

BUDGETWATCH

February 2014 Flash Report

Overall Latest Condition:

Overall net results were slightly favorable to Budget as unfavorable operating results from January snowfall mostly offset favorable subsidy results. Combined passenger and toll revenues for January were \$16.1 million, or 2.9% unfavorable, while operating expenses were \$27.9 million, or 3.6% unfavorable. Much of that was from higher weather-related overtime and its impact on fringe benefits. January debt service costs were \$4.5 million, or 2.6% unfavorable. Subsidies through February YTD were net favorable as higher tax receipts from real estate transactions (Urban Tax) were partially offset by lower Payroll Mobility Tax receipts.

Passenger and Toll Revenues

Month of January 2014 (\$ in millions)				
	Prelim	Adopted		
	<u>Actual</u>	<u>Budget</u>	<u>Diff</u>	<u>% Diff</u>
NYCT:				
Subway	\$244.5	\$251.3	(\$6.8)	-2.7%
Bus	70.8	76.5	(5.7)	-7.5%
Other	<u>4.6</u>	<u>4.9</u>	<u>(0.3)</u>	<u>-6.0%</u>
NYCT	\$319.9	\$332.7	(\$12.8)	-3.8%
LIRR	49.7	49.1	0.7	1.4%
MNR	<u>49.6</u>	<u>51.6</u>	<u>(1.9)</u>	<u>-3.8%</u>
Sub-total	\$419.3	\$433.4	(\$14.1)	-3.2%
B&T	<u>121.6</u>	<u>123.6</u>	<u>(2.0)</u>	<u>-1.6%</u>
Total	\$540.9	\$557.0	(\$16.1)	-2.9%

Passenger revenues were \$14.1 million, or 3.2% below Budget, reflecting overall lower ridership attributable to the significantly higher monthly snowfall. Revenues were down by 3.8% at both NYCT and MNR, while revenues were up by 1.4% at the LIRR due to slightly higher ridership and average fares. Toll revenues were unfavorable by 1.6%, again reflecting lower traffic levels attributable to the higher monthly snowfall.

Total Operating Expenses before Non-Cash Liability Adjustments

Month of January 2014 (\$ in millions)				
	Prelim	Adopted		
	<u>Actual</u>	<u>Budget</u>	<u>Diff</u>	<u>% Diff</u>
NYCT	\$563.9	\$530.5	(\$33.3)	-6.3%
LIRR	116.6	118.7	2.0	1.7%
MNR	93.7	95.4	1.7	1.8%
B&T	32.4	34.1	1.7	4.9%
Total	\$806.6	\$778.7	(\$27.9)	-3.6%

Overall, preliminary expenses were unfavorable by \$27.9 million, or 3.6%. NYCT was \$33.3 million unfavorable due to higher labor expenses mostly attributable to the unusual monthly snowfall (\$20.9 million – mainly overtime and other fringe benefits), and higher non-labor expenses (\$12.4 million – mostly in professional services and partly due to timing charges from 2013, materials & supplies, and maintenance and other operating contracts). The LIRR was favorable by \$2.0 million due to lower non-labor expenses (\$4.2 million – mainly maintenance and other operating contracts, professional services, other business expenses and claims) which were partially offset by higher labor expenses (\$2.2

million - mostly from overtime, reimbursable overhead and other fringe benefits). MNR was favorable by \$1.7 million mainly due to lower contract and professional services costs offset by higher overtime costs and lower overhead reimbursements. B&T was favorable due to lower payroll costs from vacancies.

Overtime

Month of January 2014 (\$ in millions)				
	<u>Prelim</u>	<u>Adopted</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Diff</u>	<u>% Diff</u>
NYCT	\$43.2	\$29.7	(\$13.5)	-45.4%
LIRR	10.6	7.7	(2.9)	-37.8%
MNR	7.4	5.0	(2.4)	-47.6%
B&T	2.3	2.1	(0.2)	-9.0%
Total	\$63.6	\$44.6	(\$19.0)	-42.6%

Overtime was \$19.0 million, or 42.6%, unfavorable to Budget and reflects the increased coverage requirements resulting from the above-normal snowfall that occurred in January.

Debt Service

Debt service costs for January were \$180.9 million, which was \$4.5 million, or 2.6%, unfavorable to Budget due primarily to timing.

