



Metropolitan Transportation Authority

State of New York

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2003 Progress Report to Investors

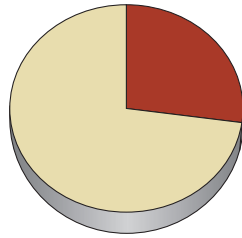


Metropolitan Transportation Authority

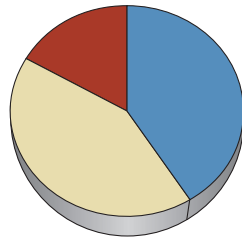
New York City Transit
Long Island Rail Road
Long Island Bus
Metro-North Railroad
Bridges and Tunnels

2002 Consolidated Financial Highlights

Assets and Liabilities (\$ millions)

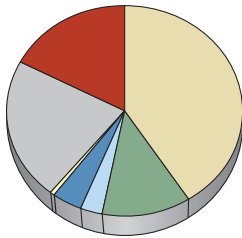


Assets	\$39,768	100.00%
◀ Properties and equipment	\$28,960	72.82%
◀ All other	10,808	27.18

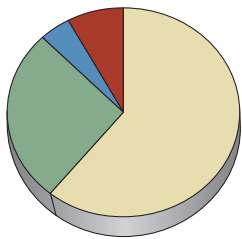


Liabilities	\$39,768	100.00%
◀ Long-term debt	\$16,269	40.91%
◀ Contributed capital and accumulated surplus	16,862	42.40
◀ All other	6,637	16.69

Income and Expenses (\$ millions)



Income		
◀ Fares and operating revenues, except tolls	\$3,120	40.86%
◀ Tolls	933	12.22
◀ State subsidies	230	3.01
◀ Local subsidies	316	4.14
◀ Other subsidies	47	0.62
◀ State/regional taxes	1,668	21.85
◀ Other	1,321	17.30
Federal subsidies	0	0.00
Total	\$7,635	100.00%



Expenses		
◀ NYC buses and subways	\$4,644	60.83%
◀ Commuter rail, suburban buses, Staten Island Railway, and MTA headquarters	2,053	26.89
◀ Bridges and tunnels	336	4.40
◀ Debt service and other	602	7.88
Total	\$7,635	100.00%

Letter to Investors

April 7, 2003

2003



The Metropolitan Transportation Authority had an exceptional year in 2002, making substantial progress on our 2000–2004 Capital Program, restoring the 1/9 subway line damaged in the attack of September 11, 2001, and completing the largest bond restructuring program in the history of the municipal bond market, the culmination of more than three years of planning.

The bond restructuring simplifies the MTA's debt profile by consolidating 13 existing credits into four principal credits, including the consolidation of the commuter and transit revenue bond credits into one resolution, the MTA Transportation Revenue Bond Resolution. The restructuring provides \$4.5 billion in funding for the MTA's 2000–04 Capital Program and includes \$1.5 billion that closes a gap created when the statewide Transportation Infrastructure Bond Act was defeated in 2000. The new transportation credit received higher ratings from all three rating agencies; all MTA bonds are now rated A or higher.

During 2002, the MTA and its operating agencies — MTA New York City Transit, MTA Long Island Rail Road, MTA Long Island Bus, MTA Metro-North Railroad, and MTA Bridges and Tunnels — made more than \$5.6 billion in new Capital Program commitments, the highest in our history and 106 percent of our goal for the year. More than \$2.3 billion was allocated to new rolling stock to replace aging equipment and increase the size of our subway, bus, and rail fleets.

Our plans for system expansion moved forward with final design approval for East Side Access and the submission of a Supplemental Draft Environmental Impact Statement for the full-length Second Avenue Subway to the Federal Transit Administration. We also began evaluating route alternatives to extend New York City Transit's 7 line west from its current terminus at Times Square to spur economic development on Manhattan's far West Side and serve the Jacob K. Javits Convention Center.

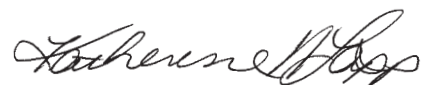
The reconstruction of the 1/9 tunnel that restored service to South Ferry in 2002 demonstrated once again our ability to manage large projects. The expertise we have developed during the past 20 years enabled us to tackle this massive rebuilding with confidence. Working with its outside contractors, NYC Transit developed an aggressive schedule that included working around the clock to complete the project in just nine months.

