buses, all with factory-installed filters. Combined with the use of ultra-low-sulfur diesel fuel, the filters have reduced particulate and total hydrocarbon emissions by more than 90 percent. Guidelines on the proper procedures for replacing HVAC system coolant on older fleets have been issued to all maintenance and overhaul shops and actual refrigerant handling and usage are audited quarterly at each maintenance shop.

The Paratransit Carrier Fueling Program was expanded and incorporated into Transit's bulk fuel delivery contract. This reduced adverse environmental impact by requiring the use of ultra-low-sulfur diesel fuel for on-site fueling.

The amount of hazardous waste generated by Transit car equipment shop operations is being substantially reduced by identifying products and waste treatment equipment and systems that produce effluent considered to be industrial or sewerable water. Shop and safety audits are performed twice a year to ensure that all shops comply with procedures, including those for the handling of hazardous waste.

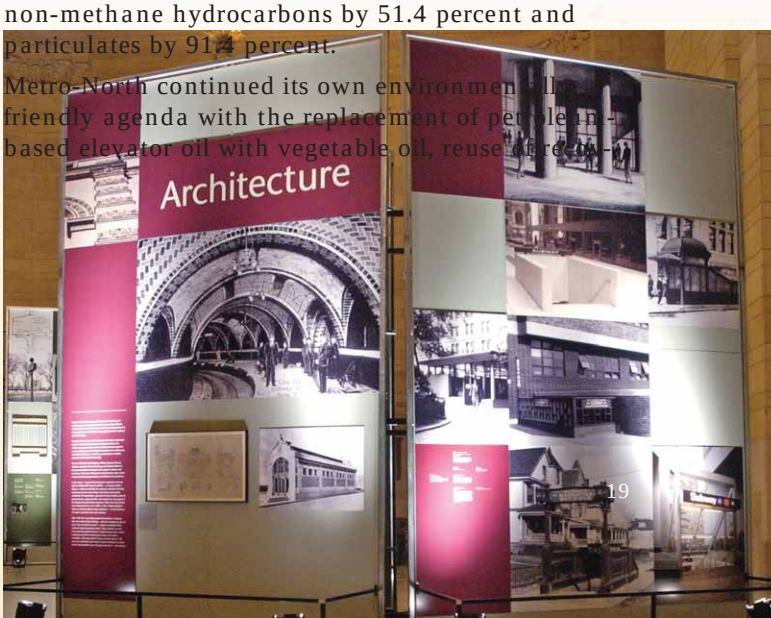
As part of longer-term initiatives to assure continued environmental success, a compliance workshop on petroleum spills for subway and bus personnel, the third to date, was conducted in 2004 with the support of the Office of System Safety, Department of Law, and the MTA environmental policy staff.

In accordance with United States Environmental Protection Agency Phase II storm water regulations under the federal Clean Water Act, all agencies prepared a Phase II Storm Water Management Program for numerous facilities under their jurisdiction with the aim of preventing contamination of storm water runoff discharges.

Long Island Rail Road adopted a Corporate Environmental Strategy in 2004 to develop a proactive long-term plan for completing environmental remediation projects at LIRR facilities. The strategy includes a proposed schedule of future environmental remediation projects with cost estimates and anticipated means of remediating each project. Environmental remediation project work is programmed in conjunction with LIRR's five-year capital planning programs to help ensure that adequate funding is in place within future capital programs and that remediation projects are coordinated across the board.

Long Island Bus's fixed-route fleet is now entirely composed of compressed natural gas (CNG) vehicles, making it the largest all-CNG fleet in North America. Its CNG buses have cut emissions sharply: non-methane hydrocarbons by 51.4 percent and particulates by 91.4 percent.

Metro-North continued its own environmentally friendly agenda with the replacement of petroleum-based elevator oil with vegetable oil, reuse of recycled