New State Aid

YTD February 2014 (\$ in millions)					Month of February 2014 (\$ in millions)				
	<u>Actual</u>	<u>Adopted</u>				<u>Actual</u>	<u>Adopted</u>		
		<u>Budget</u>	<u>Diff</u>	<u>% Diff</u>			<u>Budget</u>	<u>Diff</u>	<u>% Diff</u>
PMT	\$296.0	\$316.3	(\$20.3)	-6.4%	PMT	\$167.7	\$183.0	(\$15.2)	-8.3%
MTA Aid	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>	<u>0.0%</u>	MTA Aid	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>	<u>0.0%</u>
Total	\$296.0	\$316.3	(\$20.3)	-6.4%	Total	\$167.7	\$183.0	(\$15.2)	-8.3%

Notes: 1) MTA Aid includes the License Fee, Vehicle Registration Fee, Taxi Fee, Automobile Rental Fee.
2) PMT replacement funds totaling \$307 million for the year, excluded from the results reported in this table, are projected to be received in five equal installments of \$61 million.

February Payroll Mobility Tax (PMT) receipts were \$15.2 million, or 8.3%, below Budget. YTD receipts were also below Budget by \$20.3 million, or 6.4%. It is important to note that February results can be significantly impacted by the timing and amounts of annual bonuses in the financial services industry. Also, some of this may be due to timing of transfers by New York State. PMT receipts are being monitored closely to determine if a negative trend is developing. MTA Aid receipts are not expected until March when the first quarterly payment is made.

State Dedicated Taxes

Petroleum Business Tax (PBT) receipts for February of \$71.2 million were \$20.3 million favorable, reflecting a timing reversal of the unfavorable variance in January. On a year-to-date basis, PBT receipts of \$99.9 million were on target. The first MMTOA payment is not anticipated until May 2014.

Real Estate Transaction Taxes

YTD February 2014 (\$ in millions)					Month of February 2014 (\$ 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	\$64.5	\$66.8	(\$2.4)	-3.5%	MRT	\$32.9	\$33.4	(\$0.5)	-1.4%
NYC Urban	<u>175.0</u>	<u>88.1</u>	<u>\$86.9</u>	<u>98.6%</u>	NYC Urban	<u>\$74.2</u>	<u>44.1</u>	<u>\$30.1</u>	<u>68.3%</u>
Total	\$239.5	\$155.0	\$84.5	54.5%	Total	\$107.1	\$77.5	\$29.6	38.2%

Total real estate taxes for February of \$107.1 million were \$29.6 million (38.2%) better than Budget, increasing the YTD variance to \$84.5 million (54.5% favorable). YTD Total Real Estate Transaction Taxes are ahead of 2013 levels by \$34.1 million, or 16.6%.

Regional Mortgage Recording Tax¹ receipts for February were \$0.5 million or 1.4% below Budget, the result of lower than anticipated MRT-2 receipts, which came in \$2.5 million worse than expected, while MRT-1 receipts were favorable by \$0.5 million. YTD Mortgage Recording taxes of \$64.5 million fell short of Budget by \$2.4 million or 3.5%. YTD, MRT-1 receipts are better than Budget by \$1.8 million, while MRT-2 receipts are \$4.1 million unfavorable through February.

New York City Urban Tax² receipts for February were \$30.1 million or 68.3% favorable, making YTD Urban Tax receipts through February \$86.9 million (98.6%) favorable. For February, the MRT portion of the Urban Tax was \$26.0 million, which was \$9.7 million or 59.9% favorable. The Real Property Transfer Tax (RPTT) portion of the Urban Tax was \$48.2 million in February, favorable by \$20.4 million or 73.2%. Both of the Urban Taxes have exceeded Budget in the first two months of 2014 with the result that YTD receipts of RPTT through February are favorable by \$73.7 million, while Urban MRT receipts are favorable by \$13.2 million.

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.

February 2014 BudgetWatch Regional Economy

New York City Employment

Sectors with Employment Gains in December 2013 Compared to December 2012

- Information Services
 - Construction, Mining, Natural Resources
 - Leisure and Hospitality
 - Trade
 - Professional and Business Services
- 
- Transportation, Utilities
 - Other Services
 - Education and Health Svcs
 - Financial Activities
 - Manufacturing

