

***Triborough Bridge and
Tunnel Authority***

Independent Auditors' Report

Financial Statements

Years Ended December 31, 2008 and 2007

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of
Metropolitan Transportation Authority:

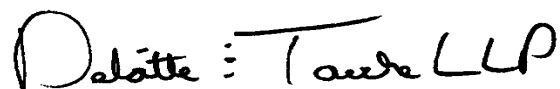
We have audited the accompanying balance sheets of Triborough Bridge and Tunnel Authority (the "MTA Bridges and Tunnels"), a public benefit corporation which is part of the related financial reporting group of Metropolitan Transportation Authority ("MTA"), as of December 31, 2008 and 2007, and the statements of revenues, expenses and changes in excess of liabilities over assets, and cash flows for the years then ended. These financial statements are the responsibility of MTA Bridges and Tunnels' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MTA Bridges and Tunnels' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of MTA Bridges and Tunnels, as of December 31, 2008 and 2007, and the respective changes in revenues, expenses and changes in excess of liabilities over assets, and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the financial statements, in 2008, the MTA Bridges and Tunnels adopted Governmental Accounting Standards Board Statement ("GASB") No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*.

The Management's Discussion and Analysis on pages 2 through 8 and the Schedule of Funding Progress-Postretirement Healthcare Plan on page 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of MTA Bridges and Tunnels' management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we do not express an opinion on it.

A handwritten signature in black ink that reads "Deloitte = Touche LLP". The signature is written in a cursive, flowing style.

April 10, 2009

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In thousands)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of Triborough Bridge and Tunnel Authority ("MTA Bridges and Tunnels") for the years ended December 31, 2008 and 2007. This discussion and analysis is intended to serve as an introduction to MTA Bridges and Tunnels' financial statements which have the following components: (1) Management's Discussion and Analysis ("MD&A"), (2) Financial Statements and (3) Notes to the Financial Statements.

The Financial Statements Include

The Balance Sheets provide information about the nature and amounts of investments in resources (assets) and the obligations to MTA Bridges and Tunnels creditors (liabilities), with the difference between the two reported as excess of liabilities over assets.

The Statements of Revenues, Expenses and Changes in Excess of Liabilities Over Assets show how MTA Bridges and Tunnels' excess of liabilities over assets changed during each year and accounts for all of the current and prior year's revenues and expenses, measure the success of MTA Bridges and Tunnels' operations over the twelve months and can be used to determine how MTA Bridges and Tunnels has funded its costs.

The Statements of Cash Flows provide information about MTA Bridges and Tunnels' cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities.

The Notes to the Financial Statements Provide

Information that is essential to understanding the financial statements, such as MTA Bridges and Tunnels' basis of presentation, and significant accounting policies, details of cash and investments, capital assets, employee benefits, long-term debt, lease transactions, future commitments and contingencies, and subsequent events of MTA Bridges and Tunnels.

The notes to the financial statements also describe any other events or developing situations that could materially affect MTA Bridges and Tunnels' financial position.

Management's Discussion and Analysis

This MD&A provides an assessment of how MTA Bridges and Tunnels' position has improved or deteriorated and identifies the factors that, in management's view, significantly affected MTA Bridges and Tunnels' overall financial position. It may contain opinions, assumptions, or conclusions by MTA Bridges and Tunnels' management that should not be considered a replacement for and must be read in conjunction with the financial statements.

2. FINANCIAL REPORTING ENTITY

Triborough Bridge and Tunnel Authority is a public benefit corporation, separate and apart from the State of New York, without any power of taxation. Triborough Bridge and Tunnel Authority is empowered to operate and maintain nine toll bridges and tunnels and the Battery-Parking Garage, all located in New York City. The board members of the Metropolitan Transportation Authority (“MTA”) also serve as the board of Triborough Bridge and Tunnel Authority. Triborough Bridge and Tunnel Authority operates under the name of MTA Bridges and Tunnels. The MTA is a component unit of the State of New York.

MTA Bridges and Tunnels’ operations and capital costs (debt obligations) for its bridges and tunnels are paid by the revenues it generates from its facilities. MTA Bridges and Tunnels’ surplus amounts are used to fund transit and commuter operations and finance capital projects for the transit and commuter systems operated by other affiliates and subsidiaries of the MTA.

3. CONDENSED FINANCIAL INFORMATION

The following sections will discuss the significant changes in MTA Bridges and Tunnels’ financial position for the years ended December 31, 2008 and 2007. Additionally, an examination of major economic factors and industry trends that have contributed to these changes is provided. It should be noted that for purposes of the MD&A, summaries of the financial statements and the various exhibits presented are in conformity with MTA Bridges and Tunnels’ financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America. All amounts are in the thousands.

ASSETS	As of December 31,		
	2008	2007	2006
Current Assets	\$ 249,706	\$ 279,638	\$ 350,376
Noncurrent Assets	<u>4,013,662</u>	<u>3,782,741</u>	<u>3,482,935</u>
Total Assets	<u>\$ 4,263,368</u>	<u>\$ 4,062,379</u>	<u>\$ 3,833,311</u>

Significant Changes in Assets:

Current assets decreased by \$29,932 for the year ended December 31, 2008. The decrease was primarily due to a decrease in short term investments.

Current assets decreased by \$70,738 for the year ended December 31, 2007. The decrease was primarily due to a decrease in short term investments.

Noncurrent assets increased by \$230,921 for the year ended December 31, 2008. The increase was primarily due to an increase in capital assets, net of accumulated depreciation of \$246,155. This increase is attributed to capitalization of construction in progress costs relating to the deck replacements at the Robert F. Kennedy Bridge, rehabilitation of lower level approaches at the Verrazano-Narrows Bridge, deck and structural rehabilitation at the Cross Bay Bridge and lower level deck replacement at the Henry Hudson Bridge. The increase in capital assets, net of related depreciation was offset by a decrease in bond issuance costs of \$19,254.

Noncurrent assets increased by \$299,806 for the year ended December 31, 2007. Two factors were primarily responsible for this change. First, capital assets, net of accumulated depreciation increased by \$272,989. This increase is attributed to capitalization of construction in progress costs relating to the span and deck replacement at the Bronx Whitestone Bridge, deck replacement and rehabilitation of the electrical and mechanical systems at the Robert F. Kennedy Bridge, rehabilitation of lower level approaches and suspended deck at the Verrazano-Narrows Bridge and lower deck replacement at the Henry Hudson Bridge. Second, there was an increase in long-term investments of \$40,450.

TOTAL LIABILITIES	As of December 31,		
	2008	2007	2006
Current Liabilities	\$ 608,525	\$ 642,589	\$ 527,912
Noncurrent Liabilities	<u>8,675,333</u>	<u>7,211,953</u>	<u>7,177,051</u>
Total Liabilities	<u>\$ 9,283,858</u>	<u>\$ 7,854,542</u>	<u>\$ 7,704,963</u>

Significant Changes in Liabilities:

Current liabilities decreased by \$34,064 for the year ended December 31, 2008. This decrease is primarily due to a decrease in the current portion of long term debt of \$59,509, a decrease in accounts payable of \$14,308, offset by an increase in amounts due the MTA of \$38,084.

Current liabilities increased by \$114,677 for the year ended December 31, 2007. This increase is primarily due to an increase in the net amount due the MTA of \$71,211 principally due to the recording of an interagency loan of \$90,844 offset by a reduction in the amount due for operating and capital purposes of \$16,578. In addition, accounts payable increased by \$25,621 and the current portion of long-term debt increased by \$14,565.

Noncurrent liabilities for the twelve months ended December 31, 2008 increased by \$1,463,380. This was primarily due to an increase in long-term debt of \$1,399,052 and an increase in the liability for other postemployment benefits other than pensions of \$66,323. See long term debt footnotes for further details.

Noncurrent liabilities for the twelve months ended December 31, 2007 increased by \$34,902. This was primarily due the recognition of the liability for post employment benefits other than pensions of \$61,283. This was partially offset by a decrease in long-term debt of \$27,524.

Condensed Statements of Revenues, Expenses, and Changes in Excess of Liabilities Over Assets

	Years Ended December 31,		
	2008	2007	2006
OPERATING REVENUES	\$ 1,287,290	\$ 1,263,356	\$ 1,259,350
OPERATING EXPENSES	<u>(551,527)</u>	<u>(500,101)</u>	<u>(411,226)</u>
OPERATING INCOME	<u>735,763</u>	<u>763,255</u>	<u>848,124</u>
TOTAL NET NONOPERATING EXPENSES:	<u>(365,194)</u>	<u>(290,008)</u>	<u>(277,788)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	370,569	473,247	570,336
TRANSFERS (OUT) IN	(1,251,781)	12,685	19,645
TRANSFERS OUT	<u>(347,115)</u>	<u>(406,443)</u>	<u>(426,034)</u>
CHANGES IN EXCESS OF LIABILITIES OVER ASSETS	(1,228,327)	79,489	163,947
TOTAL EXCESS OF LIABILITIES OVER ASSETS - BEGINNING	<u>(3,792,163)</u>	<u>(3,871,652)</u>	<u>(4,035,599)</u>
TOTAL EXCESS OF LIABILITIES OVER ASSETS - ENDING	<u>\$ (5,020,490)</u>	<u>\$ (3,792,163)</u>	<u>\$ (3,871,652)</u>

Operating Revenues

For the year ended December 31, 2008, the Operating Revenues increased by \$23,934 as compared to December 31, 2007. This increase can be primarily attributed to an increase in toll revenue of \$23,425. See "Results of Operations" below.

For the year ended December 31, 2007, the Operating Revenues increased by approximately \$4,006 as compared to December 31, 2006. This increase can be primarily attributed to an increase in toll revenue of \$8,998 due to increased traffic, an increase in fees received from the Battery Parking Garage of \$3,263, offset by the elimination of the \$1 E-ZPass maintenance fee of \$7,888, which was discontinued, effective June 1, 2006.

Revenue by Major Source

Bridge and Tunnel tolls accounted for 99.0% of operating revenue in 2008 and 2007 respectively. The remaining revenue primarily represented income from parking fees (net of operating expenses) collected at the Battery Parking Garage and fees collected from E-ZPass customers.

Toll revenues were \$1,273,974 for the year ended December 31, 2008. This was \$23,425 more than in 2007.

Toll revenues were \$1,250,549 for the year ended December 31, 2007. This was \$8,998 more than in 2006 and was due to increased traffic.

Operating Expenses

Operating expenses, including depreciation, increased for the year ended December 31, 2008 as compared to the prior year by \$51,426. The increase was principally due to maintenance and other operating contracts, \$25,955, salaries and wages \$7,850, retirement and other employee benefits, \$7,740 principally postemployment benefits other than pensions and depreciation expense, \$7,420.

Operating expenses, including depreciation, increased for the year ended December 31, 2007 as compared to the prior year by \$88,875. The increase was principally due to the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, of \$61,283, increased pension costs of \$5,611, and increased depreciation expense of \$11,477.

Nonoperating Expenses

Nonoperating expenses increased by \$75,186 for the year ended December 31, 2008 primarily due to increased interest on a significantly larger debt base and increased interest costs on variable rate bonds.

Nonoperating expenses increased by \$12,220 for the year ended December 31, 2007. During 2007, interest expense increased by \$9,204 as compared to the prior year due to increased rates. Investment income decreased in 2007 by \$3,016.

4. OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Economic Conditions

Two key economic factors that have statistically significant relationships to changes in traffic volumes are regional non-farm employment and inflation (“CPI-U”). Based on preliminary data from the U.S. Bureau of Labor Statistics, regional employment grew by 0.5% in 2008 and 1.9% in 2007. The CPI-U increased by 3.9% in 2008 and by 2.8% in 2007.

Results of Operations

Paid traffic totaled \$295.6 million in 2008, which was 2.9% less than 2007’s record level. Daily traffic was down 1.2% on average from January through April primarily due to high regional gas prices that ranged from \$3.16 to \$3.48 per gallon. From May through August, gas prices were near or above \$4.00 per gallon, and subsequently, traffic was down 4.0% on average. Although gas prices dropped significantly from September through the end of the year, recessionary economic conditions kept traffic levels down by 4.1% on average. Despite the lower traffic trends, toll revenues in 2008 reached \$1,274 million, which was \$23.4 million greater than in 2007. The higher revenues were generated from a toll increase implemented on March 16, 2008, and from an additional day of collections in February 2008 due to the leap year.

Paid traffic reached a record high of 304.2 million vehicles in 2007. Total volume was 0.7% greater in 2007 compared to 2006. Through October 2007, traffic was up by 1.4% primarily due to relatively favorable weather. The largest increases occurred in May and June, with volumes growing 2.9% each month due to considerably less rain in 2007 vs. 2006. The traffic gains through October were partially offset by declines of 1.2% in November and 4.6% in December. Weather conditions were not as favorable in November and December of 2007 as compared to 2006. In addition, gas prices were higher in November and December of 2007, with regional prices exceeding \$3.00 per gallon.

