

IV. Major Assumptions 2005-2008 Projections

Debt Service

Debt Service in the Financial Plan

The following table reflects debt service projections for 2004 through 2008 associated with existing approved Capital Programs as well as estimates associated with MTA's next five-year capital program for the 2005–2009 period. The table lists all MTA and TBTA debt service, excluding State Service Contract and Convention Center obligations, as detailed in this MTA February 2005 Financial Plan.

Forecasted Debt Service (\$ in millions)	
Year	February 2005 Plan Debt Service
2004	\$855.6
2005	1,208.1
2006	1,400.6
2007	1,525.4
2008	1,631.2
Total:	\$6,621.0

Debt Issuance Assumptions:

Forecasted Borrowing Schedule	2005	2006	2007	2008
Forecasted New Money Bonds (\$ in millions)	2,874.4	2,072.0	1,797.1	1,357.4
Assumed Interest Rates *				
Transportation Revenue Bonds	4.82%	4.97%	5.08%	5.18%
Dedicated Tax Fund Bonds	4.65%	4.79%	4.90%	4.99%
Triborough Bridge & Tunnel Authority	4.65%	4.79%	4.90%	4.99%

* Weighted Average of fixed and variable forecasted rates (see below for explanation)

- All debt is assumed to be issued as 30-year level debt, principal amortized over the life of the bonds.
- Split of fixed-rate debt versus variable rate debt each year is 75% / 25%.
- New bond issues expected interest rate at time of issuance use weighted average of fixed and variable assumptions. Variable rate is assumed at 4%. Fixed rate assumptions rely on rate specific U.S. municipal forward curve information.
- Cost of issuance is 2% of gross bonding amount.
- New money bonds for currently approved transit and commuter projects assumed issued 25% under the DTF credit and 75% under the Transportation credit.

- New money bonds for 2005-2009 transit and commuter projects assumed issued 100% under the Transportation Revenue credit.
- All bonds issued to finance TBTA capital projects issued under the TBTA General Revenue Resolution.
- No reserve funds.

2004 Debt Service is updated to reflect actual deposits to debt service accounts from January 1 through September 30. The assumed rate on variable rate bonds is 2% for the remainder of 2004.

Bond proceeds as a funding source in the next capital program, the Proposed 2005-2009 Capital Programs, are assumed to be \$4 billion.

Metropolitan Transportation Authority
Summary of Total Budgeted Debt Service
2004 - 2008
(\$ in millions)

Line Number		FORECAST				
		2004	2005	2006	2007	2008
9	<u>New York City Transit:</u>					
10						
11	Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	\$243.599	\$246.553	\$246.849	\$246.174	\$246.033
12	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	0.837	51.025	125.319	185.922	227.988
13	Debt Service on Transportation Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.000	0.669	3.381	10.252	24.145
14	2 Broadway Certificates of Participation - NYCT Lease Portion	19.048	20.426	17.516	17.518	19.221
15	2 Broadway Certificates of Participation - Additional NYCT Share of MTA Lease Portion	1.913	2.052	1.759	1.759	1.931
16	Transportation Resolution Commercial Paper	4.569	15.633	20.503	20.503	20.503
17	Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	128.368	155.882	155.899	155.878	155.870
18	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.000	13.394	37.669	57.460	71.193
19	Debt Restructuring Savings Offset (Deferred Gain)	(26.000)	0.000	0.000	0.000	0.000
20	<u>Prepayment Effect on Transportation Revenue Bonds</u>	<u>(30.000)</u>	<u>(16.700)</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
21	<i>Sub-Total MTA Paid Debt Service</i>	<i>\$342.334</i>	<i>\$488.933</i>	<i>\$608.895</i>	<i>\$695.466</i>	<i>\$766.883</i>
22						
23	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$132.119	\$148.006	\$147.696	\$148.027	\$148.001
24	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	77.313	85.797	85.720	85.658	85.751
25	<u>Debt Service on Additional TBTA (B&T) Bonds Supporting Existing Capital Programs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
26	<i>Sub-Total B&T Paid Debt Service</i>	<i>\$209.432</i>	<i>\$233.802</i>	<i>\$233.416</i>	<i>\$233.685</i>	<i>\$233.752</i>
27						
28						
29	Total NYCT Debt Service	\$551.766	\$722.735	\$842.311	\$929.151	\$1,000.634
30						
31	<u>Commuter Railroads:</u>					
32						
33	Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	\$148.019	\$187.213	\$187.438	\$186.925	\$186.818
34	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	1.174	32.547	64.431	86.570	101.830
35	Debt Service on Transportation Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.000	0.223	1.127	3.417	8.048
36	Transportation Resolution Commercial Paper	2.372	7.479	9.809	9.809	9.809
37	Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	25.824	30.475	30.479	30.475	30.473
38	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.000	12.751	25.502	25.502	25.502
39	Debt Restructuring Savings Offset (Deferred Gain)	(26.000)	0.000	0.000	0.000	0.000
40	<u>Prepayment Effect on Transportation Revenue Bonds</u>	<u>(49.700)</u>	<u>(15.300)</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
41	<i>Sub-Total MTA Paid Debt Service</i>	<i>\$101.690</i>	<i>\$255.388</i>	<i>\$318.787</i>	<i>\$342.699</i>	<i>\$362.481</i>
42						
43	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$59.136	\$66.247	\$66.109	\$66.257	\$66.245
44	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	33.968	37.695	37.662	37.634	37.675
45	<u>Debt Service on Additional TBTA (B&T) Bonds Supporting Existing Capital Programs</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
46	<i>Sub-Total B&T Paid Debt Service</i>	<i>\$93.105</i>	<i>\$103.943</i>	<i>\$103.770</i>	<i>\$103.891</i>	<i>\$103.920</i>
47						
48	Total CRR Debt Service	\$194.794	\$359.331	\$422.557	\$446.590	\$466.401
49						
50	<u>Bridges and Tunnels:</u>					
51						
52	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$71.755	\$80.383	\$80.215	\$80.395	\$80.380
53	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	30.540	33.891	33.861	33.836	33.873
54	Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Existing Capital Programs	0.000	3.884	12.521	20.969	24.663
55	Debt Service on TBTA (B&T) General Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.000	0.617	2.924	8.243	18.447
56	2 Broadway Certificates of Participation - TBTA Lease Portion	2.856	3.062	2.626	2.626	2.882
57	2 Broadway Certificates of Participation - Additional TBTA Share of MTA Lease Portion	3.910	4.192	3.595	3.595	3.945
58						
59	Total Debt Service	\$109.061	\$126.030	\$135.742	\$149.666	\$164.190
60						
61	<u>MTA Total:</u>					
62						
63	Budgeted Gross Debt Service for Existing Bonds	\$950.642	\$1,072.142	\$1,071.928	\$1,071.259	\$1,071.119
64	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	2.011	83.571	189.750	272.492	329.818
65	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.000	26.145	63.171	82.962	96.695
66	Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Existing Capital Programs	0.000	3.884	12.521	20.969	24.663
67	Debt Service on Bonds Supporting 2005-2009 Capital Plan Transportation & TBTA	0.000	1.509	7.432	21.913	50.640
68	2 Broadway Certificates of Participation	27.727	29.732	25.496	25.500	27.979
69	Transportation Resolution Commercial Paper	6.941	23.112	30.312	30.312	30.312
70	Debt Restructuring Savings Offset (Deferred Gain)	(52.000)	0.000	0.000	0.000	0.000
71	Prepayment Effect on Transportation Revenue Bonds	(79.700)	(32.000)	0.000	0.000	0.000
72						
73	Total Debt Service	\$855.621	\$1,208.096	\$1,400.610	\$1,525.407	\$1,631.226