Sectors with Employment losses in December 2013 Compared to December 2012

- Government
- 

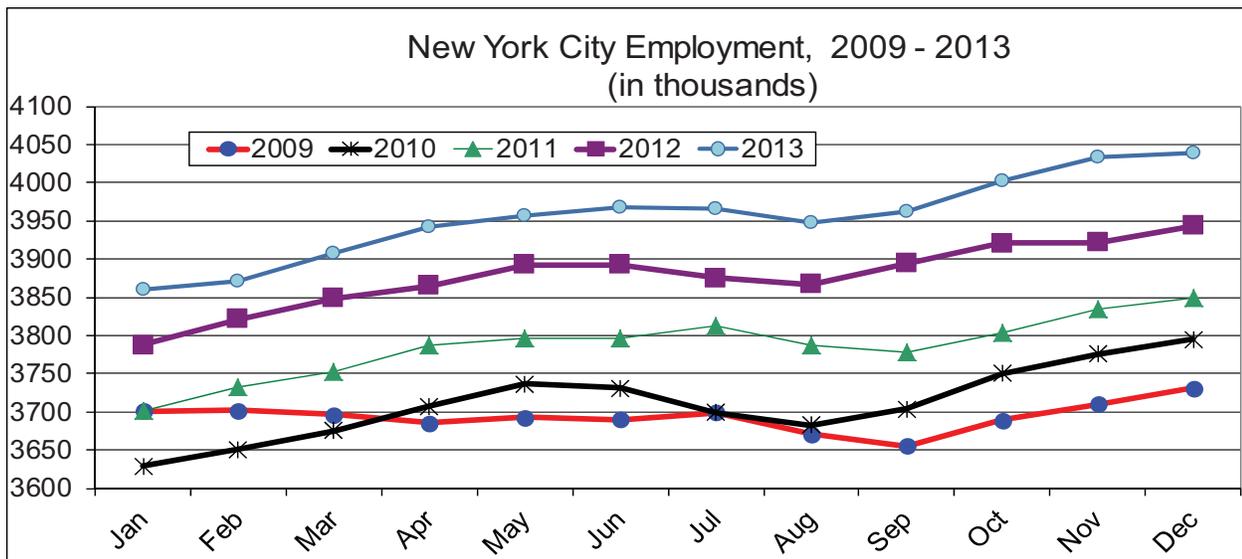
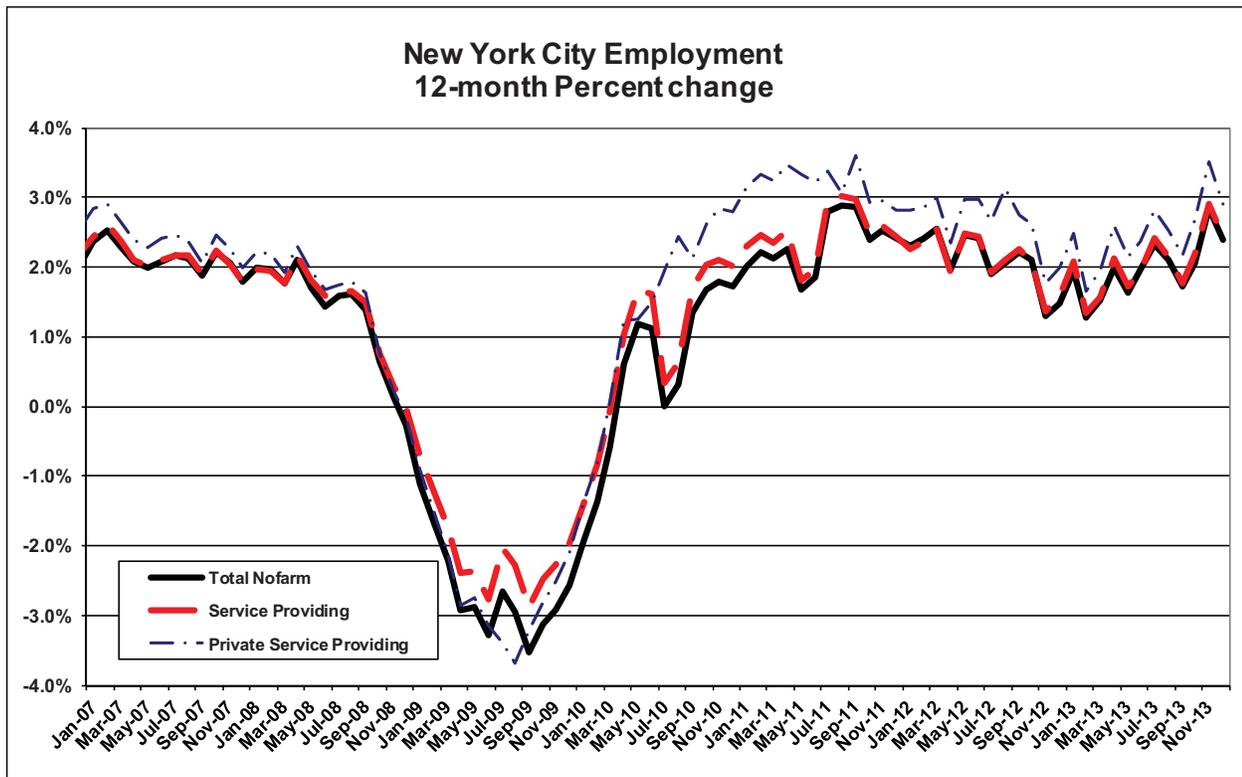
<i>New York City Employment (in thousands)</i>	Prelim Dec 2013	Revised Nov 2013	Dec 2012	Gain / (Loss)			
				Dec 2013 versus:			
				Nov 2013		Dec 2012	
				Net	Percent	Net	Percent
Total Employment	4038.4	4033.4	3943.9	5.0	0.1%	94.5	2.4%
Goods Producing	192.6	196.3	189.5	(3.7)	-1.9%	3.1	1.6%
Constr., Mining, Nat. Resources	115.5	119.8	113.9	(4.3)	-3.6%	1.6	1.4%
Manufacturing	77.1	76.5	75.6	0.6	0.8%	1.5	2.0%
Service Producing	3845.8	3837.1	3754.4	8.7	0.2%	91.4	2.4%
Transportation, Utilities	128.5	125.2	126.2	3.3	2.6%	2.3	1.8%
Trade	505.4	495.8	487.6	9.6	1.9%	17.8	3.7%
Information	177.2	177.8	176.1	(0.6)	-0.3%	1.1	0.6%
Financial Activities	442.4	440.3	438.8	2.1	0.5%	3.6	0.8%
Education & Health Svcs	640.7	641.1	636.8	(0.4)	-0.1%	3.9	0.6%
Professional & Business Svcs	851.9	849.4	805.3	2.5	0.3%	46.6	5.8%
Leisure & Hospitality	378.8	387.2	365.2	(8.4)	-2.2%	13.6	3.7%
Other Services	176.9	177.9	172.8	(1.0)	-0.6%	4.1	2.4%
Government	544.0	542.4	545.6	1.6	0.3%	(1.6)	-0.3%