While we ended the year with our budget in balance, large deficits are projected in 2003 and 2004. There are three primary, interrelated causes for this. First, a decade of growing ridership and the service increases made to meet demand have raised our operating expenses. Second, despite increased ridership, revenue has remained nearly flat — and actually decreased in inflation-adjusted dollars — as passengers have taken advantage of innovative fare discounts MetroCard® made possible. Third, we have exhausted prior-year surpluses and other non-recurring budget-balancing funds. And while subsidies have grown almost four times faster than fare revenues, this growth has not been enough to sustain us in recent years.

Each year from 1999 through 2002, the operating deficit was offset by surplus funds generated in prior years and revenue sources such as a non-recurring increase in the state cash subsidy in 2002. For 2003 and 2004 neither surplus funds nor additional state aid are currently available. While we have generated savings from our debt restructuring initiative, they are not enough to balance the MTA budget over the next two years. To ensure our financial stability, we have begun a series of cost-saving measures that lower our projected deficit from \$2.8 billion to approximately \$1 billion, proposed three fare increase options — some linked with service cuts — for closing the remainder of the gap, and solicited public comment regarding the options through our website and a series of public hearings held throughout the region. On March 6, 2003, the Board voted to increase the basic transit fare to \$2.00, while continuing to offer significant discounts through MetroCard, and to raise commuter rail fares an average of 25 percent, without cutting service, and to increase tolls at MTA Bridges and Tunnels crossings.

To ensure our continued organizational stability, we have developed a plan to restructure MTA operations along functional lines. The new structure will streamline administrative functions and take greater advantage of economies of scale. A separate company, MTA Capital, will assume responsibility for all our major expansion projects and provide a single point of focus to advance system growth. The reorganization, which is expected to be implemented over two years, will be in compliance with all applicable provisions of the resolutions and laws under which the MTA and Triborough Bridge and Tunnel Authority (TBTA) issue bonds, notes, and other obligations.

We are proud that investor confidence in the MTA remains strong, and we believe that the combination of creativity and prudence that we have demonstrated — in our Capital Programs, our management vision, our fiscal responsibility, and our debt management — will continue to create value for our investors and our customers.



Katherine N. Lapp
Executive Director and Chief Operating Officer

Debt Restructuring

Fiscally prudent debt profile with stronger credits

The Metropolitan Transportation Authority originally proposed restructuring its debt as an integral part of the 2000–2004 Capital Program submitted to Governor George E. Pataki in October 1999. The first phase of the long-anticipated program — defeasance of existing debt — was successfully implemented in 2002.

In this record year for bond issuance, the MTA and Triborough Bridge and Tunnel Authority issued over \$13.5 billion in bonds in 18 separate bond transactions — the largest debt restructuring ever undertaken by a municipal issuer. The debt restructuring allowed the MTA to simplify its debt profile by consolidating most existing credits into four principal credits to reflect the strength of its revenue streams and provide a flexible platform to ensure continued cost-effective access to capital. The large scope of the program enabled the MTA to take advantage of all market sectors and types of municipal debt.

The overall result is a fiscally prudent debt profile with new, stronger

credits, higher ratings, cleaner indentures, and the ability to manage the MTA’s debt using 21st century financial instruments.

The MTA’s debt restructuring program has been named the 2002 Municipal Deal of the Year by *Institutional Investor Magazine* and *Governing Magazine* as well as Northeast Regional Deal of the Year by *Bond Buyer* newspaper.

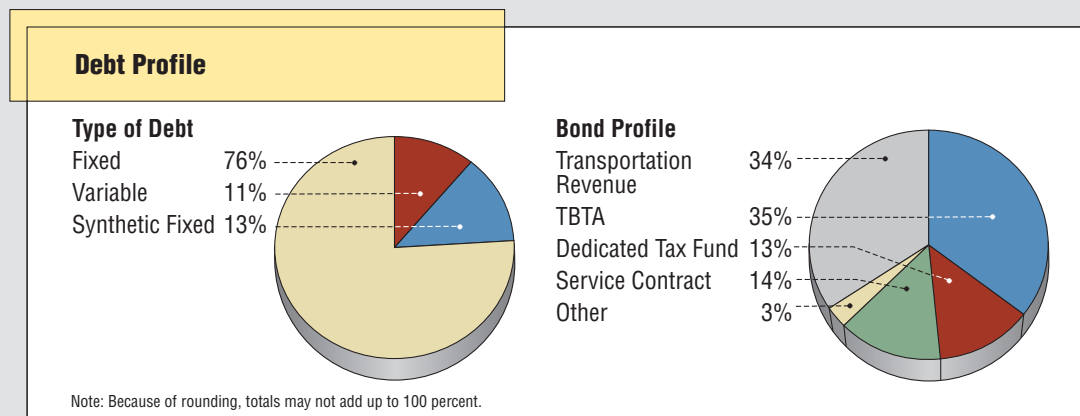
Without increasing existing maximum annual debt service, the MTA’s complete, across-the-board restructuring involved virtually all outstanding debt and produced approximately \$4.5 billion of funding for the MTA’s \$18.9 billion 2000–04 Capital Program. That sum is a key component for funding expansion projects including East Side Access and the Second Avenue Subway; additional system improvements such as new rolling stock; and ongoing capital needs of the transit, commuter, and bridge and tunnel systems.