This page has been intentionally left blank

Debt Service Affordability Statement

MTA 2004 - 2008 Financial Plan

Debt Affordability Statement

\$ in millions

Forecasted Debt Service and Borrowing Schedule		Notes	2004	2005	2006	2007	2008
Combined MTA/TBTA Forecasted Debt Service Schedule	1, 2, 3 4		827.9	1,178.4	1,375.1	1,499.9	1,603.2
Forecasted New Money Bonds Issued	5		-	2,874.4	2,072.0	1,797.1	1,357.4
Assumed Interest Rates	6						
Transportation Revenue Bonds			-	4.82%	4.97%	5.08%	5.18%
Dedicated Tax Fund Bonds			-	4.65%	4.79%	4.90%	4.99%
Triborough Bridge & Tunnel Authority			-	4.65%	4.79%	4.90%	4.99%
Forecasted Debt Service by Credit		Notes	2004	2005	2006	2007	2008
Transportation Revenue Bonds	7						
Pledged Revenues	11, 12		\$ 6,393.2	\$ 6,397.9	\$ 6,469.8	\$ 6,564.6	\$ 6,594.9
Debt Service			268.9	509.3	658.9	749.6	825.2
Debt Service as a % of Pledged Revenues			4%	8%	10%	11%	13%
Dedicated Tax Fund Bonds	8						
Pledged Revenues	12		\$ 554.6	\$ 551.6	\$ 552.8	\$ 556.5	\$ 559.3
Debt Service			154.2	212.5	249.5	269.3	283.0
Debt Service as a % of Pledged Revenues			28%	39%	45%	48%	51%
Triborough Bridge and Tunnel Authority General Revenue Bonds	9						
Pledged Revenues	12		\$ 794.3	\$ 874.6	\$ 892.7	\$ 873.5	\$ 863.3
Debt Service			263.0	299.1	309.5	323.9	337.7
Debt Service as a % of Total Pledged Revenues			33%	34%	35%	37%	39%
Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds	10						
Pledged Revenues	12		\$ 531.3	\$ 575.5	\$ 583.2	\$ 549.6	\$ 525.5
Debt Service			141.8	157.4	157.2	157.1	157.3
Debt Service as a % of Total Pledged Revenues			27%	27%	27%	29%	30%
Cumulative Debt Service (Excluding State Service Contract Bonds)		Notes	2004	2005	2006	2007	2008
Total Debt Service			\$ 827.9	\$ 1,178.4	\$ 1,375.1	\$ 1,499.9	\$ 1,603.2
Operating Revenues and Subsidies			7,467.0	7,817.9	7,950.0	8,342.0	8,436.3
Total Debt Service as a % of Operating Revenues and Subsidies			11%	15%	17%	18%	19%
Fare and Toll Revenues			4,812.0	4,916.1	4,961.8	5,000.6	5,016.8
Total Debt Service as a % of Fare and Toll Revenue			17%	24%	28%	30%	32%
Non-reimbursable expenses			7,921.5	8,624.0	9,001.9	9,402.3	9,743.9
Total Debt Service as % of Non-reimbursable expenses			10%	14%	15%	16%	16%