Preliminary December 2013 employment in New York City shows a gain of 94.5 thousand jobs (an increase of 2.4%) compared to last December's employment level. This marks the forty-first consecutive month in which employment has improved over its level from one year earlier. The Professional and Business Services and the Trade sectors experienced the greatest gains among the major sectors, adding 46,600 and 17,800 jobs, respectively, over the past twelve months.

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Regional Economy

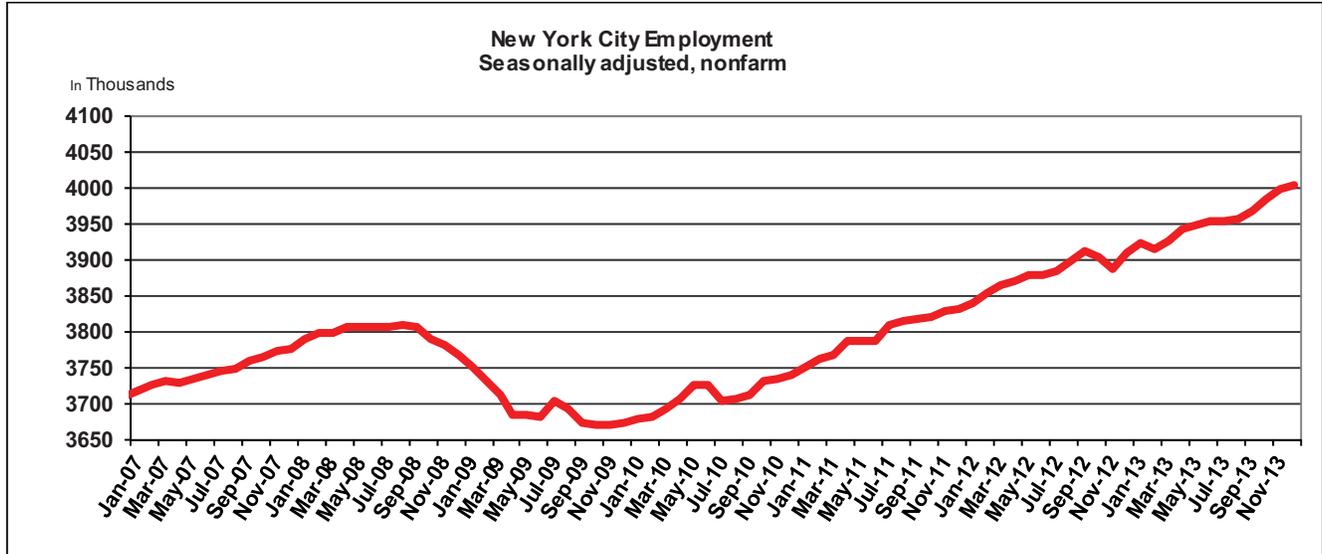
Employment in New York City's service-producing sectors increased by 91.4 thousand jobs, an increase of 2.4% over the December 2012 level. Private-sector service-providing employment in New York City increased by 93.0 thousand jobs, 2.9% higher than the level of one year ago, and November marks the forty-fifth consecutive month that has seen a year-to-year improvement of more than 1%.



