

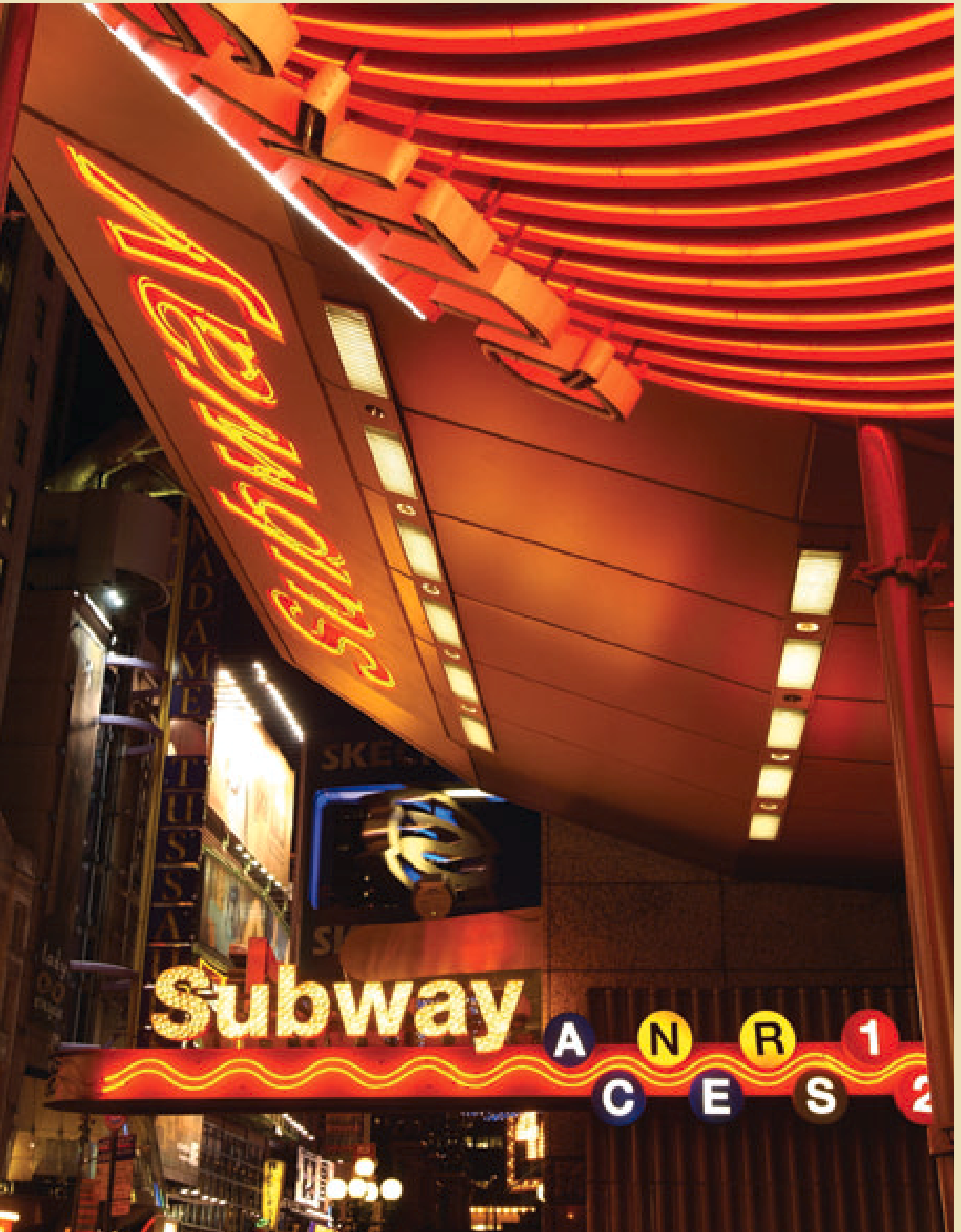


2004 Progress Report to Investors



Metropolitan Transportation Authority

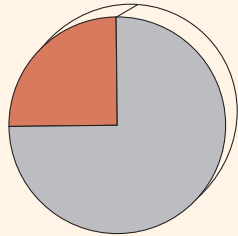
New York City Transit
Long Island Rail Road
Long Island Bus
Metro-North Railroad
Bridges and Tunnels
Capital Construction



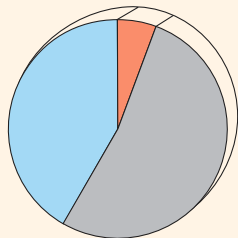
2003 Consolidated Financial Highlights

Assets and Liabilities

(\$ Millions)



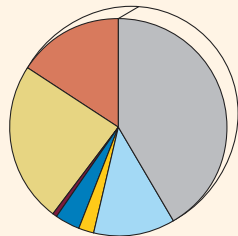
Assets		
	\$42,029	100.00%
Capital assets, net	\$31,555	75.08%
Other assets	10,474	24.92



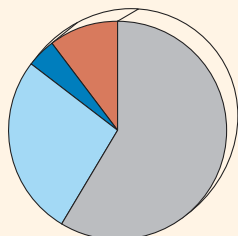
Liabilities and Net Assets		
	\$42,029	100.00%
Current liabilities	\$2,384	5.67%
Long-term liabilities	22,132	52.66
Net assets	17,513	41.67

Income and Expenses

(\$ Millions)



Income		
Fares and operating revenues, except tolls	\$3,501	41.54%
Tolls	1,022	12.12
State subsidies	191	2.27
Local subsidies	313	3.71
Other subsidies	56	0.66
State/regional taxes	2,016	23.92
Other	1,330	15.78
Federal subsidies	0	0.00
Total	\$8,429	100.00%



Expenses		
NYC buses and subways	\$4,937	58.57%
Commuter rail, suburban buses, Staten Island Railway, and MTA headquarters	2,263	26.85
Bridges and tunnels	362	4.29
Debt service and other	867	10.29
Total	\$8,429	100.00%

Cover: The bright, modern interior of NYC Transit's new subway cars (left).
Howard Beach subway station (right).

Inside Cover: New subway entrance at Times Square-42nd Street.

Letter to Investors

April 22, 2004



The past year, 2003, presented the MTA with many achievements, but also a number of challenges. We advanced key expansion and renewal efforts; created a new agency to manage the construction of our East Side Access, Second Avenue Subway, and other mega-projects; made significant capital commitments through our 2000-2004 Capital Program; implemented sweeping corporate governance and budgeting changes to significantly enhance efficiency and transparency; maintained near record-high levels of performance; and continued to serve near-record numbers of customers.