Notes

- ¹ Unhedged tax-exempt variable rate debt, excluding Transportation Revenue Commercial Paper Notes, reflect assumed interest rate of 4.00% (2004 estimates based on actuals for first nine months and 2% for remainder).
- ² Unhedged taxable variable rate debt assumed interest rate of 4.50% (2004 estimates based on actuals for first half and 2.5% for remainder).
- ³ Synthetic fixed-rate debt assumed at swap rate.
- ⁴ Total debt service excludes COPS lease payments, and includes debt service prepayments made in 2003 for 2004 and 2005.
- ⁵ New money bonds amortized as 30-year level debt. Assumes an increase in the MTA/TBTA bond cap by the State Legislature in conjunction with the 2005-09 Capital Program. New debt issued assumed 75% fixed-rate and 25% variable rate.
- ⁶ Interest rates for new money fixed-rate bonds calculated from data provided by Bloomberg municipal fair market yield curves for "AA" and "A" Transportation trades and Bloomberg municipal forward curves.
- ⁷ Transportation Revenue Bonds pledged revenues consist generally of the following: fares and other miscellaneous revenues from the transit and commuter systems, including advertising, rental income and certain concession revenues (not including Grand Central Terminal and Penn Station); revenues from the distribution to the transit and commuter system of TBTA surplus; State and local general operating subsidies; special tax-supported operating subsidies after the payment of debt service on the MTA Dedicated Tax Fund Bonds; New York City urban tax for transit; station maintenance and service reimbursements; and revenues from the investment of capital program funds. Pledged revenues secure Transportation Revenue Bonds before the payment of operating and maintenance expenses.
- ⁸ Dedicated Tax Fund pledged revenues consist generally of the following: petroleum business tax, motor fuel tax and motor vehicle fees deposited into the Dedicated Mass Transportation Trust Fund for the benefit of the MTA; and the petroleum business tax, district sales tax, franchise taxes and temporary franchise surcharges deposited into the Metropolitan Mass Transportation Operating Assistance Account for the benefit of the MTA. Assumes the continuation by the State Legislature of the temporary franchise surcharges that expire beginning in 2004.
- ⁹ Triborough Bridge and Tunnel Authority General Revenue Bond pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels. Pledged revenues secure TBTA General Revenue Bonds after the payment of TBTA operating and maintenance expenses, including certain reserves.
- ¹⁰ Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels, after the payment of debt service on the TBTA General Revenue Bonds.
- ¹¹ Transportation Revenue debt service includes effect of deferred gain from debt restructuring and prepayments of debt service in 2003 for 2004 and 2005
- ¹² Debt service schedules for each credit are attached as addendum hereto.

Special Notes

- Debt service estimates reflect a Financial Plan assumption of \$4 billion of bonds as a funding source for the Proposed 2005-2009 Capital Programs. All bonding for Transit and Commuter projects assumed to be issued under the Transportation Revenue Resolution. Bonds fund \$2.059 billion of Transit projects and \$686 million in Commuter projects. TBTA bonds fund the entire Bridges and Tunnels 2005-2009 Capital Program of \$1.255 billion.
- ¹
 - ² Pledged revenues as discussed in above notes 7, 9, and 10 do not include proposed 2006 PEGs or 2007 fare/toll increase.

Metropolitan Transportation Authority (including Triborough Bridge and Tunnel Authority)
Total Budgeted Annual Debt Service
All Issuance to November 1, 2004