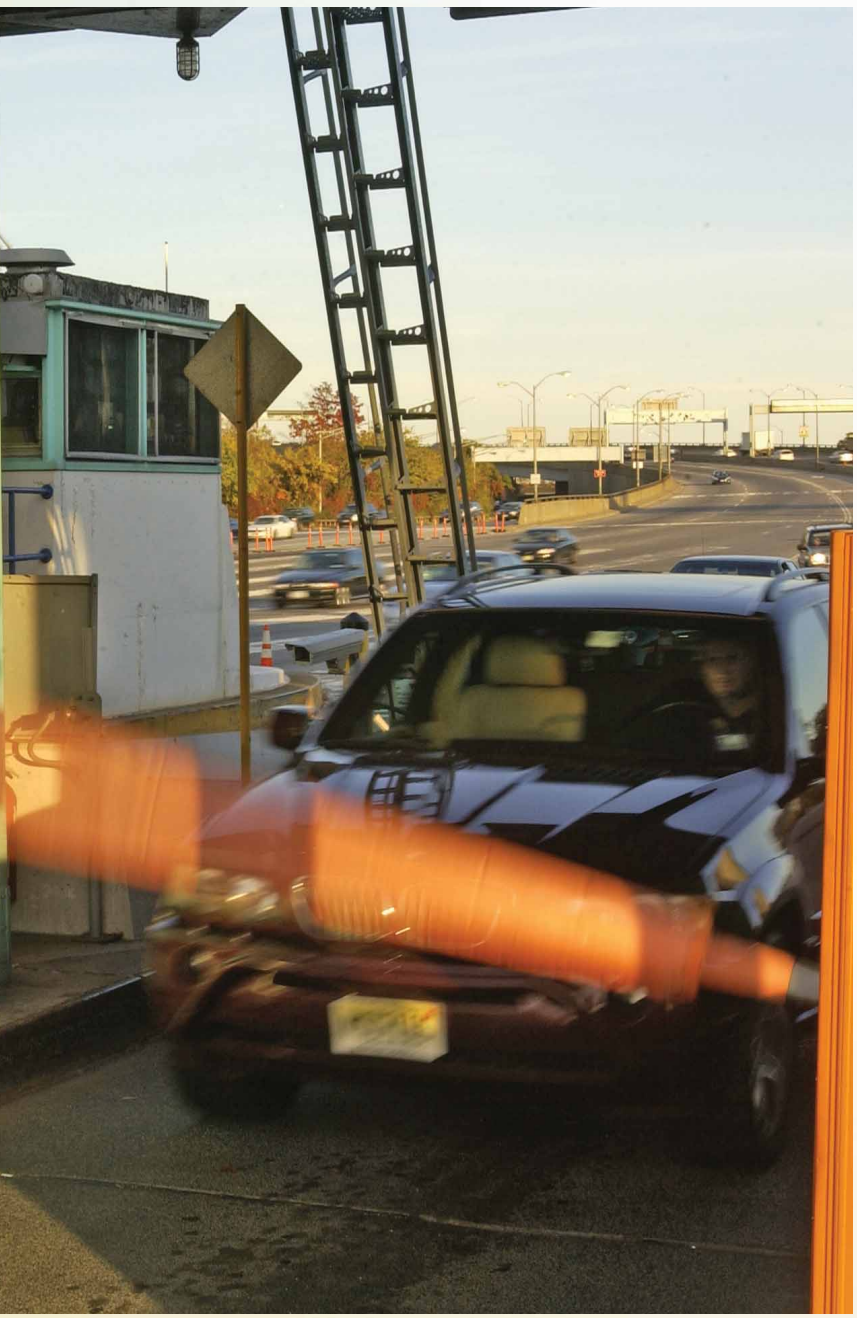


The Transit Museum's *Subway Style* exhibit was part of the Subway Centennial celebration.

Financial Performance

Revenue

In 2004, MTA subsidies, particularly receipts from real estate-related taxes, were significantly better than planned. This was fueled by an improving local economy and low interest rates that generated a significant amount of mortgage refinancing and other real estate activity. Low interest rates also resulted in lower-than-planned debt service payments for the MTA. This favorable economic activity, coupled with strong ridership and bridge and tunnel traffic along with a full year of the higher fares and tolls instituted in 2003, enabled the MTA to end 2004 with a significant cash surplus.



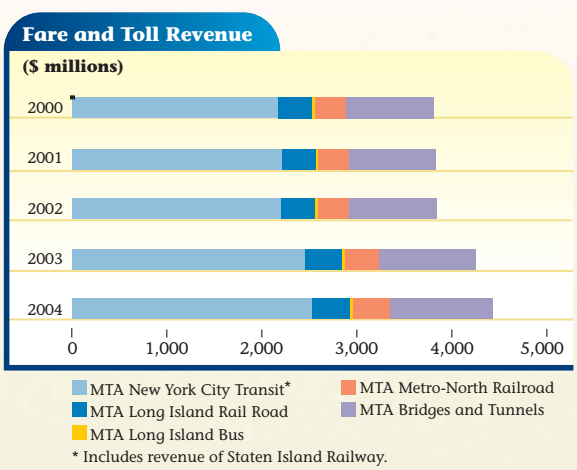
An average of 72 percent of all vehicles used E-ZPass on weekdays.

Nearly $500 million of the 2004 cash surplus will be allocated to fund 2005 operations. The remaining $200 million is being held in a reserve fund to safeguard against a shortfall in the MTA's share of real estate tax revenue. If that revenue remains strong through 2005, the MTA will use the funds to reassess planned 2006 service cuts.

