

MTA LONG ISLAND RAIL ROAD

Metropolitan Transportation Authority
MTA Long Island Railroad
Reconciliation of 2004 Preliminary Budget with Revised 2003 Budget
(\$ in millions)

	Variance: favorable / (unfavorable)		
	2003	2004	Two-Year Total
Net Operating Cash Deficit - Approved March 2003 Plan	(\$387.7)	(\$406.0)	(\$793.7)
<i>Eliminate Unspecified PEG for 2004 - March 2003 Plan</i>	<i>\$0.0</i>	<i>(\$14.9)</i>	<i>(\$14.9)</i>
Adjusted Operating Cash Deficit - March 2003 Plan	(\$387.7)	(\$420.9)	(\$808.6)
2004 Unspecified PEG Now Identified	\$0.0	\$14.9	\$14.9
Additional Operating PEG	<u>31.9</u>	<u>28.6</u>	<u>\$60.5</u>
Total Operating PEG	\$31.9	43.5	\$75.4
Passenger Revenues	(\$9.2)	(\$4.1)	(\$13.4)
Pension Costs	(8.0)	(6.2)	(\$14.2)
New Needs	<u>(37.5)</u>	<u>(22.0)</u>	<u>(\$59.5)</u>
Total New Needs and Other Adjustments	(\$54.7)	(\$32.3)	(\$87.1)
Baseline Operating Cash Deficit - July 2003 Plan	(\$410.5)	(\$409.8)	(\$820.3)
<i>variance: compared with Approved March 2003 Plan</i>	<i>(\$22.8)</i>	<i>(\$3.8)</i>	<i>(\$26.6)</i>

MTA LONG ISLAND RAIL ROAD
STATEMENT OF INCOME
2003 - 2004
(\$000)

	Revised 2003 Budget	2003 Mid-Year Forecast	2003 Variance	Revised 2004 Forecast	2004 Preliminary Budget	2004 Variance
<u>REVENUE</u>						
Passenger	\$405,223	\$395,983	(\$9,240)	\$439,215	\$435,093	(\$4,122)
Special Services	1,888	1,901	13	1,924	1,944	20
Other	19,722	20,931	1,209	21,572	22,128	556
TOTAL REVENUE	426,833	418,815	(8,018)	462,711	459,165	(3,546)
<u>OPERATING & MAINTENANCE EXPENSES</u>						
Engineering	116,878	117,177	(299)	123,845	121,290	2,555
Equipment	229,089	229,146	(57)	239,039	232,674	6,365
Transportation	249,241	251,880	(2,639)	259,594	258,501	1,093
Passenger Services	42,791	42,519	272	47,935	45,542	2,393
All Other	2,589	2,546	43	2,665	2,664	1
TOTAL OPERATING & MAINT. EXPENSES	640,588	643,268	(2,680)	673,078	660,670	12,407
<u>GENERAL & ADMIN. EXPENSES</u>						
Executive Vice President	329	316	13	338	335	3
Labor Relations	1,505	1,227	278	1,546	1,395	151
Procurements & Logistics	15,332	14,613	719	16,224	14,963	1,261
Human Resources	11,757	11,634	123	12,257	12,198	59
Strategic Investments	2,132	2,113	19	2,170	2,170	0
Diversity Management	335	327	8	341	346	(5)
Total Exec. Vice President	31,390	30,230	1,160	32,876	31,407	1,469
President	1,005	991	14	1,018	1,029	(11)
V.P. & Chief Financial Officer	10,389	10,277	112	10,781	10,784	(3)
Service Planning, Technology & CPM	31,904	31,485	419	38,626	33,033	5,593
Market Development & Public Affairs	9,399	9,278	121	10,123	9,753	370
General Counsel & Secretary	4,643	4,583	60	4,864	4,922	(58)
Claims & Suits	14,696	15,108	(412)	15,268	15,267	1
System Safety	2,862	2,831	31	3,106	2,970	136
Corporate Expense	55,518	57,183	(1,665)	64,806	66,687	(1,881)
Pension	71,322	77,855	(6,533)	74,592	80,770	(6,178)
G & A Overhead	(28,670)	(25,432)	(3,238)	(28,744)	(30,371)	1,627
Average Vacancy Rate	(6,976)	(5,232)	(1,744)	(5,880)	(7,604)	1,724
Unspecified Target Red.	0	0	0	(14,887)	0	(14,887)
TOTAL GENERAL & ADMIN. EXPENSES	197,482	209,157	(11,675)	206,550	218,647	(12,097)
TOTAL EXPENSES	838,070	852,425	(14,355)	879,627	879,318	310
NET OPERATING LOSS	(411,237)	(433,610)	(22,373)	(416,916)	(420,153)	(3,236)
<u>OTHER CHARGES AND CREDITS</u>						
Depreciation/Amortization	205,349	196,616	8,733	219,312	217,754	1,558
Other	0	0	0	0	0	0
TOTAL OTHER CHARGES & CREDITS	205,349	196,616	8,733	219,312	217,754	1,558
NET INCOME (LOSS)	(\$616,586)	(\$630,226)	(\$13,640)	(\$636,228)	(\$637,907)	(\$1,678)

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
STATEMENT OF EXPENSES
2003 - 2004
(\$000)

	Revised 2003 Budget	2003 Mid-Year Forecast	2003 Variance	Revised 2004 Forecast	2004 Preliminary Budget	2004 Variance
<u>PAYROLL EXPENSES</u>						
Regular	\$409,015	\$399,021	\$9,994	\$425,364	\$410,971	\$14,393
Overtime	77,438	81,567	(4,129)	62,780	72,412	(9,632)
TOTAL PAYROLL	486,453	480,588	5,865	488,144	483,383	4,761
 EMPLOYEE BENEFITS	 181,445	 179,727	 1,718	 198,868	 197,227	 1,641
 PENSION	 71,322	 77,855	 (6,533)	 74,592	 80,770	 (6,178)
 <u>NON- PAYROLL EXPENSES</u>						
Professional Services	16,882	16,084	798	20,898	15,190	5,708
Operating Services	4,948	4,831	117	5,585	5,072	513
Maintenance Services	22,080	20,628	1,452	26,622	23,724	2,898
Construction Services	150	189	(39)	10	0	10
Communication	6,184	5,927	257	8,123	6,176	1,947
Utilities	9,628	10,032	(404)	9,906	9,943	(37)
Leases & Rentals	6,903	6,622	281	7,235	7,630	(395)
Advertising	1,594	1,594	0	1,783	1,595	188
Insurance	15,449	14,929	520	17,796	16,808	988
Claims & Suits	14,696	15,108	(412)	15,268	15,267	1
Materials	60,479	62,937	(2,458)	71,398	63,249	8,149
Supplies	5,583	5,542	41	5,920	5,912	8
Train Power - Diesel	5,560	5,953	(393)	5,575	5,813	(238)
Train Power - Electric	43,957	43,991	(34)	46,597	46,799	(202)
Joint Facilities	11,179	11,375	(196)	11,503	11,071	432
Employee Expenses	2,787	2,929	(142)	2,936	2,699	237
Miscellaneous Expenses	1,772	1,793	(21)	2,036	1,928	108
Misc Charges and Credits	8,991	9,360	(369)	11,991	11,990	1
Unspecified Target Red.	0	0	0	(14,887)	0	(14,887)
TOTAL NON-PAYROLL	238,822	239,824	(1,002)	256,295	250,866	5,429
 REIMBURSABLE	 139,972	 125,569	 (14,403)	 138,272	 132,929	 (5,343)
 TOTAL NET EXPENSES	 \$838,070	 \$852,425	 (\$14,355)	 \$879,627	 \$879,318	 \$309

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
CASH STATEMENT
2002 - 2004
(\$000)