Fiscal Year	Transportation Revenue Resolution			Dedicated Tax Fund Resolution			TBTA General Revenue Resolution			TBTA Subordinate Resolution			MTA and TBTA Debt Service		
	Additional			Additional			Additional			Additional			Additional		
	Existing DS	DS	Combined	Existing DS	DS	Combined	Existing DS	DS	Combined	Existing DS	DS	Combined	Existing DS	DS	Combined
2004	398.6	2.0	400.6	154.2	-	154.2	263.0	-	263.0	141.8	-	141.8	957.6	2.0	959.6
2005	456.9	84.5	541.3	186.4	26.1	212.5	294.6	4.5	299.1	157.4	-	157.4	1,095.3	115.1	1,210.4
2006	464.6	194.3	658.9	186.4	63.2	249.5	294.0	15.4	309.5	157.2	-	157.2	1,102.2	272.9	1,375.1
2007	463.4	286.2	749.6	186.4	83.0	269.3	294.7	29.2	323.9	157.1	-	157.1	1,101.6	398.3	1,499.9
2008	463.2	362.0	825.2	186.3	96.7	283.0	294.6	43.1	337.7	157.3	-	157.3	1,101.4	501.8	1,603.2
2009	483.7	419.2	902.9	186.5	103.3	289.8	294.8	57.1	351.9	157.2	-	157.2	1,122.2	579.6	1,701.8
2010	483.3	464.3	947.6	186.4	105.1	291.4	294.5	71.6	366.2	157.1	-	157.1	1,121.3	641.0	1,762.3
2011	483.5	502.0	985.5	186.7	105.1	291.7	293.5	85.4	379.0	157.3	-	157.3	1,120.9	692.5	1,813.4
2012	482.7	530.9	1,013.6	186.4	105.1	291.4	293.5	96.9	390.4	157.7	-	157.7	1,120.2	732.8	1,853.1
2013	483.9	550.4	1,034.3	188.4	105.1	293.4	294.4	104.0	398.5	157.1	-	157.1	1,123.8	759.5	1,883.3
2014	483.4	560.3	1,043.7	186.4	105.1	291.5	293.1	107.6	400.7	157.1	-	157.1	1,120.1	772.9	1,893.0
2015	483.7	564.3	1,048.0	186.7	105.1	291.8	293.3	109.0	402.3	157.4	-	157.4	1,121.1	778.4	1,899.5
2016	483.3	565.3	1,048.7	186.8	105.1	291.8	293.1	109.3	402.4	157.2	-	157.2	1,120.4	779.7	1,900.1
2017	483.2	565.3	1,048.6	187.0	105.1	292.0	293.3	109.3	402.6	160.9	-	160.9	1,124.4	779.7	1,904.1
2018	483.7	565.3	1,049.1	188.6	105.1	293.7	293.1	109.3	402.4	159.7	-	159.7	1,125.2	779.7	1,904.9
2019	484.7	565.3	1,050.1	187.2	105.1	292.2	293.1	109.3	402.4	157.4	-	157.4	1,122.5	779.7	1,902.2
2020	483.8	565.3	1,049.1	187.6	105.1	292.7	293.2	109.3	402.5	157.1	-	157.1	1,121.7	779.7	1,901.4
2021	483.6	565.3	1,049.0	187.7	105.1	292.8	290.5	109.3	399.8	157.6	-	157.6	1,119.5	779.7	1,899.2
2022	481.2	565.3	1,046.6	185.0	105.1	290.0	293.3	109.3	402.6	157.5	-	157.5	1,117.0	779.7	1,896.7
2023	483.2	565.3	1,048.6	188.2	105.1	293.2	289.1	109.3	398.4	157.3	-	157.3	1,117.8	779.7	1,897.5
2024	483.3	565.3	1,048.7	188.1	105.1	293.1	293.1	109.3	402.4	157.7	-	157.7	1,122.3	779.7	1,902.0
2025	482.5	565.3	1,047.8	188.1	105.1	293.2	293.1	109.3	402.4	157.0	-	157.0	1,120.8	779.7	1,900.5
2026	482.6	565.3	1,047.9	188.3	105.1	293.3	291.5	109.3	400.8	157.3	-	157.3	1,119.7	779.7	1,899.3
2027	483.3	565.3	1,048.6	188.2	105.1	293.2	291.3	109.3	400.6	157.4	-	157.4	1,120.1	779.7	1,899.8
2028	483.3	565.3	1,048.6	188.3	105.1	293.4	293.1	109.3	402.4	157.5	-	157.5	1,122.2	779.7	1,901.9
2029	483.4	565.3	1,048.7	188.3	105.1	293.3	291.3	109.3	400.5	157.4	-	157.4	1,120.2	779.7	1,899.9
2030	483.4	565.3	1,048.7	188.3	105.1	293.3	293.1	109.3	402.4	157.4	-	157.4	1,122.2	779.7	1,901.8
2031	480.7	565.3	1,046.0	188.3	105.1	293.4	315.6	109.3	424.9	155.0	-	155.0	1,139.7	779.7	1,919.4
2032	383.9	565.3	949.3	166.9	105.1	271.9	226.3	109.3	335.6	122.9	-	122.9	899.9	779.7	1,679.6
2033	79.5	565.3	644.8	36.4	105.1	141.4	-	109.3	109.3	14.6	-	14.6	130.4	779.7	910.1
2034	74.6	553.3	627.9	-	105.1	105.1	-	109.3	109.3	12.2	-	12.2	86.8	767.6	854.4
2035	50.6	480.9	531.4	-	78.9	78.9	-	104.8	104.8	-	-	-	50.6	664.6	715.1
2036	50.6	371.1	421.6	-	41.9	41.9	-	93.8	93.8	-	-	-	50.6	506.8	557.4
2037	50.6	279.2	329.7	-	22.1	22.1	-	80.1	80.1	-	-	-	50.6	381.4	431.9
2038	50.6	203.3	253.9	-	8.4	8.4	-	66.2	66.2	-	-	-	50.6	277.9	328.4
2039	-	146.2	146.2	-	-	-	-	52.2	52.2	-	-	-	-	198.3	198.3
2040	-	101.0	101.0	-	-	-	-	37.7	37.7	-	-	-	-	138.7	138.7
2041	-	63.3	63.3	-	-	-	-	23.9	23.9	-	-	-	-	87.2	87.2
2042	-	34.5	34.5	-	-	-	-	12.4	12.4	-	-	-	-	46.9	46.9
2043	-	14.9	14.9	-	-	-	-	5.3	5.3	-	-	-	-	20.2	20.2
2044	-	5.0	5.0	-	-	-	-	1.7	1.7	-	-	-	-	6.7	6.7
2045	-	1.0	1.0	-	-	-	-	0.3	0.3	-	-	-	-	1.3	1.3

Notes:

Does not include debt service for State Service Contract Bonds and Convention Center Bonds, which is paid by NY State. Also excludes COPS lease payments.

