

MTA 2009 Preliminary Budget July Financial Plan 2009 – 2012



Volume 1

July 2008



Metropolitan Transportation Authority

**MTA 2009 PRELIMINARY BUDGET
JULY FINANCIAL PLAN 2009-2012
VOLUME 1**

The MTA's July Plan is divided into two volumes. Volume 1 includes financial and headcount schedules supporting the complete MTA-Consolidated Financial Plan, including the baseline and the below-the-line Gap-Closing Program. Volume 1 also includes descriptions of the below-the-line actions as well as the Letter by the Executive Director and the required Executive Director Certification.

Volume 2 includes MTA-Consolidated financial and headcount schedules as well as narratives that support the baseline projections included in the 2009 Preliminary Budget and the Financial Plan for 2009 through 2012. Also included are the Agency sections which incorporate descriptions of Agency Programs, supporting baseline tables and details regarding proposed Agency PEG's. Volume 2 also includes required information related to the MTA Capital Program.

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I. Introduction



Metropolitan Transportation Authority

State of New York

Date: July 23, 2008

To: Chairman H. Dale Hemmerdinger and MTA Board Members

From: Elliot G. Sander

A handwritten signature in black ink, appearing to be "E. Sander", written over the printed name.

Re: Preliminary 2009 Budget and July Financial Plan for 2009-2012

As the Executive Director and Chief Executive Officer of the MTA, I present to you for your consideration the Preliminary Budget for 2009 and proposed Four-Year Financial Plan for 2009-2012. These reflect sobering developments that have occurred since the last Plan was issued in February 2008, particularly declining real estate tax revenue and soaring fuel costs, and the gap closing actions needed to address the MTA's structural and long-term financial challenges exacerbated by the economic slowdown. We will continue over the months to come to discuss the MTA's financial outlook and proposed actions in great detail prior to the Board's adoption of the 2009 Budget in December.

In February, as you know, as a result of policy actions, gap closing measures and cash management strategies, MTA projected ending 2008 with a \$368 million cash balance with small deficits in 2009 and beyond. You will recall that 2008 benefited from earlier real estate tax windfalls that were rolled forward. You will also recall that the plan assumed the City's tax projections of these subsidies moving forward, which showed revenues dropping off in 2008 and 2009 from the previous high levels and then resuming modest growth. However, these City estimates have proven to be overly optimistic. In fact, as has been described at recent Finance Committee meetings, real estate tax revenues have been dropping precipitously. This financial plan recognizes the fall off occurring in this revenue source, reducing projections for 2008 and 2009 by \$443 million since February, a reduction of \$201 million in 2008 and \$242 million in 2009. A further reduction of \$587 million is anticipated in 2010 and 2011.

Similarly, you will remember, the State had assumed that the strong economy would continue in the out years and so we had adjusted upward our state tax projections for the period 2008-2011. However, these projections have also been reduced, by \$60 million in 2008 and 2009 (\$41 million and \$19 million respectively) and by another \$205 million in 2010 and 2011.

Further compounding the impact of these reductions is the unparalleled increase in fuel and energy prices. The July Financial Plan assumes an increase of \$208 million in 2008 and 2009 for increased costs in this category, \$81 million in 2008 and \$127 million in

The agencies of the MTA, H. Dale Hemmerdinger, Chairman

MTA New York City Transit
MTA Long Island Rail Road

MTA Long Island Bus
MTA Metro-North Railroad

MTA Bridges and Tunnels
MTA Capital Construction

MTA Bus Company

2009. The out years of the plan project another \$126 million increase, \$66 million in 2010 and \$60 million in 2011.

The July baseline before prior-year carryover reflects this overall net decline since February. In my letter last year, I cautioned that while we had assumed that tax receipts would remain robust over the financial plan period, if receipts dropped, say to 2004 levels, we would be out over \$300 million in 2008 and nearly \$1.2 billion during the plan period. This unfortunately has proven to be the case. As a result, the July baseline forecasts that absent gap closing measures, MTA will face a deficit greater than \$2 billion in the out years of the Plan.

To address these looming multi-billion dollar gaps, we are proposing a series of gap-closing measures that we are asking you to consider over the next several months. We have strived to propose an equitable sharing of the burden by all our key stakeholders that use and benefit from our system, starting with ourselves—our agencies and employees—and including our governmental partners and our customers.

- MTA Actions: Before proposing that others contribute to the solution, the MTA must first assure that we have done all we can to reduce costs. The MTA operating agencies will be expected to cut costs by 6% over the four-year plan period without cutting service, continuing the 1.5% annual reduction begun last year. I have heard many times from you and other advocates of mass transit that service cuts are not the answer and they are not being proposed today as any part of the solution, although, unfortunately, neither are the enhancements that I had proposed a year ago. In addition to belt tightening, we have implemented a series of administrative reductions in hiring, travel and food, and telecommunications in 2008 and 2009 at all of the agencies.

We have also assumed that our employees will make a modest contribution to the plan through negotiation of new contracts. In addition we expect efficiency measures, notably the Business Service Center, which will consolidate back office operations for all of our agencies. This will require downsizing the workforce and this plan, as previous plans, provides funds to cover the expected cost of downsizing, but anticipates annual savings to begin in 2012. Savings are also assumed from other reorganization initiatives.

These and other efforts by the MTA agencies and employees will save \$212 million between 2008 and 2009 alone and are projected to keep controllable operating expenses well below CPI over this Plan period and in fact, essentially flat for 2009.