	Revised 2003 Budget	2003 Mid-Year Forecast	2003 Variance	Revised 2004 Projection	2004 Preliminary Budget	2004 Variance
<u>Cash Receipts</u>						
Passenger Collections	\$407,111	\$397,884	(\$9,227)	\$441,139	\$437,037	(\$4,102)
Capital Project Funding	165,013	155,378	(9,635)	159,975	160,828	853
MetroCard Sales	22,000	25,467	3,467	22,500	25,500	3,000
All Other	39,499	36,219	(3,280)	46,048	41,220	(4,828)
Total Receipts	<u>633,623</u>	<u>614,948</u>	<u>(18,675)</u>	<u>669,662</u>	<u>664,585</u>	<u>(5,077)</u>
<u>Cash Disbursements</u>						
Payroll	486,453	480,588	5,865	488,144	483,383	4,761
Fringe Benefits	178,877	179,727	(850)	198,868	197,227	1,641
Pensions	71,305	79,283	(7,978)	74,646	80,881	(6,235)
Professional Services	21,286	18,258	3,028	24,610	19,215	5,395
Operating Services	5,379	5,758	(379)	6,202	5,503	699
Maintenance Services	22,691	21,239	1,452	27,158	24,314	2,844
Construction Services	150	189	(39)	10	0	10
Communications	6,184	5,927	257	8,123	6,176	1,947
Utilities	9,628	10,032	(404)	9,906	9,943	(37)
Leases & Rentals	8,571	8,641	(70)	8,205	9,248	(1,043)
Advertising	1,594	1,594	0	1,783	1,595	188
Insurance	20,108	18,510	1,598	24,864	24,097	767
Judgement & Claims	13,922	13,881	41	13,968	13,967	1
Materials	75,543	78,126	(2,583)	100,043	91,867	8,176
Supplies	5,583	5,542	41	5,920	5,912	8
Train Power - Diesel	5,560	5,953	(393)	5,575	5,813	(238)
Train Power - Electric	43,957	43,991	(34)	46,597	46,799	(202)
Joint Facilities	11,179	11,375	(196)	11,503	11,071	432
Employee Expenses	2,787	2,929	(142)	2,936	2,699	237
Miscellaneous Expenses	1,242	1,263	(21)	1,277	1,437	(160)
MetroCard	22,000	25,467	(3,467)	22,500	25,500	(3,000)
Unspecified Target Reductions	0	0	0	(14,887)	0	(14,887)
Total Disbursements	<u>1,013,999</u>	<u>1,018,273</u>	<u>(4,274)</u>	<u>1,067,951</u>	<u>1,066,647</u>	<u>1,304</u>
Cash Operating Deficit	<u>(380,376)</u>	<u>(403,325)</u>	<u>(22,949)</u>	<u>(398,289)</u>	<u>(402,062)</u>	<u>(3,773)</u>
Capital Equipment	<u>(7,302)</u>	<u>(7,180)</u>	<u>122</u>	<u>(7,738)</u>	<u>(7,718)</u>	<u>20</u>
Total Cash Deficit	<u>(\$387,678)</u>	<u>(\$410,505)</u>	<u>(\$22,827)</u>	<u>(\$406,027)</u>	<u>(\$409,780)</u>	<u>(\$3,753)</u>

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
STATEMENT OF INCOME
2002- 2004
(\$000)

		2003	2004	Variance	
	2002	Mid-Year	Preliminary	2003 Mid-Year	2004 Prelim Bud
	Actual	Forecast	Budget	vs. 2002 Actual	vs. 2003 Mid-Yr Fcst
<u>REVENUE</u>					
Passenger	\$351,581	\$395,983	\$435,093	\$44,402	\$39,110
Special Services	1,837	1,901	1,944	64	43
Other	19,283	20,931	22,128	1,648	1,197
TOTAL REVENUE	372,701	418,815	459,165	46,114	40,350
<u>OPERATING & MAINTENANCE EXPENSES</u>					
Engineering	118,523	117,177	121,290	1,346	(4,113)
Equipment	214,540	229,146	232,674	(14,606)	(3,528)
Transportation	237,562	251,880	258,501	(14,318)	(6,621)
Passenger Services	41,554	42,519	45,542	(965)	(3,023)
All Other	2,352	2,546	2,664	(194)	(118)
TOTAL OPERATING & MAINT. EXPENSES	614,531	643,268	660,670	(28,737)	(17,402)
<u>GENERAL & ADMIN. EXPENSES</u>					
Executive Vice President	306	316	335	(10)	(19)
Labor Relations	1,407	1,227	1,395	180	(168)
Procurements & Logistics	14,881	14,613	14,963	268	(350)
Human Resources	11,427	11,634	12,198	(207)	(564)
Strategic Investments	1,867	2,113	2,170	(246)	(57)
Diversity Management	301	327	346	(26)	(19)
Total Exec. Vice President	30,189	30,230	31,407	(41)	(1,177)
President	957	991	1,029	(34)	(38)
V.P. & Chief Financial Officer	11,025	10,277	10,784	748	(507)
Service Planning, Technology & CPM	31,491	31,485	33,033	6	(1,548)
Market Development & Public Affairs	9,343	9,278	9,753	65	(475)
General Counsel & Secretary	4,437	4,583	4,922	(146)	(339)
Claims & Suits	7,565	15,108	15,267	(7,543)	(159)
System Safety	2,530	2,831	2,970	(301)	(139)
Corporate Expense	49,632	57,183	66,687	(7,551)	(9,504)
Pension	54,933	77,855	80,770	(22,922)	(2,915)
G & A Overhead	(26,528)	(25,432)	(30,371)	(1,096)	4,939
Average Vacancy Rate	0	(5,232)	(7,604)	5,232	2,372
Unspecified Target Red.	0	0	0	0	0
TOTAL GENERAL & ADMIN. EXPENSES	175,574	209,157	218,647	(33,583)	(9,490)
TOTAL EXPENSES	790,105	852,425	879,318	(62,320)	(26,893)
NET OPERATING LOSS	(417,404)	(433,610)	(420,153)	(16,206)	13,457
<u>OTHER CHARGES AND CREDITS</u>					
Depreciation/Amortization	173,692	196,616	217,754	(22,924)	(21,138)
Other	(1,689)	0	0	(1,689)	0
TOTAL OTHER CHARGES & CREDITS	172,003	196,616	217,754	(24,613)	(21,138)
NET INCOME (LOSS)	(\$589,407)	(\$630,226)	(\$637,907)	(\$40,819)	(\$7,681)

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
STATEMENT OF EXPENSES
2002 - 2004
(\$000)

		2003	2004	Variance	
	2002	Mid-Year	Preliminary	2003 Mid-Yr	2004 Prelim Bud
	Actual	Forecast	Budget	vs. 2002 Actual	vs. 2003 Mid-Yr Fcst
<u>PAYROLL EXPENSES</u>					
Regular	\$395,674	\$399,021	\$410,971	(\$3,347)	(\$11,950)
Overtime	82,421	81,567	72,412	854	9,155
TOTAL PAYROLL	478,095	480,588	483,383	(2,493)	(2,795)
<u>EMPLOYEE BENEFITS</u>					
	175,257	179,727	197,227	(4,470)	(17,500)
<u>PENSION</u>					
	54,933	77,855	80,770	(22,922)	(2,915)
<u>NON- PAYROLL EXPENSES</u>					
Professional Services	15,719	16,084	15,190	(365)	894
Operating Services	3,473	4,831	5,072	(1,358)	(241)
Maintenance Services	20,111	20,628	23,724	(517)	(3,096)
Construction Services	941	189	0	752	189
Communication	5,535	5,927	6,176	(392)	(249)
Utilities	10,112	10,032	9,943	80	89
Leases & Rentals	5,685	6,622	7,630	(937)	(1,008)
Advertising	1,921	1,594	1,595	327	(1)
Insurance	15,270	14,929	16,808	341	(1,879)
Claims & Suits	7,565	15,108	15,267	(7,543)	(159)
Materials	58,952	62,937	63,249	(3,985)	(312)
Supplies	5,885	5,542	5,912	343	(370)
Train Power - Diesel	5,127	5,953	5,813	(826)	140
Train Power - Electric	38,966	43,991	46,799	(5,025)	(2,808)
Joint Facilities	10,870	11,375	11,071	(505)	304
Employee Expenses	3,187	2,929	2,699	258	230
Miscellaneous Expenses	2,910	1,793	1,928	1,117	(135)
Misc Charges and Credits	5,644	9,360	11,990	(3,716)	(2,630)
Unspecified Target Red.	0	0	0	0	0
TOTAL NON-PAYROLL	217,873	239,824	250,866	(21,951)	(11,042)
<u>REIMBURSABLE</u>					
	136,053	125,569	132,929	(10,484)	7,360
TOTAL NET EXPENSES	\$790,105	\$852,425	\$879,318	(\$62,320)	(\$26,893)