The refinancing enabled the MTA to better match its debt with its long-lived assets and take advantage of a historically low interest rate environment to obtain an average 4.99

percent true interest cost on its fixed-rate issues. The restructuring produced approximately \$3.4 billion of additional borrowing capacity without increasing overall maximum annual debt service and will save the MTA \$1.8 billion on interest and principal payments.

In summary, \$13.5 billion in MTA bonds were issued, creating new money capacity of approximately \$3.4 billion that will be issued in 2003 and 2004. (Bonds related to the Convention Center and Certificates of Participation [COPS] issued for 2 Broadway were not refinanced.) The total restructuring is approximately \$17 billion: the \$13.5 billion refinancing already completed plus the \$3.4 billion.

The debt-restructuring initiative was approved by the MTA Board in the fall of 1999, and legislation was enacted in May 2000. After the bond resolutions and supporting legal documents were completed, the MTA began the comprehensive restructuring of nearly all its outstanding debt in the spring of 2002.



MTA Bonds and Credit Ratings

New Credits and Ratings	Old Credits and Ratings
<p data-bbox="326 526 711 617">MTA Transportation Revenue Bonds A2/A/A</p>	<p data-bbox="833 401 1154 462">Transit Facilities Revenue Bonds Baa1/BBB+/A-</p> <p data-bbox="833 495 1192 555">Commuter Facilities Revenue Bonds Baa1/BBB+/A-</p> <p data-bbox="833 588 1333 648">Subordinated Commuter Facilities Revenue Bonds Aaa/AAA Insured</p> <p data-bbox="833 681 1216 741">NYCTA Livingston Plaza Project Bonds Aaa/AAA Insured</p>
<p data-bbox="326 857 711 917">TBTA General Revenue Bonds Aa3/AA-/AA</p> <p data-bbox="326 951 711 1011">TBTA Subordinate Resolution A1/A+/AA-</p>	<p data-bbox="833 772 1159 832">General Purpose Revenue Bonds Aa3/A+/AA</p> <p data-bbox="833 866 1252 926">1991 Resolution Special Obligation Bonds A1/A-</p> <p data-bbox="833 959 1252 1019">1994 Resolution Special Obligation Bonds Aaa/AAA Insured</p> <p data-bbox="833 1052 1127 1112">Beneficial Interest Certificates Aaa/AAA Insured</p>
<p data-bbox="326 1272 711 1332">MTA State Service Contract Bonds AA-/AA-</p>	<p data-bbox="833 1141 1232 1201">Transit Facilities Service Contract Bonds Baa1/AA-/A-</p> <p data-bbox="833 1234 1269 1295">Commuter Facilities Service Contract Bonds Baa1/AA-/A-</p> <p data-bbox="833 1328 1295 1388">Transit Facilities 1987 Service Contract Bonds Baa1/AA-/A-</p> <p data-bbox="833 1421 1328 1481">Commuter Facilities 1987 Service Contract Bonds Baa1/AA-/A-</p>
<p data-bbox="326 1562 711 1622">MTA Dedicated Tax Fund Bonds AA-/A+</p>	<p data-bbox="833 1562 1146 1622">MTA Dedicated Tax Fund Bonds A3/A/A</p>

Credit strength, cost-effective access to capital

The principal MTA bond resolutions, the transit and commuter farebox revenue credits, were created in the early 1980s, when investors, underwriters, and rating agencies had serious questions about the viability of such a debt instrument. These concerns resulted in complicated legal covenants, cumbersome reporting requirements, and restrictive oversight policies. The restrictions hampered the MTA's ability to efficiently manage its debt. Accommodating new and innovative financing vehicles or techniques, when possible, has been difficult and often required developing complicated subordinate credits — sixteen separate MTA/TBTA credits had to be developed to fund the MTA's Capital Program.