E-ZPass electronic collection system continued to facilitate the management of high traffic volumes. Average market shares were up for the year as the following table illustrates:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total	74.0%	73.5%	72.6%
Average Weekday	76.2%	75.7%	74.9%
Passenger Vehicles	75.0%	74.7%	73.9%
Commercial Vehicles	87.8%	86.6%	85.6%
Average Weekend	68.8%	68.1%	67.1%

5. SIGNIFICANT CAPITAL ASSET ACTIVITY

Capital Program

MTA Bridge and Tunnels' facilities are all in a state of good repair. MTA Bridge and Tunnels' portion of the MTA's Capital Program for 2005-2009 totals \$1,209,112 for normal replacement and system improvement projects. The commitments made during 2008 were \$341,534 bringing the total commitments under the five-year plan to \$1,065,841. MTA Bridge and Tunnels' portion of the MTA Capital Program for 2000-2004 totals \$999,067. The commitments made during 2008 were \$5,841, bringing the total commitments under the five-year plan to \$974,883.

Approximately 60% of the projected 2005-2009 expenditures in the current capital program will be incurred at three facilities: the Robert F. Kennedy Bridge, the Bronx-Whitestone Bridge, and the Verrazano-Narrows Bridge. Other major projects in the 2005-2009 Plan include lower level deck replacement at the Henry Hudson Bridge, replacement of the concrete deck and rehabilitation of the abutments and retaining walls at the Throgs Neck Bridge, deck/structural rehabilitation at the Cross Bay Bridge, and rehabilitation of the ventilation system at the Brooklyn-Battery Tunnel.

Approximately 50% of the projected expenditures in the 2000-2004 capital program have been incurred at two facilities: the Triborough Bridge and the Bronx-Whitestone Bridge. Other major projects include roadway and drainage system rehabilitation at the Brooklyn-Battery Tunnel, rehabilitation of electrical system on suspension spans at the Verrazano-Narrows Bridge, and the replacement of all exhaust fans at the Queens Midtown Tunnel. Variable message signs will be installed on all approach roads/spans to facility toll plazas. See Transportation Project footnote for further details.

6. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The MTA Board passed an increase in the Crossing Charge Schedule on December 19, 2007. The new Crossing Charge Schedule went into effect at 3:00 AM., March 16, 2008.

The MTA Board, on December 17, 2008, adopted the 2009 Budget which included, effective June 1, 2009, increased tolls which would increase revenue yields by an annualized 23% beginning in 2009. On March 25, 2009, The MTA Board approved the increased tolls which will become effective in mid July, 2009.

During 2008 and 2007, ratings of several bond insurers were downgraded by the three rating agencies thereby lowering the ratings of TBTA bonds insured by such insurers. The bond insurer downgrades have affected municipal issuers nationwide, including all major New York State issuers in terms of market volatility and increased interest costs on variable rate bonds. These downgrades have not affected the underlying TBTA bond ratings. Additionally most regularly scheduled auctions of variable rate bonds currently in the auction mode have been failing due to lack of investor interest, thereby impairing the marketability of several series of TBTA bonds. In a "failed" auction TBTA has agreed to the auction

agent setting the periodic rate at percentage of one month LIBOR (London Interbank Offered Rate) index. During 2008 and 2007, TBTA has redeemed or refinanced a number of its bonds to order to manage its interest cost risk. See Footnote 11 for further Long Term Debt details and Footnote 24 for further Subsequent Events details.

The Authority is keenly aware of the adverse conditions and events which have affected the banking industry and other financial firms over the past fifteen months. The Authority invests substantially all available cash overnight through collateralized repurchase agreements, short term treasuries and agency securities backed by the U.S. Government. This minimizes the Authority's exposure to its banking institutions. An integral part of Management's effort to safeguard the Authority's financial position and to fulfill its due diligence requirement is to monitor the ongoing banking situation for further signs of deterioration through publicly available financial data. The Authority also consults its outside legal counsel and financial advisor as needed.

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TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

(In thousands)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash — unrestricted (Note 3)	\$ 11,962	\$ 17,398
Investments (Notes 4 and 5):		
Unrestricted	33,890	21,103
Restricted	169,400	201,743
Accrued interest receivable	205	1,675
Accounts receivable — net of allowance of \$2,949 in 2008 and \$2,841 in 2007	17,561	18,815
Due from MTA (Note 22)	1,916	1,886
Prepaid expenses	<u>14,772</u>	<u>17,018</u>
Total current assets	<u>249,706</u>	<u>279,638</u>
NONCURRENT ASSETS:		
Investments (Notes 4 and 5):		
Unrestricted	45,093	52,058
Restricted	266,746	255,761
Capital assets — net (Note 6)	3,350,775	3,104,620
Bond issuance costs	<u>351,048</u>	<u>370,302</u>
Total noncurrent assets	<u>4,013,662</u>	<u>3,782,741</u>
TOTAL ASSETS	<u>\$4,263,368</u>	<u>\$4,062,379</u>

See notes to financial statements.

(Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

(In thousands)

	2008	2007
LIABILITIES AND EXCESS OF LIABILITIES OVER ASSETS		
CURRENT LIABILITIES:		
Current portion — long-term obligations (Notes 12 to 14)	\$ 86,491	\$ 146,000
Interest payable due	72,289	65,775
Accounts payable	104,459	118,767
Payable to MTA — capital expense — operating (Note 22)	52,928	8,345
Payable to NYCTA — operating expense (Note 22)	696	457
Accrued salaries	4,098	12,477
Accrued vacation and sick pay benefits	16,979	16,008
Current portion of estimated liability arising from injuries to persons (Note 16)	11,873	14,954
Due to NYCTA (Note 1 and 22)	8,180	15,097
Current portion of capital lease obligation (Note 15)	6,488	6,541
Due to MTA (Note 1 and 22)	121,145	127,644
Pollution Remediation Projects (Note 10)	748	-
Prepaid tolls revenue (includes \$28,115 and \$22,930 in 2008 and 2007, respectively, due to other toll agencies)	<u>122,151</u>	<u>110,524</u>
Total current liabilities	<u>608,525</u>	<u>642,589</u>
NONCURRENT LIABILITIES:		
Estimated liability arising from injuries to persons (Note 16)	12,548	6,866
Escrow obligation	-	16,401
Other postemployment benefits other than pensions (Note 8)	127,606	61,283
Long-term debt (Notes 11 to 14)	8,409,203	7,010,151
Capital lease obligations (Note 15)	125,976	115,444
Other long-term liabilities	<u>-</u>	<u>1,808</u>
Total noncurrent liabilities	<u>8,675,333</u>	<u>7,211,953</u>
Total liabilities	<u>9,283,858</u>	<u>7,854,542</u>
EXCESS OF LIABILITIES OVER ASSETS:		
Invested in capital assets — net of related debt	1,074,145	1,642,784
Restricted	436,146	457,504
Unrestricted	<u>(6,530,781)</u>	<u>(5,892,451)</u>
Total excess of liabilities over assets	<u>(5,020,490)</u>	<u>(3,792,163)</u>
TOTAL LIABILITIES AND EXCESS OF LIABILITIES OVER ASSETS	<u>\$ 4,263,368</u>	<u>\$ 4,062,379</u>

See notes to financial statements.

(Concluded)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN EXCESS OF LIABILITIES OVER ASSETS

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In thousands)

	2008	2007
OPERATING REVENUES:		
Bridges and tunnels	\$ 1,273,974	\$ 1,250,549
Building rentals and fees	12,767	12,172
Other income	549	635
	<u>1,287,290</u>	<u>1,263,356</u>
OPERATING EXPENSES:		
Salaries and wages	137,094	129,244
Retirement and other employee benefits	136,534	128,794
Insurance	8,284	9,126
Maintenance and other operating contracts	161,355	135,400
Professional service contracts	14,207	12,366
Materials and supplies	15,819	14,008
Depreciation expense	77,213	69,793
Other expenses	1,021	1,370
	<u>551,527</u>	<u>500,101</u>
	<u>735,763</u>	<u>763,255</u>
OPERATING INCOME		
NONOPERATING REVENUES (EXPENSES):		
Interest expense (Notes 11 to 14)	(369,707)	(295,752)
Investment income (Notes 1, 4 and 5)	4,513	5,744
	<u>(365,194)</u>	<u>(290,008)</u>
	370,569	473,247
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS		
TRANSFERS (OUT) IN — Metropolitan Transportation Authority	(1,251,781)	12,685
TRANSFERS OUT (Note 1):		
New York City Transit Authority	(120,260)	(156,474)
Metropolitan Transportation Authority	(226,855)	(249,969)
	<u>(1,228,327)</u>	79,489
CHANGE IN EXCESS OF LIABILITIES OVER ASSETS		
TOTAL EXCESS OF LIABILITIES OVER ASSETS — Beginning	<u>(3,792,163)</u>	<u>(3,871,652)</u>
TOTAL EXCESS OF LIABILITIES OVER ASSETS — Ending	<u>\$ (5,020,490)</u>	<u>\$ (3,792,163)</u>

See notes to financial statements.

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tolls collected	\$ 1,274,017	\$ 1,247,552
Building rentals and fees received	13,177	28,913
Payments to employees and related costs	(160,375)	(150,325)
Other operating costs	<u>(254,040)</u>	<u>(232,929)</u>
Net cash provided by operating activities	<u>872,779</u>	<u>893,211</u>
CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES:		
Subsidies paid to affiliated agencies	<u>(365,021)</u>	<u>(414,979)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES FOR THE AUTHORITY AND AFFILIATES:		
Purchase of capital assets	(258,808)	(297,994)
Payments for Transportation Projects	(512,384)	-
Principal payments on Senior, Subordinate, and COPS	(144,380)	(131,435)
Proceeds from new bond issues	2,247,370	227,179
MTA bonds refunded	(858,307)	-
TBTA bonds refunded	(673,025)	-
Interest payments on Senior, Subordinate, and COPS	<u>(382,149)</u>	<u>(354,336)</u>
Net cash used in capital and related financing activities	<u>(581,683)</u>	<u>(556,586)</u>

See notes to financial statements.

(Continued)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In thousands)

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gross sales of short-term securities	\$ 30,565,888	\$ 29,140,250
Gross purchases of short-term securities	(32,160,292)	(29,187,648)
Gross sales of long-term securities	2,924,986	372,878
Gross purchases of long-term securities	(1,304,676)	(291,584)
Increase in MTA investment pool	34,801	36,421
Unrestricted income from investments	3,738	6,569
Investment income restricted for capital purposes	<u>4,044</u>	<u>5,414</u>
Net cash provided by investing activities	<u>68,489</u>	<u>82,300</u>
NET (DECREASE) INCREASE IN CASH	(5,436)	3,946
CASH — Beginning of year	<u>17,398</u>	<u>13,452</u>
CASH — End of year	<u>\$ 11,962</u>	<u>\$ 17,398</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 735,763	\$ 763,255
ADJUSTMENTS TO RECONCILE INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	77,213	69,793
Capitalized salary expense	(16,447)	(16,057)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Decrease in receivables	1,224	2,552
Increase in operating payables	65,960	70,165
Decrease (increase) in prepaid expenses and deferred charges	2,246	(2,739)
(Decrease) increase in accrued salary costs, vacation and insurance	(4,807)	8,397
Increase (decrease) in prepaid toll revenue	<u>11,627</u>	<u>(2,155)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 872,779</u>	<u>\$ 893,211</u>

See notes to financial statements.

(Concluded)

TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In thousands)

1. BASIS OF FINANCIAL STATEMENTS

The Triborough Bridge and Tunnel Authority (the “Authority” or “MTA Bridges and Tunnels”) is a public benefit corporation created pursuant to the Public Authorities Law (the “Act”) of the State of New York (the “State”). MTA Bridges and Tunnels is part of the related financial reporting group of the Metropolitan Transportation Authority (MTA). The MTA is a component unit of the State and is included in the State of New York Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

MTA Bridges and Tunnels operates seven toll bridges, two toll tunnels, and the Battery Parking Garage. All Authority toll facilities operate E-Z Pass in conjunction with a regional electronic toll collection system. MTA Bridges and Tunnels’ annual net earnings before depreciation and other adjustments (“operating transfer”) are transferred to the New York City Transit Authority (the “TA”) and the MTA pursuant to provisions of the Act. In addition, MTA Bridges and Tunnels annually transfers its unrestricted investment income to the MTA. The operating transfer and the investment income transfer can be used to fund operating expenses or capital projects. The TA receives \$24,000 plus 50% of MTA Bridges and Tunnels’ remaining annual operating transfer, as adjusted, to reflect certain debt service transactions and the MTA receives the balance of the operating transfer, as adjusted, to reflect certain debt service transactions, plus the annual unrestricted investment income. Transfers are made during the year. The remaining amount due at December 31, 2008 and 2007, of \$38,481, and \$51,897, respectively, is recorded as a liability in MTA Bridges and Tunnels’ financial statements.

MTA Bridges and Tunnels certified to the City of New York (the “City”) and the MTA that its operating transfer and its unrestricted investment income at December 31, 2008 and 2007, were as follows:

	2008	2007
Operating transfer	\$ 347,114	\$ 406,443
Investment income (excludes unrealized gain or loss)	<u>4,491</u>	<u>5,558</u>
	<u>\$ 351,605</u>	<u>\$ 412,001</u>

2. ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, MTA Bridges and Tunnels applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board

(FASB) Statements and Interpretations issued on or before November 30, 1989, that do not conflict with GASB pronouncements. Subsequent to November 30, 1989, MTA Bridges and Tunnels exclusively applies all applicable GASB pronouncements.