In addition, we have identified some other internal actions that we can take to contribute to reducing the gap before turning to other stakeholders. MTA will take an inter-agency loan of \$135 million to reduce the gap in 2009 and 2010, which we will pay back in 2011 and 2012. We have also identified funds that had been allocated from the 2006 surplus but not yet committed that will be transferred back to the operating budget in 2008 to be used for future gap-closing. Projects that would have used these funds will instead be included in the next capital program. Finally, MTA will reduce its subsidy to Long Island Bus by \$4 million annually, returning to our historical \$10 million allocation.

- **Governmental Partners:** Actions by each of our governmental partners are also required to overcome the projected deficits. Let's start with our Federal partners. Legislative changes to federal mandates for commuter railroad employees will be proposed which, beginning in late 2009, are projected to save \$62 million annually without affecting employee benefits.

A year ago, the financial plan relied on \$600 million in new State and City contributions beginning in 2010. This Plan proposes accelerating about half of that contribution into 2009. The following list represents a series of proposed changes that will improve the MTA's bottom line. It is not exhaustive, only illustrative. Other actions taken by our funding partners could substitute for these examples.

First, the plan proposes full State and City reimbursement for school fares and senior discounts, which will generate \$104 million annually. Reduced fares to school children cost MTA \$89 million more than the current annual \$90 million subsidy from the State and the City (\$45 million each). Similarly, NYC Transit provides half-fare discounts to seniors in the peak period, which costs \$15 million more than the City's current \$13.8 million subsidy. The second action proposes that the City and the MTA share paratransit costs. When the MTA assumed paratransit service responsibilities from the City in 1993, the agreement presupposed sharing costs but allowed for annual caps on the City's contribution. Demand for these services and consequent costs have been growing beyond any expectation at that time and this action proposes that the costs now be shared. This will provide \$113 million in 2009 and grow thereafter. The plan also proposes restoration of the fall off in State tax aid discussed earlier that has been adversely impacted by the economy. We are also proposing to ask the State to eliminate tax loopholes affecting real estate transactions, which is expected to generate \$50 million annually beginning in 2009.

Finally, the plan proposes charging for Bridge and Tunnel crossings by official city, state and county vehicles, which will generate \$10 million annually.

- Transit Riders and Bridge and Tunnel Drivers: Just as the plan proposes to accelerate the contributions forecast in 2010 by our governmental partners, it also proposes accelerating the fare and toll increase that had been forecast for January 2010 to July 2009. It also proposes increasing it from a 5% yield to an 8% yield in order to make up for the revenue that was lost when the last increase was reduced from 6.5% to 3.85% to hold the base fare at \$2.00. This modest deviation from our plans for regular every other year fare and toll increases that are indexed to inflation is driven, as are all of the actions proposed herein, by the impact of falling real estate taxes and soaring gas prices. If we were to forego this action, the plan could not be balanced without service cuts.

Based on these proposed gap closing actions, the Financial Plan is balanced in 2009, with a modest deficit in 2010 and growing structural deficits in the remainder of the Plan period. The actions proposed address our requirement to balance the budget based on reasonable assumptions. The reasonableness of these actions is based on the fact that they are within our ability to implement or to negotiate with our stakeholders. They are by no means the only possible actions that can be taken and over the next five months between this submission and budget adoption we will work with our stakeholders and the Ravitch Commission to consider all actions proposed to meet the overwhelming need created by current financial conditions.

Clearly, fiscal challenges confront the MTA in the years to come; however, Board action requiring multi-year financial planning has been a critical asset in helping the Board address these challenges with as much public input and comment as possible. As we move forward toward the looming multi-year billion dollar gaps, the Board's continued fiscal discipline and leadership will be needed to ensure that the MTA operates efficiently, effectively and safely for our customers and workers.

I look forward to public and Board input on this plan over the coming months, culminating with the adoption of the 2009 Budget by the Board in December.

II. MTA Consolidated 2008-2012 Financial Plan

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2009 - 2012

MTA Consolidated Statement Of Operations By Category

(\$ in millions)