Since the early 1980s, the MTA has significantly improved its credit strength. Strong management practices have improved operations and safety. A total of \$44.9 billion in capital investment has brought the system into a state of good repair, and the MTA is beginning major system expansions essential to the region's economy. Innovative fare policies made possible by MetroCard have kept fares down and increased ridership. This strong track record parallels the development of a more favorable attitude towards the MTA among rating agencies since 1982. Together they made reserve funds unnecessary for bondholders, and the restructuring has allowed the MTA to release \$1.16 billion of reserve funds for direct capital investment. Despite the elimination of reserve funds and restrictive financial covenants, all new credits received ratings of A or higher — a strong indication of the confidence of the rating agencies and the financial community.

The most significant change to the MTA's credit profile was the consolidation of the commuter and transit credits into one resolution creating the new "MTA Transportation Revenue Bond." The other credits are the Triborough Bridge and Tunnel Toll Revenue Bonds, the Dedicated Tax Fund Bonds, and the State Service Contract Bonds.

Bond Restructuring Funding Target			
(\$ millions)			
	New Money Capacity Created	Released Reserves	Total Capital Program Contribution
Transportation Revenue Credit	\$ 2,440	\$ 364	\$ 2,804
State Service Contract Credit	649	127	776
TBTA Senior Credit	452	385	837
TBTA Subordinate Credit	500	68	568
Dedicated Tax Fund Credit	102	219	321
Total	\$ 4,143	\$ 1,163	\$ 5,306
Reimbursement of MTA Funds Used			(801)
Total Proceeds			\$ 4,505

Note: Proceeds increased from prior estimates due to favorable market conditions and passage of the federal economic stimulus package that eliminated the need for taxable debt and tender offers.

2002 Bond Issues

Credit	Issue Series	Issue Date	Structure	Par Amount	Underwriter
Transportation	2002A	9-May-02	Fixed	\$2,894,185,000	Bear Stearns & Co.
Transportation	2002B	28-May-02	Auction	210,500,000	Bear Stearns & Co.
Transportation	2002C	29-May-02	Auction	219,600,000	JPMorgan Securities Inc.
Transportation	2002D	29-May-02	VRDO	400,000,000	Bear Stearns & Co.
Transportation	2002E	12-Jun-02	Fixed	397,495,000	JPMorgan Securities Inc.
Transportation	2002F	14-Nov-02	Fixed	446,110,000	Merrill Lynch
Transportation	2002G	19-Nov-02	VRDO	400,000,000	Merrill Lynch
Transportation	CP-1	12-Jun-02	Commercial Paper	750,000,000	Bear Stearns & Co. Morgan Stanley
Service Contract	2002A	5-Jun-02	Fixed	1,715,755,000	Lehman Brothers
Service Contract	2002B	26-Jun-02	Fixed	679,450,000	UBS PaineWebber
Dedicated Tax Fund	2002A	7-Aug-02	Fixed	1,246,870,000	Morgan Stanley
Dedicated Tax Fund	2002B	4-Sep-02	VRDO	440,000,000	Morgan Stanley
TBTA – Senior	2002B	19-Sep-02	Fixed	2,157,065,000	Salomon Smith Barney
TBTA – Senior	2002C	7-Oct-02	VRDO	103,305,000	UBS PaineWebber
TBTA – Subordinate	2002D	4-Oct-02	Auction	261,700,000	Salomon Smith Barney
TBTA – Subordinate	2002E	23-Oct-02	Fixed	756,095,000	JPMorgan Securities Inc.
TBTA – Senior	2002F	8-Nov-02	VRDO	246,480,000	JPMorgan Securities Inc.
TBTA – Subordinate	2002G	25-Nov-02	Auction	181,025,000	JPMorgan Securities Inc.
TOTAL				\$13,505,635,000	

Capital Program Progress



A new R-142 subway car is delivered to New York City Transit.



Retired Redbirds will form artificial reefs; more than 800 will be sunk off Delaware, South Carolina, Virginia, and Georgia.

The MTA significantly progressed in its \$18.9 billion 2000–2004 Capital Program during the past year, committing a record \$5.59 billion for new equipment, rehabilitation and improvement projects, and system expansion, including \$141.5 million for projects that maintain and upgrade facilities of MTA Bridges and Tunnels.

