

BUDGETWATCH

June 2013 Flash Report

Summary of April Budgetwatch (reporting on operations through March and subsidies through April):

Preliminary YTD results were somewhat favorable, with much of that result coming from higher real estate transaction taxes. Lower subsidy collections offset some of the favorable real estate revenue. Passenger revenues were slightly favorable for the month of March (\$3.9 million), as the initial ridership impact of the fare increase was lower than projected. YTD numbers were slightly (\$7.8 million) unfavorable, however, due to harsh winter weather and the residual impacts of Sandy. Toll revenues were favorable for the month (\$2.9 million) and YTD (\$6.5 million) due to higher traffic attributable to higher NYC employment, and lower than forecasted impacts on traffic of the toll increase. Operating expenses were significantly favorable for the month (\$57.1 million) and YTD (\$88.7 million), although most of that variance was the result of lower timing-related activity in OTPS expense categories. Lower YTD debt service costs (\$43.6 million) reflect refunding savings, lower interest rates and timing. Combined receipts of PMT, MTA Aid, and PBT were \$38.7 million unfavorable YTD, some of which may be timing-related. Combined real estate tax receipts were strong in April (\$20.8 million favorable), increasing the favorable YTD variance to \$85.5 million. Most of this increase was the result of higher collections from the Real Property Transfer Tax (RPTT) portion of the Urban Tax.

Overall Latest Condition (reporting on operations through April and subsidies through May):

Overall, April results were slightly unfavorable due mainly to lower subsidy collections. YTD results were favorable due mainly to lower expenses; however, that variance was primarily the result of timing delays in non-labor categories. Excepting those timing delays, results are closely tracking the Budget.

Passenger revenues were slightly favorable for April (\$1.4 million), reflecting higher than projected NYCT ridership partially offset by lower than expected commuter rail ridership. YTD numbers were slightly (\$6.4 million) unfavorable, however, reflecting unfavorable results earlier in the year due to harsh winter weather and the residual impacts of Sandy. Toll revenues were favorable for the month (\$5.8 million) and YTD (\$12.4 million) due to higher traffic attributable to higher NYC employment, and lower than forecasted impacts on traffic of the toll increase. Operating expenses were slightly unfavorable for the month (\$7.9 million), and were favorable YTD (\$74.5 million); most of the favorable YTD variance was due to timing-related activity in OTPS expense categories. Favorable YTD debt service costs (\$3.0 million) reflect refunding savings and lower interest rates that were mostly offset by an advanced payment of TRB debt service.

Combined real estate tax receipts were unfavorable in May (\$10.4 million unfavorable), reducing the favorable YTD variance to \$75.1 million. The unfavorable variance for the month reflects below budget collections from the Real Property Transfer Tax (RPTT) portion of the Urban Tax, which also accounts for more than half of the favorable YTD variance. These results do not at this time appear to be indicative of a trend; while January, February and April results were very strong, March and May results were well below Budget and April results would not have been favorable had three large transactions not occurred. Offsetting much of the favorable variance in real estate taxes were lower subsidies; combined receipts of PMT, MTA Aid, PBT and MMTOA were \$66.1 million unfavorable YTD, some of which may be timing-related.

Passenger and Toll Revenues

	YTD April 2013 (\$ in millions)				Month of April 2013 (\$ in millions)				
	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	
	<u>Actual</u>	<u>Budget</u>			<u>Actual</u>	<u>Budget</u>			
NYCT:					NYCT:				
Subway	\$942.4	\$946.0	(\$3.6)	-0.4%	Subway	\$257.7	\$256.1	\$1.6	0.6%
Bus	297.8	294.0	3.8	1.3%	Bus	81.7	79.5	2.2	2.8%
Other	<u>22.4</u>	<u>23.2</u>	<u>(0.8)</u>	<u>-3.6%</u>	Other	<u>5.8</u>	<u>5.9</u>	<u>(0.1)</u>	<u>-2.4%</u>
NYCT	\$1,262.7	\$1,263.3	(\$0.6)	0.0%	NYCT	\$345.1	\$341.5	\$3.7	1.1%
LIRR	193.9	194.1	(0.2)	-0.1%	LIRR	51.4	52.0	(0.6)	-1.1%
MNR	<u>195.4</u>	<u>201.0</u>	<u>(5.6)</u>	<u>-2.8%</u>	MNR	<u>51.7</u>	<u>53.4</u>	<u>(1.7)</u>	<u>-3.1%</u>
Sub-total	\$1,652.0	\$1,658.4	(\$6.4)	-0.4%	Sub-total	\$448.3	\$446.8	\$1.4	0.3%
B&T	<u>496.3</u>	<u>483.9</u>	<u>12.4</u>	<u>2.6%</u>	B&T	<u>139.0</u>	<u>133.3</u>	<u>5.8</u>	<u>4.3%</u>
Total	\$2,148.3	\$2,142.3	\$6.0	0.3%	Total	\$587.3	\$580.1	\$7.2	1.2%