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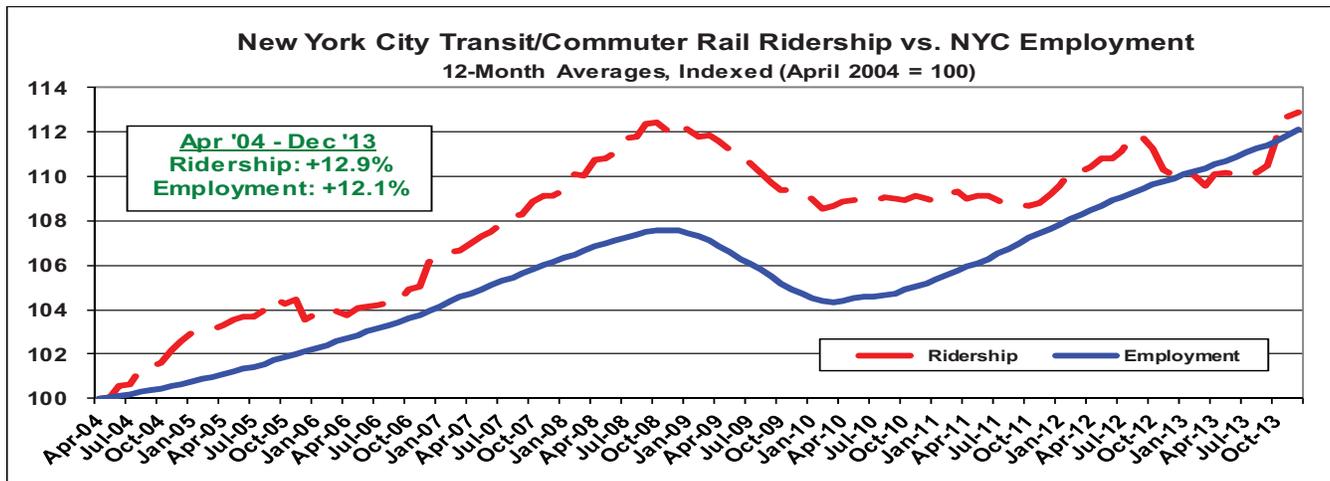
Regional Economy

In December, seasonally adjusted New York City employment of 4.0 million was higher than in December 2012 by 93.7 thousand jobs (2.4%), and higher than in November 2013 by 4.2 thousand jobs.



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 straight months (through March 2010). Since August 2010, the twelve-month employment average has increased for forty-one consecutive months, and was 12.1% higher in December 2013 than the April 2004 level. Annualized (12-month average) New York City Transit/Commuter Rail ridership has grown to 12.9% above the April 2004 level. The twelve-month average for ridership in November 2013 was 2.0% higher than one year earlier.