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
CASH STATEMENT
2002 - 2004
(\$000)

		2003	2004	Variance	
	2002	2003	2004	2003 Mid-Year	2004 Prelim Bud
	Actual	Mid-Year	Preliminary	vs. 2002 Actual	vs. 2003 Mid-Yr Fcst
		Forecast	Budget		
<u>Cash Receipts</u>					
Passenger Collections	\$354,374	\$397,884	\$437,037	\$43,510	\$39,153
Capital Project Funding	175,740	155,378	160,828	(20,362)	5,450
MetroCard Sales	22,122	25,467	25,500	3,345	33
All Other	45,008	36,219	41,220	(8,789)	5,001
Total Receipts	<u>597,244</u>	<u>614,948</u>	<u>664,585</u>	<u>17,704</u>	<u>49,637</u>
<u>Cash Disbursements</u>					
Payroll	473,522	480,588	483,383	(7,066)	(2,795)
Fringe Benefits	175,391	179,727	197,227	(4,336)	(17,500)
Pensions	57,941	79,283	80,881	(21,342)	(1,598)
Professional Services	18,421	18,258	19,215	163	(957)
Operating Services	2,916	5,758	5,503	(2,842)	255
Maintenance Services	21,017	21,239	24,314	(222)	(3,075)
Construction Services	3,549	189	0	3,360	189
Communications	6,065	5,927	6,176	138	(249)
Utilities	9,420	10,032	9,943	(612)	89
Leases & Rentals	8,775	8,641	9,248	134	(607)
Advertising	2,538	1,594	1,595	944	(1)
Insurance	26,657	18,510	24,097	8,147	(5,587)
Judgement & Claims	11,684	13,881	13,967	(2,197)	(86)
Materials	107,955	78,126	91,867	29,829	(13,741)
Supplies	6,153	5,542	5,912	611	(370)
Train Power - Diesel	5,037	5,953	5,813	(916)	140
Train Power - Electric	39,872	43,991	46,799	(4,119)	(2,808)
Joint Facilities	11,558	11,375	11,071	183	304
Employee Expenses	3,814	2,929	2,699	885	230
Miscellaneous Expenses	1,084	1,263	1,437	(179)	(174)
MetroCard	21,982	25,467	25,500	(3,485)	33
Unspecified Target Reductions	0	0	0	0	0
Total Disbursements	<u>1,015,351</u>	<u>1,018,273</u>	<u>1,066,647</u>	<u>(2,922)</u>	<u>(48,309)</u>
Cash Operating Deficit	<u>(418,107)</u>	<u>(403,325)</u>	<u>(402,062)</u>	<u>14,782</u>	<u>1,263</u>
Capital Equipment	<u>(2,265)</u>	<u>(7,180)</u>	<u>(7,718)</u>	<u>(4,915)</u>	<u>(538)</u>
Total Cash Deficit	<u>(420,372)</u>	<u>(410,505)</u>	<u>(409,780)</u>	<u>9,867</u>	<u>725</u>
Impact of Opening/Closing Bal.	<u>(5,353)</u>	<u>0</u>	<u>0</u>	<u>5,353</u>	<u>0</u>
Total Cash Requested	<u>(\$425,725)</u>	<u>(\$410,505)</u>	<u>(\$409,780)</u>	<u>\$15,220</u>	<u>\$725</u>

() Denotes Unfavorable

MTA LONG ISLAND RAIL ROAD
RECONCILIATION OF CASH TO OPERATING DEFICIT
2002 - 2004
(\$000)

	2002	2003	2004
	<u>Actual</u>	<u>Mid-Year Forecast</u>	<u>Preliminary Budget</u>
Net Loss per Income Statement (accrued)	(\$589,407)	(\$630,226)	(\$637,907)
<u>Cash Adjustments:</u>			
Depreciation & Other Charges/Credits	177,647	196,616	217,754
Miscellaneous Charges & Credits	5,644	9,360	11,990
Cash Additions to Other Revenue	12,780	6,100	7,240
Material Purchases vs. Chargeouts	(10,856)	10,755	1,000
Capital Mat'l Purchased in 2002/Installed in 2003	(3,600)	3,600	0
Bad Debt Reserve	1,633	739	700
Legal Settlements - Cash vs. Accrual Basis	(4,119)	1,227	1,300
Pension - Cash vs. Actuarial basis	(3,008)	(1,428)	(111)
Payments Against Reserve for Environmental Issues	(359)	(2,065)	(4,000)
Operating Capital	(2,698)	(7,180)	(7,718)
Timing of Insurance Payments vs. Accrued	(3,612)	2,660	253
Change in Beg/End Balance	(5,353)	-	-
Other Adjustments	(417)	(663)	(282)
Total Cash Adjustments	163,682	219,721	228,126
 Total Cash Subsidy Requested:	 (\$425,725)	 (\$410,505)	 (\$409,780)

() Denotes Unfavorable

MTA Long Island Rail Road 2004 PRELIMINARY BUDGET

Major Assumptions

The primary assumptions underlying the 2004 Preliminary Budget are aimed at providing service efficiently while minimizing any impact on customers, and addressing the changing needs of the M-7 and M-1 fleets.

Revenue and Ridership

The regional economy, employment trends and the impacts of the 2003 fare increase are the primary drivers of the passenger ridership and revenue in 2004. Throughout 2003, month-over-month employment in New York City has been lower than in 2002 and 2001. Employment has also been lower than projected in the 2003 budget, resulting in reduced ridership projections for the 2003 forecast and the preliminary 2004 budget. The 2003 ridership forecast has been reduced to 80.5 million from a budget of 81.4 million and the 2004 budgeted ridership is now 81.7 million. This 1.5% growth is predicated on some recovery in both employment levels and the price elasticity effects of the fare increase.

Passenger revenue assumptions follow the ridership results, with the primary impact on the 2004 budget being the May 2003 fare increase. The 2004 budget of \$435.1 million represents an increase of 9.9% from the 2003 forecast.

Other revenues have performed favorably in 2003, especially rental income, fiber optics and miscellaneous revenues. These are projected to rise in 2004 with both inflation and continuing returns from rental and fiber optics revenues.

Expenses

Payroll – Straight Time and Overtime

The 2003 forecast projects a net under-run of \$5.9 million in payroll, with straight-time savings of nearly \$10 million offsetting an overtime overrun of \$4.1 million. Straight-time payroll savings reflect a recalculation of the pattern bargaining provision and higher-than-projected vacancy levels through year-end. Overtime overruns in 2003 are associated with additional crew-book overtime, advances and extensions of tours, additional tours, some open job coverage, and some weather-related impacts. Attrition has been high in recent years, and exacerbates vacancy situations in crafts with long training periods such as car repairmen. In order to mitigate the impact this is having in 2003 and into 2004, the LIRR is adding an extra class of car repairman in 2003. At the same time, the training course that has taken as long as nine months is being shortened to seven months; this is consistent with our labor agreements and does not impact on course content or quality. It does, however, bring those newly trained employees into full utilization sooner, enabling us to keep better pace with attrition.

In 2004, the recalculation of the pattern bargaining provision is carried forward and is the major reason for the variance in straight time, along with an increase in average positions over the 2003 forecast. The 2004 wage increase adjustment carries through into overtime, with offsets from lower levels of reimbursable project-related overtime.