We were also faced with making the difficult decision to raise fares and tolls on our network to provide funds to operate the system to meet ridership demand. But even in light of this action, our customers defied predictions that such increases, combined with a soft economy, would bring a significant drop in ridership. They continued to use our system in near-record numbers — over 2.3 billion times to jobs, homes, and recreation. That was a dramatic affirmation that a ride on the MTA network represents good value for the money and that the deeper discounts we offered on MetroCard weekly and monthly passes, as well as the E-ZPass discounts, added even more value.

In 2003 our system continued to benefit from the previous 20 years of capital investment. Its condition enabled outstanding performance across the board. Measures such as Mean Distance Between Failure (MDBF) improved significantly

because of better and smarter management, maintenance, and ongoing investments in state of good repair. Investments included in our \$19.1 billion five-year Capital Program allowed us to continue to replace subway cars, buses, rail coaches, and track beds on schedule. As a result, subway MDBF shot up from 116,063 miles in October 2002 to 145,644 in October 2003; bus MDBF went from 3,443 miles to 3,752 miles.

Last year we were also able to move forward aggressively with long-awaited system expansion projects, completing the Environmental Impact Statement (EIS) for the Second Avenue Subway and advancing two critical post-9/11 projects in Lower Manhattan: the Fulton Street Transit Center and the South Ferry Terminal. All these projects will improve transit services into and out of downtown, thereby improving the economic viability of the nation's third largest business district. Overall, our 2000-2004 Capital Program is on schedule: 78 percent of total planned projects and commitments are completed or scheduled for 2004.

We implemented improvements to our short- and long-term budgeting and reporting process that enabled more efficient ways to manage our \$8-billion-a-year enterprise. Under a new procedure, we now release the next year's preliminary budget in July — five months sooner than before, allowing for better public access to and discourse on the budget before formal adoption by the Board in December. In addition, we now issue a four-year Financial Plan forecasting the overall state of MTA finances.

Under these new procedures, we went through a very public process that culminated in the adoption of a 2004 budget by the MTA Board in December. It includes total operating expenses of \$8 billion and produces a \$36 million year-end cash balance. The budget is built on conservative assumptions that will hold throughout 2004.

Beyond 2004, we are facing significant fiscal challenges. Forecasted gaps of \$539 million in 2005, \$1.2 billion in 2006, and \$1.3 billion in 2007 are similar to those faced by state and local governments across the nation and stem primarily from rising debt service, increasing pension, health and welfare expenses, and the depletion of non-recurring resources. These gaps also assume a programmed increase in the revenue yield from our fares and tolls of 5 percent in years 2005 and 2007.

We are confident in our ability to address these projected budget gaps through exploring all avenues and taking as many steps as we can on our own. All of our expenses are being examined to identify cost-cutting and cost-containment measures that can be taken without compromising safety or security.

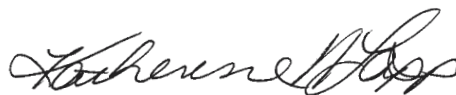
For the long term, the MTA is adopting a new organizational structure that will bring additional economies of scale, and we are currently working with New York State officials to finalize its full implementation.

We have met with business leaders throughout the region to get their advice on how to further fine-tune our finances. And we continue to maximize the

benefits of our existing real estate and advertising-related revenue while continuing to reduce non-operating-related expenses.

The past year was also significant for the changes we made in the way we do business internally. We incorporated recommendations from nationally renowned corporate governance expert Ira Millstein for enhancing the way the MTA Board and executive staff manage the organization. The MTA is one of the first public agencies in the nation to embrace such an improved governance model.

Finally, 2004 marks the 100th anniversary of the New York City subway system. It was the subway that set in motion the dynamic that transformed a New York that was choking on congestion into a world-class economic powerhouse. A century later, the health of the subway, as well as the health of all parts of our regional transportation system, is just as critically important to New York and the nation. As we approach this centennial milestone in our history, we are committed to providing the vision, support, and resources to carry our public transportation network into the next century.



Katherine N. Lapp
Executive Director

Financial Progress Highlights

In 2003, the MTA raised subway, bus, and commuter rail fares for the first time since 1995 and bridge and tunnel tolls for the first time since 1996. The increases were made to ensure that the MTA would have balanced budgets in both 2003 and 2004. While the increases led to slightly decreased ridership (down 2.56 percent from 2002) and vehicle crossings (down 0.87 percent from 2002), fare revenue increased by 11.14 percent and toll revenue increased 9.52 percent over 2002.

In looking forward, the MTA reviews demographic, employment, and other economic data in order to forecast ridership and income in the near term. For 2004 — the first full year of the increased fares and tolls — the MTA projects increased ridership and vehicular traffic of between 1 and 2 percent, a fare revenue increase of 7.7 percent, and a toll revenue increase of 5.8 percent.

For 2005 through 2007, the MTA projects ridership increases ranging from 0.9 to 1.3 percent each year, fare revenue growth of 1.0 to 1.3 percent, and toll revenue growth of 0.4 to 0.7 percent per year.

Despite these gains, the MTA projects a series of increasing deficits from 2005 through 2007. These are caused by three factors: increasing debt service, higher pension costs, and higher health and welfare benefit costs.

A key component of long-term planning is to put in place the governmental support critical to both operating budgets and capital improvement programs.

As part of its long-term planning, the MTA has begun to address what it views as structural imbalances in its financing. In order to rationalize its operating budgets, it is consulting with local and state political and business leaders to review all aspects of MTA funding and develop specific recommendations that will address the imbalances.

The MTA is also developing contingency cost-reduction programs that will be implemented if additional government aid is not forthcoming or does not fully close the budget gaps.

At the same time, the MTA is working with Governor George E. Pataki, the New York congressional delegation, the Bush administration, and congressional leaders to garner increased federal support for the capital funding that will ensure the system's continued reliability and expansion.

The 2004-2007 Financial Plan incorporates MTA's continued investment in its Capital Program. Programs for the transit and commuter systems covering the years 2005-2009, however, are not scheduled to be submitted to the New York State Capital Program Review Board until October 1, 2004, and the final approved capital spending plan will be different from that assumed in the four-year financial plan.