In the 2000–04 Capital Program for MTA New York City Transit, MTA Long Island Rail Road, and MTA Metro-North Railroad approximately 80 percent of the \$17.8 billion is allocated to maintaining good repair by replacing components before they reach the end of their useful life and have a deleterious effect on service. This includes \$6.6 billion for normal replacement, \$4.8 billion to continue bringing additional parts of the network into a state of good repair, and \$1.8 billion for system improvements.

Approximately 23 percent of 2000–04 Capital Program funds are allocated for purchases of new rolling stock, the backbone of the regional transportation system.



Agency Commitments and Completions

By the end of 2002, New York City Transit had 1,382 new high-tech rail cars in service, with an additional 1,040 cars on order. Replacing the aging Redbirds, the new cars have had a positive impact on both customer satisfaction and service. They are more comfortable, with improved heating and air conditioning systems, and because they are more reliable, fewer trains are delayed or go out of service during operation. In the future, the cars will take advantage of new signal and communications systems that will provide customers with real-time arrival information at all stations.

Transit's Capital Program investments in 2002 were \$3.81 billion, including \$1.14 billion for 660 subway cars for the B Division (lettered trains), with deliveries scheduled to begin in 2006. By the end of the decade, Transit could have as many

as 3,442 high-tech cars in service, replacing aging cars and expanding the fleet by 451 cars. Transit also committed \$170.2 million for 100 over-the-road buses and 260 articulated buses to be delivered in 2003 and 2004.

Project completions in 2002 included the rehabilitation of the 34th Street station on the Eighth Avenue line; the Prince Street, 8th Street, 23rd Street, and 28th Street stations on the Broadway line; and the completion of Phase I and the beginning of Phase II reconstruction at the Times Square station.

At the end of 2002, the Long Island Rail Road put the first of its new M-7 cars into service. The high-tech cars — which have a smoother ride, are more reliable in winter weather, and have improved air conditioning units for summer — feature larger doors and more passenger room. The seats are more comfortable, with molded backs, lumbar support,

firmer cushions, and recessed panels to increase legroom. The M-7 is replacing the M-1 fleet, which is at or near the end of its useful life.

Total Capital Program commitments in 2002 for the LIRR were \$915.9 million, including \$634.8 million to exercise an option for 352 additional M-7 rail cars, bringing the

total on order to 678. Delivery of the option cars will begin after the base order in 2005.

Long Island Rail Road completed the rehabilitation of diesel yards, a \$63 million project that has improved train reliability and had a significant impact on on-time performance. The railroad also opened a new train wash facility at Ronkonkoma, improved the ventilation at Penn Station, and completed renovations at Seaford and Wantagh stations.

Rolling stock purchases made up the bulk of Metro-North's Capital Program commitments in 2002. Total commitments were \$500.7 million, including \$354.5 million for 180 M-7 rail cars and \$4.0 million for two remanufactured diesel locomotives for its West-of-Hudson service. Deliveries of the M-7 cars, which are part of a joint procurement with Long Island Rail Road, are scheduled for 2004.

**MTA 2000-2004 Capital Program
Investment by Needs Classification**
(\$ millions)

	System Restoration	Normal Replacement	System Improvement	Network Expansion	Other	Total
NYCT	\$4,553	\$3,785	\$1,395	—	\$429	\$10,161
LIRR	39	1,865	180	15	110	2,208
MNR	164	902	262	—	57	1,385
B&T	—	928	84	—	23	1,035
WTC Recovery	—	—	—	—	753	753
MTA Expansion Projects	—	—	—	3,394	—	3,394
Total	\$4,755	\$7,480	\$1,920	\$3,409	\$1,372	\$18,936
% of Total	25%	40%	10%	18%	7%	100%

**MTA 2000-2004 Capital Program
Investment by Asset Category**
(\$ millions)

	Rolling Stock	Infrastructure	Total
New York City Transit	\$2,565	\$7,596	\$10,161
Long Island Rail Road	978	1,230	2,208
Metro-North Railroad	542	843	1,385
Bridges and Tunnels	0	1,035	1,035
World Trade Center Recovery	0	753	753
Network Expansion	0	3,394	3,394
Total	\$4,085	\$14,851	\$18,936

Capital Program, 2000-2004*
(\$ millions)

	2000	2001	2002	2003	2004	Total
MTA Total	\$2,720	\$3,394	\$5,650	\$4,075	\$3,096	\$18,936
NYCT	1,679	2,019	3,564	1,887	1,013	10,161
LIRR	440	412	936	214	207	2,208
MNR	280	260	496	189	160	1,385
B&T	311	164	151	326	84	1,035
WTC Recovery	—	—	162	591	—	753
Network Expansion	10	540	343	868	1,632	3,394

* Amounts include funds for contingencies and reserves and do not reflect actual plan commitments. Figures for 2000 and 2001 take into account contract modifications on individual projects and reflect the status of the MTA Capital Program as of February 27, 2003.