For the month, passenger revenues were \$1.4 million, or 0.3%, better than Budget. NYCT was slightly favorable to Budget (by 1.1%) reflecting higher ridership and average fares. MNR was 3.1% unfavorable due to lower-than-projected ridership growth, and the LIRR was slightly unfavorable (by 1.1%) due to lower yield and non-commutation ridership. Toll revenues were favorable by 4.3%, in part due to the toll increase having a lesser impact than projected on traffic. On a year-to-date basis, passenger revenues were unfavorable to Budget by \$6.4 million, or 0.4%, primarily due to lower than forecasted ridership attributable to unfavorable weather and the residual impacts of Sandy (in the case of NYCT). Toll revenues were favorable by \$12.4 million, or 2.6%, due to higher traffic attributable to higher NYC employment and lower than forecasted impacts on traffic from the toll increase.

Total Operating Expenses before Non-Cash Liability Adjustments

	YTD April 2013 (\$ in millions)				Month of April 2013 (\$ in millions)				
	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	
	<u>Actual</u>	<u>Budget</u>			<u>Actual</u>	<u>Budget</u>			
NYCT	\$2,029.2	\$2,066.7	\$37.5	1.8%	NYCT	\$523.2	\$518.0	(\$5.2)	-1.0%
LIRR	419.6	437.9	18.3	4.2%	LIRR	107.2	106.9	(0.3)	-0.3%
MNR	332.7	351.8	19.1	5.4%	MNR	82.7	84.6	1.9	2.3%
B&T	<u>125.3</u>	<u>125.0</u>	<u>(0.4)</u>	<u>-0.3%</u>	B&T	<u>33.6</u>	<u>29.2</u>	<u>(4.4)</u>	<u>-15.0%</u>
Total	\$2,906.8	\$2,981.3	\$74.5	2.5%	Total	\$746.6	\$738.6	(\$7.9)	-1.1%

For the month, preliminary expenses were unfavorable to budget by \$7.9 million or 1.1%. NYCT was \$5.2 million unfavorable due to higher non-labor expenses (\$9.0 million – mainly professional services and maintenance and other operating contracts) partially offset by lower labor expenses (\$3.8 million – mainly fringe benefits). B&T was \$4.4 million unfavorable mainly due to timing and a \$2.4 million charge in professional services associated with the recent GASB 65 pronouncement requiring the immediate expensing of bond related costs (as opposed to amortization over the life of the bond). MNR was favorable by \$1.9 million due to lower non-labor expenses (\$2.9 million – mainly materials & supplies, professional services and maintenance and other operating contracts) partially offset by higher labor expenses (\$1.0 million – mostly pensions, overtime and health & welfare). The LIRR was on budget.

April YTD expenses were \$74.5 million, or 2.5%, favorable to budget; timing-related OTPS expense activity is the primary factor attributing to this variance. NYCT was favorable by \$37.5 million due to lower non-labor expenses (\$21.7 million – mostly paratransit service contracts, maintenance and other operating contracts, and energy) and lower labor expenses (\$15.8 million – mostly fringe benefits). MNR was favorable by \$19.1 million due to lower non-labor expenses (\$14.4 million – mainly maintenance and other operating contracts, professional services, and materials & supplies) in addition to favorable labor expenses (\$4.7 million – mostly payroll, health and welfare, and other fringe benefits). The LIRR was favorable by \$18.3 million due to lower non-labor expenses (\$16.5 million – mostly maintenance and other operating contracts, professional service contracts, material & supplies, and claims) and lower labor expenses (\$1.8 million – mostly payroll and fringe benefits). B&T was on budget.