New Accounting Standards — The MTA Bridges and Tunnels has completed the process of evaluating the impact that will result from adopting GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and has disclosed the required information as per this statement in Note 8. The Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Statement is effective for financial statement periods beginning after December 15, 2006.

The MTA Bridges and Tunnels has completed the process of evaluating the impact that will result from adopting GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of assets and Future Revenues*. The MTA Bridges and Tunnels has concluded that GASB Statement No. 48 had no impact on its financial position and results from operations. The Statement establishes criteria that governments will use to ascertain whether proceeds received should be reported as revenues or as a liability. The Statement is effective for fiscal periods beginning after December 15, 2006.

The MTA Bridges and Tunnels has completed the process of evaluating the impact that will result from implementing GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. The Statement is effective for fiscal periods beginning after December 15, 2007. The Statement establishes standards for determining when expected pollution remediation outlays should be accrued as a liability or, if appropriate, capitalized. An operating expense and corresponding liability, measured at its current value using the expected cash flow method, have been recognized for certain pollution remediation obligations that are no longer able to be capitalized as a component of a capital project. Pollution remediation obligations, which are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations, occur when any one of the following obligating events takes place:

- An imminent threat to public health due to pollution exists
- MTA Bridges and Tunnels is in violation of a pollution prevention-related permit or license
- MTA Bridges and Tunnels is named by a regulator as a responsible or potentially responsible party to participate in remediation
- MTA Bridges and Tunnels is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities, or
- MTA Bridges and Tunnels voluntarily commences or legally obligates itself to commence remediation efforts

MTA Bridges and Tunnels does not have objective and verifiable information to apply the provisions of GASB Statement No. 49 to periods prior to 2008. See Footnote 10 for additional details.

The MTA Bridges and Tunnels has completed the process of evaluating the impact that will result from implementing GASB Statement No. 50, *Pension Disclosures*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and*

Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The Statement is effective for fiscal periods beginning after June 15, 2007. See Footnote 8 for additional details.

The MTA Bridges and Tunnels has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The MTA Bridges and Tunnels is therefore unable to disclose the impact GASB Statement No. 51 will have on its financial position, results of operations, and cash flows when such statement is adopted. This statement amends GASB Statement 34, paragraphs 19-21, and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, paragraphs 9e, 16, and 18 and relates to the recognition and recording of intangible assets as capital assets in the statement of net assets. The requirements of this Statement are for financial statements for periods beginning after June 15, 2009.

The MTA Bridges and Tunnels has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The MTA Bridges and Tunnels is therefore unable to disclose the impact GASB Statement No. 53 will have on its financial position, results of operations, and cash flows when such statement is adopted. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments, and addresses hedge accounting requirements. This statement is effective for financial statements for periods beginning after June 15, 2009.

The MTA Bridges and Tunnels has not completed the process of evaluating the impact that will result from implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. MTA Bridges and Tunnels is therefore unable to disclose the impact GASB Statement No. 54 will have on its financial position, results of operations, and cash flows when such statement is adopted. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

Use of Management's Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the market value of investments, allowances for doubtful accounts, arbitrage rebate liability, accrued expenses and other liabilities, depreciable lives of capital assets, estimated liability arising from injuries to persons, and other postemployment benefits. Actual results could differ significantly from those estimates.

Operating Revenues — Bridges and tunnel revenue is recorded as earned (i.e., as tokens are used and tolls are paid in cash or when vehicles pass through the electronic toll collection system).

Investments — It is MTA Bridges and Tunnels' intent to hold its investments to maturity. Investments are recorded on the balance sheet at fair value which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in the fair value of investments, is reported as revenue (either as investment income and net increase (decrease) in fair value of investments) on the statements of revenues, expenses and changes in excess of liabilities over assets.

Capital Assets — Capital assets include all land, buildings, toll equipment, and other structures of MTA Bridges and Tunnels having a useful life of greater than two years and having a cost of at least \$25.

Capital assets are generally stated at historical cost, or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease.

Accumulated depreciation and amortization are reported as reductions of fixed assets. Depreciation is computed using the straight-line method based upon estimated useful lives, generally 99 years for primary structures, 10 to 50 years for buildings and improvements, 30 years for roadways, and 2 to 7 years for all other equipment. Capital lease assets and leasehold improvements are amortized over the term of the lease or the life of the assets, whichever is less.

Major reconstruction and improvements to such facilities are capitalized. Expenditures for maintenance and repairs which do not extend the useful life of the asset are charged to operations as incurred.

Title to substantially all real property is vested in the City of New York, and MTA Bridges and Tunnels has the use and occupancy thereof as long as its corporate existence continues.

Compensated Absences — MTA Bridges and Tunnels has accrued the full value (including fringe benefits) of all vacation and sick leave benefits earned by employees to date if the leave is attributable to past service and it is probable that MTA Bridges and Tunnels will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Total outstanding compensated balances at December 31, 2008 and 2007 were \$304 and \$792, respectively.

Subsidies — Subsidies provided by MTA Bridges and Tunnels represent its operating transfer and investment income computed on an accrual basis.

3. CASH

The Bank balances are insured up to \$250 in the aggregate by the Federal Deposit Insurance Corporation (FDIC) for each bank in which funds are deposited.

The Bank balances that were not insured were maintained in major financial institutions considered by management to be secure. The difference between the carrying amount and the bank balance for the years ended December 31, 2008 and 2007 is due to the petty cash and change funds which are maintained at the various toll facilities and not recorded by the bank. In addition, there were deposits in transit in each of the years ended December 31, 2008 and 2007.

Cash at December 31, 2008 and, 2007 consists of the following:

	2008		2007	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 250	\$ 250	\$ 100	\$ 100
Collateralized deposits	9,550	6,145	9,149	9,149
Uncollateralized deposits	<u>2,162</u>	<u>-</u>	<u>8,149</u>	<u>966</u>
	<u>\$11,962</u>	<u>\$6,395</u>	<u>\$17,398</u>	<u>10,215</u>

4. INVESTMENTS

MTA Bridges and Tunnels' investment policies comply with the New York State Comptroller's guidelines for investment policies. MTA's All-Agency Investment Guidelines restrict MTA Bridges and Tunnels' investments to obligations of the U.S. Treasury, its agencies and instrumentalities and repurchase agreements backed by U.S. Treasury securities. All investments were managed by the MTA, as MTA Bridges and Tunnels' agent, in custody accounts kept in the name of MTA Bridges and Tunnels for restricted investments and in the name of the MTA for unrestricted investments. MTA's All-Agency Investment Guidelines state that securities underlying repurchase agreements must have a market value at least equal to the cost of the investment. As of December 31, 2008 and 2007, all investments are at fair value as set forth below:

	2008	2007
Investments maturing in 2009 to 2015 under terms of repurchase agreements	\$ 128,407	\$ 123,645
U.S. Treasuries due 2009 to 2016	49,557	172,766
U.S. Treasury Notes	-	218
MTA Investment Pool	190,920	156,119
Other government agencies	69,745	1,417
Irrevocable deposit account	<u>76,500</u>	<u>76,500</u>
	<u>\$ 515,129</u>	<u>\$ 530,665</u>

The fair value of the above investments consists of \$78,983 and \$73,161 in 2008 and 2007 in unrestricted investments, respectively, and \$436,146 and \$457,504 in 2008 and, 2007 in restricted investments, respectively. Investments had weighted average monthly yields ranging from 2.21% to 5.91%, for the year ended December 31, 2008 and 4.24 % to 5.1 %, for the year ended December 31, 2007. The net unrealized gain on investments for the years ended December 31, 2008 and 2007 were \$22 and \$185, respectively.

Unrestricted cash and investments available to pay operating and maintenance expenses, debt service and operating surplus transfers, at December 31, 2008 and 2007, are as follows:

Investments:	2008	2007
CURRENT:		
Restricted:		
General Purpose Revenue Bonds		
1980 Resolution — Operating Funds	\$ 1,317	\$ 20,068
Bond Proceeds Fund	58,345	52,640
Debt Service Fund	109,176	127,361
Cost of Issuance Fund	1	1
COPS 2 Broadway	<u>561</u>	<u>1,673</u>
 Total current — restricted	 169,400	 201,743
 Total current — unrestricted	 <u>33,890</u>	 <u>21,103</u>
 Total — current	 <u>\$ 203,290</u>	 <u>\$ 222,846</u>
 LONG-TERM:		
Restricted:		
General Purpose Revenue Bonds	\$ 10,276	\$ 22,359
General Purpose Debt Service Fund	-	24,389
Senior Revenue Bonds	140,428	110,860
General Purpose Bond Proceeds Fund	22,352	14,995
Capital Lease Obligation:		
US Treasury Strips	17,190	6,658
Irrevocable Deposit Account	<u>76,500</u>	<u>76,500</u>
 Total long term — restricted	 266,746	 255,761
 Total long term — unrestricted	 <u>45,093</u>	 <u>52,058</u>
 Total — long-term	 <u>\$ 311,839</u>	 <u>\$ 307,819</u>

The unexpended bond proceeds of the General Purpose Revenue Bonds 1980 Resolution, not including proceeds held for the Transportation Project, were restricted for payment of capital improvements of MTA Bridges and Tunnels' present facilities. The Debt Service Funds are restricted for the payment of debt service as provided by the bond resolutions.

MTA Bridges and Tunnels' accrual of the liability to the federal government for rebate of arbitrage income from tax-exempt borrowings was \$0 and \$1,526 at December 31, 2008 and 2007, respectively. In 2008 and 2007, MTA Bridges and Tunnels' transfer of its unrestricted investment income to the MTA was not increased for such arbitrage rebate accruals.

5. MTA INVESTMENT POOL

The MTA, on behalf of MTA Bridges and Tunnels, invests funds which are not immediately required for MTA Bridges and Tunnels' operations in securities permitted by the MTA's All-Agency Investment Guidelines in accordance with the State Public Authorities Law, including repurchase agreements collateralized by U.S. Treasury securities, U.S. Treasury notes, and U.S. Treasury zero-coupon bonds.

6. CAPITAL ASSETS

	Balance December 31, 2006	Additions	Deletions	Balance December 31, 2007	Additions	Deletions	Balance December 31, 2008
CAPITAL ASSETS NOT BEING DEPRECIATED:							
Land	\$ 27,940	\$ -	\$ -	\$ 27,940	\$ -	\$ -	\$ 27,940
Construction in progress	<u>317,077</u>	<u>338,316</u>	<u>198,351</u>	<u>457,042</u>	<u>314,182</u>	<u>190,378</u>	<u>580,846</u>
Total capital assets not being depreciated	<u>345,017</u>	<u>338,316</u>	<u>198,351</u>	<u>484,982</u>	<u>314,182</u>	<u>190,378</u>	<u>608,786</u>
CAPITAL ASSETS BEING DEPRECIATED:							
Building — 2 Broadway	82,398	-	-	82,398	-	-	82,398
Primary structures	1,712,196	101,587	-	1,813,783	83,398	-	1,897,181
Toll plazas	206,187	-	-	206,187	-	-	206,187
Toll equipment	98,199	8,834	-	107,033	-	-	107,033
Buildings	359,692	16,970	-	376,662	80,008	-	456,670
Roadway	622,840	51,907	-	674,747	21,789	-	696,536
Other	<u>82,184</u>	<u>23,519</u>	<u>-</u>	<u>105,703</u>	<u>14,369</u>	<u>-</u>	<u>120,072</u>
Total capital assets being depreciated	<u>3,163,696</u>	<u>202,817</u>	<u>-</u>	<u>3,366,513</u>	<u>199,564</u>	<u>-</u>	<u>3,566,077</u>
LESS ACCUMULATED DEPRECIATION:							
Building — 2 Broadway	23,003	3,152	-	26,155	3,099	-	29,254
Primary structures	367,503	15,663	-	383,166	16,597	-	399,763
Toll plazas	88,194	4,660	-	92,854	4,660	-	97,514
Toll equipment	26,777	2,564	-	29,341	2,674	-	32,015
Buildings	63,662	8,996	-	72,658	10,208	-	82,866
Roadway	55,503	21,627	-	77,130	22,854	-	99,984
Other	<u>52,440</u>	<u>13,131</u>	<u>-</u>	<u>65,571</u>	<u>17,121</u>	<u>-</u>	<u>82,692</u>
Total accumulated depreciation	<u>677,082</u>	<u>69,793</u>	<u>-</u>	<u>746,875</u>	<u>77,213</u>	<u>-</u>	<u>824,088</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED — Net of accumulated depreciation	<u>2,486,614</u>	<u>133,024</u>	<u>-</u>	<u>2,619,638</u>	<u>122,351</u>	<u>-</u>	<u>2,741,989</u>
CAPITAL ASSETS — Net	<u>\$2,831,631</u>	<u>\$471,340</u>	<u>\$198,351</u>	<u>\$3,104,620</u>	<u>\$436,533</u>	<u>\$190,378</u>	<u>\$3,350,775</u>

In 2008 and 2007, capital asset additions included \$16,447 and \$16,057, respectively, of costs incurred by engineers working on capital projects.

MTA Bridges and Tunnels' 1992-1999 Capital Program, which was developed to rehabilitate MTA Bridges and Tunnels' bridges and tunnels, totals \$1,137,221. Over the 1992 to 1999 period, MTA Bridges and Tunnels committed \$1,137,044 under the Capital Program for such activities.