Employee Benefits

The 2003 fringe benefit cost projections are driven primarily by the size of the active employee population as compared to plan and the rates for health and welfare benefits. With positions running below budget, the Railroad Retirement taxes and active employee health and welfare costs will both be favorable. However, the cost of retiree health and welfare continues to escalate as the rates rise faster than any other cost area and the population of retirees rises more quickly in recent years.

In 2004, an increase in position levels drives benefits costs up along with rapidly escalating rates for health and welfare benefits to active and retired employees. When compared with the March Forecast, costs are reduced as a result of lower positions.

Pension

Pension costs in 2003 and 2004 have risen rapidly of late, driven up by the same factors in both years. As with most pension plans, unfavorable market performance has diminished earnings returns and caused employer contribution requirements to rise in order to meet plan funding requirements. The LIRR is awaiting the final results of its first plan review in more than a decade. The results of this review will be used to identify the full level of under-funding that will need to be addressed.

Purchased Services

The timing and the overall level of use of outside services underpins the changes from plan in the 2003 forecast. Some of the changes in 2003 are associated with using less services because needs are less than projected (e.g., toilet servicing). However, most of the changes are due to timing delays of consulting, operating and maintenance work into 2004, including work related to the retirement of the M-1's.

The baseline for 2004 purchased services was driven by inflationary increases in existing contracts. Additions for timing delays from 2003 increased 2004 costs, but the biggest increases are associated with support for our ticket vending machines and ticket office machines. Specifically, 2004 will see new maintenance costs for the TVM's and TOM's that come off warranty in 2004, as well as an increase in debit/credit fees. Savings have resulted in 2004 as some proposed work has been rescheduled from 2004 into 2005 or later, including some structural painting and repairs. In addition, certain proposed systems projects have been eliminated.

Communications

For both 2003 and 2004, this expense area is projected to yield savings as a result of lower voice and data line charges. A switch replacement that was to have happened in 2004 is no longer needed, saving nearly \$2 million.

Utilities

The harsh winter of 2003 drove up utility costs in the 2003 forecast. However, the 2004 budget is driven by inflationary increases only.

Leases & Rentals

Underutilization of truck and trailer rentals reduces 2003 costs. Costs are increasing in 2004 for leased office space associated with the Greater Jamaica Development.

Advertising

This category of expense is being held to only essential advertising in 2003 and 2004. As a result, the 2004 budget shows no growth over 2003.

Insurance

As guided by MTA Risk Management, the projections of insurance costs are based on the Railroad's risk profile and the market for insurance. Over time, continuing improvements in employee and customer safety performance have resulted in positive results in both insurance costs and legal claims, which are reflected in the 2003 and 2004 assumptions.

Claims & Suits

The costs assumed in the accrued 2003 and 2004 financials are directly associated with the changing status of claims and lawsuits. As these issues progress through time, adjustments are made to reserves and actual expenditures are recognized.

Materials and Supplies

Additional material usage is expected in 2003 in both the Engineering and Equipment departments. Operating funds are needed to complete station work initiated as capital projects. Maintenance of the diesel fleet is consuming more materials than projected in the original 2003 budget. For 2004, the diesel maintenance plan is being scoped according to the changing plans for modifications.

Ongoing review of production plans for the electric fleet and inventories on hand will result in one-time reductions to the material purchase requirements in 2004.

Train Power – Diesel and Electric

Diesel rates in 2003 are higher than planned, and impact 2004 as well. Electric traction is following close to plan in 2003. In addition to inflationary impacts in 2004 costs, the higher consumption and demand rates of the M-7 cars have been factored in based upon the M-7's gradual replacement of the M-1's in the active fleet.

Joint Facilities

With no significant changes to Penn Station operating or maintenance activities, the changes in this account are largely associated with known work to be performed by Amtrak.

Employee Expenses

In 2003, overtime overruns are linked to increases in this account, primarily for meal payments. Specific reductions in 2004 were made in the PEG's to help meet the target, including reductions to tuition expense.

Reimbursable Expenses

A combination of delayed project work and planned flagging activity that has not materialized result in a sharply reduced reimbursable projection for 2003. A wide range of project changes affect this forecast, including the M-7 delivery delays, ESA work that has not started, less support required by DOT and other capital projects, and signal project changes. There is a roll-up affect of these changes on recovery of both material- handling and general and administrative overhead. Acceleration of work from 2004 into 2003 has provided some offset.

The overall size of projected reimbursable activity in 2004 has been scaled back. This results in part from the acceleration of some work into 2003, as well as more conservative assumptions about flagging activity levels. There is some offset from the 2003 work pushed back into 2004.

Other Assumptions

Service Levels

The main objective was to maintain train service levels and to deal with any necessary reductions by not going ahead with plans to add additional trains. Softening ridership levels have made train service additions initially proposed for start up in 2003 less critical, as standee levels have diminished.

Customer service changes will have little impact on customers. Ticket agent and ticket clerk positions are reduced where ticket vending machines are expected to serve customer needs. A proposed addition to the number of station cleaning positions has also been reduced.

Fleet

The AM Peak Requirement for 2004 (by year end) was reduced by the equivalent of one consist. This is consistent with the rate of M-7 deliveries and M-1 planned retirements, as well as the rate of ridership change projected into 2004. The spare ratio, once targeted to reach 15% will be reduced to approximately 12%; the strong mean distance between failure (MDBF) performance of the M-7 fleet to date makes the lower spare ratio less risky for the near term. In addition, the “spares” and “protect” M-1 cars are not as critical an issue, and retirements are projected to rise by 118 cars over prior assumptions.

Operating Performance

Both on-time performance and MDBF are projected to improve in 2004 over 2003. The on-time performance goal for 2004 is 94.8% and fleet-wide MDBF is projected to be 45,700 (nearly a 10% increase over the 2003 goal). Both of these goals are supported with the resources in the preliminary 2004 budget.

Safety

Continued improvement in employee safety is planned, with a projected reduction to the lost time and restricted duty case rate of nearly 27%. Similarly, customer safety is projected to improve, with a 10% drop in injuries per million customers. No significant reduction to safety-related resources is slated for 2004. Rather, some expansions of desirable programs (such as tree trimming) are deferred. Environmental clean-up costs are shifted out into future years, consistent with the pace that is occurring as LIRR works with NYSDEC to bring various locations into compliance.

Maintenance

The overall commitment to fleet maintenance is unchanged, consistent with the expectation of improved operating performance. There are a number of one-shot savings opportunities in the fleet maintenance area that will create savings in 2004 that are non-recurring. The normal cycle of completing certain targeted modification and overhaul programs and beginning other programs continues with both the M-1 and M-3 fleets, as well as the diesel C-3 coaches and DE

and DM locomotives. Material acquisitions associated with the ramp up of life cycle maintenance activities for both the M-3's and M-7's are reduced in 2004 by shifting these costs to 2005.

The type of fleet and fleet size will continue to change during 2004 with the continued introduction of the M-7 cars. By year-end 2004 there will be 364 M-7 cars and M-1 cars will be down to 424. Maintenance requirements are reduced on an ongoing basis with the increased number of M-1 car retirements. Periodic inspections (PIs) will also be reduced since M-7 cars require 92 day PIs versus M-1 cars that require 45/92 day PIs.

The review of material requirements also has resulted in an anticipated reduction in material purchases needed to support the 2004 production plan in the Equipment Support Shops.

Infrastructure maintenance is only slightly reduced, in signal system maintenance and rescheduling of roof repairs and bridge painting. Over the longer term, this work will have to take place in order to sustain a state of good repair.