Fare and toll revenues increased 10.78 percent in 2003.



Public hearings encouraged discussion of financial information.

Until a new Capital Program for the transit and commuter systems is adopted and receives all required approvals, it is anticipated that various governmental officials and other parties may issue statements and reports commenting on the programs, the proposed projects, and the ability of MTA and MTA Bridges and Tunnels to finance the programs. The MTA expects to respond to such statements and reports in proper forums when appropriate.

A New Budgeting Process

During the public hearing process that led to the fare and toll increases, members of the public and political leaders asked that the MTA make more financial information available to allow the public to make informed judgments regarding the MTA's financial position and needs.

In response the MTA has made significant changes in its financial disclosures, including a reorganization of its budget process and the formatting of budget information. It has made this information widely available through its website to assure the broadest possible access.

In March 2003 the MTA announced a new budgeting timetable that accelerated the process forward by five months, providing the MTA Board and the public with a draft budget in July. This extended the time for review and comment. At the same time, monthly financial and operational performance data was added to the website, allowing a month-by-month review of MTA progress.

The MTA released its first formal quarterly financial report in June and has continued to issue such quarterly reports.

In October, a proposed final budget for the next fiscal year, together with a four-year financial plan, was submitted to the Board, and additional public comment was solicited at its November and December Board and Board Committee meetings. The budget was adopted in December.

This new time frame will be used in 2004 and subsequent years.

In addition to providing earlier budgetary information to the public, the MTA is issuing periodic updates in February (or within 60 days of the adoption of the final budget), July, and October, and the February budget document is being distributed on CD-ROM with the 2003 MTA Annual Report. As required by law, the final budget for each MTA agency will be in balance, as will the overall MTA budget.

At the same time that budget information was being made available, the MTA Budget Office worked with the operating agencies to create standardized budget forms that consolidate all information into a single report. The process culminated in March 2004 with the release of a revised 2004 budget in a consistent format. The new Budget Watch report sets out revenue, expenditures, subsidies, debt service, and headcount on a calendarized basis and provides variance information between the budgeted and actual amounts. It also includes a monthly financial report using the format of quarterly and annual reports. On order is new financial management software from PeopleSoft that will further enhance the MTA's ability to provide prompt and consistent financial reports.



The MTA website now posts extensive financial information.



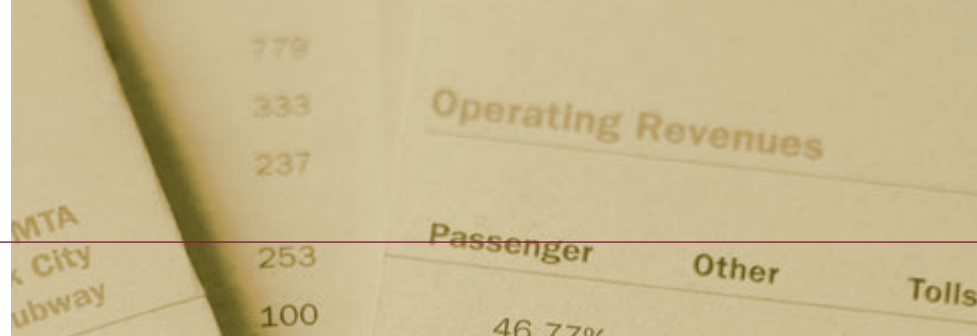
Expanding joint purchasing of materials is part of the MTA's procurement strategy.

In 2003 the MTA retained the services of corporate governance experts to help it revamp its operations, applying the principles of the Sarbanes-Oxley Act — which requires improved corporate disclosure and stricter governance through board oversight — to the MTA. Following the recommendations, the MTA Board at its December meeting voted to vest operating authority in its Executive Director, and changed the reporting relationship of the auditor general from the executive director to the Board's Audit Committee.

The MTA took steps recommended by the governance experts to improve the quantity and quality of information distributed to Board members. In March 2004 committee chairs began providing details about individual procurements at meetings. In the past the Board voted on agency procurements based on published material. The new format, while not providing additional information to the Board, allows for deeper understanding on the part of the public about the nature of each procurement. In addition, MTA-published material will make a visual distinction between non-competitive and competitive contracts being voted on by the Board.

These measures are part of a more sweeping change in the procurement process. The MTA has announced plans to create two new positions at the deputy executive director (DED) level, one for procurement and one for compliance. The DED for Procurement will oversee all MTA purchasing and will reconvene an all-agency procurement council to seek opportunities for joint purchasing. The DED for Compliance will ensure that the MTA is in compliance with all laws and regulations applicable to the MTA.

The MTA is confident that this new budget process will provide additional evidence for investors — as well as nearly eight million daily customers — that resources are being used wisely and efficiently.



Bond Sales

Following the largest public bond refinancing in the history of the market in 2002, the MTA continued in 2003 to access the capital markets to fund capital construction projects through the issuance of the new money portion of the restructuring. Because it continues to have strong ratings — all MTA bonds are rated A or above by the rating agencies — the MTA was able

to sell more than \$1.97 billion in fixed and variable rate bonds at favorable interest rates.

Continued high ratings are a reaffirmation of MTA's stable financial condition. Early indications in 2004 from a Dedicated Tax Fund bond sale in February show that both institutional and consumer confidence in the MTA remain high.

2003 Bond Issues

\$500,170,000 — Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds, Series 2003A

Issue Date: March 5
 Purpose: New money for transit and commuter capital programs
 Ratings: A1/A+/AA- (uninsured)
 Aaa/AAA/AAA (insured)
 Senior Manager: JP Morgan
 Insurance: Ambac and FGIC

\$475,340,000 — MTA Transportation Revenue Bonds, Series 2003A

Issue Date: May 14
 Purpose: New money for transit and commuter capital programs
 Ratings: A2/A/A (uninsured)
 Aaa/AAA/AAA (insured)
 Senior Manager: First Albany Corporation
 Insurance: FSA and FGIC

\$751,765,000 — MTA Transportation Revenue Bonds, Series 2003B

Issue Date: August 13
 Purpose: Long-term financing of commercial paper
 Ratings: A2/A/A (uninsured)
 Aaa/AAA/AAA (insured)
 Senior Manager: UBS Financial Services
 Insurance: FGIC and MBIA

\$420,000,000 — MTA Transportation Revenue Bond Anticipation Notes, Series CP-1 Credit Enhanced

Issue Date: October 22
 Purpose: New money for transit and commuter capital programs
 Ratings: P-1/A-1+/F1+(LoC)
 Senior Managers: Bear Stearns and Morgan Stanley
 Insurance: None
 Letter of Credit: ABN Amro Bank N.V.

