

III. Major Assumptions 2004-2008 Projections

Utilization
(Revenue, Ridership, Vehicle Traffic)

UTILIZATION – Baseline Before Gap-Closing Actions

2004 Ridership and Revenue

In 2004, ridership on the various MTA services is expected to increase on all MTA operations, as is vehicular traffic at MTA Bridges and Tunnels facilities. MTA consolidated ridership is projected to increase 2.5% in 2004, while traffic is expected to increase 1.3%. Ridership increases are projected to be 2.7% for New York City Transit and 1.2% for Metro-North Railroad's east-of-Hudson service, with a decline of 0.5% for Long Island Rail Road.

With last year's fare and toll increases instituted in May 2003, these increases continue to have an impact on 2004 fare and toll revenue levels when compared with 2003 results. MTA consolidated fare revenue is projected to increase 7.3% while toll revenue is expected to increase 6.7%. Fare revenue increases are projected to be 7.7% for New York City Transit, 5.6% for Long Island Rail Road, and 7.6% for Metro-North Railroad's east-of-Hudson service.

MTA consolidated ridership for 2004 in the November Financial Plan is 2.5 million fewer trips than was projected in the July Financial Plan, and vehicular crossings at Bridges and Tunnels facilities is 0.4 million less than in the July Financial Plan. The projection for New York City Transit ridership is 2.3 million less than the 2004 Mid-Year Forecast projection, and the 2004 November Forecast for Commuter Railroad ridership is modestly lower, down 0.2 million trips from the 2004 Mid-Year Forecast for Long Island Rail Road and with no change in the number of trips for Metro-North Railroad.

The MTA consolidated fare revenue projection for the 2004 November Forecast is \$0.6 million lower than the 2004 Mid-Year Forecast, while projected toll revenue is \$3.3 million greater than the 2004 Mid-Year Forecast. The 2004 November Forecast for New York City Transit fare revenue projection is \$0.2 million lower than the 2004 Mid-Year Forecast level, while fare revenue for the Commuter Railroads has been left unchanged.

2004 November Forecast projections are based on actual results through August 2004 for New York City Transit, Staten Island Railway, Metro-North Railroad and Bridges and Tunnels, and through September 2004 for Long Island Rail Road and Long Island Bus.

The changes in fare revenue, toll revenue, ridership and traffic – from the 2004 Mid-Year Forecast to the 2004 November Forecast – are primarily due to slower than anticipated recovery of jobs as a result of the lingering impacts of the regional recession and the service impacts and security concerns surrounding the Republican National Convention, which took place at the end of August. At B&T facilities, while traffic is down slightly, a greater percentage of overall traffic has been on the major facilities, resulting in a higher than anticipated average toll per crossing and, subsequently, greater toll revenue than projected in the 2004 Mid-Year Forecast.

2005 Ridership and Revenue

In 2005, ridership for each MTA service is expected to increase, as is vehicular traffic at MTA Bridges and Tunnels facilities. MTA consolidated ridership is projected to increase 1.4% in 2005, while traffic is expected to increase 0.6%. Ridership increases are projected to be 1.4% for New York City Transit, 0.7% for Metro-North Railroad's east-of-Hudson service, and 1.1% for Long Island Rail Road. MTA consolidated fare revenue is projected to increase 1.6% in 2005 over the 2004 projection, while toll revenue is expected to increase 0.5%. Fare revenue increases are projected to be 1.5% for New York City Transit, 1.5% for Long Island Rail Road, and 2.9% for Metro-North Railroad's east-of-Hudson service.

2005 MTA consolidated ridership is 4.4 million trips greater than ridership projected in the July Financial Plan, and the forecast Bridges and Tunnels vehicular traffic is 0.7 million greater than the July Financial Plan projection. Ridership projections for New York City Transit have increased by 4.4 million trips, and but ridership for Long Island Rail Road is now expected to be 0.2 million trips fewer than anticipated in the July Financial Plan.

Farebox revenue in the 2005 Final Proposed Budget is \$18.8 million improved from the 2005 Preliminary Budget, and toll revenue has also improved, up \$7.5 million from the 2005 Preliminary Budget. The New York City Transit farebox revenue estimate is \$18.8 million greater than projected in the 2004 Mid-Year Forecast, but Long Island Rail Road farebox revenue is \$0.1 million less than the 2005 Preliminary Budget, and farebox revenue for Long Island Rail Bus has also declined, down \$0.4 million.

2006 – 2008 Ridership and Revenue

For 2006 through 2008, MTA consolidated ridership is projected to increase by an average of 1.1% each year, while traffic is expected to increase by an average of 0.4% each year. Annual MTA consolidated fare revenue growth is projected to average 1.2% each year, while annual toll revenue growth is projected to average 0.3% each year.

MTA consolidated ridership is projected to be 3.0 million greater than the July Financial Plan estimate in 2005, but 0.3 million lower in 2007 and 7.7 million lower in 2008. For 2006 and 2007, NYCT ridership is now projected to be modestly greater than the July Financial Plan projections – up 4.0 million in 2006 and up 0.2 million in 2007 – but 2008 NYCT ridership is now expected to be 6.5 million lower than was projected in the July Financial Plan. Commuter Railroad ridership projections are lower than the projections in the July Financial Plan, down 0.9 million in 2006, down 0.5 million in 2007 and down 0.2 million in 2008. B&T traffic projections for 2006 and 2007 are marginally greater than projections in the July Financial Plan, up 0.7 million trips in 2006 and up 0.3 million in 2007, but traffic projections for 2008 are 0.1 million lower than the July Financial Plan estimate.

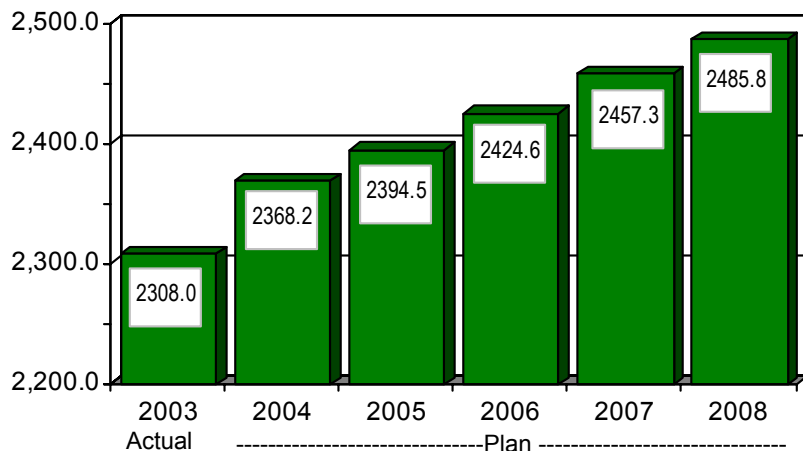
Compared with the July Financial Plan, MTA consolidated fare revenue is projected to be greater for 2006 to 2008. In 2006, MTA consolidated revenue is \$13.4 million higher, \$11.1 million higher in 2007 and \$3.7 million higher in 2008. The increase is attributable to fare revenue improvement for New York City Transit, with increases in \$18.5 million in 2006, \$14.1 million in 2007 and \$6.0 million in 2008. Partially offsetting these improvements, fare revenue for Long Island Rail Road is lower than the July Financial Plan projections, down \$4.7 million in 2006, \$2.5 million in 2007 and \$1.9 million in 2008. B&T toll revenue shows modest increases from the July Financial Plan, increasing \$7.3 million 2006, \$6.0 million in 2007 and \$4.4 million in 2008.

Utilization After Gap-Closing Actions

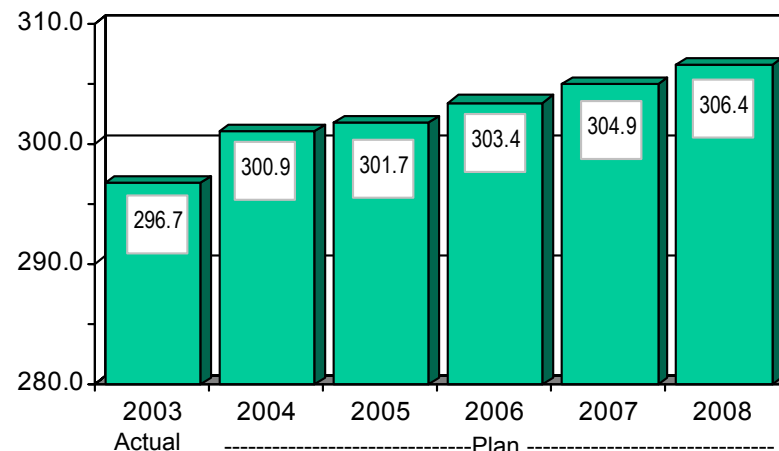
As the result of proposed fare and toll increases, which would be implemented no later than March 31, 2005 if approved, farebox and toll revenues will increase – and associated ridership and vehicular crossings will decline – during the November Financial Plan period of 2005 through 2008. Specific impacts are discussed in the “Program to Eliminate the Gap (PEG)” section of this volume.

MTA Consolidated Utilization – Baseline Before Gap-Closing Actions

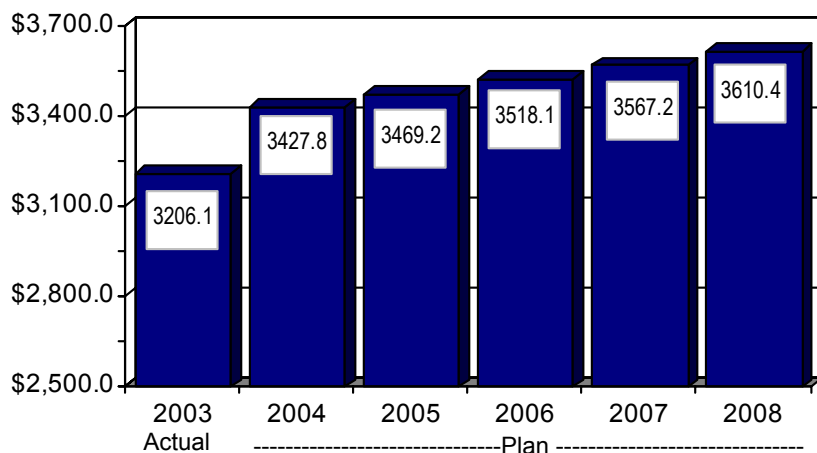
MTA Ridership (in millions)