Line No.						
7	Non-Reimbursable					
8		2007	2008	2009		
9		Actual	Mid-Year Forecast	Preliminary Budget	2010	2011
10	Operating Revenue				2010	2011
11	Farebox Revenue	\$3,995	\$4,196	\$4,228	\$4,277	\$4,381
12	Toll Revenue	1,251	1,276	1,281	1,282	1,291
13	Other Revenue	480	473	493	514	567
14	Capital and Other Reimbursements	0	0	0	0	0
15	Total Operating Revenue	\$5,726	\$5,945	\$6,002	\$6,074	\$6,239
16						
17	Operating Expense					
18	Labor Expenses:					
19	Payroll	\$3,861	\$4,073	\$4,203	\$4,314	\$4,476
20	Overtime	482	469	456	465	484
21	Health & Welfare	617	684	750	818	887
22	OPEB Current Payment	270	326	361	391	427
23	Pensions	851	961	904	887	863
24	Other-Fringe Benefits	445	430	444	461	474
25	Reimbursable Overhead	(274)	(301)	(310)	(307)	(312)
26	Sub-total Labor Expenses	\$6,252	\$6,642	\$6,808	\$7,030	\$7,422
27						
28	Non-Labor Expenses:					
29	Traction and Propulsion Power	294	313	347	403	446
30	Fuel for Buses and Trains	193	311	331	269	250
31	Insurance	54	38	56	66	78
32	Claims	164	152	157	165	173
33	Paratransit Service Contracts	233	280	316	366	441
34	Maintenance and Other Operating Contracts	533	654	649	672	691
35	Professional Service Contracts	181	220	230	224	224
36	Materials & Supplies	516	559	592	641	666
37	Other Business Expenses	152	181	170	170	179
38	Sub-total Non-Labor Expenses	\$2,320	\$2,708	\$2,849	\$2,978	\$3,233
39						
40	Other Expense Adjustments:					
41	Other	(\$18)	(\$11)	(\$11)	(\$13)	(\$10)
42	General Reserve	0	38	75	75	75
43	Sub-total Other Expense Adjustments	(\$18)	\$26	\$64	\$62	\$65
44						
45	Total Operating Expense before Non-Cash Liability Adjs.	\$8,554	\$9,376	\$9,721	\$10,070	\$10,720
46						
47	Depreciation	\$1,687	\$1,791	\$1,894	\$1,993	\$2,075
48	OPEB Obligation	1,291	1,318	1,380	1,437	1,558
49	Environmental Remediation	0	26	8	9	10
50						
51	Total Operating Expense	\$11,533	\$12,511	\$13,004	\$13,509	\$14,440
52						
53	Net Operating Deficit Before Subsidies and Debt Service	(\$5,807)	(\$6,566)	(\$7,001)	(\$7,435)	(\$8,201)
54						
55	Dedicated Taxes and State/Local Subsidies	\$4,559	\$4,260	\$4,051	\$4,060	\$4,161
56	Debt Service (excludes Service Contract Bonds)	(1,712)	(1,513)	(1,455)	(1,858)	(1,956)
57						
58	Net Deficit After Subsidies and Debt Service	(\$2,959)	(\$3,820)	(\$4,406)	(\$5,232)	(\$6,037)
59						
60	Conversion to Cash Basis: Non-Cash Liability Adjs.	\$2,978	\$3,135	\$3,282	\$3,438	\$3,581
61	Conversion to Cash Basis: GASB Account	(71)	(58)	(62)	(64)	(67)
62	Conversion to Cash Basis: All Other	(389)	397	42	(24)	44
63						
64	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$442)	(\$345)	(\$1,143)	(\$1,882)	(\$2,334)
65	MTA GAP CLOSING PROGRAMS	0	194	813	1,618	2,015
66	PRIOR-YEAR CARRY-OVER	937	495	344	15	0
67	NET CASH BALANCE	\$495	\$344	\$15	(\$250)	(\$318)

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2009 - 2012

Gap Closing Programs

(\$ in millions)

Line

No.

	2007	2008	2009			
	Actual	Mid-Year	Preliminary			
		Forecast	Budget	2010	2011	2012
11	July Cash Balance Before Prior-Year Carry-Over					
	(\$442)	(\$345)	(\$1,143)	(\$1,882)	(\$2,068)	(\$2,334)
14	<u>GAP CLOSING</u>					
16	Internal Actions:					
17	2009 Agency Program to Eliminate the Gap	-	16	82	80	88
18	Post-2009 Agency Program to Eliminate the Gap	-	0	0	97	174
19	Business Service Center	-	0	(7)	(10)	(14)
20	New Contracts Labor Contribution	-	0	53	82	85
21	MTA Reorganization	-	0	3	13	13
22	Reduce Subsidy to LIB	-	0	4	4	4
23	2006 Surplus Recovery	-	120	0	0	0
24	Other Administrative Reductions	-	15	30	0	0
25	Eliminate E-Z Pass Forgiveness	-	3	10	10	10
26	Inter-Agency Loan	-	0	135	135	(135)
27	<i>Sub-Total</i>	-	155	310	411	225
29	External Actions:					
30	Federal Legislative Actions	-	0	15	62	63
31	School/Senior Citizen Fare Reimbursement	-	0	104	104	104
32	City Reimbursement to Paratransit	-	0	113	138	164
33	State Tax Restoration	-	40	19	84	121
34	State Legislative Actions - Tax Statute Revisions	-	0	50	50	50
35	New Governmental Aid	-	0	0	364	371
36	<i>Sub-Total</i>	-	40	302	801	873
37	Fare/Toll:					
38	Fare/Toll Yields on 7/1/09: 8.0%	-	0	202	405	414
39	Fare/Toll Yields on 1/1/11: 5.0%	-	0	0	272	281
41	<i>Sub-Total</i>	-	0	202	405	687
43	TOTAL GAP CLOSING	-	194	813	1,618	1,785
45	Prior-Year Carry-Over	937	495	344	15	0
47	Net Cash Surplus/(Deficit)	\$495	\$344	\$15	(\$250)	(\$318)

METROPOLITAN TRANSPORTATION AUTHORITY

July Financial Plan 2009 - 2012

MTA Consolidated Cash Receipts and Expenditures

(\$ in millions)