MTA Bridges and Tunnels' 2000-2004 Capital Program totals approximately \$999,067. Total amounts committed through December 31, 2008 and 2007, totaled \$974,883 and \$971,445, respectively.

MTA Bridges and Tunnels' 2005-2009 Capital Program totals \$1,209,112. Total amounts committed through December 31, 2008, total \$1,065,841.

7. EMPLOYEE BENEFITS

Most employees of MTA Bridges and Tunnels are members of the New York City Employees' Retirement System ("NYCERS"), which is a cost sharing, multi-employer retirement system. MTA Bridges and Tunnels' total payroll costs were \$142,728 or 93% for 2008 and \$129,739 or 89.3% for 2007, which includes the cost of capital engineers charged to capital projects, of which such costs relate to employees who participate in NYCERS.

NYCERS provides retirement, as well as death, accident and disability retirement benefits. Benefits vest after 5 years of credited service depending on date of employment. Certain retirees also receive supplemental benefits from MTA Bridges and Tunnels.

Benefit and contribution provisions, which are contingent upon the point in time at which the employee last entered qualified service and length of credited service, are established by State law and may be amended only by the State legislature. NYCERS has both contributory and noncontributory requirements, with retirement age varying from 55 to 70 depending upon when an employee last entered qualifying service. Employees entering qualifying service on or before June 30, 1976, are enrolled in a noncontributory plan. Employees entering qualifying service after June 30, 1976, are enrolled in a plan, which requires a 3% contribution of their salary. The State legislature passed legislation in 2000 that suspends the 3% contribution for employees who have 10 years or more of credited service. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Bridges and Tunnels is required to contribute at an actuarially determined rate. The current rate is 14.3% of annual covered payroll. The contribution requirements of plan members and MTA Bridges and Tunnels are established and may be amended by the State Legislature.

NYCERS established a "special program" for employees hired on or after July 26, 1976. A plan for employees, who have worked 20 years, and reached age 50, is provided to Bridge and Tunnel Officers, Sergeants and Lieutenants and Maintainers. Also, an age 57 retirement plan is available for all other such MTA Bridges and Tunnels employees. Both these plans required increased employee contributions.

Certain participants are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such participants' contribution accounts. Upon termination of employment before retirement, certain participants are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding.

Employee contributions amounted to \$10,863 (7.61% of covered payroll) and \$9,288 (7.16% of covered payroll) in 2008 and 2007, respectively. MTA Bridges and Tunnels contributions to NYCERS for the years ending December 31, 2008, 2007, and 2006, were \$20,403, \$18,537 and \$12,926, respectively, equal to the required contributions for each year.

Additional information about the plan is presented in the component unit financial report prepared by NYCERS. NYCERS issues a publicly available financial report that includes financial statements and required supplementary information. The NYCERS financial report may be obtained by writing to NYCERS Headquarters, 340 Jay Street, Brooklyn, NY, 11201.

Postretirement Benefits — In addition to providing pension benefits, MTA Bridges and Tunnels provides certain health care and life insurance benefits for retired employees. Substantially all of MTA Bridges and Tunnels' employees who are members of NYCERS may become eligible for those benefits if they reach normal retirement age while working for MTA Bridges and Tunnels. The insurance premiums for these

benefits are recorded on a pay-as-you-go basis and totaled \$11,378 and \$10,217 in 2008 and 2007, respectively. No contributions are made by participants. As of December 31, 2008 and 2007, 1,396 and 1,420 retirees, respectively, including spouses and dependents, met those eligibility requirements. See Note 8 for further disclosure on Other Post-Employment Benefits.

8. OTHER POSTEMPLOYMENT BENEFITS

The MTA and its Related Groups, which includes the TBTA, has implemented GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”* (“GASB 45”). This Statement establishes the standards for the measurement, recognition, and display of Other Postemployment Benefits (“OPEB”) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (“RSI”) in the financial reports of state and local governmental employers.

Postemployment benefits are part of an exchange of salaries and benefits for employee services rendered. Most OPEB have been funded on a pay-as-you-go basis and have been reported in financial statements when the promised benefits are paid. GASB 45 requires state and local government’s financial reports to reflect systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees’ years of service and provides information about actuarial accrued liabilities associated with the OPEB and whether and to what extent progress is being made in funding the plan.

Plan Description

The Benefits provided by the MTA and its Related Groups include medical, pharmacy, dental, vision and life insurance, plus monthly supplements for Medicare Part B or Medicare supplemental plan reimbursement and welfare fund contributions.

Annual OPEB Cost and Net OPEB Obligation

The TBTA’s annual OPEB cost (expense) represents the accrued cost for post-employment benefits under GASB 45. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation, included on the balance sheet. The annual OPEB cost is equal to the annual required contribution (“ARC”) less adjustments if a net OPEB obligation exists. The ARC is equal to the normal cost plus an amortization of the unfunded frozen actuarial accrued liability.

For determining the ARC, the MTA and its Related Groups have chosen to use Frozen Initial Liability (“FIL”) cost method with the initial liability amortized over a 22-year period.

In order to recognize the liability over an employee’s career, an actuarial cost method divides the present value into three pieces: the part that is attributed to past years (the “Accrued Liability” or “Past Service Liability”), the part that is being earned this year (the “Normal Cost”), and the part that will be earned in future years (the “Future Service Liability”). Under FIL, an initial past service liability is determined based on the Entry Age Normal (“EAN”) Cost Method and is amortized separately. This method determines the past service liability for each individual based on a level percent of pay. The Future Service Liability is allocated based on the present value of future compensation for all members combined to determine the Normal Cost. In future years, actuarial gains/losses will be incorporated into the Future Service Liability and amortized through the Normal Cost. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The Frozen Initial Liability (“FIL”) Cost Method was used for determining the Normal Cost. The Entry Age Normal (“EAN”) Cost Method was used to determine the Frozen Accrued Liability and will be used to determine the unfunded actuarial accrued liability in the GASB 45 supplementary schedules. This method determines the Frozen Accrued liability for each individual based on a level percent of pay for service accrued through the initial valuation date. The difference between the Actuarial Present Value of Benefits and the Frozen Accrued Liability equals the Present Value of Future Normal Cost. The Normal Cost equals the Present Value of Future Normal Cost divided by the present value of future compensation and multiplied by the total of current compensation for members less than certain retirement age.

Inflation rate used was 2.5% per annum compounded annually.

Salaries were assumed to increase by years of service as follows:

0-5 years	10.5%
5-10 years	4.0%
20-15 years	4.0%
15-19 years	4.0%
19+ years	5.0%

Increases in postretirement benefits were calculated using a trend of 11% beginning in 2007 decreasing 0.5% per year until an ultimate rate of 5%. The trend assumption was applied to all benefits.

Investment returns were calculated using a discount rate of 4.2%, compounded annually, based upon a projection of the MTA Investment Pool.

Valuation Date

January 1, 2006

Discount Rate

4.2%

Per Capita Claim Costs

For members of NYSHIP who retired prior to NYSHIP availability, unadjusted premiums were used. For some of the self-insured benefits provided to Pre-NYSHIP Transit members per capita claim costs adjusted by age were used. A sample of these claim costs are shown below:

<u>Age</u>	Pre-NYSHIP Group 1 <u>Hospital</u>	Pre-NYSHIP Retirees <u>Pharmacy</u>	Pre-NYSHIP Group 2 <u>Hospital</u>
<u>Male Employees</u>			
30-34	79.28	46.79	69.79
35-39	98.72	66.64	86.91
40-44	131.16	84.97	115.47
45-49	178.35	113.59	157.01
50-54	234.54	136.72	206.48
55-59	277.66	142.71	244.44
60-64	372.58	168.45	328.00

<u>Age</u>	Pre-NYSHIP Group 1 <u>Hospital</u>	Pre-NYSHIP Retirees <u>Pharmacy</u>	Pre-NYSHIP Group 2 <u>Hospital</u>
<u>Female Employees</u>			
30-34	173.83	78.64	153.03
35-39	167.05	93.30	147.07
40-44	162.14	114.73	142.74
45-49	181.72	144.45	159.97
50-54	210.21	170.16	185.06
55-59	233.16	185.64	205.27
60-64	304.58	204.52	268.14

Medicare Part B Premiums

The Medicare Part B premium reimbursement was included in the 2006 premium for those members covered by NYSHIP. Recently NYSHIP issued revised premiums for 2007 removing this reimbursement. Assuming the adjustment to the 2006 premium rate would be similar to that announced for 2007; the impact of using the revised premium rates (including the percentage increase in the premium rates from 2006 to 2007) on the Annual Required Contribution (ARC) for the MTA and its Related Groups was estimated. For other members, where applicable, the reimbursement was determined using the 2006 premium level and increasing this amount by the Health Care Cost Trend rates.

Health Care Cost Trend Rates

<u>Fiscal Year</u>	<u>Trend</u>	<u>Fiscal Year</u>	<u>Trend</u>
2007	11.0%	2014	7.5%
2008	10.5	2015	7.0
2009	10.0	2016	6.5
2010	9.5	2017	6.0
2011	9.0	2018	5.5
2012	8.5	2019+	5.0
2013	8.0		

In addition, 2006 premiums and claim costs were trended 11% to 2007.

Participation

For the 2,942 members who participate in NYSHIP, 100% of eligible members, including current retirees and surviving spouses, are assumed to elect the Empire PPO Plan. For groups that do not participate in NYSHIP, various coverage election rates are used.

Dependent Coverage

Current retirees are valued using coverage reported by the MTA. Based on an analysis of members who retired within the last 5 years, we have assumed that, for future retirees, 85% of male members and 55% of female members elect family coverage with a spouse.

Demographic Assumptions

Mortality: Pre-retirement and postretirement healthy annuitant rates are projected on a generational basis using Scale AA, as recommended by the Society of Actuaries Retirement Plans Experience Committee.

Pre-retirement: RP-2000 Employee Mortality Table for Males and Females with blue-collar adjustments. No blue-collar adjustments were used for management members of Headquarters.

Postretirement Healthy Lives: RP-2000 Healthy Annuitant mortality table for males with Blue Collar adjustments and 133% of the rates from the RP-2000 Healthy Annuitant mortality table for females. No blue-collar adjustments were used for management members of Headquarters.

Postretirement Disabled Lives: 75% of the rates from the RP-2000 Disabled Annuitant mortality table for males and females. At age 85 and later for males and age 77 and later for females, the disability rates are set to the male and female healthy rates, respectively.

Turnover and retirement rates: All demographic assumptions were based on assumptions utilized in the 2006 actuarial valuations for the pension plans, with the exception of the mortality assumption. The following is a table displaying the various sources of the assumptions utilized by group.

Group	Pension Plan
TBTA	NYCERS - TBTA

Vestee Coverage

For members that participate in NYSHIP, Vesteers (members who have terminated, but not yet eligible to retire) are eligible for NYSHIP benefits provided by the Agency upon retirement, but must maintain NYSHIP coverage at their own expense from termination to retirement. Vesteers are assumed to retire at first eligibility and would continue to maintain NYSHIP coverage based on the following percentages. This assumption is based on the Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation report provided to Participating Employers of NYSHIP. These percentages were also applied to current vesteers, which were only provided by Headquarters.

Age at <u>Termination</u>	Percent <u>Electing</u>
<40	0%
40-43	5
44	20
45-46	30
47-48	40
49	50
50-51	80
52+	100

The following table shows the elements of TBTA's net OPEB cost for the year ended December 31, 2008 and 2007, the amount paid, and changes in TBTA's net OPEB for the year ended December 31, 2008 and 2007:

	2008 Amount	2007 Amount
Annual required contribution	\$ 80,500	\$ 71,500
Interest on net OPEB obligation	2,600	-
Adjustment to annual required contribution	<u>(5,400)</u>	<u>-</u>
Annual OPEB cost/expense	77,700	71,500
Payments	<u>(11,377)</u>	<u>(10,217)</u>
Increase in net OPEB obligation	66,323	61,283
Net OPEB obligation — beginning of year	<u>61,283</u>	<u>-</u>
Net OPEB obligation — end of year	<u>\$ 127,606</u>	<u>\$ 61,283</u>

The TBTA's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net estimated OPEB obligation for the year ended December 31, 2008 and 2007 projected is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Paid	Net OPEB Obligation
12/31/2007	\$ 71,500	14.3 %	\$ 61,283
12/31/2008	\$ 77,700	14.6 %	\$ 66,323

Period Ended	Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability (AAL) {b}	Unfunded Actuarial Accrued Liability (UAAL) {c}={b}-{a}	Funded Ratio {a}/{c}	Covered Payroll {d}	Ratio of UAAL to Covered Payroll {c}/{d}
12/31/2008	1/1/2008	-	\$ 560.1	\$ 560.1	-	\$ 101.1	554.0 %
12/31/2007	1/1/2007	-	\$ 576.6	\$ 576.6	-	\$ 97.2	593.2 %

The required schedule of funding progress immediately following the notes to the financial statements and the supplemental schedules presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. THE TRANSPORTATION PROJECT

2005-2009 Capital Programs

Capital programs covering the years 2005-2009 have been approved for (1) the commuter railroad operations of the MTA conducted by The Long Island Rail Road Company (“MTA Long Island Rail Road”) and the Metro-North Commuter Railroad Company (“MTA Metro-North Railroad”) (the “2005-2009 Commuter Capital Program”), (2) the transit system operated by the New York City Transit Authority (“MTA New York City Transit”) and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority (“MaBSTOA”), and the rail system operated by the Staten Island Rapid Transit Operating Authority (“MTA Staten Island Railway”) (the “2005-2009 Transit Capital Program”) and (3) the toll bridges and tunnels operated by MTA Bridges and Tunnels (the “2005-2009 MTA Bridges and Tunnels Capital Program”). The 2005-2009 MTA Bridges and Tunnels Capital Program was effective upon adoption by the Board. The 2005-2009 Commuter Capital Program and the 2005-2009 Transit Capital Program (collectively, the “2005-2009 MTA Capital Programs”) have been approved by the Metropolitan Transportation Authority Capital Program Review Board (the “Review Board”) and are also effective. The Review Board consists of one member each appointed by the Governor of the State, the Majority Leader of the State Senate and the Majority Leader of the State Assembly and, in the case of transit programs only, the Mayor of the City of New York.