\$250,000,000 Triborough Bridge and Tunnel Authority General Revenue Variable Rate Bonds, Series 2003B

Issue Date: December 10
 Purpose: New money for TBTA capital program
 Ratings: Aa3/AA-/AA (underlying)
 VMIG1/A-1+/F1+ (SBPA)
 Senior Manager: Citigroup Global Markets
 Insurance: None
 Standby Bond Purchase
 Agreement: Dexia Credit Local

Capital Program Progress

The MTA network provided 2.31 billion trips to its customers in 2003, with an average weekday ridership of 7.53 million. In addition, some 297 million vehicles used MTA Bridges and Tunnels crossings last year. Providing reliable, safe, affordable transportation and inviting, up-to-date facilities and rolling stock for our customers is the overriding purpose of the MTA's Capital Program.

The 2000-2004 Capital Program is funded by a combination of bond sales; resources from debt restructuring; interest income; insurance proceeds; proceeds from selling or leasing assets; and federal, state, and local allocations. Bridges and Tunnels funds its program solely with TBTA bonds and pay-as-you-go funding.

About 81 percent of the \$20.1 billion MTA Board-approved program is earmarked for maintaining a state of good repair by replacing or improving components of MTA New York City Transit, MTA Long Island Rail Road, MTA Metro-North Railroad, and Bridges and Tunnels as they reach the end of their useful life: \$7.4 billion for normal replacement, \$4.9 billion to bring additional parts of the network into good repair, and \$3.9 billion for system improvements. The remaining 19 percent of the program goes to system expansion.

Capital Program Overview

By the end of 2003, the fourth year of the 2000-04 Capital Program, 78 percent of total planned projects and commitments were completed, ongoing, or scheduled for completion in 2004 in accordance with plan. This includes station renovations, system repairs and maintenance, all major rolling stock purchases, and expansion and security capital projects. Of the \$2.80 billion planned for 2003, \$2.17 billion was actually committed; delayed mega-project commitments accounted for the majority of the balance.

In 2003, New York City Transit committed \$1.34 billion to 63 Capital Program projects and completed 82 projects worth \$1.9 billion. Long Island Rail Road committed \$224 million and completed \$556 million worth of projects, including \$434 million of rolling stock. Metro-North Railroad fulfilled its goal of completing \$74 million in Capital Program projects, including significant work on maintenance facilities, and committed \$186 million, 101 percent of its goal. And Bridges and Tunnels committed \$241 million and completed \$158 million worth of projects.

Rehabilitation and Improvement

New York City Transit completed construction of the West Farms Depot (\$106.9 million) and 100th Street Depot (\$113.4 million), creating state-of-the-art facilities that will improve service and maintenance of the bus fleet. West Farms will serve 250 clean-fuel buses with compressed natural gas (CNG) facilities and can accommodate ultra-low-sulfur diesel buses. The new, four-story 100th Street Depot houses and maintains 116 articulated buses that serve Manhattan's East Side.

Major subway station rehabilitations included the Fifth Avenue station on the 7 line, the 42nd Street station on the A/C/E line, the Eastern Parkway-Brooklyn Museum station on the 2/3 line, the Flushing Avenue station on the J/M/Z lines, and the reconstruction of the 72nd Street station of the 1/2/3/9 line. Work began on six additional



The new subway entrance at the Brooklyn Museum.



stations: the Myrtle Avenue-Wyckoff Avenue station complex in Brooklyn, which will be made ADA compliant; and four stations in the Bronx: Bedford Park Boulevard, Kingsbridge Road, 183rd Street, and Burnside Avenue. Also in the Bronx, significant new work — including restoration of control houses, railings, and light posts that maintain the historic look of the stations — was begun at Simpson Street, Jackson Avenue, and Prospect Avenue.

Two projects critical to system performance and safety were also completed: rehabilitation of the subway signal systems from 111th Street to Main Street on the 7 line and from 36th Street to Stillwell Avenue on the M/W line in Brooklyn, and the rehabilitation of the viaduct at Jamaica Bay on the A line.

On the L line, work continued on the installation of a high-tech communication-based train control (CBTC) system that will allow additional trains to operate, improving performance as well as system safety. Operational testing of the pilot program, which will provide the model for converting the entire subway system to this state-of-the-art technology, will begin in 2004.

New contracts awarded by NYC Transit in 2003 include a \$246.4 million contract for construction of a central maintenance facility and bus depot in Queens that will provide space for 200 buses, service the diverse transit fleet, and provide for future upgrades incorporating new technologies as they are developed.

A major contract was awarded for a new public address and customer information system that will provide service status and train arrival information at 156 stations on numbered (A Division) lines. A pilot program will bring closed-circuit television monitoring and customer talkback capability to 10 stations.

Long Island Rail Road completed station rehabilitations at Auburndale (replacing an aging station building and platform with a new waiting room, 10-car platform, canopy, and ADA-compliant elevator); St. Albans (building a new six-car center platform and rehabilitating two pedestrian tunnels and three sets of stairs); Cedarhurst (rehabilitating a station building and constructing a new ADA-compliant ramp); Hewlett (rehabilitating the station building and parking lot); and Oceanside (constructing a new station building). Parking lot improvements were completed at Centre Avenue, Floral Park, Greenlawn, Kings Park, Medford, and Patchogue.

New projects begun in 2003 included the East Williston station rehabilitation and parking improvements, Laurelton waiting room rehabilitation and parking improvements, Murray Hill station rehabilitation, and Deer Park parking expansion design.

Significant renovations continue at Jamaica Station and Atlantic Terminal-Flatbush Avenue. At Jamaica, the soaring arc over the station is complete, spanning the tracks and platforms. Work continues on all of the station's platforms and platform waiting rooms, which will have stainless steel doors and new seating, upper window panels, and lighting fixtures. Working with the Port Authority of New York and New Jersey, the LIRR coordinated construction work at Jamaica to allow a seamless transfer to the new AirTrain service to Kennedy Airport.



The 100th Street Bus Depot opened in 2003.