Includes interest budgeted for Transportation Revenue Commercial Paper and bonds for defeasance of CP in 2009.

Does not include effect of deferred gain from debt restructuring and prepayments of debt service in 2003 for 2004 and 2005.

This page has been intentionally left blank

Payroll

Payroll

Payroll expenses from 2005 through 2008 were influenced by a number of different factors including Programs to Eliminate the Gap (PEGs), pattern settlement increases, Global Insight inflation assumptions, deferred salaries & wages, capital project activity and technical adjustments. Pattern settlement increases were assumed for represented personnel (either settled or pending). Regional CPI growth was assumed for 2005 and outer years for non-represented personnel and represented personnel upon contract expiration.

The February Financial Plan incorporates the 2005 PEG Program into the baseline, reducing Payroll expenses by \$50.5 million in 2005. This was primarily the result of NYCT, LIRR, MNR and MTAHQ PEG reductions of \$25.4 million, \$11.1 million, \$6.4 million and \$6.6 million, respectively. 2006 reductions of \$69.2 million were primarily the result of NYCT, LIRR, MNR and MTAHQ PEG reductions of \$39.3 million, \$13.2 million, \$8.7 million and \$6.9 million, respectively. 2007 reductions of \$66.8 million were primarily the result of NYCT, LIRR, MNR and MTAHQ PEG reductions of \$34.5 million, \$15.2 million, \$8.9 million and \$7.1 million, respectively. 2008 reductions of \$76.3 million were primarily the result of NYCT, LIRR, MNR and MTAHQ PEG reductions of \$45.0 million, \$15.2 million, \$7.9 million and \$7.3 million, respectively.

Results of collective bargaining for MTA Agencies are a major driving force on payrolls. As of January 2005, 35 units (56%) representing 47,077 employees (86%) have settled contracts through 2005 and 2006. Most of the remaining 27 units representing 7,497 employees are in negotiations. In general, MTA Agencies reflect pattern bargaining agreement increases of 3.0% in 2005 and 2006.

Inflation assumptions used in the 2005 Budget were derived from Global Insight. The All Urban Consumers (CPI-U) effective rates for the MTA Region were as follows: 2005-1.93%, 2006-1.24%, 2007-1.94%, and 2008-2.09%.

Technical adjustments incorporated into the February Plan from the December Budget increased payroll expenses by \$8.0 million in 2005, \$8.1 million in 2006, \$8.1 million in 2007 and \$8.0 million in 2008. These unfavorable adjustments were mostly due to NYCT reclassifying 110 positions from reimbursable to non-reimbursable. However, changes to overhead rates in 2005 (based on an FTA management audit of NYCT overhead rates in early 2004) shifted some expenses from non-reimbursable to reimbursable which essentially offset the impact of the position reclassification.

Payroll Assumptions: 2005

MTA Agency payroll expenses in 2005 primarily reflect pattern bargaining agreement increases of 3.0% for represented employees and 1.93% for non-

represented employees. NYC Transit payroll increases reflect primarily in-place contracts with an effective rate in 2005 of 3.0%. Long Island Rail Road payroll increases reflect pattern bargaining agreements of 3.0% annually for represented employees and CPI increases for management employees of 1.93%. Metro-North railroad agreement wages include an annual wage increase of 3.0% based on pending patterned labor settlements. MNR non-agreement salaries include a CPI-based increase of 2.0%. Bridges & Tunnels payroll expenses in 2005 resulted primarily from the annualizing of salaries for 2004 hires and expected adjustments in salaries due to pattern bargaining agreements (settled and pending), and CPI-U adjustments provided by Global Insight. Payroll increases in LI Bus, Headquarters, Staten Island Railway and Capital Construction primarily reflect pattern bargaining agreements (settled and pending), and CPI-U adjustments provided by Global Insight.

Both NYC Transit and Metro-North Railroad had unfavorable Salaries & Wage cash adjustments in 2005 of \$10.2 million and \$13.5 million, respectively, due to timing differences as a result of anticipated retroactive wage settlements delayed to 2005.

From 2004 to 2005, MTA Agencies had additional labor expense increases primarily for employee vacancies, customer service and amenities improvements, increased maintenance of equipment, and security upgrades.

NYCT reimbursable payroll expenses decreased by \$23.6 million from 2004 to 2005 due to the completion of significant capital projects.