As of April 2007, the 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program provided for \$22,585,600 in capital expenditures, of which \$11,219,500 related to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway; \$3,545,400 related to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad; \$495,000 related to a security program throughout the transit, commuter and bridge and tunnel network; \$155,400 relates to certain interagency projects; \$3,730,000 related generally to the expansion of existing rail networks for both the transit and commuter systems to be managed by the MTA Capital Construction Company (including the East Side Access, Second Avenue Subway and JFK rail link projects); \$2,100,000 related to the City’s funding of the proposed extension of the #7 subway line; \$1,202,100 related to the ongoing repairs of, and replacements to, bridge and tunnel facilities operated by MTA Bridges and Tunnels; and \$138,200 related to capital projects for the MTA Bus Company (“MTA Bus”).

The combined funding sources for the 2005-2009 MTA Capital Programs and the 2005-2009 MTA Bridges and Tunnels Capital Program included \$7,842,399 in Federal funds; \$1,450,000 in proceeds from New York State general obligation bonds approved by the voters in November 2005; \$2,528,600 from the City; \$1,273,500 in asset sales, program income and carryover from the 2000-2004 capital program; and \$9,440,700 in bonds; and \$50,400 from other sources.

On July 23, 2008, the MTA Board further amended the 2005-2009 Capital Program for the purposes of updating capital project budgets and recognizing changes in funding sources. The amendments, insofar as they relate to the Transit and Commuter Systems, will not become effective until they are submitted to, and approved by, the Review Board. (The amendments relating to the MTA Bridges and Tunnels' capital programs were effective upon adoption by the Board.)

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$1,131,100, from \$22,585,600 to \$23,716,700. The changes in the plan included a \$48,900 increase in the core Transit and Commuter programs and the interagency program, a \$7,000 increase in the MTA Bridges and Tunnels program, a \$1,068,900 increase in Network Expansion Projects and a \$6,300 increase in MTA Bus Company.
- Federally approved Full Funding Grant Agreement (FFGA) funds to the MTA Capital Construction Company for both East Side Access (ESA) and Second Avenue Subway (SAS) reflects an addition of \$1,031,200. For ESA, this amendment added the remainder of \$267,100 to the already approved FFGA and \$764,100 of new FFGA funds to SAS.
- New York City Transit's program was decreased by \$65,200 to transfer funds to prior capital programs that have experienced cost-overruns.
- Funds from the discontinued LaGuardia Airport Access Project have been transferred from the 2000-2004 Capital Program and included with its own fund sources in the 2005-2009 Plan. \$69,700 was previously approved by the MTA Board and the balance of \$134,800 will be used for new priority initiatives.

2000-2004 Capital Programs

Capital programs covering the years 2000-2004 have been approved for (1) the commuter railroad operations of the MTA conducted by MTA Long Island Rail Road and MTA Metro-North Railroad (the "2000-2004 Commuter Capital Program"), (2) the transit system operated by MTA New York City Transit and its subsidiary, MaBSTOA, and the rail system operated by the MTA Staten Island Railway (the "2000-2004 Transit Capital Program") and (3) the toll bridges and tunnels operated by MTA Bridges and Tunnels (the "2000-2004 MTA Bridges and Tunnels Capital Program"). The 2000-2004 MTA Bridges and Tunnels Capital Program was effective upon adoption by the Board. The 2000-2004 Commuter Capital Program and the 2000-2004 Transit Capital Program (collectively, the "2000-2004 MTA Capital Programs") have been approved by the Review Board and are also effective.

The 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program provide for \$20,893,900 in capital expenditures, of which \$10,227,300 relates to ongoing repairs of, and replacements to, the Transit System operated by MTA New York City Transit and MaBSTOA and the rail system operated by MTA Staten Island Railway; \$3,894,300 relates to ongoing repairs of, and replacements to, the commuter system operated by MTA Long Island Rail Road and MTA Metro-North Railroad; \$4,531,700 relates generally to the expansion of existing rail networks for both the transit and commuter systems to be managed by the MTA Capital Construction Company (including \$658,100 for a security

program throughout the transit, commuter and bridge and tunnel network); \$489,700 relates to planning and design and customer service projects; \$248,900 relates to World Trade Center repair projects; \$467,200 relates to bus purchases for MTA Bus Company; and \$1,034,800 relates to the ongoing repairs of, and replacements to, bridge and tunnel facilities operated by MTA Bridges and Tunnels.

The combined funding sources for the 2000-2004 MTA Capital Programs and the 2000-2004 MTA Bridges and Tunnels Capital Program include \$7,919,300 in bonds; \$6,482,400 in Federal funds; \$4,575,000 from the proceeds of the MTA/MTA Bridges and Tunnels debt restructuring in 2002; and \$1,917,200 from other sources.

On December 13, 2006, the MTA Board amended the 2000-2004 Capital Programs for the purposes of updating capital project budgets and recognizing changes in funding sources. The amendments, insofar as they relate to the Transit and Commuter Systems, will not become effective until they are submitted to, and approved by, the Review Board. The amendments relating to the MTA Bridges and Tunnels' capital programs were effective upon adoption by the Board.

- The value of the plan (including the Transit, Commuter and MTA Bridges and Tunnels programs) was increased by \$253,000, from \$20,893,900 to \$21,146,600, with the Transit and Commuter programs increasing by \$285,000 and the MTA Bridges and Tunnels program decreasing by \$32,000 (which was transferred to the 2005-2009 MTA Bridges and Tunnels capital program to fund cost increases).
- The operating agency programs increased by \$133,000, which includes transfers from the 2005-2009 Capital Program to fund cost increases for work still underway and the addition of new projects for MTA Metro-North Railroad's Yankee Stadium station and MTA Long Island Rail Road's Shea Stadium station. The two stadium projects are funded by the transfer of allocations from the discontinued LaGuardia Airport Access project.
- The Phase I Security Program was allocated an additional \$129,000 in MTA operating and Federal sources (bringing the total to \$721,000) to fund the completion of the Phase I initiatives.
- The South Ferry Terminal project was allocated an additional \$34,000 in MTA operating sources to fund additional costs needed for the final contract award.
- MTA Bus received an additional \$35,000 of City funding representing its match for Federal funds transferred by the City as part of the City-MTA agreement relating to the takeover of the private bus companies by MTA Bus.

On December 11, 2007, the MTA submitted to the MTA Capital Program Review Board an amendment to the 2000-2004 Capital Program, reallocating \$13.7 million from MTA New York City Transit's East New York Depot project (in the 2005-2009 Capital Program) to Transit's Charleston Depot Construction project (in the 2000-2004 Capital Program). This amendment was approved by the Review Board on January 14, 2008.

10. POLLUTION REMEDIATION PROJECTS

MTA Bridges and Tunnels implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008. In accordance with GASB Statement No. 49, a pollution remediation expense provision totaling \$49 and a corresponding liability were recorded. The expense provision was measured at its current value utilizing the prescribed expected cash flow method.

As of December 31, 2008, the pollution remediation liability totaled \$748 primarily consisting of future remediation activities associated with asbestos removal and soil contamination at MTA Bridge and Tunnels facilities.

The pollution remediation liability is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

11. LONG-TERM DEBT

MTA Bridges and Tunnels issues long-term bonds to fund its own capital projects, as well as the Transportation Project, through the following two credits:

- General Revenue Bonds, and
- Subordinate Revenue Bonds.

The following represents MTA Bridges and Tunnels' issuance of long-term debt in 2008.

In March 2008, \$822,700 General Revenue Fixed Rate Bonds, Series 2008A-the net proceeds of the Series 2008A Bonds were used to finance transit and commuter projects and to refinance outstanding indebtedness issued by MTA and MTA Bridges and Tunnels.

In March 2008, \$252,230 General Revenue Variable Rate Bonds, Series 2008B-the net proceeds of the Series 2008B Bonds were used to finance certain improvements of MTA Bridges and Tunnels.

In July 2008, \$629,890 General Revenue Fixed Rate Bonds, Series 2008C-the net proceeds of the Series 2008C Bonds were used to refinance outstanding indebtedness issued by MTA.

In July 2008, \$491,110 General Revenue Fixed Rate Bonds, Series 2008D-the net proceeds of the Series 2008D Bonds were used to refinance outstanding indebtedness issued by MTA Bridges and Tunnels.

In October 2008, MTA Bridges and Tunnels completed a conversion and remarketing of the Series 2001B Bonds and Series 2001C Bonds. The 2001B Bonds totaling \$145,760 are supported by an irrevocable, direct-pay letter of credit from State Street Bank and Trust Company. The 2001C Bonds totaling \$145,760 are supported by an irrevocable, direct pay letter of credit from Bayerische Landesbank. Bond Insurance previously provided by Ambac Assurance Corporation for the 2001B and 2001C Bonds was terminated.

In December 2008, all 2002C Bondholders, including the Liquidity Provider were paid from the proceeds of MTA Transportation Revenue Bonds, Series 2008C.

The following represents MTA Bridges and Tunnels' issuance of long-term debt in 2007:

- \$223,355 General Revenue Fixed Rate Bonds, Series 2007A — the net proceeds of the Series 2007A Bonds were used to finance certain improvements of MTA Bridges and Tunnels' bridges and tunnels
- \$201,120 Subordinate Revenue Variable Rate Refunding Bonds, Series 2000AB, and \$201,080 Subordinate Revenue Variable Rate Refunding Bonds, Series 2000CD as a result of combining Subordinate Revenue Variable Rate Refunding Bonds, Series 2000A and 2000B and Series 2000C and 2000D, respectively as part of its "Remarketing Plan".

MTA Bridges and Tunnels' long-term debt as of December 31, 2008 and 2007 is comprised of the following:

	2008	2007
Senior Revenue Bonds (Note 11)	\$ 6,334,176	\$ 4,731,793
Subordinate Revenue Bonds (Note 12)	2,033,937	2,236,560
2 Broadway Certificates of Participation (Note 13)	<u>41,090</u>	<u>41,798</u>
Total long-term debt — net of premiums and discounts	<u>\$ 8,409,203</u>	<u>\$ 7,010,151</u>

TBTA has entered into several Standby Bond Purchase Agreements (SBPA) as listed on the table below.

Resolution	Series	Provider (Insurer)	Exp. Date
TBTA General Revenue	2003B	Dexia	7/7/2012
TBTA General Revenue	2005A	Dexia	5/9/2012
TBTA General Revenue	2005B-2	Dexia	7/6/2012
TBTA General Revenue	2005B-3	Bank of America	7/6/2012
TBTA General Revenue	2005B-4	Landesbank Baden-Wurttemberg (NY)	12/29/2015
TBTA General Revenue	2002F	ABN AMRO	11/8/2012
TBTA Subordinate	2000AB	JPMorgan (FSA)	10/7/2014
TBTA Subordinate	2000CD	Lloyds TSB Bank (NY) (FSA)	10/7/2014
TBTA General Revenue	2005B-1	Depfa Bank	7/7/2015

According to each respective SBPA, if the remarketing agent fails to remarket any of the bonds listed above that are tendered by the holders, the bank is required (subject to certain conditions) to purchase such unremarketed portion of the bonds. Bonds owned by the bank and not remarketed after a specified amount of time (generally 90 days) are payable to the bank as a term loan over five years in ten equal semiannual principal payments including interest thereon.