The rebuilding of Atlantic Terminal-Flatbush Avenue Station continues. When completed in 2006, the station will feature street-level entrances, an enlarged concourse, a shopping mall, a modern waiting room and ticket office, and new stairways, elevators, and customer service areas.

The LIRR also moved forward on a plan for a new rail yard on the Port Jefferson Branch, necessary for increasing service along that line.

Metro-North Railroad completed the restoration of the historic interior of Yonkers Station and parking and access improvements to the north and south lots adjacent to the Pelham Station. The Mid-Harlem Third-Track Project — upgrading an existing track between Mount Vernon and Fleetwood and construction of a new track between Fleetwood and Crestwood — advanced to 80 percent of completion.

Highbridge Yard was completed in 2003. This new state-of-the-art train storage and cleaning facility, located on a 20-acre site just south of the Morris Heights Station on the Hudson Line, allows trains to access Hudson Line tracks at both the north and south ends of the yard. The yard can store train cars and push-pull trains, and features a “run-around” track to move trains from one side of the yard to the other. Its car appearance facility can accommodate 20 cars per shift for the “extraordinary” interior cleaning that is performed every 90 days when cars are scrubbed from top to bottom and vestibule and lavatory areas are power-cleaned. Another 72 cars can be cleaned and serviced in the yard every day.

Phase I of the Harmon Shop Reconstruction Plan, completed in 2003, included new yard train servicing facilities and modernized signal and power equipment.

A user-friendly Asset Management System (AMS), developed in-house with the latest technology, went online for testing in Harmon Shop, the railroad’s largest maintenance facility. The new real-time system will be used to manage all of Metro-North’s assets, starting with rolling stock, enabling the railroad to change the way it maintains its rolling stock. AMS creates and tracks

the maintenance and repair history of a train car, using the accumulated data to improve the railroad’s equipment maintenance plan. With AMS, train problems and maintenance issues can be addressed all at once, so a car is taken out of service fewer times. AMS is also tied into a program that analyzes the cost of time spent maintaining or repairing a train car and is linked with other departments and facilities that are vital to the maintenance process, greatly increasing the availability of information on any piece of equipment.

Bridges and Tunnels completed the \$152 million roadway deck rehabilitation of the suspension span and Queens viaduct of the Triborough Bridge — the largest rehabilitation project in the agency’s history. Overhead cranes running along tracks installed on the main suspension span removed the 1930s-era concrete deck and put in place a new steel orthotropic deck that will increase the service life of the span.

At the Bronx-Whitestone Bridge, heavy 15-foot-tall stiffening trusses — added to the bridge in 1946 to improve its resistance to wind — were removed and replaced with a lighter, triangular, more efficient fiberglass system along both sides of the bridge. This restored the bridge’s original graceful profile of 1939, reduced dead load on the bridge by more



The restored 1939 profile of the Bronx-Whitestone Bridge.

than 1,100 tons, and improved its performance in the wind.

Rolling Stock

Continual upgrading and replacement of old rolling stock improves benchmarks that directly affect customer satisfaction — mean distance between failures and on-time performance, for example. In 2003, NYC Transit signed a contract for 80 R-142A subway cars for its numbered lines (A division) at a cost of \$96.8 million. It also received 385 high-tech cars, completing delivery of its R-142 (1,030 cars), R-142A (520 cars), and R-143 (212 cars) car classes, and increasing the total subway fleet by 362 cars. Just under a quarter of the fleet of over 8,000 cars is now new. No new bus orders were placed in 2003, but a total of 319 vehicles — 103 compressed natural gas (CNG) and 216 articulated — were accepted for service, as were 290 paratransit vehicles. Transit also replaced 673 two-stroke diesel engines with cleaner four-stroke diesels.

Long Island Rail Road conditionally accepted 190 new M-7 electric cars in 2003; the fleet now includes 202 of the high-tech cars. A total of 678 cars are on order for the agency and will continue to arrive over the next three years. The mean distance between failures for the M-7s averaged 209,448 miles in 2003, more than double the goal of 100,000 miles.

Long Island Bus ordered nine buses to begin replacing its oldest natural gas buses and also ordered 22 replacements for paratransit buses that are approaching the end of their useful life. Deliveries of both orders are expected in the last quarter of 2004. At that time, the entire LI Bus fleet will be completely converted to CNG, making it the largest all-CNG fleet in the nation.

The first six pilot M-7 cars were delivered to Metro-North; delivery of production cars will begin in the second quarter of 2004. The M-2 Car Remanufacture Program, funded jointly with the Connecticut Department of Transportation, continued. It will overhaul 241 M-2 (121 CDOT and 120 Metro-North) cars with in-kind replacement of critical system components as well as upgrading of various components.



New cars now make up 25 percent of the subway fleet.

Effective Management of Mega-Projects

In July, the MTA Board created a new subsidiary public benefit corporation, MTA Capital Construction Company. This new agency will manage all MTA system expansion projects and the construction of the Fulton Street Transit Center and South Ferry Terminal in Lower Manhattan, as well as all MTA security capital construction, keeping these critical projects on schedule and within budget by bringing a team focus to managing their planning, design, construction, and community and stakeholder coordination.

Most personnel needed for a project are matrixed from the operating agencies to work with Capital Construction's small, experienced staff. This ensures maximum efficiency and flexibility without duplicating resources and expertise. Risk analysis and other sophisticated management tools and procedures are used to identify and manage the extraordinary complexities inherent in the Capital Program mega-projects and to assure the federal and other funding sources that their dollars are returning the greatest value.



Rendering of the Fulton Street Transit Center.

Hand-in-hand with effective project management is a commitment to the environment. Capital Construction requires “green design” principles and construction practices and follows International Standards Organization (ISO) 14001 guidelines for setting up an environmental management system to protect the environment. Contractors on the Fulton Street Transit Center and South Ferry Terminal, for example, will be required to use low-sulfur diesel fuel in their construction equipment, among other steps to reduce emissions. The Fulton Street Transit Center will incorporate Leadership in Energy and Environmental Design (LEED®) goals and include solar features to provide some of its energy needs. Project-specific sustainable design guidelines will be developed for the Second Avenue Subway and 7 Line Extension and sustainable design elements will be incorporated in all capital projects. Construction noise will be reduced through specific standards and monitoring requirements, and a comprehensive quality initiative will ensure consistency in environmental documents.