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
Program to Eliminate the Gap (PEGs)
(\$ in thousands)

	<i>Favorable/(Unfavorable)</i>			
	2003		2004	
	Mid-Year Forecast		Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<u>Administration:</u>				
All Departments				
Wage Increase assumptions		\$3,322		\$2,967
Equipment				
Availability & Employee Vacation Relief				425
Department Reorganization, Transfers and Position Abolishment's			14	1,116
Engineering				
Inventory Management System				38
Training - Technology				40
Vehicles - Improves Productivity				200
Employee Expenses - Mileage/Travel				100
Updated rates for LIRR vehicles (based on Metro-North stds.)		870		
Transportation				
Lower headcount - hiring freeze/attrition (primarily Mgmt.)		1,235		
Adjustment to pay rates (employee mix) and non-paid absences		827		
Passenger Services				
Non-paid absences (sick, family leave and disciplinary without pay)		125		
Reclassify Asst. Mgr Mail & Ride to Asst. Terminal Mgr.				10
Eliminate 2 bookkeeper positions				154
Administrative Departments				
Finance				
Vacancies and delayed hiring		234		
Hyperion System maintenance services		10		10
Operating services		3		1
Material reduction		9		6
Reimbursables		18		
Lower professional services				9
Lower tuition reimbursements				6
Lower bad debt expenses				59
STC				
Lower retiree sick/vacation buyback		111		
Lower voice data and leased line costs		262		
Resource Processing & Control delayed project completion until 2004		130		
Hand Held - Support Shop Phase II & 1870 Inspection		190		
Telecommunications - CDPD- M-7 late roll out		100		
Consultants for Backpay/Maintenance work		300		
Lower overtime				22
Lower voice charges due to telephone switch replacement				1,946
Lower leased office machines costs				110
Lower computer hardware costs				593
Lower miscellaneous expenses				3
Systems Initiatives (Financial suite; Life Cycle Maintenance; IVR TIC; etc.)				4,123
President				
Material		1		
Reduction of living expenses for acting President		21		
Market Development and Public Affairs				
Reduction to advertising				209
Labor Relations				
Open Positions		241		
Misc. non-payroll		12		
Transfer of Labor Council to Labor Relations Department			1	151

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
Program to Eliminate the Gap (PEGs)
(\$ in thousands)

	2003 Mid-Year Forecast		2004 Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<i>Proc. & Logistics</i>				
Hiring delays and benefit adjustments		981		
Reduction in materials (vehicles)				234
<i>Human Resources</i>				
Lower medical lab testing fees		92		
Lower recruitment expenses		32		
Revised rate of increase on Medical Contract				55
Supplies (Postage reduced fewer mailings)				46
Reduction in Employee Expenses recruitment and tuition				20
Miscellaneous Non-payroll reductions				8
<i>Strategic Invest.</i>				
Open positions and benefit adjustments		90		
Reduction in professional services				80
Non-stock materials reduced (calibration items)				20
Miscellaneous payroll and non payroll adjustments				24
<i>Law</i>				
Reduction in surveillance services		60		
<i>OSA</i>				
Increase in reimbursable		5		
<i>Safety</i>				
Reduction in Maintenance services		30		
Reduce Corporate Safety Incentive Awards				115
<i>Other</i>				
Timing and Other Adjustments		2,883		3,969
Total	0	\$12,194 38.2%	15	\$16,868 38.8%

Customer Convenience and Amenities:

<i>Engineering</i>				
Right of Way Cleaning			8	537
Copague Station Stair Replacement				150
<i>Transportation</i>				
Less constructive payments per employee		474		
Weather-related busing services		130		
Relief day project overtime tours		1,924		
Removal of 2 new Ronkonkoma consists (elimination of proposed new service)		206		
Reassessment of East Side Access (payroll savings)				2,331
Joint Facilities reduction				400
Removal of 1 yard crew-tour				207
Availability changes: increase train service 1 day and engine service 1.75 days				666
Combine DM & MU crews				161
Change reporting location for engine service (Morris Park & Richmond Hill)				161
Reclassification of 20 train service positions - (from Conductor to Assistant Conductor and Collector)				419
Decrease in 2 passenger crews due to the elimination of proposed new service				537
Reduction of 2 Ushers- Penn Station ticketed waiting room				157

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
Program to Eliminate the Gap (PEGs)
(\$ in thousands)

	2003 Mid-Year Forecast		2004 Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<i>Passenger Services</i>				
TVM software leasing		30		
Lower costs for kiosks for Ticket Vending Machines (TVMs)		30		
Eliminate 2 TVM/Agent additional team for Revenue Service Maintenance				185
Reduce Agent and Station Appearance Maintainer (SAM) positions (re-assessment of proposed additions)			16	1,024
Eliminate Asst. Terminal Mgr.				95
Reduce Jamaica Air Train Cleaning				92
Reduce Debit/Credit fees increase				467
Eliminate 2 ticket clerks from General Manager Office				132
Reduce Penn Station cleaning				200
Total	0	\$2,794 8.8%	24	\$7,921 18.2%

Service:

Revision of Holiday service -MLK and Columbus day reduction of tours (similar to Metro-North)				69
Total	0	0 0.0%	0	\$69 0.2%

Maintenance:

Maintenance of Equipment

MU Mods Ending/Continuing			9	2,382
Diesel Mods Ending/Continuing			8	1,027
M-1 Retirements (118 more retirements - Less Maintenance)			18	3,194
Support Shop (Production Plan)			8	3,315
LCM (M3 & M7) Material (Lagged into 2005 - Timing of Receipts - M-7's)				3,000
45 Day PI (ATC - Speed Control M-7 - Assumed not required)			9	816
Environmental Clean-up Services				204
CRH (Toilet Servicing) and Manpower			1	980
Other Outside Services (CFR238 Report Writing & Lab Fees)				463
M-7 Track Lease (Reimbursable)				150
Lower headcount (hiring freeze/delays)		6,729		
Completion of Procedure Writing Program		360		
Lab fees and other professional services		178		
Toilet servicing (lower rates; smaller fleet size)		430		
M-1 Decommissioning (deferred M-1 retirements)		253		
Other lower maintenance services		186		
Support Shops material (lower costs and volume)		116		
Fewer boom truck and trailer rentals		160		
Misc. non-payroll		78		

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
Program to Eliminate the Gap (PEGs)
(\$ in thousands)

	2003 Mid-Year Forecast		2004 Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<i>Engineering</i>				
Substation Roof Repairs				20
Negative Bonding				60
Signal System Maintenance				432
Meter Calibration & Hazardous Waste				60
Hillside Roof Repairs				300
Bridge Painting Program				150
Lower headcount - hiring freeze/delays				
- (Primarily Signalmen for East Side Access)		5,050		
Overtime - maintenance and project-related		1,413		
Track Car (TC-82) Post Processing Pilot cancelled		150		
Fewer environmental clean-ups		150		
Rubbish removal and other miscellaneous maintenance services		48		
Transformer Maintenance Program				100
Comm Cable Asbestos Abatement				220
Total	0	\$15,301	53	\$16,874
		48.0%		38.8%
<i>Safety/Security:</i>				
<i>Maintenance of Equipment</i>				
Training (CFR & M-7 - Phase 1)				108
Fleet Support Hazardous Material (delayed contracts)		306		
Fewer environmental services for plant maintenance		250		
<i>Engineering</i>				
Substation Fence Repairs				20
Safety Incentives				40
Comm Control Integration				135
Tree Trimming Program Increase				500
TR4 Radio Base Stations				135
Storm Damage				216
Speed Spectrum Wayside Radio				38
Guard Services (reimbursed through capital program)		226		
Total	0	\$782	0	\$1,192
		2.5%		2.7%
<i>Revenue Initiatives:</i>				
Rental income and fiber optic income	0	\$809	0	\$556
		2.5%		1.3%
Total PEGs	0	\$31,880	92	\$43,480

Programs to Eliminate the Gap

Administration

Changes to wage increase assumptions and the resulting impact on both pay and fringes are one of the major PEGs in the administrative area. For 2004, there are also positions eliminated that result from reduced functional requirements and reorganizations within and between departments.

Reductions to a variety of accounts including communications charges, advertising, leases, tuition, operating and professional services are spread throughout the company. However, the most significant changes for 2004 are the information services initiatives that cannot be undertaken so that the LIRR can remain within budgetary guidelines. These include systems for the Life Cycle Maintenance Programs, a Financial Suite, and upgrades or replacements to work order systems, automated voice response systems and other initiatives.

Customer Convenience and Amenities

A reassessment of the East Side Access project support requirements has resulted in 2004 payroll savings.