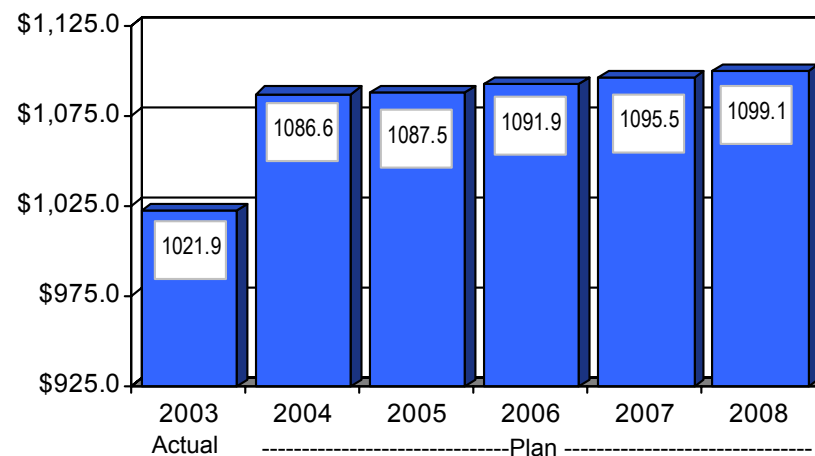
B&T Traffic (in millions)



MTA Fare Revenue (in millions)



B&T Toll Revenue (in millions)



Note: Metro-North Railroad ridership and fare revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only. Data exclude Paratransit operations and Fare Media Liability.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

MTA Agency Ridership and Traffic Projections, in millions

November Financial Plan 2005-2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Traffic					
Bridges & Tunnels	300.5	302.4	304.1	305.2	306.3
Ridership					
Long Island Bus ¹	30.0	30.1	30.2	30.4	30.5
Long Island Rail Road	80.5	81.4	82.4	83.9	85.0
Metro-North Railroad ²	71.3	71.8	73.0	73.7	74.5
New York City Transit ^{1, 3}	2,176.0	2,207.0	2,232.8	2,258.9	2,277.8
Staten Island Railway	3.4	3.4	3.4	3.5	3.5
<i>Total Ridership</i>	<i>2,361.2</i>	<i>2,393.7</i>	<i>2,421.8</i>	<i>2,450.3</i>	<i>2,471.3</i>

July Financial Plan 2005-2008 ⁴

	Mid-Year Forecast				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Traffic					
Bridges & Tunnels	300.9	301.7	303.4	304.9	306.4
Ridership					
Long Island Bus ¹	30.0	30.1	30.2	30.4	30.6
Long Island Rail Road	80.7	81.6	83.4	84.4	85.3
Metro-North Railroad ²	71.3	71.8	73.0	73.7	74.5
New York City Transit ^{1, 3}	2,178.4	2,202.6	2,228.8	2,258.7	2,284.2
Staten Island Railway	3.4	3.4	3.4	3.5	3.5
<i>Total Ridership</i>	<i>2,363.8</i>	<i>2,389.4</i>	<i>2,418.8</i>	<i>2,450.7</i>	<i>2,478.1</i>

Plan-to-Plan Changes

Favorable / (Unfavorable)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Traffic					
Bridges & Tunnels	(0.4)	0.7	0.7	0.3	(0.1)
Ridership					
Long Island Bus ¹	0.0	0.1	0.0	(0.1)	(0.2)
Long Island Rail Road	(0.2)	(0.2)	(0.9)	(0.5)	(0.2)
Metro-North Railroad ²	0.0	0.0	(0.0)	(0.0)	0.0
New York City Transit ^{1, 3}	(2.3)	4.4	4.0	0.2	(6.5)
Staten Island Railway	0.0	0.0	0.0	0.0	0.0
<i>Total Ridership</i>	<i>(2.5)</i>	<i>4.2</i>	<i>3.0</i>	<i>(0.4)</i>	<i>(6.8)</i>

¹ Excludes Paratransit Operations.

² Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

³ Excludes Fare Media Liability.

⁴ July Financial Plan has been adjusted to exclude impacts from Paratransit and Fare Media Liability.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

MTA Agency Fare and Toll Revenue Projections, in millions

November Financial Plan 2005-2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Toll Revenue					
Bridges & Tunnels	\$1,089.9	\$1,094.9	\$1,099.2	\$1,101.5	\$1,103.5
Fare Revenue					
Long Island Bus ¹	\$36.0	\$36.2	\$36.3	\$36.5	\$36.7
Long Island Rail Road	415.2	421.5	427.0	434.5	440.5
Metro-North Railroad ²	406.7	418.5	426.0	431.0	435.3
New York City Transit ^{1, 3}	2,547.5	2,585.1	2,617.2	2,649.7	2,673.3
Staten Island Railway	3.2	3.2	3.3	3.3	3.4
<i>Total Farebox Revenue</i>	<i>3,408.6</i>	<i>3,464.5</i>	<i>3,509.7</i>	<i>3,555.1</i>	<i>3,589.1</i>

July Financial Plan 2005-2008 ⁴

	Mid-Year Forecast				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Toll Revenue					
Bridges & Tunnels	\$1,086.6	\$1,087.5	\$1,091.9	\$1,095.5	\$1,099.1
Fare Revenue					
Long Island Bus ¹	\$36.0	\$36.0	\$36.3	\$36.4	\$36.4
Long Island Rail Road	415.2	421.6	431.6	437.0	442.3
Metro-North Railroad ²	406.7	418.5	426.0	431.0	435.3
New York City Transit ^{1, 3}	2,547.7	2,566.3	2,598.7	2,635.7	2,667.3
Staten Island Railway	3.2	3.2	3.3	3.3	3.4
<i>Total Farebox Revenue</i>	<i>3,408.8</i>	<i>3,445.7</i>	<i>3,495.9</i>	<i>3,543.3</i>	<i>3,584.7</i>

Plan-to-Plan Changes

Favorable / (Unfavorable)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Toll Revenue					
Bridges & Tunnels	\$3.3	\$7.5	\$7.3	\$6.0	\$4.4
Fare Revenue					
Long Island Bus ¹	\$0.0	\$0.1	\$0.1	\$0.1	\$0.3
Long Island Rail Road	0.0	(0.1)	(4.7)	(2.5)	(1.9)
Metro-North Railroad ²	0.0	0.0	(0.0)	0.0	0.0
New York City Transit ^{1, 3}	(0.2)	18.8	18.5	14.1	6.0
Staten Island Railway	0.0	0.0	0.0	0.0	0.0
<i>Total Farebox Revenue</i>	<i>(0.2)</i>	<i>18.8</i>	<i>13.9</i>	<i>11.7</i>	<i>4.4</i>

¹ Excludes Paratransit Operations.

² Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

³ Excludes Fare Media Liability.

⁴ July Financial Plan has been adjusted to exclude impacts from Paratransit and Fare Media Liability.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

2005 MTA Agency Ridership and Traffic Projections, in millions

	Mid-Year Forecast ⁴	Final Proposed Budget	Favorable / (Unfavorable)
Long Island Bus ¹	30.1	30.1	0.1
Long Island Rail Road	81.6	81.4	(0.2)
Metro-North Railroad ²	71.8	71.8	0.0
New York City Transit ^{1, 3}	2,202.6	2,207.0	4.4
Staten Island Railway	3.4	3.4	0.0
Total Ridership	2,389.4	2,393.7	4.2
 Bridges and Tunnels - Traffic	 301.7	 302.4	 0.7

2005 MTA Agency Fare and Toll Revenue Projections, in millions

	Mid-Year Forecast ⁴	Final Proposed Budget	Favorable / (Unfavorable)
Long Island Bus ¹	\$36.0	\$36.2	\$0.1
Long Island Rail Road	421.6	421.5	(0.1)
Metro-North Railroad ²	418.5	418.5	0.0
New York City Transit ^{1, 3}	2,566.3	2,585.1	18.8
Staten Island Railway	3.2	3.2	0.0
Total Farebox Revenue	\$3,445.7	\$3,464.5	\$18.8
 Bridges and Tunnels - Toll Revenue	 \$1,087.5	 \$1,094.9	 \$7.5

¹ Excludes Paratransit Operations.

² Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

³ Excludes Fare Media Liability.

⁴ July Financial Plan has been adjusted to exclude impacts from Paratransit and Fare Media Liability.

[This page intentionally left blank]

Subsidies

SUBSIDIES - Major Assumptions

Overview

As shown on the tables beginning on the next page, Dedicated Taxes & State and Local Subsidies for the current year total \$2.793 billion on an accrual basis, which is \$141 million higher than the 2004 Mid-Year Forecast. This is due largely to the substantially higher forecasts for real estate taxes, which reflect increases of \$208 million.

During the period 2005 to 2008, this financial plan projects that overall Dedicated Taxes & State and Local Subsidies will increase over the levels projected in the July 2004 Plan by \$129 million in 2005, \$106 million in 2006, \$119 million in 2007 and \$119 million in 2008. While these increases are significant, they are lower than the \$141 million plan-to-plan increase for the current year (2004). The primary reason for the projected drop between 2004 and 2005 is that this plan assumes that interest rates will continue to rise and as that happens, real estate revenues will drop below the 2004 level. The 2004 November Forecast reflects no changes to the Mid-Year Forecast MMTOA and Petroleum Business Tax levels. Based on year-to-date September receipts from these two taxes, the projection for the year is on target with the July Plan.

The following pages contain accrual and cash summary tables for the subsidies and dedicated taxes. Following these are additional tables detailing the changes between the November Plan and the July Plan. Detailed narratives describing each subsidy, forecast methodologies and explanations of changes since the July Plan follow. Note that the details of Bridges and Tunnels operations that produce the Operating Surplus Transfer subsidy are discussed in Volume 2. Details regarding the distribution of the B&T Operating Surplus Transfer are contained in the Appendix of this volume.