Payroll Assumptions: 2006 – 2008

MTA Agency payroll expenses in 2006 through 2008 primarily reflect CPI rate increases provided by Global Insight. NYC Transit 2006 through 2008 includes primarily CPI rate increases of 1.43% in 2006, 1.86% in 2007 and 2.08% in 2008. Long Island Rail Road payroll increases reflects pattern bargaining agreements of 3.0% annually for represented employees in 2006 and CPI increases for management employees of 1.24% for 2006. LIRR payroll increases in 2007 and 2008 include CPI increases for both represented and non-represented employees of 1.94% and 2.09%, respectively. Metro-North Railroad payroll increases reflects pattern bargaining agreements of 3.0% annually for represented employees in 2006 and CPI increases for management employees of 1.24% for 2006. MNR payroll increases in 2007 and 2008 include CPI increases for both represented and non-represented employees of 2.0% and 2.10%, respectively. Payroll increases in Bridges & Tunnels, LI Bus, Headquarters, Staten Island Railway and Capital Construction primarily reflect pattern bargaining agreements (settled and pending) and CPI-U adjustments provided by Global Insight.

From 2006 to 2008, MTA Agencies have additional labor expense increases primarily for on-going safety improvements to systems and facilities and increased maintenance of equipment.

This page has been intentionally left blank

Pensions

MTA Consolidated Pensions

MTA Consolidated Pensions February Financial Plan - 2005 Adopted Budget (\$ in millions)						
		2004 Final Estimate	2005 Adopted Budget	2006	2007	2008
Accrual						
	Non-Reimbursable	\$486	\$638	\$729	\$753	\$755
	Reimbursable	18	29	34	37	37
	Total	505	667	764	790	792
Cash		\$401	\$481	\$719	\$775	\$783

The December Plan reflected changes from the November Plan to MNR's pension expenses. The November Financial Plan had assumed MNR's contributions to the MTA Defined Benefit Plan (MTA DB Plan) would be higher. Additionally, the November Plan had assumed higher contributions to the MNR Defined Contribution plan in 2004. The changes made in December resulted in decreases to Pension expenses. On a total Non-Reimbursable and Reimbursable accrual basis these favorable changes were \$9 million in 2004 and \$4 million in each of the other years. No other agency had Pension changes from the November to December plans.

MTA Consolidated Pensions February Financial Plan vs. December Financial Plan Favorable / (Unfavorable) (\$ in millions)						
		2004	2005	2006	2007	2008
Accrual						
	Non-Reimbursable	\$0	\$3	\$7	\$6	\$7
	Reimbursable	0	0	0	(1)	(1)
	Total	0	3	7	5	6
Cash		\$0	\$3	\$6	\$5	\$6

Incorporating the 2004 and 2005 Programs to Eliminate the Gap (PEGs) into the baseline resulted in overall decreases to Pension expenses at several agencies. This

was the result of position reductions. NYCT, MNR and MTAHQ contributed almost entirely to these favorable changes. NYCT's PEG-related Pension savings were \$2 million, \$3 million, \$3 million and \$4 million in 2005 to 2008, respectively. MNR had PEG-related savings in its Pension expenses of less than \$1 million in 2005 and approximately \$2 million in each of the following years. MTA HQ had favorable Pension changes of nearly \$1 million in each year as a result of incorporating its PEGs into the baseline. Other agencies had no or only slight changes to their Pension expenses as a result of the PEGs.

MTAHQ had technical changes to the Financial Plan that resulted in Pension increases of \$0.3 million in each of the years. Other agencies had little or no technical changes to their Pension expenses.

Accrual Assumptions

Annual accrued pension costs are estimated to increase \$163 million over the 2004 level. The bulk of the increase or \$142 million is due to NYCERS. This is consistent with the certification by the Chief Actuary of the New York City Pension Plans. It is in part due to the amortization of the past losses resulting from the bear market for 2000 to 2002. There is also an increase in the MTA DB Plan which assumes that some 3,400 represented employees from MNR will choose to transfer from the Defined Contribution Plan to the MTA DB Plan. These projections reflect the October 2004 valuation prepared by the independent actuarial firm of Milliman, USA.

The increase from 2005 to 2006 is \$96 million, of which \$90 million is in the NYCERS Plan that reflecting the continued amortization of the losses in the equities that resulted from the bear market. The increase from 2006 to 2007 is approximately \$27 million, almost all of which is in the NYCERS Plan and continues to reflect the amortization of the losses. The change to 2008 is very modest in large part because by that time all the NYCERS losses will have been amortized and the balance is just adjustments throughout the other pension plans.

Cash Assumptions

The significant change between cash and accrual in 2004 and 2005 resulted from a number of factors. For the NYCERS Plan the accruals recognize liabilities sooner than the required cash payments. For the MaBSTOA, LIRR and MNR pension plans prior year payments reduce the cash needs in 2004 and 2005. Recently enacted New York State legislation provided for a one-time cash benefit in 2004 by delaying a December payment to January for the NYSLRS plans. For 2006 to 2008 the differences between accrual and cash are far less significant.

Other Baseline Assumptions

OTHER BASELINE ASSUMPTIONS

HEALTH & WELFARE

All of the MTA agencies were instructed to use the same inflators for Health and Welfare based on information provided by New York State after taking into account the Empire Plan's most recent report. An inflator of 12.9% over 2004 is assumed for 2005. For 2006 through 2008, annual increases of 9.3% were assumed for each year.