Overtime

	YTD April 2013 (\$ in millions)				Month of April 2013 (\$ in millions)				
	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	<u>Prelim</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	
	<u>Actual</u>	<u>Budget</u>			<u>Actual</u>	<u>Budget</u>			
NYCT	\$125.0	\$100.5	(\$24.4)	-24.3%	NYCT	\$29.2	\$25.5	(\$3.7)	-14.4%
LIRR	32.4	24.4	(8.0)	-33.0%	LIRR	8.3	6.5	(1.8)	-28.2%
MNR	18.7	18.4	(0.2)	-1.2%	MNR	4.5	3.9	(0.6)	-15.1%
B&T	<u>6.3</u>	<u>7.6</u>	<u>1.3</u>	<u>16.7%</u>	B&T	<u>1.3</u>	<u>1.6</u>	<u>0.4</u>	<u>22.7%</u>
Total	\$182.4	\$151.0	(\$31.4)	-20.8%	Total	\$43.3	\$37.6	(\$5.7)	-15.2%

Overtime was unfavorable for the month by \$5.7 million, or 15.2%, increasing the unfavorable YTD variance to \$31.4 million, or 20.8%. Most of the unfavorable monthly variance was due to higher vacancy/availability coverage at NYCT and the Commuter Railroads, as well as continued Sandy-related requirements at NYCT. The overall unfavorable YTD results largely reflect the impact of a major snowstorm in early February. Additionally, NYCT's \$24.4 million unfavorable result also reflects payments to represented employees of 2012 "banked" overtime and Sandy-related work, and the LIRR's \$8.0 million unfavorable result reflects higher vacancy/absentee coverage and a major train derailment on 3/19.

Debt Service

Debt service costs for the month of April were \$230.7 million, which was \$40.6 million, or 21.4%, unfavorable to budget, due to an advanced payment (through to May 15) of TRB debt service. April YTD debt service costs were \$790.3 million, which was \$3.0 million, or 0.4%, favorable due to savings from refundings and lower interest rates, offset by the advanced payment of TRB debt service.

Payroll Mobility Tax (PMT) / MTA AID

	YTD May 2013 (\$ in millions)				Month of May 2013 (\$ in millions)				
	<u>Actual</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	<u>Actual</u>	<u>Adopted</u>	<u>Diff</u>	<u>%Diff</u>	
		<u>Budget</u>				<u>Budget</u>			
PMT	\$626.5	\$660.3	(\$33.8)	-5.1%	PMT	\$144.2	\$169.3	(\$25.2)	-14.9%
MTA Aid	<u>55.4</u>	<u>64.0</u>	<u>(\$8.6)</u>	<u>-13.4%</u>	MTA Aid	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>	<u>0.0%</u>
Total	\$681.9	\$724.3	(\$42.4)	-5.9%	Total	\$144.2	\$169.3	(\$25.2)	-14.9%

Notes: 1) MTA Aid includes the License Fee, Vehicle Registration Fee, Taxi Fee, Automobile Rental Fee.
2) PMT replacement funds totaling \$310 million for the year, excluded from the results reported in this table, are projected to be received in five equal installments of \$62 million.

May Payroll Mobility Tax (PMT) receipts of \$144.2 million were \$25.2 million unfavorable compared with the Adopted Budget. YTD receipts of \$626.5 million were also unfavorable to the forecast by \$33.8 million, or 5.1%. A small portion of the shortfall in the first quarter of the year is likely attributable to the advancing into 2012 annual bonuses that were anticipated in the adopted budget to be paid in 2013; in fact, 2012 PMT receipts were approximately \$5 million higher than the 2012 Final Estimate, which may have been due to the bonus prepayments, which were timed to avoid increases in Federal taxes that went into effect at the start of 2013. The remainder of the year-to-date variance was mostly due to unfavorable receipts in May. There are no indications of unusual actions in May and receipts will continue to be carefully monitored, and any necessary adjustments to the PMT forecast will be incorporated at mid-year. MTA Aid receipts for the first quarter of the year were \$8.6 million or 13.4% unfavorable; indications are that some of the shortfall is due to late taxpayer payments that were received just after the cut-off for the transfer of receipts to MTA. We expect these late payments to be remitted with the next quarterly transfer later this month.

State Dedicated Taxes

Petroleum Business Tax (PBT) receipts for May of \$44.3 million were \$5.8 million (11.6%) unfavorable and year-to-date PBT receipts of \$223.0 million were also unfavorable by \$27.2 million (10.9%). The State re-forecast that was used in the final appropriation for the year was \$5.0 million lower than previously estimated. The remaining unfavorable variance appears to be a combination of real and timing differences.

MMTOA receipts for May of \$146.0 million were \$3.5 million (2.5%) favorable. The State re-forecast that was used in the final appropriation for the year was \$26.0 million higher than previously estimated, which slightly increases each of the nine monthly payments.