Line Number	CASH RECEIPTS AND EXPENDITURES	2007	2008	2009			
		Actual	Mid-Year Forecast	Preliminary Budget	2010	2011	2012
9							
10							
11	Receipts						
12	Farebox Revenue	\$4,048	\$4,245	\$4,271	\$4,317	\$4,372	\$4,421
13	Other Operating Revenue	502	579	524	547	574	600
14	Capital and Other Reimbursements	1,224	1,452	1,450	1,392	1,388	1,399
15	Total Receipts	\$5,774	\$6,276	\$6,246	\$6,256	\$6,335	\$6,420
16							
17	Expenditures						
18	<u>Labor:</u>						
19	Payroll	\$4,170	\$4,469	\$4,564	\$4,657	\$4,740	\$4,810
20	Overtime	551	535	519	528	537	548
21	Health and Welfare	637	731	788	858	930	1,003
22	OPEB Current Payment	257	310	339	368	401	438
23	Pensions	899	763	937	929	902	900
24	Other Fringe Benefits	508	539	549	562	575	586
25	Contribution to GASB Fund	71	58	62	64	67	70
26	Total Labor Expenditures	\$7,093	\$7,405	\$7,758	\$7,966	\$8,152	\$8,355
27							
28	<u>Non-Labor:</u>						
29	Traction and Propulsion Power	\$304	\$350	\$357	\$412	\$443	\$455
30	Fuel for Buses and Trains	192	312	331	268	256	250
31	Insurance	49	54	58	68	83	95
32	Claims	143	140	136	144	152	157
33	Paratransit Service Contracts	231	281	311	361	436	518
34	Maintenance and Other Operating Contracts	488	602	606	610	622	624
35	Professional Service Contracts	192	283	241	238	235	236
36	Materials & Supplies	700	686	741	762	758	754
37	Other Business Expenditures	248	179	178	180	189	186
38	Total Non-Labor Expenditures	\$2,547	\$2,885	\$2,959	\$3,043	\$3,174	\$3,275
39							
40	<u>Other Expenditure Adjustments:</u>						
41	Other	\$47	\$65	\$94	\$96	\$94	\$97
42	General Reserve	0	38	75	75	75	75
43	Total Other Expenditure Adjustments	\$47	\$102	\$169	\$171	\$169	\$172
44							
45	Total Expenditures	\$9,687	\$10,392	\$10,886	\$11,180	\$11,494	\$11,802
46							
47	Net Cash Deficit Before Subsidies and Debt Service	(\$3,912)	(\$4,116)	(\$4,641)	(\$4,924)	(\$5,159)	(\$5,382)
48							
49	Dedicated Taxes and State/Local Subsidies	\$4,618	\$4,774	\$4,472	\$4,324	\$4,460	\$4,568
50	Debt Service (excludes Service Contract Bonds)	(1,147)	(1,003)	(975)	(1,282)	(1,369)	(1,520)
51							
52	CASH BALANCE BEFORE PRIOR-YEAR CARRY-OVER	(\$442)	(\$345)	(\$1,143)	(\$1,882)	(\$2,068)	(\$2,334)
53	MTA GAP CLOSING PROGRAMS	0	194	813	1,618	1,785	2,015
54	PRIOR-YEAR CARRY-OVER	937	495	344	15	0	0
55	NET CASH BALANCE	\$495	\$344	\$15	(\$250)	(\$283)	(\$318)

Metropolitan Transportation Authority
July Financial Plan 2009 - 2012
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	2008	2009	2010	2011
FEBRUARY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$191)	(\$712)	(\$1,432)	(\$1,668)
New Needs/Investments	(\$41)	(\$77)	(\$67)	(\$73)
<i>New Service</i>	(6)	(13)	(14)	(14)
<i>Maintenance</i>	(18)	(40)	(28)	(33)
<i>Safety & Security</i>	(7)	(11)	(9)	(9)
<i>Other New Needs</i>	(10)	(13)	(15)	(17)
Other Adjustments	\$53	\$83	\$65	\$66
<i>Passenger/Toll Revenue</i>	5	(42)	(39)	(31)
<i>Cancel 2008 Service Enhancements</i>	27	60	60	60
<i>Baseline Re-estimates</i>	21	65	43	37
Uncontrollable Expenses	(\$187)	(\$176)	(\$109)	(\$85)
<i>Traction and Propulsion Power</i>	7	(4)	(7)	(14)
<i>Fuel for Buses and Trains</i>	(88)	(123)	(59)	(45)
<i>Other Energy Adjustments</i>	(15)	(31)	(27)	(27)
<i>Health & Welfare</i>	27	31	47	62
<i>Pensions</i>	(92)	(33)	(43)	(36)
<i>Paratransit Service</i>	(9)	(9)	(9)	(9)
<i>Paratransit Urban Tax Reimbursement</i>	(7)	(7)	(9)	(10)
<i>Insurance</i>	(9)	1	(2)	(5)
<i>Bond Service Fees</i>	(1)	(1)	(1)	(1)
Net Baseline Change	(\$175)	(\$170)	(\$111)	(\$92)
General Reserve	\$38	\$0	\$0	\$0
Subsidies	(\$98)	(\$300)	(\$406)	(\$417)
<i>Real Estate Taxes</i>	(201)	(242)	(282)	(305)
<i>MMTOA</i>	(39)	(9)	(64)	(95)
<i>PBT</i>	(2)	(10)	(21)	(29)
<i>MRT Transfers/AMTAP</i>	36	43	34	78
<i>55/25 Pension Funding</i>	117	0	0	0
<i>City Subsidy for MTA Bus</i>	22	4	3	1
<i>B&T Operating Surplus Transfer</i>	(32)	(90)	(74)	(69)
<i>CDOT</i>	(1)	4	(2)	2
<i>Other</i>	1	1	1	0
Debt Service (excluding B&T)	\$42	\$34	\$61	\$99
Other	\$39	\$4	\$4	\$10
JULY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$345)	(\$1,143)	(\$1,882)	(\$2,068)
MTA GAP CLOSING PROGRAMS	194	813	1,618	1,785
PRIOR-YEAR CARRY-OVER	495	344	15	0
NET CASH BALANCE	\$344	\$15	(\$250)	(\$283)

Note: The July Plan shifts certain items to the baseline that were included below-the-line in the February Plan; these include: IESS and future Downsizing. The July below-the-line Gap Closing Actions totally replace the below-the-line "Policy and Gap Closing Actions" contained in the February Plan.