Fare and toll revenue was up 4.4 percent from 2004. Fare revenue rose from $3.31 billion to $3.42 billion, an increase of 3.4 percent, while toll revenue at MTA Bridges and Tunnels rose from $1.02 billion to $1.10 billion, an increase of 7.3 percent.

MTA New York City Transit fare revenue rose 2.8 percent, from $2.50 billion in 2003 to $2.57 billion in 2004. MTA Long Island Bus fare revenue rose 12.3 percent, from $35.4 million in 2003 to $37.5 million in 2004.

Fare revenue at the MTA Long Island Rail Road reached $410.8 million in 2004, up 4.4 percent from $393.3 million in 2003. MTA Metro-North Railroad fare revenue increased to $403.1 million in 2004, up 6.6 percent from $378.1 million in 2003.



To confront mounting deficits in 2006, 2007, and 2008, the MTA Board approved fare and toll increases to be implemented during the first quarter of 2005. While the base fare for subway and bus trips remained at $2.00, the cost for 7-Day and 30-Day Unlimited Ride MetroCard was increased to $24 and $76 respectively, from $21 and $70, while the cost of a 7-Day Express Bus Plus MetroCard was increased to $41 from $33.

The fare increases approved for the commuter railroads — also effective in the first quarter of 2005 — are expected to raise revenue by a total of 5 percent per year. Reflecting the fact that many commuters now use the railroad to reach jobs outside of New York City, Metro-North will begin charging peak fares for morning northbound service out of Grand Central Terminal.

Stronger ridership and bridge and tunnel traffic along with a full year of the higher fares and tolls instituted in 2003 increased revenue, enabling the MTA to end 2004 with a significant cash surplus.

The MTA Board also approved increases for Bridges and Tunnels — effective March 13, 2005 — that raise the toll by 50 cents for major crossings to $4.50 each way ($9.00 at the Verrazano-Narrows Bridge, on which tolls are collected in the westbound direction only) and 25 cents for minor crossings to $2.25, with similar increases for motorcycles, trucks, buses, and multi-axle vehicles. E-ZPass℠ discounts remain in effect.

MetroCard sales in the tourist market rose substantially.

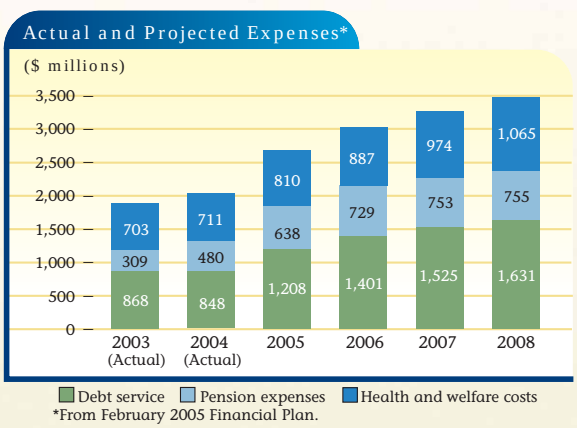
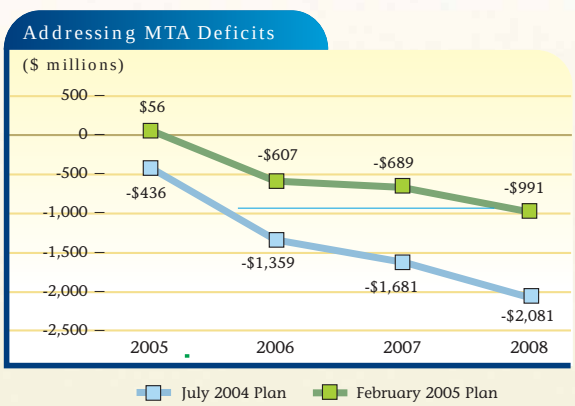
Budget

MTA's long-term financial plan continues to project growing deficits. These are due to structural imbalances that are principally attributable to rising debt service costs; increasing pension, health, and welfare expenses; and the depletion of nonrecurring resources.

The combination of the retained 2004 cash surplus and the 2005 fare and toll increases is expected to balance the 2005 budget, a legal requirement for the MTA. The MTA is forecasting deficits in the near-term future, projected at $607 million in 2006, $689 million in 2007, and $991 million in 2008.

It is expected that these deficits will be reduced by new revenues authorized in the recently adopted state budget. The MTA also hopes to make further progress in Albany on securing approval of its reorganization proposal, which will help save money through a comprehensive streamlining of MTA operations while improving service to the customer.

Independently, the MTA will continue to pursue a host of internal cost containment strategies, such as expanding the use of shared services among its



*From February 2005 Financial Plan.