Real Estate Transaction Taxes

YTD May 2013 (\$ in millions)					Month of May 2013 (\$ in millions)				
	<u>Actual</u>	<u>Adopted Budget</u>	<u>Diff</u>	<u>% Diff</u>		<u>Actual</u>	<u>Adopted Budget</u>	<u>Diff</u>	<u>Diff</u>
MRT	\$138.1	\$134.9	\$3.3	2.4%	MRT	\$26.2	\$27.0	(\$0.8)	-2.8%
NYC Urban	<u>251.8</u>	<u>179.9</u>	<u>\$71.8</u>	<u>39.9%</u>	NYC Urban	<u>\$26.3</u>	<u>36.0</u>	<u>(\$9.7)</u>	<u>-26.8%</u>
Total	\$389.9	\$314.8	\$75.1	23.9%	Total	\$52.5	\$63.0	(\$10.4)	-16.6%

Total real estate taxes for May of \$52.5 million were \$10.4 million (16.6%) lower than budget, but with strong positive variances in three of the first four months of 2013, the YTD variance compares favorably with the Adopted Budget by \$75.1 million (23.9%). The unfavorable outcome for May is attributable primarily to a sharp drop in the Real Property Transfer Tax on commercial properties, which fell to its lowest level since April 2011.

Regional Mortgage Recording Tax¹ receipts for May were \$0.8 million or 2.8% below the Adopted Budget. The unfavorable MRT result is explained by poorer than expected MRT-2 receipts, not completely offset by favorable collections of MRT-1. While MRT-2 was \$1.1 million or 11.9% unfavorable, its May receipts of \$8.1 million were higher than the 2012 average of \$7.7 million.

New York City Urban Tax² receipts for May were \$9.7 million or 26.8% unfavorable, while YTD Urban Tax receipts through May were \$71.8 million (39.9%) favorable. Urban Tax receipts so far in 2013 have been highly variable, with strong results in January, February and April, but poorer than expected results in March and May. For May, the MRT portion of the Urban Tax was \$13.2 million, which was \$2.5 million or 23.5% favorable; however, the Real Property Transfer Tax (RPTT) portion of the Urban Tax was \$13.1 million in May, unfavorable by \$12.2 million or 48.1%.

¹ Mortgage Recording Taxes consist of two separate taxes on all mortgages recorded in the twelve-county region: MRT-1 is a tax on both commercial and residential mortgages, while MRT-2 is imposed on residential real estate structures containing one to six dwelling units.

² New York City Urban Taxes are imposed on non-residential property and apartment building transactions within New York City that are valued at over \$500,000. The MRT component of the Urban Tax is imposed on mortgages of commercial property exceeding \$500,000, and the Real Property Transfer Tax component is imposed on the transfer of NYC commercial real properties valued over \$500K.

June 2013 BudgetWatch Regional Economy

New York City Employment

Sectors with Employment losses in April 2013 Compared to April 2012

- Manufacturing
- Information
- Financial Activities
- Government



Sectors with Employment Gains in April 2013 Compared to April 2012

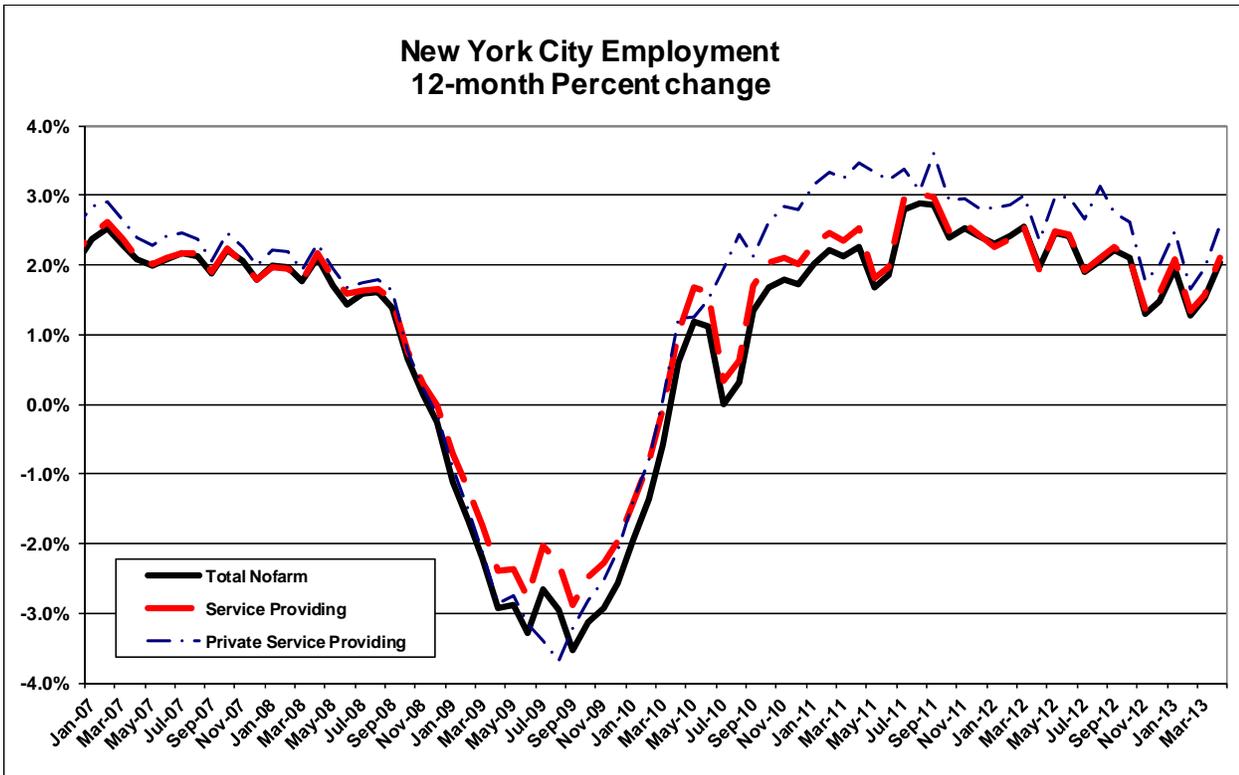
- Trade
- Leisure and Hospitality
- Construction, Mining, Natural Resources
- Transportation, Utilities
- Education & Health Services
- Other Services
- Professional & Business Services