Metropolitan Transportation Authority
July Financial Plan 2009 - 2012
MTA Consolidated July Financial Plan Compared with February Financial Plan
Cash Reconciliation
(\$ in millions)

	Favorable/(Unfavorable)			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
FEBRUARY NET CASH BALANCE	\$368	(\$216)	(\$335)	(\$416)
<u>Less:</u>				
MTA Policy and Gap Closing Programs	(35)	(129)	(1,096)	(1,251)
Adjusted Net Cash Balance from Previous Year	(524)	(368)	0	0
FEBRUARY BASELINE CASH BALANCE before PRIOR-YEAR CARRYOVER	(\$191)	(\$712)	(\$1,432)	(\$1,668)
<u>Changes to February Plan</u>				
Baseline	(155)	(431)	(450)	(400)
Gap Closing	194	813	1,618	1,785
Adjusted Net Cash Balance from Previous Year	495	344	15	0
Total Changes	535	727	1,182	1,385
JULY NET CASH BALANCE	\$344	\$15	(\$250)	(\$283)

Metropolitan Transportation Authority
July Financial Plan 2009 - 2012
Agency Financials Compared With The February Plan
Includes Internal Gap Closing Actions
(\$ in millions)

	Favorable/(Unfavorable)			
	2008	2009	2010	2011
New Needs/Investments	(\$41)	(\$77)	(\$67)	(\$73)
New Service	(6)	(13)	(14)	(14)
Maintenance	(18)	(40)	(28)	(33)
Safety & Security	(7)	(11)	(9)	(9)
Other New Needs	(10)	(13)	(15)	(17)
Baseline Re-estimates	\$21	\$65	\$43	\$37
Internal Gap Closing Actions (see below)	<u>\$157</u>	<u>\$317</u>	<u>\$423</u>	<u>\$243</u>
Total Change before Other Adjustments and Uncontrollable Expenses	\$137	\$305	\$400	\$208
Other Adjustments	\$32	\$18	\$21	\$29
Passenger/Toll Revenue	5	(42)	(39)	(31)
Cancel 2008 Service Enhancements	27	60	60	60
Total Changes before Uncontrollable Expenses	\$169	\$323	\$421	\$237
Uncontrollable Expenses				
Traction and Propulsion Power	7	(4)	(7)	(14)
Fuel for Buses and Trains	(88)	(123)	(59)	(45)
Other Energy Adjustments	(15)	(31)	(27)	(27)
Health & Welfare	27	31	47	62
Pensions	(92)	(33)	(43)	(36)
Paratransit Service	(9)	(9)	(9)	(9)
Paratransit Urban Tax Revenue	(7)	(7)	(9)	(10)
Insurance	(9)	1	(2)	(5)
Bond Service Fees	(1)	(1)	(1)	(1)
Total Uncontrollable Expenses	(\$187)	(\$176)	(\$109)	(\$85)
Internal Gap Closing Actions				
2009 PEG Program *	19	89	87	95
Post-2009 PEGs *	-	-	102	185
Business Service Center	-	(7)	(10)	(14)
New Contracts Labor Contribution	-	53	82	85
MTA Reorganization	-	3	13	13
Reduce Subsidy to LIB	-	4	4	4
2006 Surplus Recovery	120	-	-	-
Other Administrative Reductions	15	30	-	-
Eliminate E-Z Pass Forgiveness	3	10	10	10
Inter-Agency Loan	-	135	135	(135)
Total Internal Gap Closing Actions	\$157	\$317	\$423	\$243

* Includes MTA Bus; these savings would serve to reduce City subsidy to MTA Bus.

III. Gap Closing Program

III. GAP CLOSING PROGRAM

The discussion below reflects Gap Closing Program initiatives proposed as part of the July Plan; these below-the-line items, categorized under the headings of Internal Actions, External Actions and Fares/Tolls, reflect prudent decisions and realistic actions that are essential to maintaining our operations, providing safety and security to our customers and employees, and implementing steps necessary to achieve MTA goals.

Internal Actions:

2009 Agency Program to Eliminate the Gap - The 2009 Program to Eliminate the Gap (PEG) consists of savings of \$16 million and 115 positions in 2008, \$82 million and 473 positions in 2009, \$80 million and 482 positions in 2010, \$88 million and 517 positions in 2011, and \$79 million and 453 positions in 2012. These 2009 PEG savings exclude MTA Bus' PEGs which would serve to reduce the City subsidy to MTA Bus.

For a fuller discussion and summary of the 2009 PEG program, please refer to the end of this section.

Post-2009 Agency Program to Eliminate the Gap - MTA Agencies are expected to achieve targeted savings equivalent to a 1.5% reduction in controllable expenses in each of the Plan years (6% cumulative by the end of 2012). Agencies will identify PEGs beginning in 2010 during next year's budget cycle. Therefore, the vast majority of the Post-2009 PEG program remains unspecified at this time. On an MTA-wide basis, the value of these "unspecified" PEGs is \$96 million in 2010, \$173 million in 2011, and \$274 million in 2012. The LIRR has identified a very small portion of its Post-PEG program (\$1 million per year). These savings exclude MTA Bus' PEGs which would serve to reduce the City subsidy to MTA Bus.

For a fuller discussion and summary of the 2009 Post-PEG program, please refer to the end of this section.

Business Service Center - In an effort to enhance financial stability, the MTA created a Business Service Center (BSC) to streamline financial operations. At the BSC, select administrative functions for all the Agencies will be combined and the use of one PeopleSoft Enterprise Resource Planning (ERP) Financial and HR/Payroll system, along with other technologies to process administrative and "back-office" functions will be utilized.