MTA Consolidated Subsidies
November Financial Plan 2005 - 2008
Accrual Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$768.9	\$867.2	\$905.3	\$937.6	\$972.5
Petroleum Business Tax (PBT) Receipts	554.6	551.6	552.8	556.5	559.3
Mortgage Recording Tax (MRT)	604.8	416.3	416.5	431.1	415.5
MRT Transfer to Suburban Counties	(61.8)	(15.7)	(15.7)	(16.3)	(15.7)
Use of MRT Prior Year Balances	81.2	38.7	0.0	0.0	0.0
Reimburse Agency Security Costs	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Urban Tax	301.2	232.6	247.5	274.4	278.5
Investment Income	4.9	9.8	12.0	12.0	13.2
	\$2,227.3	\$2,071.3	\$2,086.9	\$2,162.0	\$2,189.9
<i>State and Local Subsidies</i>					
State Operating Assistance	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy	7.4	10.5	10.5	10.5	10.5
CDOT Subsidy	51.3	54.4	59.5	67.3	72.9
Station Maintenance	127.9	129.7	132.0	134.7	137.7
	\$565.4	\$573.4	\$580.8	\$591.3	\$599.9
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,792.7	\$2,644.7	\$2,657.7	\$2,753.3	\$2,789.8
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$361.0	\$278.3	\$251.6	\$217.4	\$191.6
MTA Subsidy to Subsidiaries	43.8	36.0	31.3	33.2	34.0
	\$404.7	\$314.3	\$282.9	\$250.6	\$225.6
GROSS SUBSIDIES	\$3,197.4	\$2,959.0	\$2,940.6	\$3,003.9	\$3,015.3

MTA Consolidated Subsidies
November Financial Plan 2005 - 2008
Cash Basis
(\$ in millions)

	2004	2005	2006	2007	2008
<u>Subsidies</u>					
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$765.8	\$866.1	\$909.6	\$941.2	\$972.5
Petroleum Business Tax (PBT) Receipts	554.6	551.6	552.8	556.5	559.3
Mortgage Recording Tax (MRT)	604.8	416.3	416.5	431.1	415.5
MRT Transfer to Suburban Counties	(61.8)	(15.7)	(15.7)	(16.3)	(15.7)
Use of MRT Prior Year Balances	81.2	38.7	0.0	0.0	0.0
Reimburse Agency Security Costs	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Urban Tax	294.0	231.5	245.1	274.0	279.6
Investment Income	4.9	9.8	12.0	12.0	13.2
	\$2,217.1	\$2,069.0	\$2,088.8	\$2,165.1	\$2,191.0
<i>State and Local Subsidies</i>					
State Operating Assistance	\$194.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance (18-b)	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy (includes 18-b local match)	7.4	10.5	10.5	10.5	10.5
CDOT Subsidy	51.3	54.4	59.5	67.3	72.9
Station Maintenance	126.1	128.5	130.1	132.6	135.4
	\$567.6	\$572.2	\$579.0	\$589.3	\$597.6
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,784.7	\$2,641.2	\$2,657.8	\$2,754.4	\$2,788.6
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$384.9	\$286.6	\$254.2	\$220.8	\$194.2
MTA Subsidy to Subsidiaries	43.8	36.0	31.3	33.2	34.0
	\$428.7	\$322.6	\$285.5	\$254.0	\$228.1
GROSS SUBSIDIES	\$3,213.3	\$2,963.8	\$2,943.3	\$3,008.4	\$3,016.7

MTA Consolidated Subsidies
November Financial Plan 2005 - 2008
Summary of Changes Between November Plan and July Plan
Accrual Basis
(\$ in millions)

	2004	2005	2006	2007	2008
<u>Subsidies</u>	<i>Favorable/Unfavorable</i>				
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Petroleum Business Tax (PBT) Receipts	0.0	0.0	0.0	0.0	0.0
Mortgage Recording Tax (MRT)	96.6	24.5	30.3	37.4	38.4
MRT Transfer to Suburban Counties	(42.3)	(0.9)	(1.1)	(1.4)	(1.5)
Use of MRT Prior Year Balances	(30.0)	30.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
Urban Tax	111.4	76.9	83.5	93.8	100.6
Investment Income	0.9	1.8	1.8	1.2	(0.7)
	\$136.7	\$132.2	\$114.5	\$131.0	\$136.9
<i>State and Local Subsidies</i>					
State Operating Assistance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Local Operating Assistance	0.0	0.0	0.0	0.0	0.0
Nassau County Subsidy	(0.0)	(5.1)	(6.7)	(10.1)	(14.1)
CDOT Subsidy	3.0	1.6	(1.8)	(0.2)	(1.0)
Station Maintenance	1.4	0.5	(0.4)	(1.3)	(2.7)
	\$4.5	(\$3.0)	(\$8.9)	(\$11.7)	(\$17.7)
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$141.2	\$129.3	\$105.6	\$119.4	\$119.1
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$361.0	\$278.3	\$251.6	\$217.4	\$191.6
MTA Subsidy to Subsidiaries	43.8	36.0	31.3	33.2	34.0
Additional State Aid	0.0	0.0	0.0	0.0	0.0
	\$7.3	\$1.0	(\$4.9)	(\$7.9)	(\$12.6)
GROSS SUBSIDIES	\$148.5	\$130.3	\$100.7	\$111.5	\$106.5

MTA Consolidated Subsidies
November Financial Plan 2005 - 2008
Summary of Changes Between November Plan and July Plan
Cash Basis
(\$ in millions)

	2004	2005	2006	2007	2008
<u>Subsidies</u>	<i>Favorable/Unfavorable</i>				
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	(\$0.5)	\$0.4	\$4.4	\$3.6	\$0.0
Petroleum Business Tax (PBT) Receipts	0.0	0.0	0.0	0.0	0.0
Mortgage Recording Tax (MRT)	96.6	24.5	30.3	37.4	38.4
MRT Transfer to Suburban Counties	(42.3)	(0.9)	(1.1)	(1.4)	(1.5)
Use of MRT Prior Year Balances	(30.0)	30.0	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0	0.0
Urban Tax	105.0	76.4	82.6	93.1	101.2
Investment Income	0.9	1.8	1.8	1.2	(0.7)
	\$129.7	\$132.1	\$118.0	\$134.0	\$137.5
<i>State and Local Subsidies</i>					
State Operating Assistance	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0
Local Operating Assistance	0.0	0.0	0.0	0.0	0.0
Nassau County Subsidy	(0.0)	(5.1)	(6.7)	(10.1)	(14.1)
CDOT Subsidy	3.0	1.6	(1.8)	(0.2)	(1.0)
Station Maintenance	1.5	1.4	0.2	(0.6)	(1.6)
	\$4.5	(\$1.9)	(\$8.3)	(\$10.9)	(\$16.6)
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$134.2	\$130.1	\$109.7	\$123.0	\$120.9
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$9.1	\$0.4	(\$1.0)	(\$4.5)	(8.7)
MTA Subsidy to Subsidiaries	(2.8)	1.7	(3.9)	(3.0)	(3.4)
	\$6.3	\$2.1	(\$4.9)	(\$7.5)	(\$12.2)
GROSS SUBSIDIES	\$140.5	\$132.3	\$104.8	\$115.6	\$108.7

METROPOLITAN MASS TRANSPORTATION OPERATING ASSISTANCE (MMTOA)

Metropolitan Mass Transportation Operating Assistance Taxes (MMTOA) consist of special State taxes imposed within the MTA Transportation District which, subject to State appropriation, supplement the general operating subsidies of transportation systems in the District. It comprises the following taxes: petroleum business tax (PBT), which is a small portion of the basic PBT imposed on petroleum businesses operating within New York State; sales tax of one-quarter of one percent (1/4%) imposed on sales and uses of certain tangible personal property and services; corporate franchise taxes imposed on certain transportation and transmission companies; and temporary corporate surcharges imposed on the portion of the franchise and other taxes of certain businesses attributable to the conduct of business within the transportation district.

The 2004 November Forecast reflects no changes to the Mid-Year Forecast MMTOA Tax levels. Based on year-to-date September receipts, the projection for the year is on target with the July Plan. Estimated Statewide MMTOA taxes for 2004 total approximately \$1,151.6 million, an increase of \$67.6 million over the 2003 level. Of this amount, \$1,086.6 million is allotted for Downstate transit properties. Of the Downstate share, \$174.6 million is earmarked to fund the State's 18-b obligations. The remainder is payable to New York City Transit for the benefit of NYCT and SIR, and to MTA for the benefit of Long Island Rail Road and Metro-North Railroad at a rate based on the percentage of the State Legislature's appropriation of all amounts from the MMTOA Account to such entities. For 2003, that percentage was 61.12% to NYCT and 27.71% to Commuter Railroads. Long Island Bus, city private buses and other downstate transportation properties also receive a portion of the MMTOA funds.

2004 November Forecast

The 2004 November Forecast maintains the July Plan's estimate of MMTOA cash receipts of \$737.7 million for NYCT, SIR and the Commuter Railroads, a \$6.8 million increase over 2003 level. In addition, \$28.1 million is allocated to Long Island Bus, with a resulting increase of \$13.3 million over the 2003 level. On an accrual basis MTA is forecasted to earn \$768.9 million in 2004. Actual through September year-to-date were assessed and the resulting projections for the year were right on target with those in the July Plan.

The 2004 November Forecast retains The July Plan's percentage allocations of MMTOA's downstate share that comes to MTA. NYCT/SIR's proposed appropriation is \$464.2 million or 56.5%, which reflects a decline in the percentage share to NYCT/SIR from 61.1% in 2003. As detailed in the July Plan Explanation, this is due to the State's use of some MMTOA funds to ensure that each downstate transit property would receive the same level of State aid as was

appropriated in 2003. Beginning in 2005, the MMTOA allocations are expected to revert to previous levels.

In 2004, allocation of the downstate share of MMTOA appropriations to the Commuter Railroads is \$273.6 or 26.5%, down from the 27.7% in the previous year.

2005 - 2008

In 2005, 2006, and 2007, MMTOA cash receipts are held at the July Plan levels. In each of the years, receipts are expected to be higher than the previous year's levels by \$100.3 million, \$43.5 million and \$31.6 million, respectively. On an accrual basis, 2005, 2006 and 2007 forecasts are \$98.4 million, \$38.0 million and \$32.3 million higher than the prior year.

The 2005 through 2008 forecasts assume the same growth rates as the July Plan. The tax growth rates are as follows:

	2005	2006	2007	2008
Sales Tax	3.7%	4.6%	4.4%	4.6%
Petroleum Business Tax	(1.5%)	0.5%	0.5%	0.5%
Corporate Franchise Tax	2.0%	0.0%	0.0%	0.0%
Corporate Tax Surcharge	4.2%	2.1%	2.7%	2.8%

It is also assumed that the allocation of the downstate share of MMTOA to NYCT/SIR and Commuter Railroads in calendar year 2005 is restored to 2003 appropriation levels for the period April 1 through December 31, and that full 2003 appropriation level is restored in 2006.