12. LONG-TERM DEBT — SENIOR REVENUE BONDS

Senior Revenue Bonds at December 31, 2008 and 2007, consist of the following:

	Original Issuance	December 31, 2007	Issued	Principal Repayments & Retirements During 2008	December 31, 2008
Series EFC 1996A	\$ 23,530	\$ 17,895	\$ -	\$ 1,305	\$ 16,590
Series 2001A, 5.77% due through 2032	1,125,720	504,930	-	-	504,930
Series 2001B&C, 4.10% – 5.25%	296,400	296,400	-	4,880	291,520
Series 2002A	268,300	171,765	-	-	171,765
Series 2002B	2,157,065	1,833,820	-	69,265	1,764,555
Series 2002C	103,305	103,305	-	103,305	-
Series 2002F	246,480	240,930	-	5,775	235,155
Series 2003B	250,000	235,155	-	5,350	229,805
Series 2005A	150,000	144,755	-	2,835	141,920
Series 2005B	800,000	797,200	-	2,800	794,400
Series 2006A	200,000	191,360	-	3,635	187,725
Series 2007A	223,355	219,570	-	3,640	215,930
Series 2008A	822,770	-	822,770	-	822,770
Series 2008B	252,230	-	252,230	-	252,230
Series 2008C	629,890	-	629,890	-	629,890
	<u>\$ 7,549,045</u>	<u>4,757,085</u>	<u>1,704,890</u>	<u>202,790</u>	<u>6,259,185</u>
Add net unamortized bond discount and premium		<u>75,583</u>	<u>61,537</u>	<u>14,519</u>	<u>122,601</u>
		<u>\$ 4,832,668</u>	<u>\$ 1,766,427</u>	<u>\$ 217,309</u>	<u>\$ 6,381,786</u>

Debt Service Requirements:

Year Ending December 31	Principal	Interest	Aggregate Debt Service
2009	\$ 47,610	\$ 294,515	\$ 342,125
2010	133,415	284,509	417,924
2011	139,845	277,742	417,587
2012	137,240	280,818	418,058
2013	143,720	274,023	417,743
2014–2018	894,685	1,187,192	2,081,877
2019–2023	1,122,295	951,805	2,074,100
2024–2028	1,349,945	693,142	2,043,087
2029–2033	1,663,160	14,306	1,677,466
2034–2038	627,270	93,650	720,920
	<u>\$ 6,259,185</u>	<u>\$ 4,351,702</u>	<u>\$ 10,610,887</u>

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for Senior Revenue variable rate bonds are as follows:

- *MTA Bridges and Tunnels General Revenue Bonds, Series 2005A* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2005B* – 3.513% per annum based on the Basis Risk Interest Rate Swap through January 1, 2012 and 3.076% per annum based on the Initial Interest Rate Swaps thereafter.
- *MTA Bridges and Tunnels General Revenue Refunding Bonds, Series 2002F* – 4.00% per annum
- *MTA Bridges and Tunnels General Revenue Bonds, Series 2001B&C* - 4.00% per annum and including net payments made by MTA Bridges and Tunnels under the swap agreements
- *MTA Bridges and Tunnels General Revenue Bonds, Series 2003B* - 4.00% per annum

13. LONG - TERM DEBT – SUBORDINATE REVENUE BONDS

Subordinate Revenue Bonds at December 31, 2008 and 2007 consist of the following:

	Original Issuance	December 31, 2007	Issued	Principal Repayments & Retirements During 2008	December 31, 2008
Series 2000AB	\$ 201,120	\$ 201,120	\$ -	\$ 12,520	\$ 188,600
Series 2000CD	201,080	201,080	-	12,480	188,600
Series 2002D	261,700	255,750	-	255,750	-
Series 2002E	756,095	756,095	-	-	756,095
Series 2002G	181,025	181,025	-	181,025	-
Series 2003A	500,170	440,640	-	8,095	432,545
Series 2004A	250,000	236,250	-	236,250	-
Series 2008D	491,110	-	491,110	9,250	481,860
	<u>\$2,842,300</u>	<u>2,271,960</u>	<u>491,110</u>	<u>715,370</u>	<u>2,047,700</u>
Add net unamortized bond discount and premium		<u>8,770</u>	<u>16,896</u>	<u>1,809</u>	<u>23,857</u>
		<u>\$2,280,730</u>	<u>\$ 508,006</u>	<u>\$ 717,179</u>	<u>\$2,071,557</u>

Debt Service Requirements:

Year Ending December 31	Principal	Interest	Aggregate Debt Service
2009	\$ 37,620	\$ 104,564	\$ 142,184
2010	49,145	102,410	151,555
2011	51,280	99,878	151,158
2012	54,540	97,068	151,608
2013	56,515	94,059	150,574
2014–2018	356,765	417,808	774,573
2019–2023	432,865	317,801	750,666
2024–2028	435,430	202,176	637,606
2029–2033	<u>573,540</u>	<u>58,302</u>	<u>631,842</u>
	<u>\$2,047,700</u>	<u>\$1,494,066</u>	<u>\$3,541,766</u>

The Subordinate Revenue Bonds are special obligations issued in accordance with the 2001 Subordinate Revenue Resolution Authorizing Subordinate Revenue Obligations.

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for Subordinate Revenue variable rate bonds are as follows:

- *MTA Bridges and Tunnels Subordinate Revenue Refunding Bonds, Series 2000AB* - 4.00% per annum and including net payments made by MTA Bridges and Tunnels under the swap agreements
- *MTA Bridges and Tunnels Subordinate Revenue Refunding Bonds, Series 2000CD* - 4.00% per annum and including net payments made by MTA Bridges and Tunnels under the swap agreements

14. CERTIFICATES OF PARTICIPATION

In 2000, the Trust (Note 15) issued \$121,200 of fixed rate Serial and Term Certificates of Participation, Series 2000A. In 1999, the Trust issued \$328,205 of fixed rate Serial and Term Certificates of Participation, Series 1999A. In 2004, the Trust issued \$357,925 of fixed rate Serial and Term Certificates of Participation, Series 2004A. The proceeds of the Certificates were used to finance certain building and tenant improvements to the 2 Broadway office building in New York City, occupied by the Transit Authority, MTA, on behalf of its subsidiaries, The Long Island Rail Road Company, Metro-North Commuter Railroad Company, and MTA Bridges and Tunnels (Notes 15 and 22). The Transit Authority is obligated to pay 68.7% of the debt service, the MTA 21.0%, and MTA Bridges and Tunnels 10.3%.

Certificates of Participation	2008	2007
Serial Bonds, 4.60%–5.625%, due through 2015	\$ 5,905	\$ 6,860
Variable rate Certificates of Participation due 2030	<u>36,413</u>	<u>36,619</u>
Subtotal	42,318	43,479
Unamortized discount	(2)	(785)
Unamortized premium	<u>35</u>	<u>59</u>
	<u>\$42,351</u>	<u>\$42,753</u>

MTA Bridges and Tunnels' share of the debt service requirements:

Certificates of Participation

Year Ending December 31	Principal	Interest	Aggregate Debt Service
2009	\$ 1,261	\$ 1,677	\$ 2,938
2010	1,115	1,604	2,719
2011	1,389	1,527	2,916
2012	1,461	1,447	2,908
2013	1,537	1,361	1,537
2014–2018	8,756	5,798	14,554
2019–2023	10,561	3,928	14,489
2024–2028	12,731	1,675	14,406
2029–2030	<u>3,507</u>	<u>25</u>	<u>3,532</u>
	<u>\$42,318</u>	<u>\$19,042</u>	<u>\$59,999</u>

The above interest amounts include both fixed and variable rate calculations. The interest rate assumptions for Certificates of Participation are as follows:

- *Certificates of Participation, Series 2004A* – 3.542% per annum taking into account the interest rate swaps

15. CAPITAL LEASE OBLIGATIONS

2 Broadway

During 1998, the MTA, TA, and MTA Bridges and Tunnels entered into an agreement with the United States Trust Company of New York (collectively, the “Trust”) to provide for the lease of an office building located at 2 Broadway in New York City. Subsequently, the same parties provided for the delivery of certain certificates of participation to finance building and tenant improvements at 2 Broadway (Note 14). The lease is composed of both an operating lease (for the lease of land) (Note 22) and capital lease (for the lease of the building) elements.

The lease term expires June 30, 2048, with the right to extend the term of the lease for two successive periods of fifteen years each. Rental payments will be allocated to the MTA, TA, and MTA Bridges and Tunnels based upon usage.

MTA Bridges and Tunnels has recorded capital lease assets using the net present value, and using a borrowing rate of 9.11%, and has reflected a capital lease obligation as of December 31, 2008 and 2007, of \$38,773 and \$38,826, respectively.

Subway Cars

During 1995, MTA Bridges and Tunnels entered into a sale-leaseback transaction with a third party whereby MTA Bridges and Tunnels sold certain subway cars, which were contributed by the TA, for net proceeds of \$84,229. These cars were subsequently leased back by MTA Bridges and Tunnels under a capital lease. The gain on the sale of \$34,231 was deferred and netted against the carrying value of the leased assets, and the assets were recontributed to the TA. MTA Bridges and Tunnels transferred \$5,488 to

the MTA, representing the net economic benefit of the transaction. The remaining proceeds equal the net present value of the lease obligation, of which \$71,258 was placed in an irrevocable deposit account and \$7,483 was invested in U.S. Treasury Strips. The estimated yields and maturities of the deposit account and the Treasury Strips are expected to be sufficient to meet all obligations under the lease as they become due.

In 2008 and 2007, there were no capital lease obligation payments which were funded by the aforementioned investments. At December 31, 2008 and 2007, the balance in the irrevocable deposit account was \$76,500 and the investments in U.S. Treasury Strips had a market value of \$17,191 at December 31, 2008.

At the end of the lease term, MTA Bridges and Tunnels has the option to purchase the subway cars for approximately \$106,000, which amount has been reflected in the net present value of the lease obligation, or to make a lease termination payment of approximately \$89,000, which is expected to be covered by the irrevocable deposit.

Total obligations under all capital leases as of December 31, 2008 and 2007, are as follows:

	2008	2007
2 Broadway	\$ 38,773	\$ 38,826
Subway cars	<u>93,691</u>	<u>83,159</u>
	132,464	121,985
Less current portion	<u>(6,488)</u>	<u>(6,541)</u>
	<u>\$ 125,976</u>	<u>\$ 115,444</u>

Minimum lease payments are as follows:

Years Ending December 31	Aggregate Lease Payments
2009	\$ 11,397
2010	11,494
2011	11,566
2012	11,663
2013	11,785
2014–2018	152,097
2019–2023	32,364
2024–2028	34,002
2029–2033	34,109
2034–2038	31,240
2039-2043	24,720
2044-2048	12,393
2049	<u>415</u>
Minimum future lease payments	379,245
Less amount representing interest	<u>(246,781)</u>
	<u><u>\$ 132,464</u></u>

Total accumulated depreciation under capital leases was approximately \$29,254 and \$26,155 in 2008 and 2007, respectively.

16. RISK MANAGEMENT

MTA Bridges and Tunnels is exposed to various risks of loss related to torts; theft of, damage to, and destruction of its assets; injuries to persons, including employees; and natural disasters.

MTA Bridges and Tunnels is self-insured up to \$1,400 per occurrence for liability arising from injuries to persons, excluding employees. MTA Bridges and Tunnels is self-insured for work-related injuries to employees and for damage to third-party property. MTA Bridges and Tunnels provides reserves to cover the self-insured portion of these claims, including a reserve for claims incurred but not reported. The annual cost arising from injuries to employees and damage to third-party property is included in “Retirement & other employee benefits” and “Insurance” in the accompanying statements of revenues, expenses and changes in excess of liabilities over assets.

A summary of activity in estimated liability arising from injuries to persons, including employees, and damage to third-party property, as of December 31, 2008 and 2007, is as follows:

	2008	2007
Balance — beginning of year	\$ 21,820	\$ 18,916
Activity during the year:		
Current year claims and changes in estimates	5,950	7,198
Claims paid	<u>(3,349)</u>	<u>(4,294)</u>
Balance — end of year	24,421	21,820
Less current portion	<u>(11,873)</u>	<u>(14,954)</u>
Long-term liability	<u>\$ 12,548</u>	<u>\$ 6,866</u>

Claims for injuries to persons, excluding employees, over \$1,400 per occurrence (up to a limit of the lesser of the assets available for claims or \$50,000) are insured by First Mutual Transportation Assurance Company (“FMTAC”), a public benefit corporation subsidiary of the MTA. FMTAC insures MTA Bridges and Tunnels, MTA and the other MTA affiliates and subsidiaries for such claims. FMTAC assumed such coverage from the MTA Excess Loss Trust Fund, which was terminated during 2003.

Effective October 31, 2005, the MTA renewed an all-agency catastrophic liability insurance policy providing limits of \$250,000. This policy covers liability above FMTAC’s policy described in the preceding paragraph (excess of \$50,000) and is designed to drop down to replace the FMTAC policy if the assets of FMTAC held for such purpose are exhausted and total claims exceed \$125,000.

FMTAC also directly insures property damage claims of MTA Bridges and Tunnels, MTA and its affiliates and subsidiaries in excess of a \$25,000 per occurrence self-insurance retention, subject to an annual \$75,000 aggregate. The aggregate limitation of \$1,250 per occurrence covers all property of MTA Bridges and Tunnels, MTA and its affiliates and subsidiaries collectively. The property insurance provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverages. With the exception of acts of terrorism (both domestic and foreign), FMTAC is fully reinsured in the domestic, London and European marketplace, for this coverage. With respect to acts of international terrorism covered by the Terrorism Risk Insurance Act of 2002 (“TRIA”), FMTAC is reinsured by the United States Government for 90% of losses, subject to an annual cap on all losses payable under TRIA of \$100,000. The remaining 10% of losses would be covered under an additional policy. With respect to acts of terrorism not covered by TRIA, MTA obtained an additional all-agency commercial reinsurance policy that provides coverage against all acts of terrorism in an amount of up to \$100,000 per occurrence (subject to the \$25,000 per occurrence self-insurance retention). In the event the occurrence is covered by TRIA, the coverage afforded by the additional policy would provide for the payment of the remaining 10% not covered by TRIA as described above.