Implementation costs including capital and feasibility studies are expected to total \$210 million. This financial plan provides operating funding for implementation that will result in a net increase in projected spending of \$7 million, \$10 million, and \$14 million in 2009, 2010, and 2011, respectively. The BSC will be opening its door in 2011 and will complete consolidation of back office functions throughout the year. It will achieve efficiencies resulting in headcount reductions of approximately 243 positions throughout

the Agencies. In addition, it will begin to recoup initial outlays with net operating savings of \$29 million in 2012 growing to over \$30 million annually thereafter.

New Contracts Labor Contribution – MTA is proposing that upon the expiration of labor contracts in 2009 and 2010, the net value of new contract costs would enable a reduction to baseline assumptions for one year which would help close future-year budget gaps. Savings would occur in the year of the reduction and in out-years as well since the base for future growth would be reduced. Savings are projected at \$53 million in 2009, \$82 million in 2010, \$85 million in 2011 and \$86 million in 2012.

MTA Reorganization – Included as part of the MTA's corporate strategies, is the policy initiative to achieve institutional transformation; a key goal of this initiative is the consolidation of MTA's bus services. It is expected that Regional Bus Operation will allow its younger bus companies to leverage the resources of its older, more established agencies and for both to adopt best practices. This is expected to result in greater accountability, reduce administrative inefficiency and improve customer service. In addition to the Business Service Center efficiencies, reflected separately in the plan, MTA expects to review other back-office operations to generate additional administrative cost savings. It is assumed that these various initiatives will generate \$3 million in 2009 and \$13 million annually thereafter.

Reduce Subsidy to Long Island Bus – MTA is proposing to reduce LIB's subsidy by \$4 million in every year of the Plan, beginning in 2009. It is anticipated that other government entities, also responsible for funding LIB, will provide sufficient aid so that the Agency achieves a balanced budget. Absent such funding, fare increases and/or service cuts may be necessary.

2006 Surplus Recovery – In 2006, MTA used a portion of the 2006 surplus to fund Capital Security and other non-recurring expenses. It is proposed that \$120 million of these funds yet to be committed, be transferred back to the operating budget in 2008 to be used for future gap-closing. Funding for the Capital Security projects is expected to be part of the MTA's Capital Plan.

Other Administrative Reductions - The MTA has taken a number of steps to reduce administrative costs and improve the cash position. These include extending the current lead time for new hires, reducing non-revenue vehicle mileage, and significantly reducing costs for travel, catering, professional memberships, subscriptions, and telecommunications among other actions. This is expected to result in short-term savings of \$15 million in 2008 and \$30 million in 2009.

Eliminate E-Z Pass Forgiveness - The MTA is proposing an increase in revenues of \$10 million annually from charging official city, state and county vehicles for Bridge and Tunnel crossings, which are currently granted non-revenue status.

Inter-Agency Loan – The MTA is proposing to borrow \$135 million in 2009 and 2010 and to pay these Inter-Agency Loans back in 2011 and 2012.

External Actions:

Federal Legislative Actions - The MTA is proposing changes in federal legislation that would eliminate certain federal mandates for commuter rail employees without impacting employee benefits.

State/City Actions – The following list represents a series of proposed changes which would better the MTA's bottom line. It is not exhaustive, only illustrative. Other actions taken by our funding partners could substitute for these examples.

School/Senior Citizen Fare Reimbursement – The MTA is seeking full reimbursement, an additional \$104 million annually, of lost fares associated with providing peak-hour half-fare discounts to seniors (\$15 million) and reduced fares to school children, not currently reimbursed by New York City or New York State (\$89 million). The City currently pays \$13.8 million annually for seniors and the State and City currently pay \$90 million annually (\$45 million each) for school fare reimbursement – this has not changed since 1995.

City Reimbursement to Paratransit - The City's current contribution for Paratransit transportation operating expenses is capped so as to not increase by more than 20 percent per year, after the deduction of fare revenue and a 6.0 percent allocation from the Urban Tax receipts. It is proposed that beginning in 2009, the City and NYCT equally share Paratransit transportation operating costs. This is consistent with Paratransit funding practices in other U.S. localities. This proposal will result in additional reimbursements of \$113 million in 2009, \$138 million in 2010, \$164 million in 2011 and \$205 million in 2012.

State Tax Restoration – The MTA is depending on the State to make-up the appropriation in 2008, as well as the anticipated fall-off in tax revenues in 2009 and thereafter.

State Legislative Actions – Tax Statute Revisions - Discussions with State Budget have already begun to develop legislative proposals which would be introduced in the 2009 Legislative session to tighten up the tax codes relating to MTA real estate taxes. These statutory changes are expected to generate \$50 million of additional revenue earmarked for MTA.

New Governmental Aid - The Plan assumes that new governmental aid of approximately \$364 million will be made available to MTA beginning in 2010 and that the source of the revenue will recur and grow with inflation. This aid, yet to be specified, when combined with the City Fare Reimbursements and State tax restorations noted above are equivalent to the roughly \$600 million of new governmental aid included in previous financial plans. The 2008 July Financial Plan differs from previous Plans in that it calls on the City and State to essentially

accelerate half of the \$600 million originally programmed in 2010 by implementing the specific actions mentioned above.

Fares/Tolls:

2009 Increased Fare and Toll Yields - The July Plan proposes an 8% increase in MTA consolidated farebox and toll revenue yields beginning July 1, 2009. Consolidated fare and toll revenues, excluding MTA Bus revenues, are expected to increase by \$202 million in 2009, \$405 million in 2010, \$414 million in 2011 and \$418 million in 2012. MTA Bus revenue is expected to increase by \$6 million in 2009, \$13 million per year in 2010, 2011 and 2012. These additional MTA Bus revenues will be used to hold down NYC subsidy used to cover the costs associated with MTA Bus operations.