MMTOA STATE DEDICATED TAXES
November Financial Plan 2005 - 2008
Tax Yield Distribution 2003 - 2008
(\$ in millions)

	ACTUAL	FORECAST				
	2003	2004	2005	2006	2007	2008
<u>Forecast of MMTOA Gross Receipts:</u>						
Sales Tax	\$393.1	\$414.8	\$430.2	\$450.0	\$469.8	\$491.4
Gross Oil Company Receipts / PBT	125.8	144.2	142.1	142.8	143.5	144.2
Long-Lines Tax	51.9	69.6	71.0	71.0	71.0	71.0
1991 "Spin-Up" / 1995-1996 RAF Payment	0.0	0.0	0.0	0.0	0.0	0.0
Business Tax Surcharge	500.2	520.6	542.5	553.9	568.9	584.8
Investment Income	13.0	2.3	2.4	2.4	2.5	2.6
Total Gross Receipts Available for Allocation	\$1,084.0	\$1,151.6	\$1,188.1	\$1,220.1	\$1,255.7	\$1,294.0
<u>Allocation of Total Gross Receipts to DownState:</u>						
Total Gross Receipts	\$1,084.0	\$1,151.6	\$1,188.1	\$1,220.1	\$1,255.7	\$1,294.0
Less: Upstate Share of Gross Oil Company Receipts / PBT	(56.6)	(64.9)	(63.9)	(64.2)	(64.6)	(64.9)
Upstate Percent Share of Investment Income	5.28%	5.65%	5.39%	5.28%	5.15%	5.02%
Less: Upstate Share of Investment Income	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Net DownState Share Available for Allocation	\$1,026.7	\$1,086.6	\$1,124.1	\$1,155.7	\$1,191.0	\$1,229.0
Less: 18-B Adjustment	(161.1)	(174.6)	(161.1)	(161.1)	(161.1)	(161.1)
Adjusted Total Net DownState Share for Allocation	\$865.6	\$912.0	\$963.0	\$994.6	\$1,029.9	\$1,067.9
<u>Allocation of Total Net DownState Share to NYCT/SIR:</u>						
NYCT/SIR Share	61.12%	56.52%	60.57%	61.12%	61.12%	61.12%
From Total Net DownState Share	\$627.6	\$614.1	\$680.9	\$706.4	\$728.0	\$751.2
Less: 18-B Adjustment	(146.4)	(150.0)	(146.4)	(146.4)	(146.4)	(146.4)
Adjusted Total Net DownState Share	\$481.2	\$464.2	\$534.5	\$560.0	\$581.6	\$604.8
From Carryover	(17.9)	0.0	0.0	0.0	0.0	0.0
Total NYCT/SIR Share of Net DownState Share	\$463.2	\$464.2	\$534.5	\$560.0	\$581.6	\$604.8
Total SIR Share	1.4	1.4	1.7	1.7	1.8	1.9
Total NYCT Share of Net DownState Share	\$461.8	\$462.7	\$532.9	\$558.3	\$579.8	\$602.9
<u>Allocation of Total Net DownState Share to MTA:</u>						
MTA Share	27.71%	26.53%	27.46%	27.71%	27.71%	27.71%
From Total Net DownState Share	\$284.5	\$288.2	\$308.7	\$320.3	\$330.0	\$340.6
Less: 18-B Adjustment	(8.7)	(14.7)	(8.7)	(8.7)	(8.7)	(8.7)
Adjusted Total Net DownState Share	\$275.8	\$273.6	\$300.0	\$311.5	\$321.3	\$331.8
From Carryover	(8.1)	0.0	0.0	0.0	0.0	0.0
Total MTA Share of Net DownState Share	\$267.6	\$273.6	\$300.0	\$311.5	\$321.3	\$331.8
<u>Allocation of Total Net DownState Share to LIB:</u>						
LI Bus Share	1.57%	2.99%	2.99%	2.99%	2.99%	2.99%
Gross MTOA, MTOA Plus and Supplement	\$16.2	\$32.5	\$33.6	\$34.6	\$35.6	\$36.8
Less: Used for 18-B/other	(0.9)	(1.3)	(0.8)	(0.8)	(0.8)	(0.8)
Net MTOA, MTOA Plus and Supplement	\$15.3	\$31.2	\$32.8	\$33.7	\$34.8	\$35.9
From Carryover	(0.5)	(3.1)	(1.1)	4.4	3.6	0.0
Total LIB Share of Net DownState Share	\$14.8	\$28.1	\$31.6	\$38.1	\$38.4	\$35.9

PETROLEUM BUSINESS TAXES (PBT) (Trust Fund Taxes)

The Statewide Dedicated Funds Pool is the repository for revenues from the following dedicated taxes and fees: petroleum business taxes, a business privilege tax imposed on petroleum businesses operating in New York State; motor fuel taxes, an excise tax levied with respect to gasoline and diesel motor fuels; and motor vehicle fees that are derived mainly from vehicle registration and driver license fees. Subject to statutory allocation under current State Law, thirty-four percent (34%) of the Dedicated Funds Pool is currently deposited in the Mass Transportation Trust Fund (MTTF) for MTA's benefit. Amounts transferred from the MTTF Account to the MTA's Dedicated Tax Fund constitute MTTF Receipts. For the purposes of budget preparations MTTF Receipts are also referred to as PBT Receipts interchangeably. Eighty-five percent (85%) of the MTTF Receipts are payable to New York City Transit (NYCT) for the benefit of NYCT and SIR, and the remaining 15% to MTA for the benefit of LIRR and Metro-North.

MTA utilizes the MTTF Receipts (PBT) to pay debt service on MTA's Dedicated Tax Fund Bonds (DTF Bonds). Debt service on DTF Bonds is payable first from PBT Receipts and then, to the extent of any deficiency, from MMTOA Taxes. On an annual basis to date, PBT Receipts have been sufficient to meet all debt service commitments and no MMTOA Taxes have been used.

After debt obligations are satisfied, the remaining PBT funds are transferred for use by New York City Transit and the Commuter Railroads as a subsidy.

2004 November Forecast

The 2004 November Forecast assumes no changes in PBT Receipts from the Mid-Year Forecast. Actuals through September year-to-date were assessed and the resulting projections for the year were on target with those in the July Plan.

MTA 2004 PBT Receipts are estimated at \$554.6 million, an increase of \$88.9 million compared with the 2003 receipts. Of the MTA allocation, 85% or \$471.4 million is earmarked for New York City Transit and 15% or \$83.2 million for the Commuter Railroads.

2005 - 2008

The 2005 through 2008 forecasts inflate the 2004 level by the same growth rates applied in July Plan. As a result, there are no changes from the July Plan. The growth rates were:

	2005	2006	2007	2008
Base PBT	(1.7%)	0.5%	0.3%	0.5%
Supplemental PBT	1.3%	0.2%	1.2%	0.5%

SUMMARY OF DEDICATED TAX FUND PROJECTIONS
November Financial Plan 2005 - 2008
Tax Yield Distribution 2003 -2008
(\$ in millions)

	ACTUAL	FORECAST				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Base PBT Collections Available for Distribution	\$849.9	\$964.6	\$947.2	\$952.0	\$954.8	\$959.6
<i>Forecast of Supplemental PBT Collections for Distribution:</i>						
Supplemental PBT Collections	\$519.7	\$666.5	\$675.1	\$673.8	\$681.9	\$685.3
Month Cash Lag / DOT Special Programs	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Supplemental PBT Collections Available for Distribution	\$519.7	\$666.5	\$675.1	\$673.8	\$681.9	\$685.3
Total Net PBT Collections Available for Distribution	\$1,369.6	\$1,631.1	\$1,622.4	\$1,625.8	\$1,636.7	\$1,644.9
<i>Distribution Shares:</i>						
MTA Total	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Other Transit	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Highway Trust Fund	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
General Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Share Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Amount of Total Net Collections Available for the MTA:</i>						
MTA Total	\$465.7	\$554.6	\$551.6	\$552.8	\$556.5	\$559.3
NYCT/SIR Share of MTA Total	395.8	471.4	468.9	469.8	473.0	475.4
Commuter Railroad Share of MTA Total	<u>69.9</u>	<u>83.2</u>	<u>82.7</u>	<u>82.9</u>	<u>83.5</u>	<u>83.9</u>
MTA Total of Net Collections	\$465.7	\$554.6	\$551.6	\$552.8	\$556.5	\$559.3

MORTGAGE RECORDING TAXES (MRT)

Mortgage Recording Taxes consist of two taxes: Mortgage Recording Tax-1 (MRT-1) and Mortgage Recording Tax-2 (MRT-2).

MRT-1 is imposed on the borrower for recorded mortgages of real property situated in New York State, subject to certain exclusions, and collected by New York City and the seven other counties within the MTA's service area, at the rate of one-quarter of one percent ($1/4\%$) of the debt secured by certain real estate mortgages. It must be applied, first, to meet MTA Headquarters operating expenses and, second, to make deposits into the New York City Transit (NYCT) Account (55% of the remaining amount) and the Commuter Railroad Account (45% of the remaining amount).

Moneys in the NYCT Account are required to be used to pay operating and capital costs of the Transit Authority, its subsidiaries, and SIR. Moneys in the Commuter Railroad Account are required to be used first to pay up to \$20 million to the State Suburban Transportation Fund each year to finance certain types of highway capital projects in certain areas of the Transportation District. In the event the transfer would result in Commuter Railroad operating deficit, the amount of the deficit is appropriated to the MTA for Commuter Railroad operating purposes, and not transferred to the Suburban Fund. After first making the required transfers to the State Suburban Transportation Fund, the balance in the Commuter Railroad Account is required to be used to pay operating and capital costs of the commuter railroad operations of MTA, other than SIR.

MRT-2 is a tax imposed on the institutional lender. It consists of one-quarter of one percent ($1/4\%$) of certain recorded mortgages within New York State secured by real estate improved or to be improved by structures containing one to six dwelling units in the Authority's service area. MRT-2 Receipts are to be applied, first, to make deposits into the Payment Sub-accounts of Dutchess, Orange and Rockland counties and, second, to make deposits into the Corporate Purposes Sub-account for the purposes of paying operating and capital costs, including debt service and debt service reserve requirements, if any, incurred for the benefit of MTA, the Transit Authority and their respective subsidiaries.

Each year, MTA is required to transfer in equal quarterly installments, from the Corporate Transportation Account to the Metropolitan Transportation Authority's Dutchess, Orange and Rockland Fund (DORF) an annual amount of \$5.0 million, of which \$1.5 million is for each of the counties of Dutchess and Orange, and \$2.0 million is for the county of Rockland. Additionally, MTA must transfer from that Account to such fund for each of these three counties, respectively, an amount equal to the product of (i) the percentage by which such county's mortgage recording tax payment to MTA in the preceding calendar year increased over such payment in calendar year 1989 and (ii) \$1.5 million each for Dutchess and Orange Counties and \$2.0 million for Rockland County.