Security

A vulnerability assessment completed in 2003 identified and prioritized security projects across all MTA agencies. The Board approved \$619 million for these projects; the federal government, through the Federal Emergency Management Administration (FEMA), will provide \$143 million of this amount and the Office of Domestic Preparedness will provide \$28 million. Capital Construction will manage all capital projects related to enhancing security in the MTA network.

Downtown Revitalization

On December 3, 2003, \$1.15 billion in federal funding was approved for the Fulton Street Transit Center and new South Ferry Terminal — the first time the government has funded projects before planning is completed. Capital Construction is working with the Federal Transit Administration to complete the necessary environmental review and design of the projects in 2004 so the projects can be finished by 2007 — a very ambitious schedule. The \$750 million Fulton Street Transit Center will create a major connection for 12 subway lines that serve the Fulton Street/Broadway-Nassau complex and nearby stations, improving circulation and reducing crowding by reconfiguring the current maze of narrow ramps and stairs. An underground pedestrian concourse at Dey Street will connect the center to the R/W and E subways and provide access to the World Trade Center site and PATH trains. South Ferry’s obsolete, curved, single-track 1/9 station will be replaced by a straight two-track terminal with space to accommodate full-length trains and improve the frequency, speed, and reliability of the entire 1/9 line. The new station, with an estimated cost of \$400 million, will largely eliminate delays caused by mechanical failures and train congestion, create an underground connection with the R/W at Whitehall Street, and improve access to the Staten Island Ferry.



Expansion Projects

Second Avenue Subway This \$16.8 billion full-length subway will greatly relieve the overcrowded Lexington Avenue line and serve over 590,000 riders daily, including 15,000 new daily subway riders. Pending the completion of the environmental review process, construction of the new line — in segments running from 125th Street to the Financial District — is scheduled to begin by the end of 2004.

East Side Access (ESA) In the first expansion of Long Island Rail Road since 1898, service will be brought into Grand Central Terminal, providing convenient, time-saving access to Manhattan's East Side for an estimated 76,000 daily commuters. This \$6.3 billion project will also alleviate pressure on Penn Station and increase transportation capacity, supporting economic and job growth. Over the last year, site clearing and other preparatory work was completed to allow construction to begin on the seven miles of new tunnels that will connect the LIRR in Queens to Grand Central through the existing 63rd Street Tunnel.

7 Line Extension From its current terminus at Times Square, NYC Transit's 7 line will be extended to the far West Side, enabling the last major underdeveloped parcel of Manhattan to realize its enormous potential.

The environmental review, which is being conducted in conjunction with the New York City Planning Department, is substantially complete, and construction is targeted to begin in 2005. The MTA expects that this project will be supported entirely by city funds.

These expansion projects — East Side Access, the Second Avenue Subway, the extension of the 7 line to the far West Side — along with the Fulton Street Transit Center and the new South Ferry Terminal are guided by the strategies laid out in Governor George E. Pataki's Master Links, a plan to create a seamless regional transportation system with easier transfer between the components of the MTA system and other providers of mass transit and to increase mass transit service in the New York region.

Existing Metro-North tunnel

Existing NYC Transit tunnel

Proposed LIRR tunnels



Proposed LIRR tunnels under Park Avenue for East Side Access.

Current Bond Statements

Notes to Credit Summaries

Debt Outstanding refers to bonds that have been issued but not yet matured, redeemed, or defeased.

Pledged Revenues are computed pursuant to the applicable bond resolution.

Bond Counsel

Hawkins, Delafield & Wood LLP, and Nixon Peabody LLP are bond counsel to the MTA.

A Note on Legal Names

Although the MTA operating agencies adopted new popular names in 1993, the legal names remain unchanged and continue to be used in contracts, financial statements, legislation, and bond documents.

Legal Name

New York City Transit Authority
Staten Island Rapid Transit Operating Authority
The Long Island Rail Road Company
Metropolitan Suburban Bus Authority
Metro-North Commuter Railroad Company
Triborough Bridge and Tunnel Authority
MTA Capital Construction Company

Popular Name

MTA New York City Transit
MTA Staten Island Railway
MTA Long Island Rail Road
MTA Long Island Bus
MTA Metro-North Railroad
MTA Bridges and Tunnels
MTA Capital Construction

The Metropolitan Transportation Authority issues debt as efficiently as possible to provide the optimum economic benefit to the Capital Program and the riding public. Achieving this goal requires a strong legal framework and a commitment to the investment community. MTA bond resolutions provide bondholders with security in the form of a gross lien on transit and commuter railroad revenues under the Transportation Revenue Bond credit, a gross lien on certain taxes committed to the Dedicated Tax Fund credit, and a gross lien on state appropriations for the State Service Contract credit. In addition, the Triborough Bridge and Tunnel Authority resolution provides bondholders with a net lien on revenues of the bridges and tunnels — before surplus transfers are made to the transit and commuter systems.

Transportation Revenue Bonds

Resolution Dated

March 26, 2002

Uninsured Ratings

Moody's: A2
 Standard & Poor's: A
 Fitch Ratings: A

Bonds Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
2002A	\$2,894,185,000	Fixed Rate	Nov. 15, 2032	Partially insured
2002B	210,500,000	Auction Rate (7- and 28-Day)	Nov. 1, 2022	Fully insured
2002C	219,600,000	Federally Taxable Auction Rate (28-Day)	Nov. 1, 2012	Fully insured
2002D-1	200,000,000	Variable Rate (Weekly)	D1: Nov. 1, 2029	Fully insured
2002D-2	200,000,000		D2: Nov. 1, 2032	
2002E	397,495,000	Fixed Rate	Nov. 15, 2031	Partially insured
2002F	430,210,000	Fixed Rate	Nov. 15, 2031	Partially insured
2002G-1	200,000,000	Variable Rate (Weekly)	Nov. 1, 2026	Fully insured
2002G-2	200,000,000			
2003A	475,340,000	Fixed Rate	Nov. 15, 2032	Partially insured
2003B	751,765,000	Fixed Rate	Nov. 15, 2032	Partially insured
CP-1	420,000,000	Credit Enhanced Commercial Paper	270 day maximum	None
Total	\$6,599,095,000			

Purpose

To finance certain capital costs to rehabilitate and improve transportation facilities of the MTA transit and commuter systems, which includes the New York City Transit Authority, its subsidiary, Manhattan and Bronx Surface Transit Operating Authority, Long Island Rail Road Company, and Metro-North Commuter Railroad Company.