17. CONVENTION CENTER PROJECT

Convention Center Project Bonds are secured solely by lease payments from New York State under a sublease and the funds and accounts established under the bond resolution. These special obligation bonds are not secured by or payable from any revenues or assets of MTA Bridges and Tunnels. In view of the

foregoing, and since the State is obligated to make rental payments equal to the debt service on these bonds pursuant to its sublease and MTA Bridges and Tunnels has no obligation for the operation and maintenance of the Convention Center, MTA Bridges and Tunnels does not include the Convention Center bond liability and other related accounts in its financial statements. MTA Bridges and Tunnels continues to collect rental payments from the State and deposits such sums with paying agents for the bonds.

A summary of the Convention Center accounts which are excluded from the financial statements as of December 31, 2008 and 2007 is as follows:

	2008	2007
Assets:		
Debt service Fund	\$ 38,083	\$ 36,922
Futures sublease receivables due from New York State	<u>109,831</u>	<u>141,770</u>
	<u>\$ 147,914</u>	<u>\$ 178,692</u>
Liabilities:		
Convention Center Bonds	\$ 109,831	\$ 141,770
Bond principal due 2009 and 2008	34,320	32,000
Interest payable due January 1, 2009 and 2008	<u>3,763</u>	<u>4,922</u>
	<u>\$ 147,914</u>	<u>\$ 178,692</u>

All interest income earned on investments related to the Convention Center reduces the amounts due from New York State to repay the outstanding bonds.

18. LEASE-LEASEBACK TRANSACTION

On March 31, 1997, the MTA entered into a lease/leaseback transaction with a third party whereby the MTA leased MTA Long Island Rail Road's Hillside maintenance facility to the third party. The term of the lease is 22 years, and the third party has the right to renew for a further 21.5 year term. The facility was subsequently subleased back to the MTA as a capital lease, and sub-subleased by the MTA to MTA Long Island Rail Road.

Under the terms of the lease/leaseback agreement, the MTA initially received \$314 million, which was utilized as follows. The MTA paid \$266 million to Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), an affiliate of the third party's lender, which has the obligation to pay to the MTA an amount equal to the rent obligations under the sublease attributable to the debt service on the loan from the third party's lender. The MTA used \$21 million to purchase Treasury securities, which are pledged as collateral to the third party. The value at maturity of these Treasury securities, together with the proceeds from the aforementioned obligation of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., is sufficient to pay all of the regularly scheduled rent obligations, including the cost of purchasing the third party's remaining rights at the end of the 22 year sublease period, if the related purchase option is exercised. A further \$0.6 million was used to pay for legal and other costs of the transaction, and \$3 million was used to pay the first rental payment under the sublease. A further \$23 million is the MTA's net benefit from the transaction, representing consideration for the tax benefits. MTA Bridges and Tunnels has entered into a guarantee with the third party that the sublease payments will be made.

19. COMMITMENTS AND CONTINGENCIES

At December 31, 2008 and 2007, MTA Bridges and Tunnels had unused standby letters of credit, relative to insurance, amounting to \$2,712.

MTA Bridges and Tunnels is involved in various litigations and claims involving personal liability claims and certain other matters. Although the ultimate outcome of these claims and suits cannot be predicted at this time, management does not believe that the ultimate outcome of these matters will have a material effect on the financial position, results of operations and cash flows of MTA Bridges and Tunnels.

20. SWAP AGREEMENTS

Board-adopted Guidelines - The Related Entities adopted guidelines governing the use of swap contracts to manage the interest rate exposure of their debt. The Guidelines establish specific requirements that must be satisfied for a Related Entity to enter into a swap contract, such as suggested swap terms and objectives, credit ratings of the counterparties, collateralization requirements and reporting requirements.

Objectives of the Swaps - In order to protect against the potential of rising interest rates, to achieve a lower net cost of borrowing, to reduce exposure to changing interest rates on a related bond issue, or, in some cases where Federal tax law prohibits an advance refunding, to achieve debt service savings through a synthetic fixed rate, MTA Bridges and Tunnels entered into separate pay-fixed, receive-variable interest rate swaps at a cost anticipated to be less than what MTA Bridges and Tunnels would have paid to issue fixed-rate debt.

Fair Value - Relevant market interest rates on the valuation date (December 31, 2008) of the swaps reflected in the following charts in some cases were higher than, and in some cases were lower than, market interest rates on the effective date of the swaps. Consequently, as of the valuation date, some of the swaps had negative fair values and some had positive fair values. A negative fair value means that MTA Bridges and Tunnels would have to pay the counterparty that approximate amount to terminate the swap. In the event there is a positive fair value, MTA Bridges and Tunnels would be entitled to receive a payment from the counterparty to terminate the swap; consequently, MTA Bridges and Tunnels would be exposed to the credit risk of the counterparties in the amount of the swaps' fair value should the swap be terminated.

The fair values listed in the following tables represent the theoretical cost to terminate the swap as of the date indicated, assuming that a termination event occurred on that date. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bond due on the date of each future net settlement on the swap. In the event both parties continue to perform their obligations under the swap, there is no risk of termination and neither party is required to make a termination payment to the other. MTA Bridges and Tunnels is not aware of any event that would lead to a termination event with respect to any of their existing swaps. See "*Termination Risk*" below.

Terms and Fair Values - The terms, fair values and counterparties of the outstanding swaps of MTA Bridges and Tunnels, as well as the swaps entered into in connection with the 2 Broadway Certificates of Participation refunding, are reflected in the following tables. The MTA Bridges and Tunnels swaps are reflected in separate tables for the senior lien and subordinate revenue bonds.

MTA BRIDGES AND TUNNELS SENIOR LIEN REVENUE BONDS							
<u>Associated Bond Issue</u>	<u>Notional Amounts as of 12/31/08 (in millions)</u>	<u>Effective Date</u>	<u>Rate Paid</u>	<u>Rate Received</u>	<u>Fair Values as of 12/31/08 (in millions)</u>	<u>Swap Termination Date</u>	<u>Counterparty</u>
Series 2001B and 2001C ⁽¹⁾	\$177.900	01/01/02	5.777%	Actual Bond Rate	\$ (38.072)	01/01/19	Citigroup Financial Products Inc.
Series 2002F ⁽²⁾⁽³⁾	77.100	01/01/00	5.634	Actual Bond Rate	(9.034)	01/01/13	Ambac Financial Services, L.P.
Series 2005B	794.400	07/07/05	3.076	67% of one-month LIBOR	(160.405)	01/01/32	25% each – Citibank, N.A., JPMorgan Chase Bank, BNP Paribas North America, Inc. and UBS AG
Series 2005B	794.400	07/07/05	67% of one-month LIBOR plus 43.7 basis points ⁽⁴⁾	SIFMA minus 10 basis points	(1.732)	01/01/12	UBS AG
Total	\$1,843.800				\$ (209.243)		

(1) In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to MTA Bridges and Tunnels a premium of \$19,204,000.

(2) In accordance with a swaption entered into on February 24, 1999 with the Counterparty paying to MTA Bridges and Tunnels a premium of \$8,400,000.

(3) On December 3, 2008, the Confirmation, dated as of February 24, 1999, and as amended on October 8, 2002, between the Counterparty and MTA Bridges and Tunnels was amended to define Bonds, after December 4, 2008, as MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds Series 2002F. On December 12, 2008, MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds Series 2002C associated with the swap prior to the amendment described above, were refunded.

(4) For the purpose of mitigating the basis risk during the escrow period with respect to the \$797.2 million notional amount swaps entered into in connection with the Series 2005B Bonds, MTA Bridges and Tunnels will pay 67% of one-month LIBOR plus 43.7 basis points to the UBS AG and receive a variable rate equal to the SIFMA Municipal Swap Index minus 10 basis points.

MTA BRIDGES AND TUNNELS SUBORDINATE REVENUE BONDS							
<u>Associated Bond Issue</u>	<u>Notional Amounts as of 12/31/08 (in millions)</u>	<u>Effective Date</u>	<u>Rate Paid</u>	<u>Rate Received</u>	<u>Fair Values as of 12/31/08 (in millions)</u>	<u>Swap Termination Date</u>	<u>Counterparty</u>
Series 2000AB ⁽¹⁾	\$188.600	01/01/01	6.08 %	Actual Bond Rate	\$ (39.595)	01/01/19	Bear Stearns Capital Markets Inc.
Series 2000CD ⁽²⁾	188.600	01/01/01	6.07	SIFMA minus 15 basis points ⁽²⁾	(41.026)	01/01/19	Citigroup Financial Products Inc.
Total	\$377.200				\$ (80.621)		

(1) In accordance with a swaption entered into on August 12, 1998 with each Counterparty paying to MTA Bridges and Tunnels a premium of \$22,740,000.

(2) In accordance with the swaption entered into on August 12, 1998, Citigroup Financial declared that an Alternative Floating Rate Event occurred on November 5, 2008 and as a result, the calculation for the Variable Rate MTA Bridges and Tunnels is to receive was changed from the Actual Bond Rate to SIFMA Municipal Swap Index minus 15 basis points. The Alternate Floating Rate Event was triggered due to the purchase without resale of Series 2000CD bonds by the liquidity provider, Lloyds TSB.

2 Broadway Certificates of Participation Swaps

In addition to the foregoing, MTA, MTA New York City Transit and MTA Bridges and Tunnels entered into separate ISDA Master Agreements with UBS AG relating to the \$357,925,000 Variable Rate Certificates of Participation, Series 2004A (Auction Rate Securities) in connection with the refunding of certain certificates of participation originally executed to fund certain improvements to the office building located at 2 Broadway in Manhattan. The 2 Broadway swaps have (1) an effective date of September 22, 2004, (2) a fixed rate paid of 3.092%, (3) a variable rate received of the lesser of (a) the actual bond rate, or (b) 67% of one-month LIBOR minus 45 basis points, and (4) a termination date of January 1, 2030. Based on the aggregate notional amount of \$355,525,000 outstanding as of December 31, 2008, MTA New York City Transit is responsible for \$244,250,000 aggregate notional amount of the swaps, MTA for \$74,650,000 aggregate notional amount, and MTA Bridges and Tunnels for \$36,625,000 aggregate notional amount. As of December 31, 2008, the aggregate fair value of the swaps was negative \$70.100 million.

Counterparty Ratings

The current ratings of the counterparties are as follows as of December 31, 2008:

<u>Counterparty</u>	<u>Ratings of the Counterparty or its Credit Support Provider</u>		
	<u>S&P</u>	<u>Moody's</u>	<u>Fitch</u>
Ambac Financial Services, L.P.	A	Baa1	NR
Bear Stearns Capital Markets Inc.	A+	Aa2	AA-
BNP Paribas North America, Inc.	AA+	Aa1	AA
Citibank, N.A.	A+	Aa3	A+
Citigroup Financial Products Inc.	A	A2	A+
JPMorgan Chase Bank	A+	Aa2	AA-
UBS AG	A+	Aa2	A+

Except as set forth below, the notional amounts of the swaps match the principal amounts of the associated bonds. The following table sets forth the notional amount and the outstanding principal amount as of December 31, 2008 for the swap where the notional amount does not match the outstanding principal amount of the associated bonds.

<u>Associated Bond Issue</u>	<u>Principal Amount of Bonds (in millions)</u>	<u>Notional Amount (in millions)</u>
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	\$291.520	\$177.900
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F	\$235.155	\$77.100

Except as discussed below under the heading “*Rollover Risk*,” the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the principal amount of the associated bonds.

Risks Associated with the Swap Agreements

From MTA Bridges and Tunnels' perspective, the following risks are generally associated with swap agreements:

- **Credit Risk** – The counterparty becomes insolvent or is otherwise not be able to perform its financial obligations. In the event of a deterioration in the credit ratings of the counterparty or MTA Bridges and Tunnels the swap agreement may require that collateral be posted to secure the party's obligations under the swap agreement. See "Collateralization" below. Further, ratings deterioration by either party below levels agreed to in each transaction could result in a termination event requiring a cash settlement of the future value of the transaction. See "Termination Risk" below.
- **Basis Risk** – The variable interest rate paid by the counterparty under the swap and the variable interest rate paid by MTA Bridges and Tunnels on the associated bonds may not be the same. If the counterparty's rate under the swap is lower than the bond interest rate, then the counterparty's payment under the swap agreement does not fully reimburse MTA Bridges and Tunnels for its interest payment on the associated bonds. Conversely, if the bond interest rate is lower than the counterparty's rate on the swap, there is a net benefit to MTA Bridges and Tunnels.
- **Termination Risk** – The swap agreement will be terminated and MTA Bridges and Tunnels will be required to make a termination payment to the counterparty and, in the case of a swap agreement which was entered into for the purpose of creating a synthetic fixed rate for an advance refunding transaction may also be required to take action to protect the tax exempt status of the related refunding bonds.
- **Rollover Risk** – The notional amount under the swap agreement terminates prior to the final maturity of the associated bonds on a variable rate bond issuance, and MTA Bridges and Tunnels may be exposed to then market rates and cease to receive the benefit of the synthetic fixed rate for the duration of the bond issue.