2004 November Forecast

Mortgage Recording Tax cash receipts for October 2004 year-to-date were \$69.3 million (15%) more than the Mid-year Forecast, and \$157.4 (42%) more than 2003 for the same period. Much of the favorable variance in the early months of 2004 were due to processing delays from heavy volume of mortgage recordings stemming from low interest rates that have continued from 2003 through 2004. Although the rate of mortgage recordings has shown signs of slowing due to moderate increases in interest rate in 2004, the volume remains relatively heavy stemming from continuing low interest rates that have fostered extraordinarily high levels of mortgage refinancing that have continued through 2004.

For the 2004 November Forecast, total MRT cash receipts are \$96.6 million higher than the 2004 Mid-Year Forecast. MRT-1 receipts on a cash basis are estimated at \$330.4 million, an increase of \$71.6 million over the July Plan, and MRT-2 receipts are estimated at \$274.3 million, an increase of \$24.9 million over the July Plan. Compared to 2003 receipts

The MRT forecast applies 16 models in total, with New York City and the seven suburban counties (8 jurisdictions) each having an MRT-1 model and an MRT-2 model, with each model forecasting tax collections. Models are time-series regression models, with a log-log specification. Tax collections are a function of the ten-year U.S. Treasury Note rate and population of the county (or New York City).

Global Insight's projection for the 10-year U.S. Treasury Note calls for a rate of 4.4% in 2004, unchanged from the July Plan. Interest rates for personal mortgages consistently rise and fall as the T-Note rate changes. Population forecasts for each county vary; for 2004, population increases are projected to be 0.3% for New York City, 0.4% for Nassau and Suffolk, 0.3% for Westchester, 1.4% for Putnam, 0.9% for Dutchess, 0.4% for Rockland and 1.6% for Orange. In the July Plan, population increases were projected to be 0.3% for New York City, 0.4% for Nassau and Suffolk, 0.3% for Westchester, 1.5% for Putnam, 0.6% for Dutchess, 0.4% for Rockland and 0.8% for Orange.

The 2004 November Forecast includes ten months of actual tax receipts. The last two months were derived from tax receipts for last two months of 2003, adjusted by impacts projected from the models.

Research of MRT historical tax yields and historical interest rate levels indicated that when interest levels dropped, mortgage activity climbed and conversely, when interest levels increased, mortgage activity dropped. At the end of 2003, leading forecasters were predicting that interest rates would increase steadily during 2004. This has not been the case and the volume of mortgage recording remained high, resulting in robust mortgage taxes in 2004.

Of the total MRT-1 Receipts of \$330.4 million, \$234.3 million is expected to be applied to the MTA Headquarters operating deficit in 2004. Of the total MRT-2 receipts available for transfer to MTA, after all required adjustments, NYCT/SIR share is estimated at \$260.4 million, and the Commuter Railroads share is estimated at \$45.9 million. These subsidy allocations include distribution of \$81.2 million of prior year MRT-2 collections.

2005 - 2008

While refinancing activity is expected to fall off as interest rates increase, the fall off is not expected to materially impact receipts until around the middle of 2005. Therefore, 2005 MRT collections have been estimated using a two-step process. The first half of 2005 is based on MRT collection levels for the first half of 2004, as well as the models' impacts on this base. The second half of 2005 is based on the second half of 2003; this base, along with the model impacts, is used to develop a model-based estimate for the second half of 2004, which in turn is run through the model to come to an estimate for the second half of 2005. The annual 2005 forecast are then used as the basis for projections for 2006 through 2008.

Global Insight's projection for the 10-year U.S. Treasury Note calls for rates of 5.3% in 2005, 5.5% in 2006, 5.5% in 2007 and 6.0% in 2008. These are slightly higher than the T-Note rate projections used in the July Plan: 5.1% for 2005, 5.4% for 2006 5.5% for 2007 and 6.0% for 2008. Annual population changes are consistent with the annual 2004 forecasts, and are unchanged from the July Plan projections.

In each of the years 2005, 2006, and 2007, total MRT collections on a cash basis were \$24.5 million, \$30.3 million, \$37.4 million and \$38.4 million higher than the July Plan, respectively.

Additional Assumptions

The MTA General Reserve is valued at \$40.0 million annually beginning in 2006 and is funded from MRT-2. Funding for the reserve is earmarked before the transfer to NYCT and Commuter Railroads subsidy accounts. In the July Plan, the reserve was \$30 million annually in 2004 through 2008. The unspent 2004 reserve was carried over for use in 2005. Also, MRT-2 funds the Agency Security Costs, which reimburses the agencies for security expenses. MTA Police manages the fund.

SUMMARY OF MORTGAGE RECORDING TAX PROJECTIONS

November Financial Plan 2005 - 2008

Tax Yield Distribution 2003 -2008

(\$ in millions)

	ACTUAL	FORECAST				
	2003	2004	2005	2006	2007	2008
MORTGAGE RECORDING TAX #261-1						

Receipts Available for Transfer to NYCT and CRs:

Total Gross Receipts	\$244.4	\$330.4	\$234.6	\$236.7	\$245.7	\$240.0
Less: MTAHQ Operating Deficit	(212.1)	(234.3)	(241.6)	(240.4)	(247.2)	(253.7)

Net Receipts Available for Transfer	\$32.3	\$96.2	(\$7.0)	(\$3.7)	(\$1.5)	(\$13.7)
--	---------------	---------------	----------------	----------------	----------------	-----------------

Allocation of Net Receipts to NYCT/SIR Account:

NYCT/SIR Share	55%	55%	55%	55%	55%	55%
From Net Receipts	\$17.8	\$52.9	(\$3.8)	(\$2.1)	(\$0.9)	(\$7.5)
Less: B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from MRT-2	0.0	0.0	3.8	2.1	0.9	7.5

Total NYCT/SIR Net Cash Share	\$17.8	\$52.9	\$0.0	\$0.0	\$0.0	\$0.0
--------------------------------------	---------------	---------------	--------------	--------------	--------------	--------------

Total SIR Net Cash Share	0.1	0.2	0.0	0.0	0.0	0.0
--------------------------	-----	-----	-----	-----	-----	-----

Total NYCT Net Cash Share	\$17.7	\$52.7	\$0.0	\$0.0	\$0.0	\$0.0
----------------------------------	---------------	---------------	--------------	--------------	--------------	--------------

Allocation of Net Receipts to Commuter Railroad Account:

Commuter Railroad Share	45%	45%	45%	45%	45%	45%
From Net Receipts	\$14.5	\$43.3	(\$3.1)	(\$1.7)	(\$0.7)	(\$6.2)
Less: B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Less: Suburban Debt Service	0.0	(38.9)	0.0	0.0	0.0	0.0
Transfers from MRT-2	0.0	0.0	3.1	1.7	0.7	6.2

Total Commuter Railroad Net Cash Share	\$14.5	\$4.3	\$0.0	\$0.0	\$0.0	\$0.0
---	---------------	--------------	--------------	--------------	--------------	--------------

MORTGAGE RECORDING TAX #261-2

Receipts Available for Transfer to NYCT and CRs:

Total Receipts to Corporate Account	\$206.5	\$274.3	\$181.7	\$179.8	\$185.5	\$175.5
Opening Fund Balance (starting in 1998)	159.3	119.9	38.7	0.0	0.0	0.0
Transfer (to)/from Agency Operating Accounts	(23.4)	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Reserve for Following Year/Cash Flow Provision	(119.9)	(38.7)	0.0	0.0	0.0	0.0
General Reserve	0.0	0.0	(40.0)	(40.0)	(40.0)	(40.0)
Investment Income	1.7	0.0	0.0	0.0	0.0	0.0

Total Receipts Available for Transfer	\$224.1	\$329.1	\$151.2	\$108.4	\$112.1	\$102.1
--	----------------	----------------	----------------	----------------	----------------	----------------

Use of Total Receipts:

Less: Transfer to MTA DORF Account	(14.0)	(22.9)	(15.7)	(15.7)	(16.3)	(15.7)
Less: Transfer to MTAHQ Funds	0.0	0.0	(7.0)	(3.7)	(1.5)	(13.7)

Net Receipts Available for Debt Service	\$210.1	\$306.3	\$128.4	\$88.9	\$94.2	\$72.7
--	----------------	----------------	----------------	---------------	---------------	---------------

Allocation of Net Receipts to NYCT/SIR Corporate Account:

Projected NYCT/SIR Share	85%	85%	85%	85%	85%	85%
From Net Receipts	\$178.6	\$260.4	\$109.2	\$75.6	\$80.1	\$61.8
B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0

Total NYCT/SIR Cash Share	\$178.6	\$260.4	\$109.2	\$75.6	\$80.1	\$61.8
----------------------------------	----------------	----------------	----------------	---------------	---------------	---------------

Total SIR Cash Share	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

Total NYCT Cash Share	\$178.6	\$260.4	\$109.2	\$75.6	\$80.1	\$61.8
------------------------------	----------------	----------------	----------------	---------------	---------------	---------------

Allocation of Net Receipts to CRs Corporate Account:

Projected Commuter Railroad Share	15%	15%	15%	15%	15%	15%
From Net Receipts	\$31.5	\$45.9	\$19.3	\$13.3	\$14.1	\$10.9
B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0

Total Commuter Railroad Net Cash Share	\$31.5	\$45.9	\$19.3	\$13.3	\$14.1	\$10.9
---	---------------	---------------	---------------	---------------	---------------	---------------

URBAN TAXES

Urban Taxes consist of two taxes: a Mortgage Recording Tax imposed on New York City commercial properties' mortgages that exceed \$500,000, and a Real Property Transfer Tax imposed on New York City commercial properties valued over \$500,000. It is available only for transit purposes in New York City. New York City Transit (NYCT) is entitled to 90% of the revenues collected for its general operations. In addition, NYCT receives 6% of the revenues collected for partial reimbursement of Paratransit costs. The remaining 4% is earmarked as subsidy for the City private buses.

2004 November Forecast

In the 2004 November Forecast, Urban Tax receipts on a cash basis are estimated at \$294.0 million. This represents an increase of \$105.0 million over the July Plan, and an increase of \$128.3 million over the 2003 actuals.¹

In making the projections for 2004 and the out-years two models were applied, one for the Mortgage Recording Tax and one for the Real Property Transfer Tax (RPTT). Each model forecasts tax collections. Models are time-series regression models, with a log-log specification. Tax collections are a function of the ninety-day U.S. Treasury Bill rate and New York City private-sector employment. The ninety-day T-Bill rate is forecast to be 1.3 percent for 2004, up from 1.1 percent in the July Plan. Conversely, New York City private-sector employment is now expected to grow by 1.1 percent in 2004, down from the July Plan projection of 1.6 percent.