Security

MTA Transportation Revenue Bonds are MTA special obligations payable as to principal (including sinking fund installments), redemption premium, if any, and interest from the security, sources of payment, and funds specified in the Transportation Resolution. Revenues securing the Transportation Revenue bonds include fares from the transit and commuter systems, and state and local governmental operating subsidies.

Future Bond Issuance

The MTA is permitted to issue additional Transportation Revenue bonds as long as it continues to meet the rate covenant contained in the resolution. The rate covenant stipulates that the MTA must fix the transit and commuter fares and other charges and fees to be sufficient, together with other money legally available or expected to be available, including from government subsidies, to pay:

- the debt service on all the Transportation Revenue bonds;
- any parity debt;
- any subordinated indebtedness and amounts due on any subordinated contract obligations; and
- when due, all operating and maintenance expenses and other obligations of its transit and commuter affiliates and subsidiaries.

Trustee and Paying Agent

JPMorgan Chase Bank

Triborough Bridge and Tunnel Authority

(General Resolution)

Resolution Dated

March 26, 2002

Uninsured Ratings

Moody's: Aa3
 Standard & Poor's: AA-
 Fitch Ratings: AA

Bonds Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
EFC 1996A	\$21,400,000	Fixed Rate	Jan. 1, 2018	None
2001A	1,125,720,000	Fixed Rate	Jan. 1, 2032	None
2001B	148,200,000	Variable Rate (Weekly)	Jan. 1, 2032	Fully insured
2001C	148,200,000	Variable Rate (Weekly)	Jan. 1, 2032	Fully insured
2002A	268,300,000	Fixed Rate	Jan. 1, 2032	None
2002B	2,157,065,000	Fixed Rate	Nov. 15, 2032	None
2002C	103,305,000	Variable Rate (Weekly)	Jan. 1, 2033	Fully insured
2002F	246,480,000	Variable Rate (Weekly)	Nov. 1, 2032	None
2003B	250,000,000	Variable Rate (Weekly)	Jan. 1, 2033	None
Total	\$4,468,710,000			

Purpose

To fund the capital needs of the Triborough Bridge and Tunnel Authority (TBTA). In addition, TBTA securities may be issued for the purpose of financing capital projects of the MTA's transit or commuter rail systems.

Security

TBTA General Revenue Bonds are general obligations of TBTA payable solely from the trust estate pledged for the payment of the Bonds and Parity Debt pursuant to the terms of the TBTA Resolution, after the payment of Operating Expenses. The trust estate consists of facility revenues, proceeds from the sale of bonds, and all funds, accounts, and subaccounts established by the TBTA Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations, or subordinated debt). TBTA receives its revenues from all tolls, rates, fees, charges, rents, proceeds of use, and occupancy insurance on any portion of its two tunnels, seven bridges, and other facilities, including the net revenues of the Battery Parking Garage, and TBTA's receipts from those sources, after payment of TBTA's operating expenses are pledged to the holders of the bonds for payment.

Future Bond Issuance

TBTA may issue additional bonds without satisfying any earnings or coverage test for the purpose of providing capital costs relating to TBTA facilities for the purpose of keeping such TBTA facilities in good operating condition or preventing a loss of revenue after payment of operating expenses.

TBTA may also, upon satisfaction of the additional bonds test, issue additional bonds to pay or provide for the payment of all or part of capital costs relating to any of the following purposes:

- TBTA transit and commuter projects,
- any additional TBTA projects (that do not become TBTA facilities), or
- any TBTA facilities other than for the purposes set forth in the preceding paragraph.

Trustee and Paying Agent

U.S. Bank Trust National Association

Triborough Bridge and Tunnel Authority

(Subordinate Resolution)

Resolution Dated

March 26, 2002

Uninsured Ratings

Moody's: A1
Standard & Poor's: A+
Fitch Ratings: AA-

Bonds Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
2000A	\$167,400,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000B	66,900,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000C	145,210,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000D	89,090,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2002D	261,700,000	Auction Rate (7- and 35-Day)	Nov. 1, 2032	Fully insured
2002E	756,095,000	Fixed Rate	Nov. 15, 2032	Fully insured
2002G	181,025,000	Auction Rate (35-Day)	Nov. 1, 2032	Fully insured
2003A	500,170,000	Fixed Rate	Nov. 15, 2032	Partially insured
Total	\$2,167,590,000			

Purpose

To fund the capital needs of the Triborough Bridge and Tunnel Authority (TBTA). In addition, TBTA securities may be issued for the purpose of financing capital projects of the MTA's transit or commuter rail systems.

Security

TBTA Subordinate Revenue bonds are special obligations of TBTA payable solely from the trust estate pledged for the payment of such debt after the payment of operating expenses and after the payment of debt service as required by TBTA's senior resolution. The trust estate consists of facility revenues; proceeds from the sale of bonds; and all funds, accounts, and subaccounts established by the TBTA Resolution (except those established by a supplemental obligation resolution for variable interest rate obligations, put obligations, parity debt, subordinated contract obligations, or subordinated debt). TBTA receives its revenues from all tolls, rates, fees, charges, rents, proceeds of use, and occupancy insurance on any portion of its two tunnels, seven bridges, and other facilities, including the net revenues of the Battery Parking Garage and TBTA's receipts from those sources, after payment of TBTA's operating expenses are pledged to the holders of the bonds for payment.

Future Bond Issuance

TBTA may issue additional subordinate bonds to pay or provide for the payment of all or part of capital costs relating to any of the following purposes:

- TBTA facilities,
- TBTA transit and commuter project, or
- any additional subordinate TBTA project.

In addition to meeting certain other conditions, the issuance of additional TBTA subordinate indebtedness requires that the twelve-month period net revenues are at least equal to 1.10 times the combined maximum annual calculated debt service for all subordinate revenue obligations, parity debt, senior obligations, and senior parity debt.

Trustee and Paying Agent

The Bank of New York

MTA Dedicated Tax Fund

Resolution Dated

March 26, 2002

Uninsured Ratings

Standard & Poor's: AA-

Fitch Ratings: A+

Bonds Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
2001A	\$534,610,000	Fixed Rate	Nov. 15, 2031	Partially insured
2002A	1,219,200,000	Fixed Rate	Nov. 15, 2032	Partially insured
2002B	440,000,000	Variable Rate (Weekly)	Nov. 1, 2022	Fully insured
2004A	250,000,000	Fixed Rate	Nov. 15, 2018	Partially insured
2004B	500,000,000	Auction Rate (7-and 28-day)	Nov. 1, 2030	Fully insured
Total	\$2,943,810,000			

Purpose

To finance capital projects for the subway and bus operations of New York City Transit Authority, the Manhattan and Bronx Surface Transit Operating Authority, the Staten Island Rapid Transit Operating Authority (SIRTOA), and the commuter railroad operations of the Long Island Rail Road Company and the Metro-North Commuter Railroad Company.