The February Plan incorporates the 2005 PEG program into the baseline; thereby, reducing Health & Welfare costs by \$21.3 million in 2005. This was primarily the result of NYCT, LIRR and MNR PEG reductions of \$16.9 million, \$2.4 million and \$1.2 million, respectively. 2006 reductions of \$26.2 million were primarily the result of NYCT and LIRR PEG reductions of \$22.0 million and \$2.9 million, respectively. 2007 reductions of \$25.9 million were primarily the result of NYCT and LIRR PEG reductions of \$21.2 million and \$3.3 million, respectively. 2008 reductions of \$27.2 million were primarily the result of NYCT and LIRR PEG reductions of \$22.5 million and \$3.3 million, respectively.

A large part of the H&W PEG savings, \$11.8 million in each year between 2005 and 2008, was the result of management actions taken by NYCT's Employee Benefits office to remove ineligible employees, retirees and dependents from certain insurance coverage.

ENERGY

Traction and Propulsion

Varying inflators and assumptions were used for this expense category due to the unique nature of each agency's operations and needs. New York City Transit and Staten Island Railway applied NYPA rate increases of 5.3% for years 2005-2008. Long Island Rail Road, on the other hand, used historical data, the M-7 delivery schedule, and price inflators to calculate expenses for years 2005-2008. In addition to CPI increases, Metro-North Railroad had included a \$2.1 million provision for power cost increases in 2005. For years 2005-2008, Metro-North incorporated the net effect of new car procurements/retirements and service plan enhancements with the completion of the Harlem third track.

Agency projections for power reflect current contracts with utilities. Changes since the November Plan primarily reflect usage adjustments. New York City Transit reduced its expenses by \$3.5 million annually as a result of a technical adjustment in the re-classification of non-traction and propulsion power expenses to Maintenance and Operating Contracts. Metro-North, Long Island Rail Road and Staten Island Railroad reduced expenses collectively by \$1.6 in 2005 and

\$1.9 million in years 2006-2008 due to the incorporation of the 2005 PEG Program into the baseline. Long Island Rail Road estimates reflect the latest LIPA increases of \$8 million annually.

Fuel for Buses and Trains

In years 2005-2008, New York City Transit used deflation assumptions, which were applied based upon Global Insight's estimates. Similarly, for years 2005-2008, Long Island Bus applied deflation assumptions based upon Global Insight's estimates, which included adjustments to reflect lower natural gas prices.

A re-classification of expenses within paratransit at New York City Transit reduced costs by \$1.1 million, \$1.3 million, 1.5 million and \$1.8 million in years 2005, 2006, 2007 and 2008, respectively. New York City Transit, Metro-North and Long Island Railroad reduced expenses collectively by \$0.5 million, \$2.0 million, \$2.5 million and \$2.5 million in years 2005, 2006, 2007 and 2008, respectively, due to the incorporation of the 2005 PEG Program into the baseline.

Expected Energy Increases

MTA included a provision of \$52 million annually, which was allocated to New York City Transit, Long Island Rail Road and Metro-North to cover expected electricity and fuel increases in 2005 through 2008.

MTA agencies receive electric power from the New York Power Authority (NYPA) within New York City and Westchester, from the Long Island Power Authority (LIPA) in Nassau and Suffolk Counties, from Connecticut Light & Power (CL&P) and other utilities in Connecticut, and from New York State Electric & Gas Corporation (NYSEG) in upstate New York.

NYPA costs include the cost of supply as well as the delivery charges from Con Edison. NYPA supply rates were estimated to increase by 21.6% in 2005, or approximately \$40 million. Delivery rates were estimated to go up 2% as well as part of the NYPA cost. For LIPA, there are proposed increases related to tariff changes and fuel cost adjustments. For CL&P, NYSEG and other smaller accounts, it is estimated that there will be increases related to the cost of fuel. Agency budgets reflect increases in 2005 based on rate proposals as of November 2004.

INSURANCE

Assumptions in the February Plan are consistent with those made during the November Plan in which Agencies used a growth rate in the range of 10% per annum, a realistic assumption for this category. The result will be increased Insurance costs for Agencies in each year of the Plan.

The 2005 Adopted Budget reflects the incorporation of First Mutual Transportation Assurance Company (FMTAC) financials into the MTA-consolidated Plan. This technical adjustment results in a reduction of MTA-wide insurance costs as any Agency insurance premiums that go to FMTAC (instead of an outside carrier) have to be credited against insurance expenses. This adjustment results in the following reductions to MTA-wide insurance costs between the December and February Plans: 2004 - \$33.8 million; 2005 - \$43.2 million; 2006 - \$44.2 million; 2007 - \$45.0 million; 2008 - \$46.0 million. Note that any technical adjustments involving FMTAC will have no impact on MTA cash.

CLAIMS

The incorporation of FMTAC financials into the MTA-consolidated Plan results in an increase of MTA-wide claims expenses as this line item now captures the claims payments made by FMTAC to other MTA Agencies. This technical adjustment results in the following increases to MTA-wide claims expenses: 2004 - \$40.0 million; 2005 - \$34.7 million; 2006 - \$38.2 million; 2007 - \$42.0 million; 2008 - \$46.2 million.