As a post-2009 gap closing action, the February Financial Plan anticipated a 5% yield increase in 2010 which was estimated to generate \$253 million in 2010 and \$262 million in 2011. The fare increase in 2009 of 8% is roughly equivalent to the original 6.5% that was reduced in 2008 to 3.85%, plus the acceleration of the 5% originally scheduled for 6 months later (1/1/10).

2011 Increased Fare and Toll Yields - A 5% consolidated farebox and toll revenue yield increase is also proposed for implementation on January 1, 2011, and is estimated to yield an additional \$272 million in 2011 and \$281 million in 2012, excluding yield increases for MTA Bus. The 5% farebox yield increase at MTA Bus is expected to generate additional revenue of \$9 million in 2011 and in 2012, and will be used to hold down NYC subsidy to MTA Bus.

MTA Consolidated Utilization

MTA Agency Fare and Toll Revenue Projections, in millions Including the Impact of PEGs and Fare/Toll Yields in 2009 & 2011

		2008 Mid-Year <u>Forecast</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Fare Revenue						
Long Island Bus ¹	- July Baseline	\$41.002	\$41.418	\$41.626	\$41.834	\$42.043
	- 7/1/09 Fare Yield	0.000	1.655	3.330	3.347	3.363
	- 1/1/11 Fare Yield	0.000	0.000	0.000	2.259	2.270
		\$41.002	\$43.073	\$44.956	\$47.440	\$47.677
Long Island Rail Road	- July Baseline	\$501.557	\$505.199	\$509.196	\$513.773	\$518.400
	- 7/1/09 Fare Yield	0.000	20.735	40.736	41.102	41.472
	- 1/1/11 Fare Yield	0.000	0.000	0.000	27.744	27.994
	- PEGs	0.000	0.400	0.800	0.800	0.800
		\$501.557	\$526.334	\$550.732	\$583.419	\$588.665
Metro-North Railroad ²	- July Baseline	\$504.006	\$510.665	\$521.458	\$533.661	\$546.020
	- 7/1/09 Fare Yield	0.000	12.495	24.933	25.585	26.253
	- 1/1/11 Fare Yield	0.000	0.000	0.000	16.736	17.173
	- PEGs	0.000	8.478	9.050	9.101	9.101
		\$504.006	\$531.638	\$555.441	\$585.084	\$598.547
MTA Bus Company	- July Baseline	\$151.439	\$154.753	\$158.160	\$161.632	\$165.170
	- 7/1/09 Fare Yield 3	0.000	6.268	12.653	12.931	13.214
	- 1/1/11 Fare Yield 3	0.000	0.000	0.000	8.728	8.919
		\$151.439	\$161.021	\$170.812	\$183.290	\$187.302
New York City Transit ¹	- July Baseline	\$2,940.520	\$2,952.774	\$2,980.798	\$3,012.891	\$3,038.223
	- 7/1/09 Fare Yield	0.000	119.542	238.464	241.031	243.058
	- 1/1/11 Fare Yield	0.000	0.000	0.000	162.696	164.064
		\$2,940.520	\$3,072.316	\$3,219.262	\$3,416.618	\$3,445.344
Staten Island Railway	- July Baseline	\$4.381	\$4.771	\$5.132	\$5.182	\$5.216
	- 7/1/09 Fare Yield	0.000	0.193	0.411	0.415	0.417
	- 1/1/11 Fare Yield	0.000	0.000	0.000	0.280	0.282
		\$4.381	\$4.964	\$5.543	\$5.876	\$5.915
<u>Total Farebox Revenue</u>	- July Baseline	\$4,142.905	\$4,169.579	\$4,216.371	\$4,268.973	\$4,315.071
	- 7/1/09 Fare Yield	0.000	160.888	320.526	324.410	327.777
	- 1/1/11 Fare Yield	0.000	0.000	0.000	218.443	220.702
	- PEGs	0.000	8.878	9.850	9.901	9.901
		\$4,142.905	\$4,339.345	\$4,546.746	\$4,821.728	\$4,873.451
Toll Revenue						
Bridges & Tunnels	- July Baseline	\$1,276.407	\$1,281.117	\$1,282.482	\$1,285.981	\$1,290.776
	- 7/1/09 Toll Yield	0.000	47.002	97.561	102.850	103.224
	- 1/1/11 Toll Yield	0.000	0.000	0.000	62.499	69.676
		\$1,276.407	\$1,328.119	\$1,380.043	\$1,451.330	\$1,463.676
TOTAL FARE & TOLL REVENUE ⁷						
	- July Baseline	\$5,419.312	\$5,450.696	\$5,498.853	\$5,554.954	\$5,605.847
	- 7/1/09 Fare/Toll Yield	0.000	207.890	418.087	427.261	431.001
	- 1/1/11 Fare/Toll Yield	0.000	0.000	0.000	280.942	290.378
	- PEGs	0.000	8.878	9.850	9.901	9.901
		\$5,419.312	\$5,667.464	\$5,926.789	\$6,273.058	\$6,337.127

¹ Excludes Paratransit Operations.

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

³ MTA Bus revenue from Fare Yield will be used to reduce NYC subsidy to MTA Bus.