February 2014 BudgetWatch Regional Economy

Consumer Price Index

Goods Reporting Price Increases in December 2013 Compared to November 2013

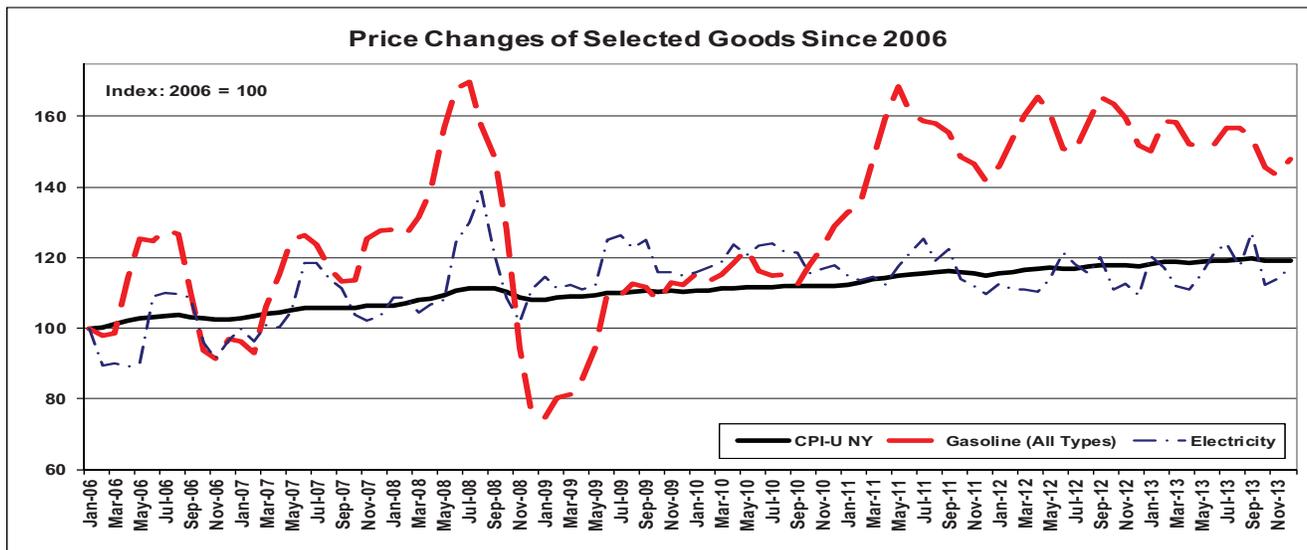
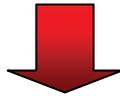
- Medical Care
- Electricity