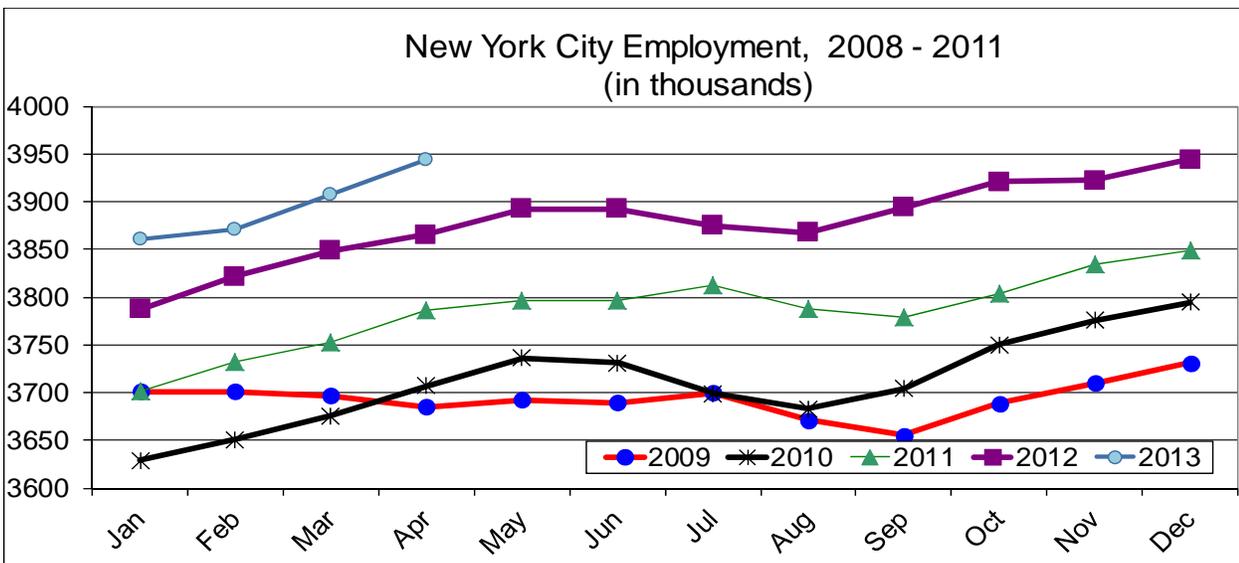
New York City Employment (in thousands)	Prelim Apr-13	Revised Mar-13	Apr-12	Gain / (Loss) Apr-13 versus			
				Mar-13		Apr-12	
				Net	Percent	Net	Percent
Total Employment	3943.9	3907.4	3865	36.5	0.9%	78.9	2.0%
Goods Producing	191.6	188.9	189.8	2.7	1.4%	1.8	0.9%
Construction, Mining, Nat Res	117.3	114.4	114.1	2.9	2.5%	3.2	2.8%
Manufacturing	74.3	74.5	75.7	(0.2)	-0.3%	(1.4)	-1.8%
Service Producing	3752.3	3718.5	3675.2	33.8	0.9%	77.1	2.1%
Transportation, Utilities	122.8	122.6	119.8	0.2	0.2%	3.0	2.5%
Trade	473.1	469.2	458.2	3.9	0.8%	14.9	3.3%
Information	174.9	172.7	176.3	2.2	1.3%	(1.4)	-0.8%
Financial Activities	432.7	432.5	437.1	0.2	0.0%	(4.4)	-1.0%
Education & Health Svcs	639.8	631.9	609.6	7.9	1.3%	30.2	5.0%
Professional & Business Svcs	820.1	815.8	793.0	4.3	0.5%	27.1	3.4%
Leisure & Hospitality	368.9	356.5	363.2	12.4	3.5%	5.7	1.6%
Other Services	174.5	173.2	169.3	1.3	0.8%	5.2	3.1%
Government	545.5	544.1	548.7	1.4	0.3%	(3.2)	-0.6%