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

The railroad completed improvements at its mid- and upper-Harlem Line stations and an intermodal center and parking facility at Poughkeepsie. The Poughkeepsie project included the addition of a bus depot area, construction of a 540-space, three-level parking structure, and the restoration of a historic walkway from the station to Main Street and the waterfront.

The two commuter railroads continued the installation of new ticketing systems. Station agents have ticket office machines (TOMs) that allow for faster transactions, and most stations have one or more ticket vending machines (TVMs). The TVMs are user-friendly; accept cash or credit-debit-ATM card payments; and can sell rail tickets, pre-valued MetroCard, or joint rail-MetroCard tickets. The new machines reduce the number of cash transactions on trains, allow customers to purchase tickets at stations without ticket offices or when ticket offices are closed, and reduce the costs of accounting and bookkeeping, since counting cash manually is labor-intensive.

The Bridges and Tunnels 2000-04 Capital Program is \$1.04 billion. With all Bridges and Tunnels facilities in a state of good repair, approximately 90 percent of the funds are allocated to normal replacement of assets, with the remainder going to improvements that will make roadways more efficient and safer for drivers.

The \$141.5 million that Bridges and Tunnels committed in 2002 included \$72.3 million for the rehabilitation of the tunnel walls and drainage system in the Brooklyn-Battery Tunnel, \$15.8 million for the rehabilitation of the steel structure on the Throgs Neck Bridge, and \$10.5 million for the construction of a joint revenue-processing center that Bridges and Tunnels will share with New York City Transit.



**Capital Program Funding
Received through December 31, 2002**
(\$ millions)

	1982-2002	2002
MTA federal grants	\$ 13,221	\$ 933
State appropriations	621	–
City appropriations	3,422	221
MAC surplus	925	–
Port Authority	175	–
Coliseum and East Side Airlines Terminal	262	140
Capital-operating transfer	489	–
Lessor equity	515	–
MTA bonds	11,327	–
MTA debt restructuring	1,902	1,902
Pay-as-you-go	670	–
State service contracts	1,869	–
Beneficial interest certificates	80	–
Investment income	1,858	61
Other	1,398	401
Total	\$38,734	\$ 3,658

Redecking the Triborough Bridge proceeded with minimal traffic delays.

In 2002, the agency reopened the Marine Parkway-Gil Hodges Memorial Bridge following a \$99 million redecking that widened the roadway. Working with local communities to determine their needs, Bridges and Tunnels developed site-specific construction plans that enabled it to rebuild the facilities while causing minimal service disruptions. Using creative traffic-management programs, movable road barriers, and work schedules that took advantage of low traffic periods, Bridges and Tunnels completed this major reconstruction project even as toll crossings increased.



A form is set in place for a slurry wall at Queens bellmouth, part of the tunnel construction for East Side Access.

Capital Program Progress, 1982-2002*

(\$ millions)

	Commitments	Expenditures	Completions
MTA Total†	\$44,786	\$35,710	\$30,428
MTA New York City Transit	31,408	25,500	22,352
MTA Long Island Rail Road	6,274	4,784	3,902
MTA Metro-North Railroad	4,219	3,574	3,175
MTA Bridges and Tunnels	1,728	1,311	991

Capital Program Progress, 2002*

(\$ millions)

	Commitments	Expenditures	Completions
MTA Total	\$5,596	\$3,759	\$2,995
MTA New York City Transit	3,813	2,469	2,457
MTA Long Island Rail Road	916	474	202
MTA Metro-North Railroad	501	274	176
MTA Bridges and Tunnels	142	192	160

* Totals for MTA include: *East Side Access*: Total commitments, \$639 million; total expenditures, \$352 million; 2002 commitments, \$224 million; 2002 expenditures, \$165 million.

Totals for MTA, New York City Transit, Long Island Rail Road, and Metro-North Railroad include all or part of funding for: *Other expansion projects*: Total commitments, \$357 million; total expenditures, \$59 million; total completions, \$8 million; 2002 commitments, \$65 million; 2002 expenditures, \$55 million; 2002 completions, \$8 million.