The 2004 projections include actual collections through October. Based on the year-to-date collections, Urban Tax receipts are way above the target due to the continued robust real estate market, particularly in commercial real estate, the primary source of the Urban Tax receipts. The Urban Tax projection for the final two months of 2004 is based on the average monthly collection for the first ten months of 2004, adjusted downwards (by \$2.9 million per month for RPTT and by \$0.3 million per month for MRT) to reflect unusually large transaction levels experienced during the year.

2005 - 2008

The MRT and RPTT projections for 2005 are based on adjusted 2004 projections. Downward adjustments of \$29.5 million for RPTT and \$3.2 million for MRT were made to take account of unusually large 2004 transaction levels. The ninety-day T-Bill rate is projected to be 2.7 percent for 2005, up from 2.2

¹ The 2004 Urban Tax improvement also increased Urban Tax revenues earmarked for Paratransit, which is included in NYCT's other operating revenues. The increase compared to July was \$7.0 million in 2004, \$5.0 million in 2005, \$6.0 million in 2006 and 2007, and \$7 million in 2008.

percent in the July Plan. Stronger growth is expected in New York City private-sector employment, forecast to be 1.8 percent compared with the July Plan projection of 1.7 percent.

Cash projections for 2005 are \$76.4 million above the July 2004 projections. In 2006 and 2007, projected receipts are \$82.6 million and \$93.1 million over the July Plan projections, respectively. In 2006, T-Bill rates are expected to reach 3.25 percent and rise to 3.57 percent by 2008. Compared with the July Plan, these rates are higher than projected for 2006 and 2007, but are lower for 2008. Growth in New York City private-sector employment will be a bit slower than projected in the July Plan, increasing by 1.62 percent in 2006 and tapering off to 0.69 percent by 2008. In the July Plan, the gradual slowdown in growth was less pronounced.

STATE AND LOCAL SUBSIDIES

State and Local Subsidies consist of New York State and Local Section 18-B Operating Assistance, Nassau County Subsidy, Station Maintenance and Connecticut Department of Transportation (CDOT) Subsidy to Metro-North Railroad. In addition the Commuter Railroads' subsidies include an operating capital transfer in 2006.

New York State 18-b Operating Assistance is direct State aid to the MTA appropriated by the State Legislature on an annual basis. Each County in the MTA Transportation District is required by the transportation law to match the State amounts by making quarterly payments of Local 18-b Operating Assistance to the MTA. Beginning in 1994, the State earmarked a portion of the dedicated taxes to fund the State's obligations for 18-b payments.

Nassau County subsidies consist of Nassau County payments to Long Island Bus. The Long Island Bus Local 18-b match is also included in the Nassau County subsidy.

Connecticut Department of Transportation (CDOT) subsidy payments are made to Metro-North Railroad as reimbursement for expenses associated with commuter train operations by Metro-North in the State of Connecticut.

Station Maintenance subsidy is paid by the City and each of the seven counties in the MTA region for the operation, maintenance and use of Commuter System passenger stations within the City and each of the counties. Station Maintenance base amounts were established in 1999 and are subject to CPI (Consumer Price Index) adjustment each year thereafter.

2004 Final Proposed Budget

In the 2004 November Forecast, State and Local cash subsidy receipts are estimated at \$567.6 million, an increase of \$4.5 million over the Mid-Year Forecast due to slightly higher CDOT and Station Maintenance subsidies than in the July Plan.

- CDOT subsidies were \$3.0 million higher than the July projections due to a reforecast of Connecticut's share.
- Station Maintenance was slightly increased by \$1.5 million due to changes in the CPI growth rates, as forecasted by Global Insight CPI.

State and Local 18-b Operating Assistance to MTA has not changed in the last 15 years. The 2004 November Forecast keeps these collections flat for the remainder of the plan period.

2005 - 2008

In 2005, 2006, 2007 and 2008, state and local subsidy levels are reduced from the July estimates by \$1.9 million, \$8.3 million, \$10.9 million and \$16.6 million, respectively. Most of the negative variances in the outer-years reflect the downward re-forecast of Nassau County Subsidies to Long Island Bus.

In January 2004, the MTA Board authorized the exercise of a M-7 car option to permit Metro-North to accelerate the purchase of 120 additional cars. Included in the action was a provision for the Metro-North Operating Budget to transfer savings of \$10 million to the capital program. Metro-North's financial plan includes the requisite \$10 million savings in 2004 – 2006. Since this will result in \$10 million in commuter rail subsidy savings, a commensurate operating capital transfer is included as a reduction to 2006 commuter rail subsidies. The car purchase payment schedule will require the transfer in that year.

MTA SUBSIDY TO SUBSIDIARIES

In the 2004 November Forecast, total estimated MTA subsidy payment to its subsidiaries is \$43.8 million, a reduction of \$2.8 million from the Mid-Year Forecast. Staten Island Railroad's (SIR) share is \$19.5 million, Long Island Bus' (LIB) share is \$11.3 million and NYCT's share is \$13.0 million.

SIR's share reflects amounts needed to cover the operating deficit after all other subsidies and operating revenues are allocated. A full discussion of SIR operating deficit is contained in Volume 2.

The July Plan included \$14.8 million in MTA subsidies to Long Island Bus. This was reduced to \$11.3 million in the November Forecast due to a one-time deferral of pension payments to 2005. As noted in the "Pensions" section of this report, the deferral of 2004 payments to 2005 was permitted by recent State legislation. The MTA subsidies to Long Island Bus in 2005 through 2008 have been re-forecasted from the July Plan estimates to total \$16.8 million in 2005, \$13.9 million in 2006, and \$14.8 million in each of the years 2007 and 2008.

The 2004 forecast provides \$13.0 million in MTA subsidy to NYCT in order to cover the reduced NYCT share of MMTOA funds appropriated in 2004. Since it is assumed that NYCT's share will be increased in 2005 through 2008, this provision is not included in those years.

MTA New York City Transit Subsidy Allocation
2003-2008
Cash Basis
(\$ in millions)

	2003	2004	2005	2006	2007	2008
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assist. (MMTOA)	461.8	462.7	532.9	558.3	579.8	602.9
Petroleum Business Tax (PBT) Receipts	395.8	471.4	468.9	469.8	473.0	475.4
Mortgage Recording Tax (MRT)	196.3	313.1	109.2	75.6	80.1	61.8
Urban Tax	165.8	294.0	231.5	245.1	274.0	279.6
	\$1,219.7	\$1,541.2	\$1,342.4	\$1,348.8	\$1,406.8	\$1,419.7
<i>State and Local Subsidies</i>						
State Operating Assistance	158.2	158.2	158.2	158.2	158.2	158.2
Local Operating Assistance	158.2	158.2	158.2	158.2	158.2	158.2
	\$316.4	\$316.4	\$316.4	\$316.4	\$316.4	\$316.4
Total Dedicated Taxes & State and Local Subsidies	\$1,536.1	\$1,857.6	\$1,658.7	\$1,665.1	\$1,723.2	\$1,736.1
<i>Inter-agency Subsidy Transactions</i>						
Bridges and Tunnels Operating Surplus Transfer	231.2	142.6	91.0	74.3	57.5	44.2
MTA Subsidy to Subsidiaries	0.0	13.0	0.0	0.0	0.0	0.0
	\$231.2	\$155.6	\$91.0	\$74.3	\$57.5	\$44.2
GROSS SUBSIDIES	\$1,767.3	\$2,013.2	\$1,749.8	\$1,739.4	\$1,780.7	\$1,780.2

MTA Commuter Railroad Subsidy Allocation
2003-2008
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2003	2004	2005	2006	2007	2008
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assistance (MMTOA)	267.6	273.6	300.0	311.5	321.3	331.8
Petroleum Business Tax (PBT) Receipts	69.9	83.2	82.7	82.9	83.5	83.9
Mortgage Recording Tax (MRT)	46.1	50.3	19.3	13.3	14.1	10.9
Investment Income	4.4	4.9	9.8	12.0	12.0	13.2
	\$388.0	\$411.9	\$411.8	\$419.8	\$430.9	\$439.8
<i>State and Local Subsidies</i>						
State Operating Assistance	29.3	29.3	29.3	29.3	29.3	29.3
Local Operating Assistance	29.2	29.3	29.3	29.3	29.3	29.3
CDOT Subsidy	61.0	51.3	54.4	59.5	67.3	72.9
Station Maintenance	121.7	126.1	128.5	130.1	132.6	135.4
	\$241.2	\$235.9	\$241.4	\$248.1	\$258.5	\$266.8
Commuter Operating Capital Transfer - MNR M-7 Acceleration	\$0.0	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$629.2	\$647.8	\$653.1	\$657.9	\$689.3	\$706.6
<i>Inter-agency Subsidy Transactions</i>						
Bridges and Tunnels Operating Surplus Transfer	327.8	242.3	195.5	179.9	163.3	150.0
GROSS SUBSIDIES	\$956.9	\$890.1	\$848.7	\$837.9	\$852.6	\$856.6

MTA Long Island Bus Subsidy Allocation
2003-2008
Cash Basis
(\$ in millions)

	2003	2004	2005	2006	2007	2008
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
MMTOA Allocation	14.8	28.1	31.6	38.1	38.4	35.9
	14.8	28.1	31.6	38.1	38.4	35.9
<i>State and Local Subsidies</i>						
State Operating Assistance	18.9	7.0	3.0	3.0	3.0	3.0
Nassau County Subsidy	8.3	7.4	10.5	10.5	10.5	10.5
	27.2	14.4	13.5	13.5	13.5	13.5
Total Dedicated Taxes & State and Local Subsidies	42.0	42.4	45.1	51.5	51.8	49.4
<i>Inter-agency Subsidy Transactions</i>						
MTA Subsidy to Subsidiaries	13.3	11.3	16.8	13.9	14.8	14.8
GROSS SUBSIDIES	\$55.3	\$53.7	\$61.9	\$65.4	\$66.6	\$64.1

MTA Staten Island Railway Subsidy Allocation
2003-2008
Cash Basis
(\$ in millions)

	2003	2004	2005	2006	2007	2008
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
Metropolitan Mass Transportation Operating Assistance (MMTOA)	1.4	1.4	1.7	1.7	1.8	1.9
Mortgage Recording Tax (MRT)	0.1	0.2	0.0	0.0	0.0	0.0
	\$1.5	\$1.6	\$1.7	\$1.7	\$1.8	\$1.9
<i>State and Local Subsidies</i>						
State Operating Assistance	0.5	0.5	0.5	0.5	0.5	0.5
Local Operating Assistance	0.5	0.5	0.5	0.5	0.5	0.5
	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Total Dedicated Taxes & State and Local Subsidies	\$2.5	\$2.6	\$2.6	\$2.7	\$2.8	\$2.9
<i>Inter-agency Subsidy Transactions</i>						
MTA Subsidy to Subsidiaries	18.4	19.5	19.2	17.4	18.4	19.2
GROSS SUBSIDIES	\$20.8	\$22.1	\$21.9	\$20.1	\$21.2	\$22.1

MTA Headquarters Subsidy Allocation
2003 - 2008
Cash Basis
(\$ in millions)

	2003	2004	2005	2006	2007	2008
<u>Subsidies</u>						
<i>Dedicated Taxes</i>						
Mortgage Recording Tax						
Net Receipts After Agency Transfers	249.4	322.4	326.6	327.5	336.9	342.8
<u>Adjustments</u>						
Funding of General Reserve	0.0	0.0	(40.0)	(40.0)	(40.0)	(40.0)
Diversion of MRT to Suburban Counties	(14.0)	(61.8)	(15.7)	(15.7)	(16.3)	(15.7)
Agency Security Costs from MRT	(23.4)	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
<i>Total Adjustments</i>	(37.4)	(88.2)	(85.0)	(87.1)	(89.7)	(89.1)
Net Funding of MTA Headquarters	\$212.1	\$234.3	\$241.6	\$240.4	\$247.2	\$253.7

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 compares all MTA and TBTA debt service, excluding State Service Contract and Convention Center obligations, as published in the MTA July 2004 Financial Plan with newly revised estimates for this November 2004 Financial Plan. Debt service is estimated to be \$233 million lower over the Financial Plan years.