Preliminary April 2013 employment in New York City shows a gain of 78.9 thousand jobs (an increase of 2.0%) compared to last April's employment level. April marks the thirty-third month in a row with higher employment than one year earlier. The Education and Health Services sector experienced the greatest gains among the major sectors, adding 30,200 jobs over the past twelve months; and growth was also strong in the Professional and Business Services sector and the Trade sector, which together added 42,000 jobs.

June 2013 BudgetWatch Regional Economy



Employment in New York City’s service-producing sectors increased by 77.1 thousand jobs, an increase of 2.1% over the April 2012 level. Private-sector service-providing employment in New York City increased by 80.3 thousand jobs, 2.6% higher than the level of one year ago, and April marks the thirty-seventh month in a row with an annual increase greater than 1%.



June 2013 BudgetWatch

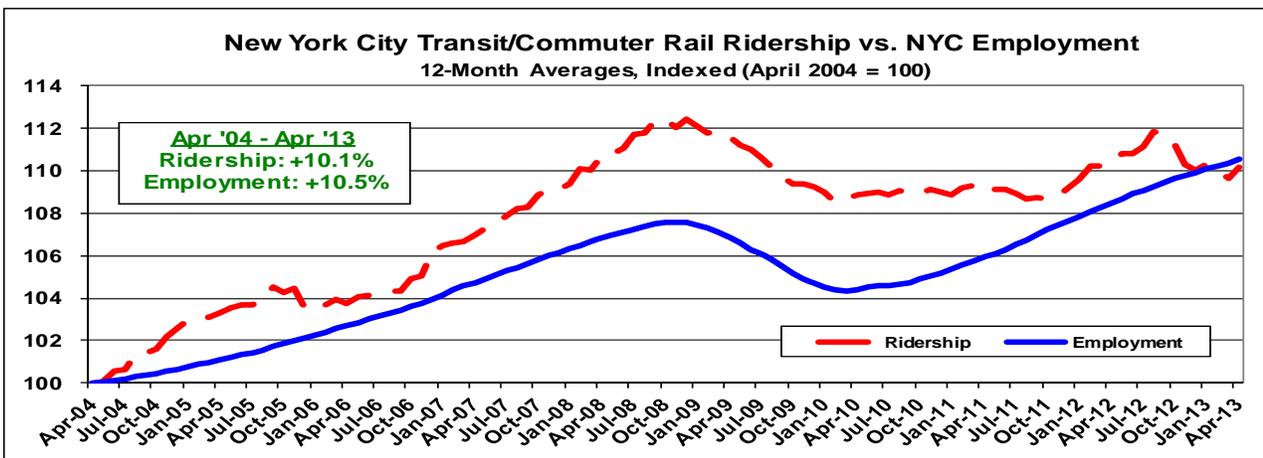
Regional Economy



Seasonally adjusted New York City employment in February was higher than in April 2012 by 75.0 thousand jobs (up 1.9%), and was higher than in any other month this year. Since September 2009, when seasonally adjusted employment reached a recessionary low-point, New York City has added 272 thousand jobs, an increase of 7.4%.

Ridership and Employment

In April 2004, the twelve-month moving average for employment began to increase after 35 consecutive months of declines from May 2001 through March 2004. Employment levels rose through November 2008, and then declined for 16 months through March 2010. The twelve-month employment average (through April 2013) has increased for thirty-three consecutive months, and is now 10.5% higher than the April 2004 level. Annualized (12-month average) New York City Transit/Commuter Rail ridership has grown to 10.1% above the April 2004 level. The twelve-month average for ridership in April was virtually the same as in April 2012.