Security

The Dedicated Tax Fund Bonds are MTA special obligations payable as to principal, redemption premium, if any, and interest solely from the security, sources of payment, and funds specified in the MTA's "Dedicated Tax Fund Obligation Resolution," which includes the Standard Resolution Provisions, adopted on March 26, 2002. Payment of principal of or interest on the bonds may not be accelerated in the event of a default.

Bonds are secured by and payable from (1) Petroleum Business Tax revenues (PBT) and (2) certain other state special tax-supported subsidies levied by the State of New York and deposited to the MTA Dedicated Tax Fund. Such payments are first deposited in the Pledged Amounts Account to meet the requirements of the resolution. Thereafter, such payments are available to pay debt service on the MTA Transportation Revenue Bonds, and then any remaining amounts are available to be used to meet operating costs of the transit system, the commuter system, and SIRTOA.

Future Bond Issuance

The MTA may issue additional DTF bonds for the payment of capital costs, provided, in addition to satisfying certain other requirements, MTA delivers a certificate that evidences MTA's compliance with the additional bonds test set forth in the DTF Resolution.

Trustee and Paying Agent

The Bank of New York

MTA State Service Contract Obligation Bonds

Resolution Dated

March 26, 2002

Uninsured Ratings

Standard & Poor's: AA-

Fitch Ratings: A+

Bonds Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
2002A	\$1,715,755,000	Fixed Rate	July 1, 2031	Partially insured
2002B	679,450,000	Fixed Rate	July 1, 2031	Partially insured
Total	\$2,395,205,000			

Purpose

MTA has entered into a service contract, called the "State Service Contract," with the State of New York. Under the State Service Contract, in consideration of MTA's undertaking various transportation projects for the benefit of the people of the State, the State agrees to make annual payments to MTA over a period of years, with the obligation of the State subject in each year to the making of annual appropriations by the State Legislature. State Service Contract Bonds may be used to finance and refinance transportation projects; to refund obligations issued by the MTA or any affiliate; and to refund obligations secured in whole or in part by any or all of the prior State service contracts authorized by the State Service Contract Legislation.

Security

Bonds are secured by a service contract dated May 15, 2002, between the MTA and the State of New York, pursuant to State Service Contract Legislation, comprising Section 16 of Chapter 314 of the Laws of 1981, Section 42 of Chapter 929 of the Laws of 1986, and Section 34 of Part 0 of Chapter 61 of the Laws of 2000.

Future Bond Issuance

MTA may only issue State Service Contract Bonds subject to the following conditions and limitations:

- no State Service Contract Bond shall mature later than the expiration date of the State Service Contract, currently July 1, 2031;
- the aggregate amount of debt service on all State Service Contract Bonds (plus debt service amounts on all old State Service Contract Bonds) shall not exceed, in any state fiscal year, \$165,000,000; and
- no State Service Contract Bond (other than a refunding bond) shall be issued after March 31, 2003.

Trustee and Paying Agent

JPMorgan Chase Bank

Certificates of Participation

(2 Broadway Project)

Certificate Trust Agreement Dated

June 1999

Ratings

Moody's: Aaa (insured)

Standard & Poor's: AAA (insured)

Note: The bonds are insured by Ambac, which provides an "Aaa/AAA" (Moody's/S&P) rating.

Certificates Outstanding as of 3/31/2004

Series	Par	Structure	Final Maturity	Insurance
1999A	\$303,865,000	Fixed Rate	Jan. 1, 2029	Fully insured
2000A	108,515,000	Fixed Rate	Jan. 1, 2030	Fully insured
Total	\$412,380,000			

Purpose

To finance certain building and tenant improvements to an office building occupied by New York City Transit Authority, Long Island Rail Road Company, Metro-North Railroad, and/or Triborough Bridge and Tunnel Authority located at 2 Broadway in New York City.

Security

The Certificates are several, but not joint, special obligations of the New York City Transit Authority, the Metropolitan Transportation Authority (on behalf of Long Island Rail Road and Metro-North Railroad), and Triborough Bridge and Tunnel Authority in their respective Base Rent Proportionate Shares. The obligations of the New York City Transit Authority and the Metropolitan Transportation Authority to pay their respective Base Rent Proportionate Shares, are special obligations payable as operating and maintenance expenses from revenues subordinated to the payment of other obligations. The obligation of TBTA to pay its Base Rent Proportionate Share is a special obligation payable as a subordinated operating and maintenance expense of TBTA solely from revenues subordinated by agreement, to the payment of other operating and maintenance expenses and other obligations.

Reserves

A balance equal to one-half of the maximum Base Rent payable in the current or any future annual period must be maintained in the reserve fund.

Future Certificate Issuance

None currently contemplated or authorized, other than for refunding purposes if interest rates accommodate.

Trustee and Paying Agent

The Bank of New York

Convention Center Project Bonds

Resolution Dated

July 1980

Uninsured Ratings

Moody's: Baa1
Standard & Poor's: A

Debt Outstanding as of 3/31/2004

Series E \$268,040,000

Purpose

To provide funds to finance and refinance the acquisition and construction of the Jacob K. Javits Convention Center of New York City.

Security

Bonds are secured by annual New York State General Fund appropriations. The Triborough Bridge and Tunnel Authority has leased the Convention Center to the state at rentals sufficient to pay debt service. The bonds are secured and payable solely from the state's rental payments; neither the TBTA's nor the Convention Center's operating revenues are pledged for debt service.

Reserves

A balance equal to one-half of the maximum debt service payable in the current or any future year must be maintained in the debt service reserve fund. JPMorgan Chase Bank has issued a letter of credit for deposit in the reserve fund to meet its requirements. Such facility has been extended and now expires in January 2006 unless terminated or extended by the bank.

Future Bond Issuance

None currently contemplated or authorized.

Trustee and Paying Agent

Deutsche Bank



Metropolitan Transportation Authority

State of New York

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