Service additions to meet expected ridership growth that were previously planned to start in 2003, then rescheduled to 2004, are now eliminated from 2004 altogether. With the failure of ridership growth to meet expectations, this change is reasonable and results in avoidance of cost growth associated with additional train crews, cars in service and traction power.

Significant savings in the Passenger Services Department were achieved by carefully reviewing its requirements for station appearance maintainers (SAM's) and ticket agents. The March Plan included a provision for 14 additional SAM's in 2004. By re-organizing the function, the LIRR was able to reduce the position increase to only 2 (a net decrease of 12 from the March Plan). The purchase of new Ticket Office Machines (TOM's) has resulted in a less labor-intensive operation that has allowed for a reallocation of tours and the elimination of vacant positions.

Maintenance

The LIRR has avoided any move into a state of deferred maintenance. PEGs in this area, such as deferred roof repairs and bridge painting, do not entirely eliminate work. Rather, work at specific sites where the impact can best be tolerated is rescheduled.

In 2003, a large portion of the savings for maintenance are due to straight-time payroll and benefits savings primarily as a result of delayed hiring in both the Engineering and Equipment departments. The savings in the Equipment department are offset by overtime increases. The savings within Engineering are primarily attributable to the reassessment of support requirements for the East Side Access (ESA) project.

Completion of some fleet (both MU and diesel) modification programs and changes in production and maintenance schedules have helped to reduce costs in 2004. Maintenance

requirements are also reduced on an ongoing basis with the increased number of M-1 car retirements. Review of material requirements also anticipates a reduction in material purchases needed to support the 2004 production plan in the Equipment Support Shops.

Service

There are proposed changes to the treatment of certain holidays, where diminishing ridership service validates a move to offer less train service.

Safety/Security

The Engineering PEGs in this area are not likely to have an impact on either safety or security. M/E training reductions also will not affect safety in an adverse way, as Federal requirements will be met.

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
New Needs
(\$ in thousands)

	<i>Favorable/(Unfavorable)</i>			
	2003		2004	
	Mid-Year Forecast		Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<u>Administration:</u>				
<i>All Departments</i>				
Management vacation buyback		(\$1,224)		\$0
<i>Equipment</i>				
Leap Year Impact				(544)
Retiree vacation/sick leave payments		(1,590)		(964)
Fleet Engineering (3 heads for environmental engineering, .5 for mechanical engineering)			(4)	(292)
Fleet Engineering (PEMD Support)			(3)	(279)
Differential and other payroll adjustments		(339)		
Employee meal allowances associated with overtime		(193)		
<i>Engineering</i>				
Payroll rate variance		(422)		(916)
Retiree vacation/sick leave payments and Personal Day buyback		(1,278)		
Miscellaneous non-payroll		(46)		
<i>Transportation</i>				
Material - buyout of Penn Station Communication System		(50)		
Reimbursable due to less flagging support for DOT and Capital projects		(4,175)		
Extra tours for new Crew Mgmt. System and M-7 fleet training		(444)		
Compensatory payments and Yardmaster meal allowance		(219)		
UTU/BLE vacation buyback payments		(33)		
Higher price per gallon for diesel fuel		(366)		
Traction power - wayside power and delivery charges		(34)		
Miscellaneous non-payroll		(30)		
Corporate overhead rate changes				(633)
Net change of Reimb. Flagging/work train budget				(2,224)
Re-class 5 reimbursement management M-7 positions to operating				(755)
Net non payroll changes				(59)
Delayed implementation of staffing of equipment trains with Engineer and Conductor only		(268)		
<i>Passenger Services</i>				
Utilities costs		(159)		
Reimbursable project support		(59)		(65)
Rate adjustment for Agents and SAMs				(103)

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
New Needs
(\$ in thousands)

	2003 Mid-Year Forecast		2004 Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<i>Administrative Departments</i>				
Long Island Association (LIA) membership		(8)		0
Homeless Outreach Program		0		(14)
Reimbursable support		(697)		(999)
Internet access monitor costs		0	(2)	(332)
Computer maintenance costs		0	(2)	(276)
Budgeted system training		(20)		0
Professional consultant services (accounting software, statistician services)		(89)		0
Armored car services		(25)		0
Installation of A/R system and treasury furniture purchased charged in 2003		(50)		0
Increase in claims & suits reserves		(412)		0
Payroll/benefit adjustments (rate changes, overtime, comp. time payments, etc.)		(196)		(133)
Position added in training department (train service)		0		(57)
Increase for M-7 Simulator		0		(13)
Misc non-payroll expenses (employee exp., tuition, supplies, etc)		(3)		(52)
Retiree Health and Welfare benefits		(2,074)		(2,112)
Misc Charges and Credits		(369)		0
Leases and rentals- Jamaica Development		0		(500)
Census Study - Diversity Mgmt.		0		(5)
Total	0	(\$14,872)	(11)	(\$11,327)
		39.7%		51.5%
<i>Customer Convenience and Amenities:</i>				
<i>Transportation</i>				
Delayed implementation of fare collection formula change and reclassification of Asst. Conductors as Collectors		(454)		
Greater crew and equipment manipulations to maintain On Time Performance		(2,225)		
<i>Passenger Services</i>				
Average headcount		(358)		
Vehicle purchase		(30)		
Hardware equipment purchase for ETVM		(40)		
Add ticket clerk positions				(305)
Web Ticket				(10)
<i>Information Services Department</i>				
Higher PSCC and Maintech				(100)
Higher computerized display services and AVIS				(54)
Web Ticket		(620)		
Total	0	(\$3,727)	0	(\$469)
		9.9%		2.1%
<i>Service:</i>				
<i>Transportation</i>				
Add back "shoulder" trains (labor/benefits)		(581)		
Total	0	(\$581)	0	0.0%
		1.5%		0.0%

MTA Long Island Rail Road
2003 - 2004 Operating Budget Projections
New Needs
(\$ in thousands)

	2003 Mid-Year Forecast		2004 Preliminary Budget	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
<u>Maintenance:</u>				
<u>Equipment</u>				
Overtime - open job coverage, double-time, maintenance, weather-related		(5,811)		
Diesel material - higher than planned usage for maintenance and overhaul activities		(1,478)		
Fleet cleaning water consumption		(245)		
Reimbursable - delayed M-3 overhaul activity and fewer M-7 warranty repairs		(560)		
MU Modifications			(8)	(1,643)
Diesel Modifications			(6)	(4,968)
M1 - Decommissioning			(6)	(886)
HVAC (Helper to support Summer Season)				(34)
Toilet Repairs (OT - Labor)				(30)
Arch Street (Beneficial Use - Start-up) Labor - Lagged Positions Start 10/04			(10)	(959)
PEMD (Plant Maintenance - Increase Headcount per Willis Carroon Study)			(4)	(764)
Utilities (Water Usage)				(145)
Crew Board System				(140)
Crew Cab Bucket (PEMD), Material				(45)
Wash Tank Replacment				(143)
OFC Projects Ending (Reimbursable Impact)				(74)
<u>Engineering</u>				
Miscellaneous emergency repairs at Hillside Facility		(210)		
Materials for CPRB work at Auburndale and St. Albans		(974)		
Joint Facilities - higher tunnel maintenance		(196)		
Reimbursable activity: East Side Access (delayed hiring of 19 positions); delay in Babylon to Speonk Signalization Program; Port Washington Yard		(4,438)		
MW 2000 (Track training program) and outside training for Substation electricians		(222)		
<u>Transportation</u>				
Reimbursable - less flagging support for DOT and Capital projects		(4,175)		
Total	0	(\$18,309)	(34)	(\$9,831)
		48.8%		44.7%
<u>Safety/Security:</u>				
<u>Equipment</u>				
Training (M7 Basic & Advance, Training for (GF,CR,RCI,Elect)				(362)
Total	0	\$0	0	(\$362)
		0.0%		1.6%
Total New Needs	0	(\$37,489)	(45)	(\$21,989)

New Needs

Administration

The primary drivers of the New Needs in this area are: revised reimbursable activity and overhead assumptions; the escalation of Retiree health and welfare benefits costs; and the increases to pension.