June 2013 BudgetWatch Regional Economy

Consumer Price Index

Goods Reporting Price Increases in April 2013 Compared to March 2013

- Medical Care
- Food

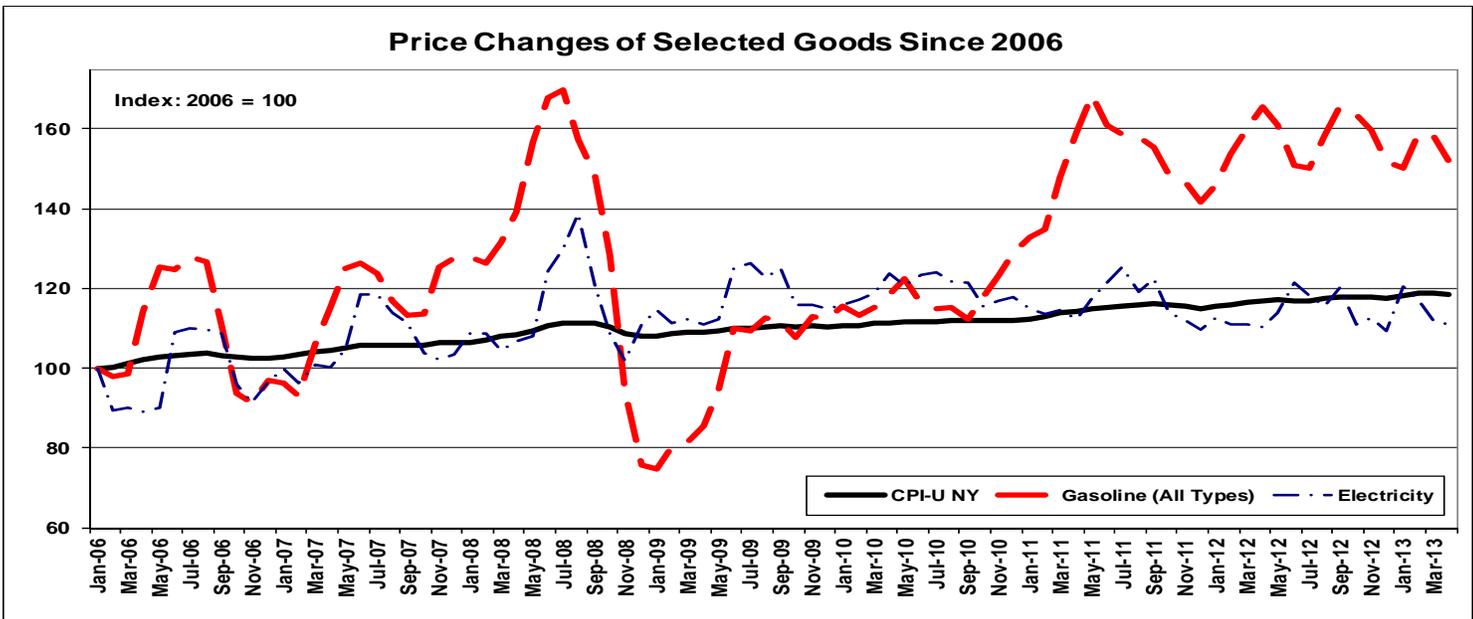


Goods Reporting Price Declines in April 2013 Compared to March 2013

- Gasoline
- Transportation
- Electricity
- Apparel

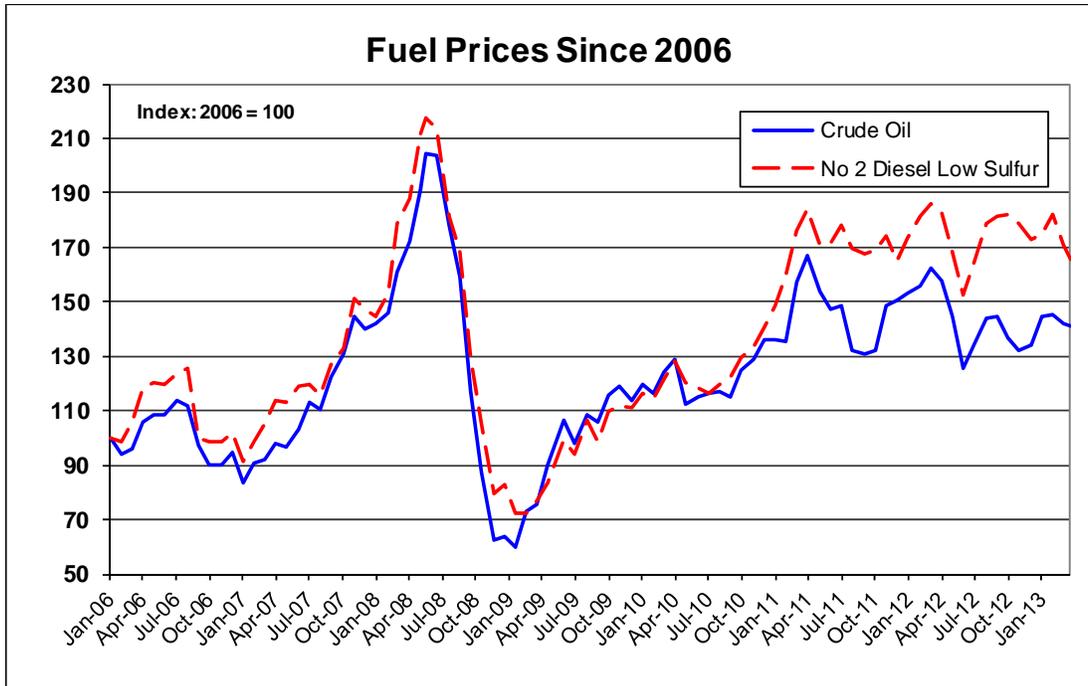


NY-NJ_CT Consumer Price Index All Urban Consumers (CPI-U)	Apr-13	Mar-13	Apr-12	Increase / (Decrease) Apr-13 vs			
				Mar-13		Apr-12	
				Net	Percent	Net	Percent
Regional CPI-U	256.0	256.6	252.3	-0.6	-0.2%	3.6	1.4%
Medical Care Component	424.9	423.8	410.0	1.1	0.3%	14.9	3.6%
Electricity Component	176.3	178.0	175.0	-1.7	-1.0%	1.3	0.7%
Gasoline (all grades) Component	284.0	295.7	309.2	-11.8	-4.0%	(25.2)	-8.2%
National CPI-U	232.5	232.8	230.1	-0.2	-0.1%	2.4	1.1%



June 2013 BudgetWatch Regional Economy

Fuel Prices



NOTE: Latest Crude Oil and No.2 Diesel Low Sulfur prices: May 24, 2013

Fuel Prices New York Spot Prices	Most Recent Quarter				Change, Apr '13 vs.			
	May. 20, 2013	Apr-13	Mar-13	Feb-13	Apr-12	Mar-13	Feb-13	Apr-12
Crude Oil	96.29	92.02	92.94	95.31	103.32	-1.0%	-3.5%	-10.9%