Credit Risk. The following table shows, as of December 31, 2008, the diversification, by percentage of notional amount, among the various counterparties that have entered into ISDA Master Agreements with MTA Bridges and Tunnels, or in connection with the 2 Broadway Certificates of Participation refunding. The notional amount totals below include all five swaps (including the UBS basis risk swap) in connection with the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2005B. The counterparties have the ratings set forth above.

<u>Counterparty</u>	<u>Notional Amount (in thousands)</u>	<u>% of Total Notional Amount</u>
UBS AG	\$1,029,625	45.60%
Citigroup Financial Products Inc.	366,500	16.23
BNP Paribas North America, Inc.	198,600	8.80
Citibank, N.A.	198,600	8.80
JPMorgan Chase Bank	198,600	8.80
Bear Stearns Capital Markets Inc.	188,600	8.35
Ambac Financial Services, L.P.	<u>77,100</u>	<u>3.42</u>
Total	\$2,257,625	100.00%

The ISDA Master Agreements entered into with the following counterparties provide that the payments under one transaction will be netted against other transactions entered into under the same ISDA Master Agreement:

- Bear Stearns Capital Markets Inc. with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000AB,
- Citigroup Financial Products Inc. with respect to the MTA Bridges and Tunnels Subordinate Revenue Variable Rate Refunding Bonds, Series 2000CD,
- Citigroup Financial Products Inc. with respect to the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C, and
- Ambac Financial Services, L.P. with respect to the MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F (currently only one transaction outstanding under that Master Agreement)

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

Collateralization. Generally, the Credit Support Annex attached to the ISDA Master Agreement requires that if the outstanding ratings of MTA Bridges and Tunnels or the counterparty falls to a certain level, the party whose rating falls is required to post collateral with a third-party custodian to secure its termination payments above certain threshold amounts. Collateral must be cash or U.S. government or certain Federal agency securities.

The following tables set forth the ratings criteria and threshold amounts relating to the posting of collateral set forth for MTA Bridges and Tunnels and the counterparty for each swap agreement. In most cases, the Counterparty does not have a Fitch rating on its long-term unsecured debt, so that criteria would not be applicable in determining if the Counterparty is required to post collateral.

2 Broadway Certificates of Participation		
<u>Associated Agencies</u>	<u>If the highest rating of the MTA Transportation Revenue Bonds falls to</u>	<u>Then MTA, MTA Bridges and Tunnels and MTA New York City Transit must post collateral if its estimated termination payments are in excess of</u>
MTA MTA Bridges and Tunnels	<u>Fitch</u> – BBB+, <u>Moody's</u> – Baa1, or <u>S&P</u> – BBB+	\$25,000,000
MTA New York City Transit	<u>Fitch</u> – BBB and below or unrated, <u>Moody's</u> – Baa2 and below or unrated by S&P & Moody's, or <u>S&P</u> – BBB and below or unrated	\$0
	<u>If the highest rating of the Counterparty's long-term unsecured debt falls to</u>	<u>Then the Counterparty must post collateral if its estimated termination payments are in excess of</u>
	<u>Moody's</u> – Baa1 or lower, or <u>S&P</u> – BBB+ or lower	\$0

MTA Bridges and Tunnels Senior Lien Revenue Bonds		
<u>Associated Bond Issue</u>	<u>If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to</u>	<u>Then the downgraded party must post collateral if its estimated termination payments are in excess of</u>
Series 2001B and 2001C	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Citigroup is required to post collateral if its estimated termination payments are in excess of \$1,000,000.	
Series 2002F	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Ambac is required to post collateral if its estimated termination payments are in excess of \$1,000,000.	
Series 2005B interest rate swap and Series 2005B basis risk swap	For counterparty, <u>Fitch</u> – A-, or <u>Moody's</u> – A3, or <u>S&P</u> – A-	\$10,000,000
	For MTA, <u>Fitch</u> – BBB+, or <u>Moody's</u> – Baa1, or <u>S&P</u> – BBB+	\$30,000,000
	For MTA, <u>Fitch</u> – BBB, or <u>Moody's</u> – Baa2, or <u>S&P</u> – BBB	\$15,000,000
	For counterparty, <u>Fitch</u> – BBB+ and below, or <u>Moody's</u> – Baa1 and below, or <u>S&P</u> – BBB+ and below	\$0
	For MTA, <u>Fitch</u> – BBB- and below, or <u>Moody's</u> – Baa3 and below, or <u>S&P</u> – BBB- and below	\$0

MTA Bridges and Tunnels Subordinate Revenue Bonds		
<u>Associated Bond Issue</u>	<u>If the highest rating of the related MTA Bridges and Tunnels bonds or the counterparty's long-term unsecured debt falls to</u>	<u>Then the downgraded party must post collateral if its estimated termination payments are in excess of</u>
Series 2000AB	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Bear Stearns is required to post collateral if its estimated termination payments are in excess of \$1,000,000.	
Series 2000CD	N/A – Because MTA Bridges and Tunnels' swap payments are insured, MTA Bridges and Tunnels is not required to post collateral, but Citigroup is required to post collateral if its estimated termination payments are in excess of \$1,000,000.	

Notwithstanding the foregoing, in the event any downgraded party is responsible for an event of default or potential event of default as defined in the ISDA Master Agreement, the downgraded party must immediately collateralize its obligations irrespective of the threshold amounts.

Under each MTA Bridges and Tunnels bond resolution, the payments relating to debt service on the swaps are parity obligations with the associated bonds, as well as all other bonds issued under that bond

resolution, but all other payments, including the termination payments, are subordinate to the payment of debt service on the swap and all bonds issued under that bond resolution. In addition, MTA Bridges and Tunnels have structured each of the swaps (other than the 2 Broadway swaps) in a manner that will permit MTA or MTA Bridges and Tunnels to bond the termination payments under any available bond resolution.

The payments relating to debt service on the 2 Broadway swaps are parity obligations with respect to the sublease payments under the 2 Broadway Certificates of Participation, payable solely from available transportation revenues after the payment of the MTA’s transportation revenue bonds and additional parity and subordinate bonds. All other payments, including the termination payments, are payable from substantially the same pool of available transportation revenues after the payment of the MTA’s transportation revenue bonds and additional parity and subordinate bonds.

The ISDA Master Agreement sets forth certain termination events applicable to all swaps entered into by the parties to that ISDA Master Agreement. MTA Bridges and Tunnels have entered into separate ISDA Master Agreements with each counterparty that governs the terms of each swap with that counterparty, subject to individual terms negotiated in a confirmation.

The following table sets forth, for each swap, the additional termination events for the following associated bond issues. In certain swaps, where the counterparty has a guarantor of its obligations, the ratings criteria applies to the guarantor and not to the counterparty.

2 Broadway		
<u>Associated Bond Issue</u>	<u>Counterparty</u>	<u>Additional Termination Event(s)</u>
2 Broadway Certificates of Participation, Series 2004A	UBS AG	Negative financial events relating to the swap insurer, Ambac Assurance Corporation.

MTA Bridges and Tunnels Senior and Subordinate Revenue Bonds	
<u>Associated Bond Issue</u>	<u>Additional Termination Events</u>
Senior Lien Revenue Bonds	
Series 2001B and 2001C and Series 2002F	1. MTA Bridges and Tunnels can elect to terminate the swap relating to that Series on 10 Business Days’ notice if the Series of Bonds are converted to a fixed rate, the fixed rate on the converted Bonds is less than the fixed rate on the swap and MTA Bridges and Tunnels demonstrates its ability to make the termination payments, <u>or</u> MTA Bridges and Tunnels redeems a portion of the Series of Bonds and demonstrates its ability to make the termination payments. 2. Negative financial events relating to the related swap insurer, Ambac Assurance Corporation.
Series 2005B interest rate swap and basis risk swap	The ratings by S&P or Moody’s of the Counterparty fall below “BBB+” or “Baa1,” respectively, or the ratings of S&P or Moody’s with respect to the MTA Bridges and Tunnels Senior Lien Revenue Bonds falls below “BBB” or “Baa2,” respectively, or , in either case the ratings are withdrawn.
Subordinate Revenue Bonds	
Series 2000AB and 2000CD	1. MTA Bridges and Tunnels can elect to terminate the swap relating to that Series on 10 Business Days’ notice if the Series of Bonds are converted to a fixed rate, the fixed rate on the converted Bonds is less than the fixed rate on the swap and MTA Bridges and Tunnels

	demonstrates its ability to make the termination payments, or MTA Bridges and Tunnels redeems a portion of the Series of Bonds and demonstrates its ability to make the termination payments.
	2. Negative financial events relating to the related swap insurer, Financial Security Assurance Inc.

Rollover Risk. MTA and MTA Bridges and Tunnels are exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, MTA or MTA Bridges and Tunnels may not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. The following debt is exposed to rollover risk:

<u>Associated Bond Issue</u>	<u>Bond Maturity Date</u>	<u>Swap Termination Date</u>
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2001B and 2001C	01/01/32	01/01/19
MTA Bridges and Tunnels General Revenue Variable Rate Refunding Bonds, Series 2002F	11/01/32	01/01/13

Swap payments and Associated Debt. The following tables contain the aggregate amount of estimated variable-rate bond debt service and net swap payments during certain years that such swaps were entered into in order to: protect against the potential of rising interest rates; achieve a lower net cost of borrowing; reduce exposure to changing interest rates on a related bond issue; or, in some cases where Federal tax law prohibits an advance refunding, achieve debt service savings through a synthetic fixed rate. As rates vary, variable-rate bond interest payments and net swap payments will vary. Using the following assumptions, debt service requirements of MTA Bridges and Tunnel's outstanding variable-rate debt and net swap payments are estimated to be as follows:

- It is assumed that the variable-rate bonds would bear interest at a rate of 4.0% per annum.
- The net swap payments were calculated using the actual fixed interest rate on the swap agreements.

MTA Bridges and Tunnels				
(in millions)				
	<u>Variable-Rate Bonds</u>		<u>Net Swap Payments</u>	
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
2008	\$ 38.5	\$ 68.1	\$ 4.9	111.5
2009	40.9	66.5	4.4	111.8
2010	43.0	64.8	3.5	111.3
2011	45.8	63.0	2.6	111.3
2012	48.0	61.1	1.7	110.7
2013-2017	290.2	272.1	(14.5)	547.7
2018-2022	196.0	220.0	(34.2)	381.8
2023-2027	188.8	185.0	(32.4)	341.4
2028-2032	845.6	83.9	(15.8)	913.7

21. OPERATING LEASES

During 1998, the MTA, TA and MTA Bridges and Tunnels entered into a lease and related agreements whereby each, as sub lessees, will rent for at least an initial stated term of approximately 50 years, space at 2 Broadway in lower Manhattan (Note 15).

The total annual rental payments over the initial lease term are \$1,600,000. Of this amount, approximately \$488,000 represents land accounted for under an operating lease agreement. Rental payments will be allocated to the MTA, TA, and MTA Bridges and Tunnels based upon usage.

Minimum lease payments representing MTA Bridges and Tunnels' share of the operating lease are as follows:

Twelve Months Ending December 31	Aggregate Lease Payments
2009	\$ 2,405
2010	2,405
2011	2,405
2012	2,405
2013	2,405
2014–2018	2,405
2019–2023	2,405
2024–2028	2,405
2029–2033	2,405
2034–2038	2,405
Thereafter	<u>72,155</u>
Minimum future lease payments	<u>\$ 96,205</u>

22. RELATED PARTY TRANSACTIONS

MTA Bridges and Tunnels and other affiliated MTA agencies receive support from MTA in the form of budget, cash management, finance, legal, real estate, treasury, risk and insurance management, and other services, some of which are charged back.

The resulting receivables and payables from the above transactions are recorded in the due from/to MTA and affiliated agencies account included in the accompanying balance sheets.

Due from/to MTA and affiliated agencies consists of the following at December 31, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	Receivable	(Payable)	Receivable	(Payable)
Due from (due to) MTA	\$ 1,916	\$ (174,073)	\$ 1,886	\$ (135,989)
Due from (due to) affiliated agencies	<u>-</u>	<u>(8,876)</u>	<u>-</u>	<u>(15,554)</u>
Total MTA and affiliated agencies	<u>\$ 1,916</u>	<u>\$ (182,949)</u>	<u>\$ 1,886</u>	<u>\$ (151,543)</u>

23. SETTLEMENT OF CLAIMS

On November 4, 2003, MTA entered into agreement to end the litigation between the MTA and the owners of the 2 Broadway facilities. The settlement provides for a rent credit to MTA Bridges and Tunnels over a 30-year period commencing January 1, 2004.

24. SUBSEQUENT EVENTS

On February 18, 2009, Triborough Bridge and Tunnel Authority issued General Revenue Bonds, Series 2009A-2 for \$325,000 and General Revenue Mandatory Tender Bonds, Series 2009A-1 for \$150,000. The Series 2009 Bonds were issued to finance bridge and tunnel projects, and to refinance indebtedness issued by MTA Bridges and Tunnels.

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TRIBOROUGH BRIDGE AND TUNNEL AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS- POSTRETIREMENT HEALTHCARE PLAN
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Initial Entry Age (b)	Unfunded (AAL) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) As a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	-	\$ 560.1	\$ 560.1	-	\$ 101.1	554.0 %
1/1/2007	-	\$ 576.6	\$ 576.6	-	\$ 97.2	593.2 %