Customer Convenience and Amenities, Service

New Needs in 2003 are related to greater crew costs necessary to maintain on-time performance and costs required to start up the Web Ticket program.

Maintenance

New needs in 2003 are related primarily to hiring delays within the Equipment Department and their associated impact on overtime (job coverage). Diesel fleet maintenance activities and repairs cause an increase in material consumption. Reimbursable capital activity also has a negative impact on expenses primarily resulting from delays in project activity (ESA, DOT project activity, etc.) that cause reimbursable revenue to be reduced.

During 2004, fleet modification programs continue in order to reduce component failures and improve reliability. Interior lighting upgrades on the M-3s, side door weather-stripping replacement and MU speed sensor design enhancement are a few of the programs to improve reliability. Much of the diesel fleet maintenance costs are associated with life cycle maintenance needs such as engine and truck overhauls. M-1 decommissioning will continue into 2004 with 134 M-1 cars being decommissioned. Also included in 2004 per a consultant study are plant maintenance needs to maintain existing equipment and facilities, as well as required staffing for the new Arch Street Shop.

Safety/Security

Incremental investment is needed in training in the Equipment department for M-7 fleet maintenance and continuing development of employees to fill higher skilled craft positions.

**MTA LONG ISLAND RAIL ROAD
OPERATING AND PROJECT EMPLOYEES**

EMPLOYEE POSITIONS BY DEPARTMENT AS OF 12/31

O = Operating

P = Project

T = Total

DEPARTMENT	2002 ACTUALS*			2003 MID-YEAR FORECAST			2004 PRELIMINARY BUDGET		
	O	P	T	O	P	T	O	P	T
Engineering	1,040	507	1,547	1,043	562	1,605	1,114	479	1,593
Equipment	1,728	36	1,764	1,835	56	1,891	1,841	46	1,887
Transportation	1,748	59	1,807	1,783	40	1,823	1,831	24	1,855
Passenger Services	424	0	424	381	0	381	383	0	383
All Other	21	2	23	23	2	25	23	2	25
Total Operating & Maint.	<u>4,961</u>	<u>604</u>	<u>5,565</u>	<u>5,065</u>	<u>660</u>	<u>5,725</u>	<u>5,192</u>	<u>551</u>	<u>5,743</u>
Executive Vice President	2	0	2	2	0	2	2	0	2
Labor Relations	12	0	12	13	0	13	12	0	12
Procurement & Logistics	150	24	174	162	24	186	162	23	185
Human Resources	101	0	101	98	0	98	99	0	99
Strategic Investment	16	21	37	18	23	41	18	23	41
Diversity Management	3	0	3	3	0	3	3	0	3
Total Exec. Vice President	<u>284</u>	<u>45</u>	<u>329</u>	<u>296</u>	<u>47</u>	<u>343</u>	<u>296</u>	<u>46</u>	<u>342</u>
President	3	0	3	3	0	3	3	0	3
V.P. & Chief Financial Officer	91	16	107	92	17	109	93	17	110
Svc. Plng., Technology & CPM	162	106	268	169	117	286	172	118	290
Market Dev. & Public Affairs	63	0	63	66	0	66	66	0	66
General Counsel & Sec.	26	0	26	31	0	31	32	0	32
System Safety	18	2	20	19	2	21	18	3	21
Total General & Admin.	<u>647</u>	<u>169</u>	<u>816</u>	<u>676</u>	<u>183</u>	<u>859</u>	<u>680</u>	<u>184</u>	<u>864</u>
Total	<u><u>5,608</u></u>	<u><u>773</u></u>	<u><u>6,381</u></u>	<u><u>5,741</u></u>	<u><u>843</u></u>	<u><u>6,584</u></u>	<u><u>5,872</u></u>	<u><u>735</u></u>	<u><u>6,607</u></u>

* Represents actual incumbents

**MTA LONG ISLAND RAIL ROAD
OPERATING AND PROJECT EMPLOYEES**

EMPLOYEE POSITIONS BY DEPARTMENT AS OF 12/31

O = Operating

P = Project

T = Total

DEPARTMENT	2003 MID-YEAR FORECAST			2004 PRELIMINARY BUDGET			VARIANCE		
	O	P	T	O	P	T	O	P	T
Engineering	1,043	562	1,605	1,114	479	1,593	(71)	83	12
Equipment	1,835	56	1,891	1,841	46	1,887	(6)	10	4
Transportation	1,783	40	1,823	1,831	24	1,855	(48)	16	(32)
Passenger Services	381	0	381	383	0	383	(2)	0	(2)
All Other	23	2	25	23	2	25	0	0	0
Total Operating & Maint.	<u>5,065</u>	<u>660</u>	<u>5,725</u>	<u>5,192</u>	<u>551</u>	<u>5,743</u>	<u>(127)</u>	<u>109</u>	<u>(18)</u>
Executive Vice President	2	0	2	2	0	2	0	0	0
Labor Relations	13	0	13	12	0	12	1	0	1
Procurement & Logistics	162	24	186	162	23	185	0	1	1
Human Resources	98	0	98	99	0	99	(1)	0	(1)
Strategic Investment	18	23	41	18	23	41	0	0	0
Diversity Management	3	0	3	3	0	3	0	0	0
Total Exec. Vice President	<u>296</u>	<u>47</u>	<u>343</u>	<u>296</u>	<u>46</u>	<u>342</u>	<u>0</u>	<u>1</u>	<u>1</u>
President	3	0	3	3	0	3	0	0	0
V.P. & Chief Financial Officer	92	17	109	93	17	110	(1)	0	(1)
Svc. Plng., Technology & CPM	169	117	286	172	118	290	(3)	(1)	(4)
Market Dev. & Public Affairs	66	0	66	66	0	66	0	0	0
General Counsel & Sec.	31	0	31	32	0	32	(1)	0	(1)
System Safety	19	2	21	18	3	21	1	(1)	0
Total General & Admin.	<u>676</u>	<u>183</u>	<u>859</u>	<u>680</u>	<u>184</u>	<u>864</u>	<u>(4)</u>	<u>(1)</u>	<u>(5)</u>
Total	<u>5,741</u>	<u>843</u>	<u>6,584</u>	<u>5,872</u>	<u>735</u>	<u>6,607</u>	<u>(131)</u>	<u>108</u>	<u>(23)</u>