- Gasoline
- Transportation

Goods Reporting Price Declines in December 2013 Compared to November 2013

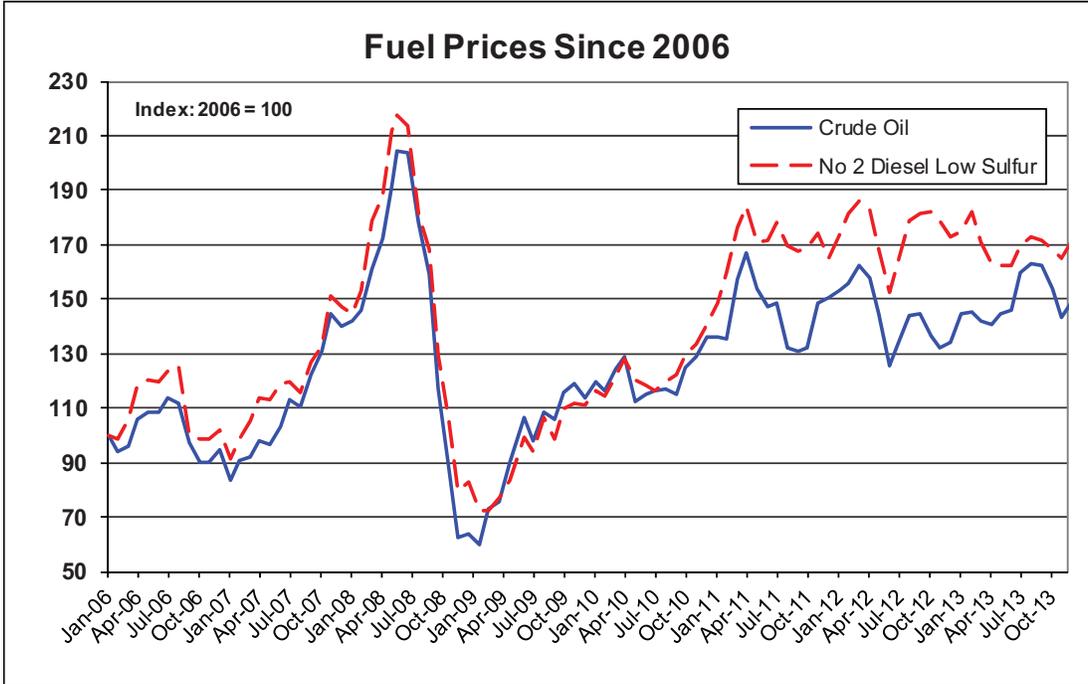
- Apparel



NY-NJ-CT Consumer Price Index All Urban Consumers (CPI-U)	Dec-13	Nov-13	Dec-12	Increase / (Decrease) Dec-13 vs			
				Nov-13		Dec-12	
				Net	Percent	Net	Percent
Regional CPI-U	257.3	257.4	253.6	-0.1	0.0%	3.7	1.5%
Medical Care Component	427.4	426.4	414.8	0.9	0.2%	12.5	3.0%
Electricity Component	186.3	180.7	173.4	5.6	3.1%	12.9	7.4%
Gasoline (all grades) Component	276.2	267.7	283.5	8.5	3.2%	(7.3)	-2.6%
National CPI-U	233.0	233.1	229.6	0.0	0.0%	3.4	1.5%

February 2014 BudgetWatch Regional Economy

Fuel Prices



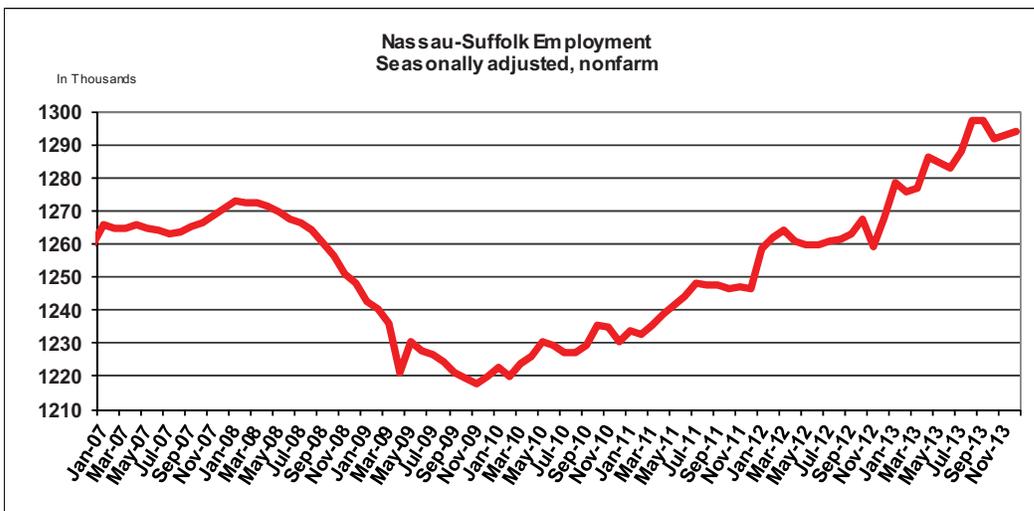
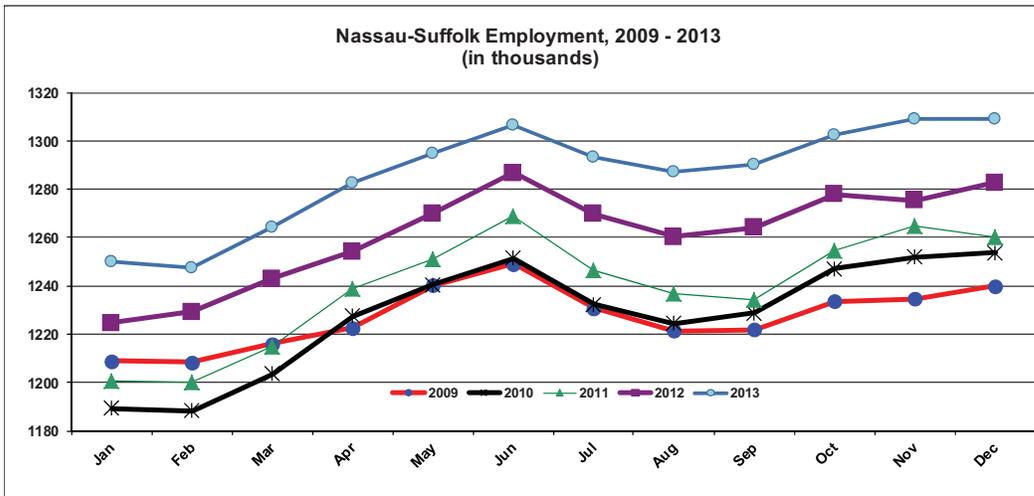
NOTE: Latest Crude Oil and No.2 Diesel Low Sulfur prices: January 15, 2014