The incorporation of NYCT's 2005 PEG program into the baseline is reducing Claims expenses by approximately \$2.0 million for each year from 2005 to 2008.

MAINTENANCE AND OTHER OPERATING CONTRACTS

Increases in Maintenance and Other Operating Contracts for all Agencies for 2005-2008 were inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

NYC Transit's expenses in 2005 are projected to increase by approximately \$43 million over 2004, largely due to increased facilities and renovation expenses. These facilities and renovation expenses (\$32.0 million) include costs for moving, security, furniture, design, communications, wiring, additional rent provisions and other improvements, and are part of NYCT's plan to relocate employees. This relocation includes the movement of employees from Livingston Plaza to 2 Broadway, from Jay Street to Livingston Plaza and the movement of its Paratransit Operation to Long Island City. MTA Bridges & Tunnels expenses are expected to increase \$4.2 million in 2005, primarily due to higher maintenance expenses, E-ZPass expenses, and CPI increases for other expenses. B&T also is increasing its expenses by \$15.9 million in 2006 and \$11.6 million 2007, primarily due to new bridge painting requirements at the Henry Hudson, Verrazano-Narrows, and Triborough Bridges.

NYCT technical adjustments are increasing these expenses by approximately \$3.5 million for each year from 2005 to 2008 as a result of the re-classification of

non-traction and propulsion power expenses from the expense category Traction and Propulsion Power.

The incorporation of the 2005 PEG program into the baseline is reducing these costs by \$11.7 million in 2005. This is primarily the result of LIRR, NYCT, MTAHQ and MNR PEG reductions of \$5.1 million, \$2.5 million, \$2.5 million and \$1.6 million, respectively. 2006 reductions of \$7.5 million are primarily the result of LIRR, MTAHQ and MNR PEG reductions of \$3.2 million, \$2.6 million and \$1.6 million, respectively. 2007 reductions of \$6.7 million are primarily the result of LIRR, MTAHQ and MNR PEG reductions of \$3.3 million, \$2.7 million and \$1.1 million, respectively. 2008 reductions of \$11.0 million are primarily the result of NYCT, LIRR and MTAHQ PEG reductions of \$5.5 million, \$3.3 million and \$2.8 million, respectively.

PROFESSIONAL SERVICE CONTACTS

Professional Service Contracts for all Agencies for 2005-2008 were inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

The incorporation of the 2005 PEG program into the baseline is reducing these costs by \$11.9 million in 2005. This is primarily the result of MTAHQ, NYCT and LIRR PEG reductions of \$4.9 million, \$3.4 million and \$3.2 million, respectively. 2006 reductions of \$12.2 million are primarily the result of MTAHQ, NYCT and LIRR PEG reductions of \$7.1 million, \$2.5 million, and \$2.1 million, respectively. 2007 reductions of \$12.9 million are primarily the result of MTAHQ, the LIRR and NYCT PEG reductions of \$7.3 million, \$2.6 million and \$2.6 million, respectively. 2008 reductions of \$13.2 million are primarily the result of MTAHQ, LIRR and NYCT PEG reductions of \$7.5 million, \$2.7 million and \$2.6 million, respectively.

NYCT technical adjustments are reducing these expenses by approximately \$6.1 million for each year from 2005-2008 largely due to the reclassification of Inspector General expenses to MTA Headquarters Other Business Expenses.

MATERIALS & SUPPLIES

Materials and Supplies costs for all Agencies for 2005-2008 were inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

The incorporation of the 2005 PEG program into the baseline is reducing these costs by \$15.3 million in 2005. This is primarily the result of LIRR and NYCT PEG reductions of \$11.5 million and \$5.1 million, respectively. 2006 reductions of \$6.4 million were primarily the result of a \$7.5 million LIRR PEG reduction. The impact of 2007 PEGs was actually an increase in costs. NYCT had a \$12.0 million increase in costs for 2007 due to the implementation of a PEG which

changes the bus upgrade cycle from three to four years. This will result in savings overall, but will increase costs in 2007. The LIRR had \$8.1 million in savings. 2008 reductions of \$19.9 million were primarily the result of NYCT and LIRR PEG reductions of \$13.3 million and \$8.2 million, respectively.

NYC Transit's non-reimbursable expenses are increasing by \$24.2 million in 2005 over 2004, largely due to the timing of programs/expenses. MTA Bridges and Tunnels expenses are increasing in 2005 by \$8.4 million, which is primarily due to greater requirement for tag purchases, the E-ZPass tag swap program, and for the toll increase. LIRR costs increase significantly in 2006 and outer years as a result of its commitment to Life Cycle Maintenance for its fleet.

OTHER BUSINESS EXPENSES

Other Business Expenses for all Agencies for 2005-2008 were inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

MTA Headquarters technical adjustment are increasing these expenses by more than \$10 million for each year from 2005-2008 largely due to the reclassification of IG expenses. The technical adjustment incorporating FMTAC into MTA consolidated financials is increasing other business expenses by approximately \$3.5 million for each year from 2005-2008.

This page has been intentionally left blank