Changes in Forecasted Debt Service (\$ in millions)			
Year	July Plan Debt Service	November Plan Debt Service	Difference Favorable/(Unfavorable)
2004	916.2	\$855.6	\$60.6
2005	1,250.1	1,208.1	42.0
2006	1,445.0	1,400.6	44.4
2007	1,570.1	1,525.4	44.6
2008	<u>1,672.1</u>	<u>1,631.2</u>	<u>40.9</u>
Total:	<u>6,853.5</u>	<u>\$6,621.0</u>	<u>\$232.5</u>

The July Plan to November Plan variance of \$60 million in 2004 is largely the result of recognizing a favorable adjustment in the form of a deferred gain from the 2002 debt restructuring. This adjustment, comprising \$52 million of deposits to debt service accounts, was omitted from the July 2004 Financial Plan. As reported in July, the benefit was assumed to have been realized in 2003. Further review found that these funds were available for use in 2004.

The July Plan to November Plan variances in the 2005 – 2008 period are the result of lower overall assumed interest rates for new borrowing and adjustments to the cashflow forecast for capital spending. Assumed interest rates reflect a downward trend in municipal market forward curves, and a policy change in the debt service model to increase variable rate debt to 25 percent of new debt issuance. These factors lower debt service requirements in the forecast period.

The following is a summary of the key assumptions used to determine the debt service projections included in the financial plan.

Debt Issuance Assumptions:

Forecasted Borrowing Schedule	2004	2005	2006	2007	2008
Forecasted New Money Bonds (\$ in millions)	373.6 *	2,874.4	2,072.0	1,797.1	1,357.4
Assumed Interest Rates **					
Transportation Revenue Bonds	4.71%	4.82%	4.97%	5.08%	5.18%
Dedicated Tax Fund Bonds	4.54%	4.65%	4.79%	4.90%	4.99%
Triborough Bridge & Tunnel Authority	4.54%	4.65%	4.79%	4.90%	4.99%

* Forecasted borrowing for remainder of 2004.

** 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%.
- 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. Due to the continued low interest rate environment, the assumed rate on variable rate bonds was lowered in the July Financial Plan from 4% to 2% for the remainder of 2004. This lower rate for the remainder of 2004 continues to be assumed in this plan.

Bond proceeds as a funding source in the next capital program, the 2005-2009 Capital Programs, are assumed to be \$4 billion. For further capital program details see "Draft 2005-2009 Capital Program" published on September 29, 2004.

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 intentionally left blank]

Debt Service Affordability Statement

MTA 2004 - 2008 Financial Plan - November 2004

Debt Affordability Statement

\$ in millions

Forecasted Debt Service and Borrowing Schedule		Notes	2004	2005	2006	2007	2008
		1, 2, 3					
Combined MTA/TBTA Forecasted Debt Service Schedule		4	827.9	1,178.4	1,375.1	1,499.9	1,603.2
Forecasted New Money Bonds Issued		5	373.6	2,874.4	2,072.0	1,797.1	1,357.4
Assumed Interest Rates		6					
Transportation Revenue Bonds			4.71%	4.82%	4.97%	5.08%	5.18%
Dedicated Tax Fund Bonds			4.54%	4.65%	4.79%	4.90%	4.99%
Triborough Bridge & Tunnel Authority			4.54%	4.65%	4.79%	4.90%	4.99%
Forecasted Debt Service by Credit		Notes	2004	2005	2006	2007	2008
Transportation Revenue Bonds							
Pledged Revenues		7	\$ 6,225.8	\$ 6,126.9	\$ 6,200.7	\$ 6,352.6	\$ 6,397.3
Debt Service		11, 12	268.9	509.3	658.9	749.6	825.2
Debt Service as a % of Pledged Revenues			4%	8%	11%	12%	13%
Dedicated Tax Fund Bonds							
Pledged Revenues		8	\$ 554.6	\$ 551.6	\$ 552.8	\$ 556.5	\$ 559.3
Debt Service		12	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							
Pledged Revenues		9	\$ 794.3	\$ 769.5	\$ 751.9	\$ 732.5	\$ 722.1
Debt Service		12	263.0	299.1	309.5	323.9	337.7
Debt Service as a % of Total Pledged Revenues			33%	39%	41%	44%	47%
Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds							
Pledged Revenues		10	\$ 531.3	\$ 470.3	\$ 442.5	\$ 408.6	\$ 384.3
Debt Service		12	141.8	157.4	157.2	157.1	157.3
Debt Service as a % of Total Pledged Revenues			27%	33%	36%	38%	41%
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			\$ 7,665.3	\$ 7,803.9	\$ 7,935.6	\$ 8,334.3	\$ 8,423.0
Total Debt Service as a % of Operating Revenues and Subsidies			11%	15%	17%	18%	19%
Fare and Toll Revenues			\$ 4,580.6	\$ 4,630.6	\$ 4,679.6	\$ 4,717.2	\$ 4,733.1
Total Debt Service as a % of Fare and Toll Revenue			18%	25%	29%	32%	34%
Non-reimbursable expenses			\$ 7,940.4	\$ 8,761.5	\$ 9,164.9	\$ 9,549.0	\$ 9,936.1
Total Debt Service as % of Non-reimbursable expenses			10%	13%	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 nine months and 2% for remainder).
- ³ Interest rate on certain series of bonds associated with fixed payer swaps assumed at swap rate.
- ⁴ Total debt service excludes COPS lease payments, and includes deferred gain from debt restructuring in 2004 plus 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 of \$52 million 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 Note

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.

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			Fiscal Year
	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional 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	2004
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	2005
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	2006
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	2007
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	2008
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	2009
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	2010
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	2011
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	2012
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	2013
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	2014
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	2015
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	2016
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	2017
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	2018
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	2019
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	2020
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	2021
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	2022
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	2023
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	2024
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	2025
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	2026
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	2027
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	2028
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	2029
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	2030
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	2031
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	2032
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	2033
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	2034
2035	50.6	480.9	531.4	-	78.9	78.9	-	104.8	104.8	-	-	-	50.6	664.6	715.1	2035
2036	50.6	371.1	421.6	-	41.9	41.9	-	93.8	93.8	-	-	-	50.6	506.8	557.4	2036
2037	50.6	279.2	329.7	-	22.1	22.1	-	80.1	80.1	-	-	-	50.6	381.4	431.9	2037
2038	50.6	203.3	253.9	-	8.4	8.4	-	66.2	66.2	-	-	-	50.6	277.9	328.4	2038
2039	-	146.2	146.2	-	-	-	-	52.2	52.2	-	-	-	-	198.3	198.3	2039
2040	-	101.0	101.0	-	-	-	-	37.7	37.7	-	-	-	-	138.7	138.7	2040
2041	-	63.3	63.3	-	-	-	-	23.9	23.9	-	-	-	-	87.2	87.2	2041
2042	-	34.5	34.5	-	-	-	-	12.4	12.4	-	-	-	-	46.9	46.9	2042
2043	-	14.9	14.9	-	-	-	-	5.3	5.3	-	-	-	-	20.2	20.2	2043
2044	-	5.0	5.0	-	-	-	-	1.7	1.7	-	-	-	-	6.7	6.7	2044
2045	-	1.0	1.0	-	-	-	-	0.3	0.3	-	-	-	-	1.3	1.3	2045

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 intentionally left blank]

Payroll

PAYROLL ASSUMPTIONS

Payroll expenses from 2005 through 2008 were influenced by a number of different factors including pattern settlement increases, Global Insight inflation assumptions, deferred salaries & wages, and capital project activity. 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.

Results of collective bargaining for MTA Agencies are a major driving force on payrolls. As of July 2004, 19 units (31%) representing 43,025 employees (79%) have settled contracts through 2005 and 2006. Most of the remaining 43 units representing 11,549 employees are in negotiations. In general, MTA Agencies reflect pattern bargaining agreement increases of 3.0% in 2005 and 2006.

Overall, Global Insight CPI inflation increases for the MTA Region used in the November Plan have been adjusted downward from assumptions used in the July Plan. Global Insight All Urban Consumers (CPI-U) effective rates in March 2004 were as follows: 2004-2.34%, 2005-2.03%, 2006-2.20%, 2007-2.57%, and 2008-2.81%. Global Insight CPI effective rates in August 2004 were as follows: 2004-3.58%, 2005-1.93%, 2006-1.24%, 2007-1.94%, and 2008-2.09%.

Payroll Assumptions: 2004 - 2005

MTA Agency payroll expenses in 2004 through 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%. The payroll increase in Bridges & Tunnels from 2004 to 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 adjustments in 2005 of \$10.2 million and \$13.5 million, respectively, due to timing differences as a result of anticipated retroactive wage settlements.

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. NYCT's major labor agreements expire December 2005. 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 had additional labor expense increases primarily for on-going safety improvements to systems and facilities and increased maintenance of equipment.