World Trade Center Recovery: (total and 2002), \$161 million; expenditures, \$130 million.

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

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

Expansion Projects

The MTA 2000–04 Capital Program includes \$3.4 billion for the first major expansions of the transportation system in more than six decades.

Already underway is the East Side Access (ESA) project that will extend LIRR service into Grand Central Terminal and serve 76,000 riders, saving them up to 40 minutes each day as they travel between Long Island and Manhattan’s East Side. In early 2002 the project received approval from the Federal Transit Administration (FTA) to move into the final design phase, and at the end of 2002 the FTA approved the next major phase of construction by issuing a Letter of No Prejudice to cover the Queens and Manhattan tunnel contracts. The Capital Program includes \$1.5 billion for East Side Access, which is expected to cost about \$5.3 billion and be completed in 2012.

In 2002 ESA committed \$224.0 million, including \$66.2 million for a design/build and construction contract for the Arch Street Yard, \$24.2 million for modifications to the Grand Central Terminal East Yard, and \$16.7 million for the excavation of an open cut at the tunnel bellmouth in Queens.

A crane lowers part of a substation at Highbridge Yard in the Bronx; it will be used by MNR, freeing up space in GCT for the LIRR.



During the year 2002 the MTA submitted to the FTA for review a Supplemental Draft Environmental Impact Statement (SDEIS) for a full-length Second Avenue Subway from 125th Street to the Financial District. The SDEIS maps the planned route and proposed transfer points of the line. The new line will relieve overcrowding on the Lexington Avenue line and serve approximately 578,000 riders each day, including a projected 25,000 new subway riders. A commitment of \$1.05 billion for planning and initial construction is expected by 2004, when project construction is scheduled to begin.

The MTA also began evaluating route alternatives to extend NYC Transit's 7 line west from its current terminus at Times Square to a new one in an area on the West Side that has significant development and growth potential.

The 2000–04 Capital Program continues MTA support of AirTrain, the Port Authority's light rail system that will link JFK International Airport to the existing regional transportation network by the end of 2003. Riders will be able to reach Jamaica Station, with connections to the Long Island Rail Road, three subway lines, and 14 local bus routes, or the Howard Beach station of the A line.

The MTA Capital Program also includes funds for preliminary engineering for extending Metro-North Railroad service to Penn Station.

Funding for the MTA Capital Program comes from a combination of bond sales; debt restructuring; interest income; proceeds from selling or leasing assets; and federal, state, and local allocations. Bridges and Tunnels funds its program with TBTA bonds and pay-as-you-go funding.

The MTA is also working with downtown planning groups on ways to enhance downtown transportation options. The plan is to create the Fulton Street Transit Center that will service nine subway lines. A pedestrian corridor under Dey Street will link three additional lines to the hub and ultimately to the World Trade Center site. The project will help overcome long-standing obstacles to better access and support the economic recovery of both Downtown and the rest of the city. The MTA is also in the planning stage for a new three-track terminal at South Ferry that will improve West Side service all along the 1/9 lines. These two projects are part of a transportation infrastructure plan funded by a \$4.5 billion allocation by the Federal Emergency Management Agency and the Federal Transit Administration.

Rating Agency Support

MTA bond ratings remain strong, and rating agencies recognized the MTA's ability to manage its assets effectively and to provide adequate resources to support the Capital Program.

"Key credit strengths... include... continuing improvements to the performance, efficiency, and demand of MTA's services, the importance of the authority's transit and commuter rail networks to the economy of the New York region, and its proven track record in managing financial challenges."

— Fitch Ratings

"The rating is based on the essential mass transit service the MTA provides to the New York City metropolitan area, improving operations and ridership trends, a diverse revenue stream, and strong support from the state and city..."

— Standard & Poor's

"The new credit will provide a more diversified revenue base as security for the bonds, and increase cash flow flexibility... positive financial and operating trends over the last two decades despite a series of financial and economic challenges."

— Moody's Investors Service



Queens Midtown Tunnel Toll Plaza

2002 Bond Statements

Notes to Credit Summaries

2002 Information: Bond statements include information through December 31, 2002.

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

Debt Service refers to gross debt service; where coverage is given, it is computed pursuant to the applicable bond resolution.

Pledged Revenues are computed pursuant to the applicable bond resolution.