() Denotes Unfavorable

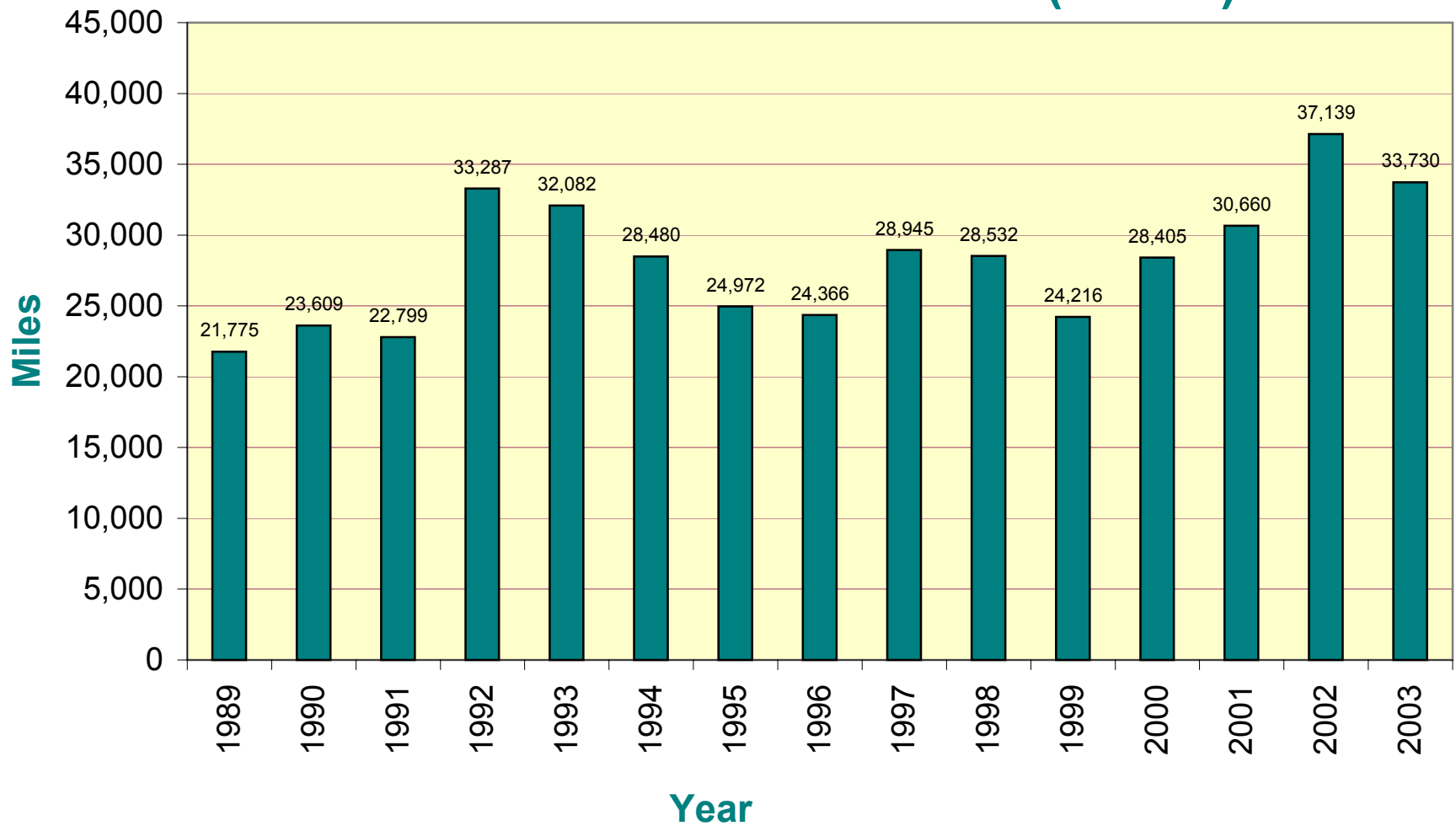
MTA Long Island Rail Road
Summary of Position Changes from 2003 Mid-Year Forecast to 2004 Preliminary Budget

Total increase of (23) year-end positions

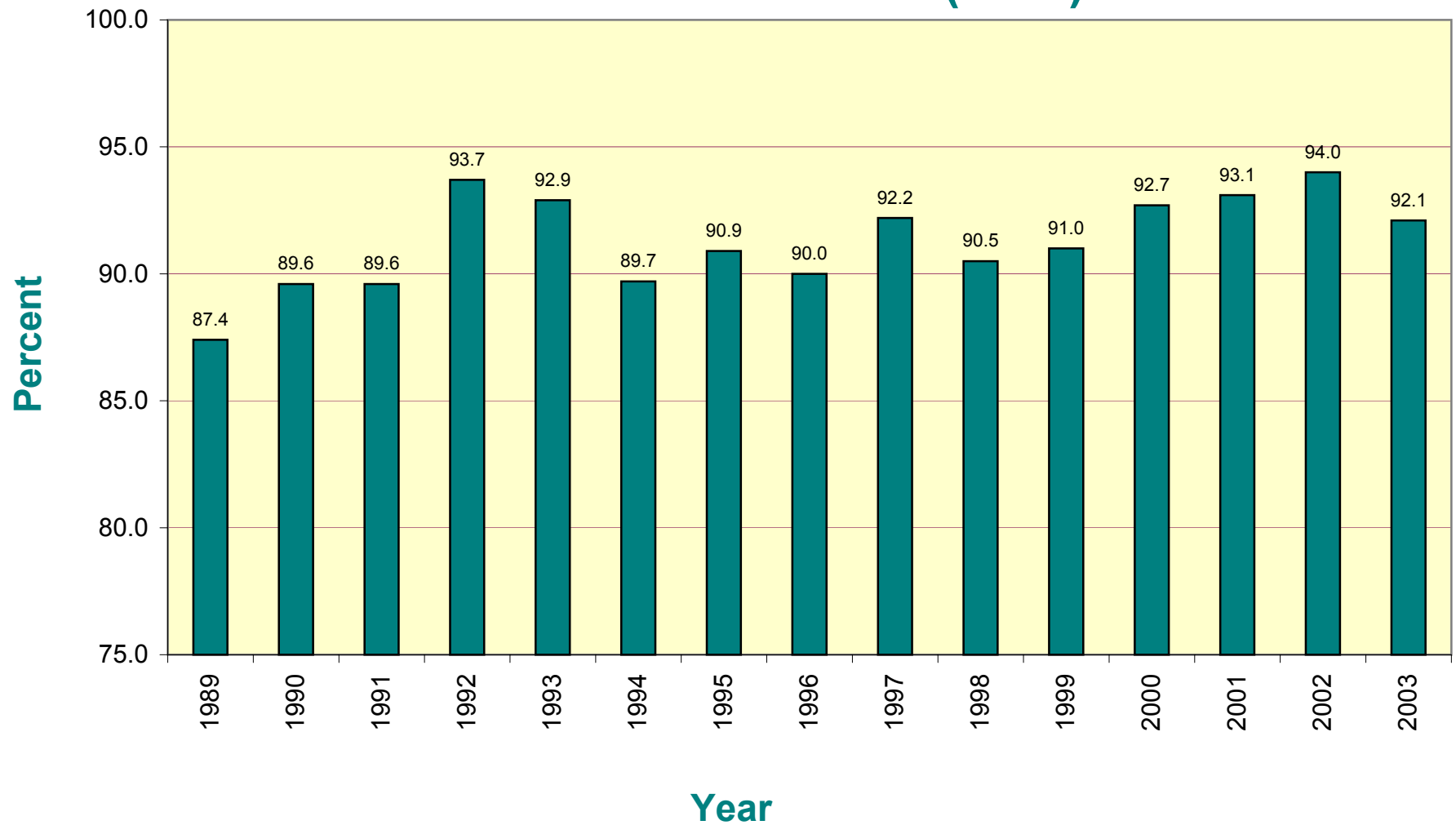
Department	# of Positions	
Engineering	12	Signalmen positions re-estimated to conform to East Side Access construction schedules
Equipment	4	M-7 Re-organization
Transportation	(32)	(19) Train service, (13) Engineer trainees due to training and hiring plan
Psgr. Services	(2)	(2) Ticket Clerks due to tour requirements
Labor Relations	1	Transfer of 1 position to Law Department
Procurements	1	Executive Director Contracts position eliminated
Human Resources	(1)	(1) Training Specialist for M-7 added
VP & CFO	(1)	(1) New System Administrative position in Office of Management and Budget
Svc Plng, Tech & CPM	(4)	(2) System Engineers for M-7 support team (1) Programmer/Analyst for Automated Storage and Retrieval System (ASRS) (1) Position for Resource Process and Control System
Law	(1)	Transfer of (1) position from Labor Relations Department
Total	<u><u>(23)</u></u>	

MTA LIRR

Mean Distance Between Failures (MDBF)



MTA LIRR On Time Performance (OTP)



**Long Island Rail Road
Performance Metrics Summary**

On-Time Performance & Mean Distance Between Failures

<u>Year</u>	<u>OTP %</u>	<u>MDBF</u>
1989	87.4	21,775
1990	89.6	23,609
1991	89.6	22,799
1992	93.7	33,287
1993	92.9	32,082
1994	89.7	28,480
1995	90.9	24,972
1996	90.0	24,366
1997	92.2	28,945
1998	90.5	28,532
1999	91.0	24,216
2000	92.7	28,405
2001	93.1	30,660
2002	94.0	37,139
May YTD 2003	92.1	33,730

2003 Results:

2003 YTD results for both OTP and MDBF have been adversely impacted by harsh winter weather, particularly in February. Second quarter results were much stronger as MDBF exceeded 40,000 miles each month and OTP has approximated 95%.