Fuel Prices New York Spot Prices	Most Recent Quarter				Change, Dec '13 vs.			
	Feb. 10, 2014	Dec-13	Nov-13	Oct-13	Dec-12	Nov-13	Oct-13	Dec-12
	Crude Oil *	100.12	97.63	93.86	100.54	87.86	4.0%	-2.9%
Conventional Regular Gasoline **	2.75	2.74	2.67	2.69	2.73	2.4%	1.9%	0.3%
Low Sulfur No.2 Diesel Fuel **	3.16	3.05	2.94	3.00	3.07	3.6%	1.7%	-0.8%
No.2 Heating Oil **	3.00	3.03	2.92	2.94	3.00	3.7%	3.1%	1.2%

*\$ per barrel, ** \$ per gallon

February 2014 BudgetWatch Regional Economy

Nassau & Suffolk Employment (in thousands)	Gain / (Loss) Dec-13 versus						
	Prelim Dec-13	Revised Nov-13	Dec-12	Nov-13		Dec-12	
				Net	Percent	Net	Percent
Total Employment	1309.2	1309.3	1282.7	(0.1)	0.0%	26.5	2.1%
Goods Producing	136.3	139.1	133.8	(2.8)	-2.0%	2.5	1.9%
Construction, Mining, Nat Res	64.8	67.2	60.4	(2.4)	-3.6%	4.4	7.3%
Manufacturing	71.5	71.9	73.4	(0.4)	-0.6%	(1.9)	-2.6%
Service Producing	1172.9	1170.2	1148.9	2.7	0.2%	24.0	2.1%
Transportation, Utilities	40.0	38.9	41.3	1.1	2.8%	(1.3)	-3.1%
Trade	244.2	238.3	236.9	5.9	2.5%	7.3	3.1%
Information	23.5	23.7	24.1	(0.2)	-0.8%	(0.6)	-2.5%
Financial Activities	72.2	72.0	73.3	0.2	0.3%	(1.1)	-1.5%
Education & Health Svcs	173.6	175.5	165.3	(1.9)	-1.1%	8.3	5.0%
Professional & Business Svcs	251.9	252.2	243.8	(0.3)	-0.1%	8.1	3.3%
Leisure & Hospitality	111.0	113.2	107.3	(2.2)	-1.9%	3.7	3.4%
Other Services	55.2	55.6	55.0	(0.4)	-0.7%	0.2	0.4%
Government	201.3	200.8	201.9	0.5	0.2%	(0.6)	-0.3%



February 2014 BudgetWatch

Regional Economy

Poughkeepsie-Newburgh-Middletown Employment (in thousands)	Gain / (Loss) Dec-13 versus						
	Prelim Dec-13	Revised Nov-13	Dec-12	Nov-13		Dec-12	
				Net	Percent	Net	Percent
Total Employment	251.5	252.0	256.7	(0.5)	-0.2%	(5.2)	-2.0%
Goods Producing	26.1	26.5	26.9	(0.4)	-1.5%	(0.8)	-3.0%
Construction, Mining, Nat Res	8.8	9.3	8.8	(0.5)	-5.4%	0.0	0.0%
Manufacturing	17.3	17.2	18.1	0.1	0.6%	(0.8)	-4.4%
Service Producing	225.4	225.5	229.8	(0.1)	0.0%	(4.4)	-1.9%
Transportation, Utilities	8.9	8.9	8.7	0.0	0.0%	0.2	2.3%
Trade	49.4	49.1	49.4	0.3	0.6%	0.0	0.0%
Information	3.6	3.6	3.6	0.0	0.0%	0.0	0.0%
Financial Activities	8.4	8.6	8.6	(0.2)	-2.3%	(0.2)	-2.3%
Education & Health Svcs	21.8	22.0	22.9	(0.2)	-0.9%	(1.1)	-4.8%
Professional & Business Svcs	53.3	53.5	55.5	(0.2)	-0.4%	(2.2)	-4.0%
Leisure & Hospitality	22.1	22.0	22.1	0.1	0.5%	0.0	0.0%
Other Services	10.3	10.3	10.3	0.0	0.0%	0.0	0.0%
Government	47.6	47.5	48.7	0.1	0.2%	(1.1)	-2.3%