Conventional Regular Gasoline *	2.82	2.71	2.91	3.05	3.21	-7.1%	-11.4%	-15.6%
Low Sulfur No.2 Diesel Fuel *	2.95	2.90	3.04	3.24	3.24	-4.5%	-10.4%	-10.5%
No.2 Heating Oil *	2.80	2.74	2.94	3.17	3.15	-6.8%	-13.4%	-13.0%

* \$ per gallon

May 2013 BudgetWatch Regional Economy

Nassau & Suffolk Employment (in thousands)	Gain / (Loss) Apr-13 versus						
	Prelim Apr-13	Revised Mar-13	Apr-12	Mar-13		Apr-12	
				Net	Percent	Net	Percent
Total Employment	1281.3	1264.2	1254.1	17.1	1.4%	27.2	2.2%
Goods Producing	136.9	133.5	135.1	3.4	2.5%	1.8	1.3%
Construction, Mining, Nat Res	64.5	61.0	61.2	3.5	5.7%	3.3	5.4%
Manufacturing	72.4	72.5	73.9	(0.1)	-0.1%	(1.5)	-2.0%
Service Producing	1144.4	1130.7	1119	13.7	1.2%	25.4	2.3%
Transportation, Utilities	40.0	40.4	37.0	(0.4)	-1.0%	3.0	8.1%
Trade	226.7	223.8	221.3	2.9	1.3%	5.4	2.4%
Information	23.5	23.6	23.8	(0.1)	-0.4%	(0.3)	-1.3%
Financial Activities	71.5	71.6	71.8	(0.1)	-0.1%	(0.3)	-0.4%
Education & Health Svcs	168.8	164.6	163.5	4.2	2.6%	5.3	3.2%
Professional & Business Svcs	245.3	244.1	238.1	1.2	0.5%	7.2	3.0%
Leisure & Hospitality	111.8	106.7	103.8	5.1	4.8%	8.0	7.7%
Other Services	55.0	54.9	54.6	0.1	0.2%	0.4	0.7%
Government	201.8	201.0	205.1	0.8	0.4%	(3.3)	-1.6%