Bond Counsel

Hawkins, Delafield & Wood was bond counsel to the MTA in 2002.

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

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

Commitment to Bondholders

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. The new resolutions provide MTA 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 12/31/2002

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	446,110,000	Fixed Rate	Nov. 15, 2031	Partially insured
2002G-1	200,000,000	Variable Rate (Weekly)	Nov. 1, 2026	Fully insured
2002G-1	200,000,000			
CP-1	750,000,000	Credit Enhanced Commercial Paper	270-Day maximum	None
Total	\$5,717,890,000			

Purpose

To finance certain capital costs to rehabilitate and improve transportation facilities of the MTA transit and commuter railroad systems, which includes the subway and bus operations of the New York City Transit Authority, Manhattan and Bronx Surface Transit Operating Authority, and Staten Island Rapid Transit Operating Authority, and the commuter railroad operations of the 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.

On January 30, 2003, the Board of the MTA authorized the issuance of an additional \$2.2 billion of Transportation Revenue debt in 2003.

Trustee and Paying Agent

JPMorgan Chase Bank

MTA State Service Contract Obligation Bonds

Resolution Dated

March 26, 2002

Uninsured Ratings

Standard & Poor's: AA-

Fitch Ratings: AA-

Bonds Outstanding as of 12/31/2002

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 O 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

MTA Dedicated Tax Fund

Resolution Dated

March 26, 2002

Uninsured Ratings

Standard & Poor's: AA-

Fitch Ratings: A+

Bonds Outstanding as of 12/31/2002

Series	Par	Structure	Final Maturity	Insurance
2001A	\$543,845,000	Fixed Rate	Nov. 15, 2031	Partially insured
2002A	1,246,870,000	Fixed Rate	Nov. 15, 2032	Partially insured
2002B	440,000,000	Variable Rate (Weekly)	Nov. 1, 2022	Fully insured
Total	\$2,230,715,000			

Purpose

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

Security

The Dedicated Tax Fund DTF 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 or of 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 railroad 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

The Bank of New York

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 12/31/2002

Series	Par	Structure	Final Maturity	Insurance
EFC 1996A	\$23,530,000	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
Total	\$4,220,800,000			

Purpose

To fund the capital needs of the facilities 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:

- MTA transit and commuter railroad project,
- 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.

On January 30, 2003, the Board of the MTA authorized the issuance of an additional \$1.1 billion of TBTA debt in 2003. The authorization allows for the bonds to be issued under the General Resolution or the Subordinate Resolution.

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 12/31/2002

Series	Par	Structure	Final Maturity	Insurance
2000A	\$181,300,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000B	72,500,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000C	157,200,000	Variable Rate (Weekly)	Jan. 1, 2031	Fully insured
2000D	96,600,000	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
Total	\$1,706,420,000			

Purpose

To fund the capital needs of the facilities 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,
- MTA transit and commuter railroad 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.

On January 30, 2003, the Board of the MTA authorized the issuance of an additional \$1.1 billion of TBTA debt in 2003. The authorization allows for the bonds to be issued under the General Resolution or the Subordinate Resolution.

Trustee and Paying Agent

The Bank of New York

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 12/31/2002

Series	Par	Structure	Final Maturity	Insurance
1999A	\$315,345,000	Fixed Rate	Jan. 1, 2029	Fully insured
2000A	115,415,000	Fixed Rate	Jan. 1, 2030	Fully insured
Total	\$430,760,000			

Aggregate Base Rent Payments for 12 Months Ended 1/1/2003: \$32,111,589

Purpose

To finance certain building and tenant improvements to an office building occupied by New York City Transit Authority, the Long Island Rail Road Company, Metro-North Railroad Commuter Company, 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 12/31/2002

Series E \$316,405,000

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



The Marine Parkway Bridge was built in 1937 to provide access to the Rockaway Peninsula, which previously could be reached only by ferry or a circuitous route around the eastern end of Jamaica Bay. In 1978, Gil Hodges' name was added to the bridge to honor the Brooklyn Dodgers first baseman and New York Mets manager. In addition to commuter traffic, thousands cross the bridge to visit the area's beaches and parklands each year, producing a 50 percent traffic increase on the bridge in the summer months. In center photo, Governor George E. Pataki (left) and MTA Chairman Peter S. Kalikow at the ceremony marking completion of the \$99 million redecking that widened the roadway.





The Marine Parkway-Gil Hodges Memorial Bridge with the Verrazano-Narrows Bridge visible in the background.