Pensions

MTA Consolidated Pensions

MTA Consolidated Pensions November Financial Plan (\$ in millions)						
		2004 November Forecast	2005 Final Proposed Budget	2006	2007	2008
Accrual						
	Non-Reimbursable	\$495	\$645	\$740	\$763	\$767
	Reimbursable	18	29	34	36	36
	Total	513	673	773	799	803
Cash		\$408	\$484	\$725	\$780	\$789

MTA Consolidated Pensions November Financial Plan vs. July Financial Plan Favorable / (Unfavorable) (\$ in millions)						
		2004	2005	2006	2007	2008
Accrual						
	Non-Reimbursable	(\$16)	(\$18)	(\$14)	\$8	\$53
	Reimbursable	0	(1)	(1)	(1)	1
	Total	(16)	(19)	(15)	8	54
Cash		\$0	(\$13)	(\$9)	\$5	\$55

The July Plan included an actuarial reserve of \$25 million annually to cover anticipated increases stemming from changes in actuarial interest rates (reduced to 8%) and the associated costs of transferring employees who had been members of the Defined Contribution Plans (the LIRR and MNR) to the MTA Defined Benefit Plan. The independent actuarial firm (Milliman USA) completed their valuation in October 2004. The review resulted in costs exceeding the \$25 million reserve in 2004 through 2006. In 2007 and 2006, changes in NYCERS lowered overall MTA Pension costs.

Total net accrued pension costs in the November Plan increased \$16 million in 2004, \$18 million in 2005 and \$14 million in 2006. November net costs in 2007 and 2008 were \$8 million and \$53 million, respectively, lower than the July Plan.

The annual increase in pension costs from the Final Forecast for 2004 to the Proposed Budget for 2005 on an accrual basis is \$160 million. 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 Defined Benefit Plan which assumes that some 3,400 represented employees from MNR will choose to transfer from the Defined Contribution Plan to the Defined Benefit Plan.

The increase from 2005 to 2006 is some \$100 million, the bulk of which "\$90 million" is in the NYCERS Plan that reflects the continued amortization of the losses in the equities that resulted from the bear market. The increase from 2006 to 2007 is approximately \$25 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.

The significant change between cash and accrual in 2004 and 2005 result 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 NYSLERS 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% are assumed for each year.

On a non-reimbursable basis, Agency-wide Health & Welfare expenses decreased for each year from the July Plan. In the July Plan some agencies had incorporated the revised Health & Welfare assumptions into their baselines, but other agencies had used higher inflators for 2005 and 2006. Decreasing from the higher inflators to the revised assumptions was the primary cause for Health & Welfare costs decreasing from the July Plan to the November Plan.

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, effective April 1, 2004, of 6.5% in 2004 and 5.3% thereafter for years 2005-2008. Long Island Rail Road, on the other hand, used actuals through August, which include recent LIPA increase, to calculate expenses for 2004. It 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 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.

Fuel for Buses and Trains

In 2004, New York City Transit used an effective rate increase of 21.6% to address significant spikes in fuel prices. However, for years 2005-2008, inflation, or rather, deflation assumptions were applied based upon Global Insight's estimates. Similarly, for years 2004-2008, Long Island Bus applied deflation assumptions based upon Global Insight's estimates, which included adjustments to reflect lower natural gas prices.

Agency projections for power reflect current contracts with utilities. Changes since July primarily reflect usage adjustments. In addition, LIRR estimates reflected the latest LIPA increases of \$8 million annually.

Expected Energy Increases

MTA has included \$52 million annually in agency budgets to cover expected electricity and fuel increases in 2005 through 2008.

In regards to electricity, MTA agencies receive 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 CT, and from New York State Electric & Gas Corporation (NYSEG) in upstate New York.

NYPA costs, which include the cost of supply as well as the delivery charges from Con Edison. There are current proposals to raise the rates of both supply and delivery in 2005. For LIPA, there are proposed increases related to tariff changes and fuel cost adjustments. For CL&P, NYSEG and other smaller accounts, we estimate that there will be increases related to the cost of fuel. While agencies anticipated and budgeted for increases in 2005, recent rate proposals have substantially increased the estimated amounts of these increases.

In 2004, fuel prices reached historical high levels. The economic indicators used to provide forward prices in the July Plan assumed that prices would decrease toward the end of 2004 and continue into 2005. However, those estimates included a more precipitous drop toward the end of 2004 than has occurred. As a result, the November Plan has been adjusted to reflect current costs of fuel and the most recent Global Insight economic forecasts for 2005, which show less of a drop from 2004 levels. Given the volatility of fuel prices over the past year and its impact to agency operations, MTA has included a provision for increased fuel costs in 2005 through 2008.

INSURANCE

Revised Agency-wide forecasts were somewhat higher in 2004 primarily as a result of higher costs for terrorism insurance. The variances grow in future years because of significantly higher cost growth assumptions. In the July Plan, most of the Agencies used CPI growth; however, the November Plan uses a growth rate in the range of 10% per annum, which is more realistic for this category. The result is increased Insurance costs for agencies in each year of the Plan. Higher insurance costs compound with each year resulting in major increases in 2006, 2007 and 2008 from the July Plan.

The primary exception to this is the LIRR. In the July Plan the LIRR had assumed higher inflators in the range of 15% for 2005 through 2008. Lowering the inflator to the 10% range resulted in favorable changes in those years for the LIRR.

MAINTENANCE AND OTHER OPERATING CONTRACTS

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

NYC Transit's expenses in 2005 are projected to increase by approximately \$38 million, largely due to the timing of facilities and renovation expenses from 2004. MTA Bridges & Tunnels also had an increase of \$4.2 million in 2005, primarily due to higher maintenance expenses, E-ZPass expenses, and CPI increases for other expenses. B&T also increases 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.

PROFESSIONAL SERVICE CONTACTS

Increases in Professional Service Contracts for all agencies for 2005-2008 are inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

NYC Transit's expenses are projected to increase by \$4 million in 2005 largely due to the timing of expenses from 2004. Metro-North Railroad has a reduction of \$1.3 million in 2005 due to MTA consolidated service charges.

MATERIALS & SUPPLIES

Increases in Materials and Supplies for all agencies for 2005-2008 are inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

NYC Transit's non-reimbursable expenses are projected to increase by \$22 million in 2005, largely due to the timing of programs/expenses from 2004. MTA Bridges and Tunnels expenses also increase 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. The LIRR reflects a change in the allocation of expense in 2005 (inventory adjustments) of approximately \$6.0 million, which carries through to each year.

OTHER BUSINESS EXPENSES

Increases in Other Business Expenses for all agencies for 2005-2008 are inflated primarily by MTA Regional CPI-U forecasts provided by Global Insight.

MTA Capital Construction expenses increased 100% in 2005 over 2004 to include agency setup costs, which include procurement of copy machines, telephones, miscellaneous office furniture, computer equipment, and to establish an MTACC intranet. These cost decrease by 16% in 2006, and remain fairly constant in 2007 and 2008.

**INFLATION FACTORS
BASED ON THE CONSUMER PRICE INDEX**

Source: Global Insight
Date: September 13, 2004

Line Number		FORECAST				
		2004	2005	2006	2007	2008
9						
10	CPI-U National (US City Average):					
11	Annual change	1.0266	1.0165	1.0147	1.0183	1.0205
12	Post - 2004 cumulative change		1.0128	1.0314	1.0503	1.0718
13	Post - 2005 cumulative change			1.0160	1.0346	1.0558
14						
15	CPI-U Regional (MTA Region):					
16	Annual change	1.0358	1.0193	1.0124	1.0194	1.0209
17	Post - 2004 cumulative change		1.0193	1.0319	1.0520	1.0739
18	Post - 2005 cumulative change			1.0220	1.0418	1.0636
19						
20	Medical Care Component:					
21	Annual change	1.0335	1.0298	1.0344	1.0378	1.0367
22	Post - 2004 cumulative change		1.0298	1.0652	1.1055	1.1461
23	Post - 2005 cumulative change			1.0344	1.0735	1.1129
24						
25	Metal & Metal Products:					
26	Annual change	1.1365	1.0191	0.9872	1.0220	1.0130
27	Post - 2004 cumulative change		1.0191	1.0060	1.0282	1.0415
28	Post - 2005 cumulative change			0.9872	1.0089	1.0220
29						
30	Transportation Equipment:					
31	Annual change	1.0598	1.0055	1.0068	1.0133	1.0137
32	Post - 2004 cumulative change		1.0055	1.0123	1.0258	1.0399
33	Post - 2005 cumulative change			1.0068	1.0202	1.0342
34						
35	PPI - Refined Petroleum Products					
36	Annual change	1.1922	0.9277	0.9332	0.9622	0.9761
37	Post - 2004 cumulative change		0.9277	0.8658	0.8330	0.8132
38	Post - 2005 cumulative change			0.9332	0.8980	0.8765
39						
40	PPI - Fuels and Related Products, Electric Power					
41	Annual change	1.1035	0.9879	0.9640	0.9600	0.9727
42	Post - 2004 cumulative change		0.9879	0.9524	0.9142	0.8893
43	Post - 2005 cumulative change			0.9640	0.9255	0.9002
44						
45	Current-Dollar GDP: (Chained Price Index, Gross Domestic Product)					
46	Annual change	1.0657	1.0556	1.0485	1.0540	1.0500
47	Post - 2004 cumulative change		1.0556	1.1068	1.1666	1.2249
48	Post - 2005 cumulative change			1.0485	1.1051	1.1604
49						
56	Corporate Profits Before Taxes					
57	Annual change	1.1275	1.3605	1.0122	1.0303	0.9881
58	Post - 2004 cumulative change		1.3605	1.3771	1.4188	1.4019
59	Post - 2005 cumulative change			1.0122	1.0429	1.0304
60						
61	Regional Disposable Personal Income in Current Dollars (Total):					
62	Annual change	1.0452	1.0513	1.0540	1.0558	1.0529
63	Post - 2004 cumulative change					
64	Post - 2005 cumulative change					
65						
66	Regional Disposable Personal Income in Current Dollars (Per Capita):					
67	Annual change	1.0398	1.0458	1.0497	1.0520	1.0508
68	Post - 2004 cumulative change					
69	Post - 2005 cumulative change					
70						
71	90-Day T-Bill Rate (in percent):	0.0132	0.0265	0.0325	0.0324	0.0357
72						
73	Chain Price Index, Industrial Structure:					
74	Annual change	1.0415	1.0500	1.0385	1.0415	1.0413
75	Post - 2003 cumulative change	1.0415	1.0936	1.1357	1.1828	1.2317
76	Post - 2004 cumulative change		1.0500	1.0904	1.1357	1.1826
77						
78	PPI - Fuels and Related Products, Gas Fuels					
79	Annual change	1.1152	0.9842	0.9471	0.8913	0.9260
80	Post - 2003 cumulative change	1.1152	1.0976	1.0396	0.9266	0.8581
81	Post - 2004 cumulative change		0.9842	0.9322	0.8309	0.7694