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2009 - 2012
Total Non-Reimbursable & Reimbursable Positions
Full-Time Positions and Full Time Equivalents by Agency
(Favorable/(Unfavorable))

Category	2008 Mid-Year Forecast	2009 Preliminary Budget	2010	2011	2012
<i>Baseline Non-Reimbursable</i>	63,283	63,746	63,945	64,108	63,663
NYC Transit	43,633	43,884	43,975	44,088	43,611
Long Island Rail Road	6,071	6,094	6,119	6,109	6,093
Metro-North Railroad	5,418	5,542	5,613	5,666	5,714
Bridges & Tunnels	1,766	1,766	1,766	1,773	1,773
Headquarters	1,422	1,423	1,423	1,423	1,423
Long Island Bus	1,139	1,139	1,139	1,139	1,139
Staten Island Railway	275	274	274	274	274
Capital Construction Company	0	0	0	0	0
Bus Company	3,495	3,495	3,495	3,495	3,495
Integrated Electronic Security Systems (IESS)	64	129	141	141	141
<i>Gap Closing Program</i>	(22)	(67)	(67)	(46)	249
<i>Internal Actions:</i>					
Business Service Center	(22)	(67)	(67)	(46)	249
NYC Transit				81	309
Long Island Rail Road				61	61
Metro-North Railroad	17	17	17	77	77
Bridges & Tunnels				16	41
Headquarters	(46)	(91)	(91)	(341)	(299)
Long Island Bus				15	15
Staten Island Railway				2	2
Capital Construction Company				3	3
Bus Company	7	7	7	40	40
<i>2009 Agency Program to Eliminate the Gap</i>	115	467	476	511	447
NYC Transit	103	501	510	545	482
Long Island Rail Road	11	15	15	15	15
Metro-North Railroad	0	(52)	(52)	(52)	(52)
Bridges & Tunnels	0	3	3	3	2
Headquarters	0	0	0	0	0
Long Island Bus	0	2	2	2	2
Staten Island Railway	1	4	4	4	4
Capital Construction Company	0	0	0	0	0
Bus Company	0	(6)	(6)	(6)	(6)
<i>Post-2009 Agency Program to Eliminate the Gap</i>	0	0	10	10	10
NYC Transit	0	0	0	0	0
Long Island Rail Road	0	0	10	10	10
Metro-North Railroad	0	0	0	0	0
Bridges & Tunnels	0	0	0	0	0
Headquarters	0	0	0	0	0
Long Island Bus	0	0	0	0	0
Staten Island Railway	0	0	0	0	0
Capital Construction Company	0	0	0	0	0
Bus Company	0	0	0	0	0
Unspecified	TBD	TBD	TBD	TBD	TBD
<i>Total Non-Reimbursable</i>	63,190	63,346	63,526	63,633	62,957
NYC Transit	43,530	43,383	43,465	43,462	42,820
Long Island Rail Road	6,060	6,079	6,094	6,023	6,007
Metro-North Railroad	5,401	5,577	5,648	5,641	5,689
Bridges & Tunnels	1,766	1,763	1,763	1,754	1,730
Headquarters	1,468	1,514	1,514	1,764	1,722
Long Island Bus	1,139	1,137	1,137	1,122	1,122
Staten Island Railway	274	270	270	268	268
Capital Construction Company	0	0	0	(3)	(3)
Bus Company	3,488	3,494	3,494	3,461	3,461
Integrated Electronic Security Systems (IESS)	64	129	141	141	141
Unspecified	TBD	TBD	TBD	TBD	TBD

METROPOLITAN TRANSPORTATION AUTHORITY
July Financial Plan 2009 - 2012
Total Non-Reimbursable & Reimbursable Positions
Full-Time Positions and Full Time Equivalents by Agency
(Favorable/(Unfavorable))

Category	2008 Mid-Year Forecast	2009 Preliminary Budget	2010	2011	2012
<i>Total Non-Reimbursable</i>	63,190	63,346	63,526	63,633	62,957
NYC Transit	43,530	43,383	43,465	43,462	42,820
Long Island Rail Road	6,060	6,079	6,094	6,023	6,007
Metro-North Railroad	5,401	5,577	5,648	5,641	5,689
Bridges & Tunnels	1,766	1,763	1,763	1,754	1,730
Headquarters	1,468	1,514	1,514	1,764	1,722
Long Island Bus	1,139	1,137	1,137	1,122	1,122
Staten Island Railway	274	270	270	268	268
Capital Construction Company	0	0	0	(3)	(3)
Bus Company	3,488	3,494	3,494	3,461	3,461
Integrated Electronic Security Systems (IESS)	64	129	141	141	141
Unspecified	TBD	TBD	TBD	TBD	TBD
<i>Total Reimbursable</i>	7,389	7,153	6,936	6,767	6,756
NYC Transit	5,602	5,287	5,074	4,914	4,902
Long Island Rail Road	892	936	929	918	918
Metro-North Railroad	616	647	647	647	647
Bridges & Tunnels	53	53	53	53	53
Headquarters	43	47	50	52	53
Long Island Bus	14	14	14	14	14
Staten Island Railway	3	3	3	3	3
Capital Construction Company	150	150	150	150	150
Bus Company	16	16	16	16	16
Integrated Electronic Security Systems (IESS)	0	0	0	0	0
Unspecified	TBD	TBD	TBD	TBD	TBD
<i>Total Positions</i>	70,579	70,499	70,462	70,400	69,713
NYC Transit	49,132	48,670	48,539	48,376	47,722
Long Island Rail Road	6,952	7,015	7,023	6,941	6,925
Metro-North Railroad	6,017	6,224	6,295	6,288	6,336
Bridges & Tunnels	1,819	1,816	1,816	1,807	1,783
Headquarters	1,511	1,561	1,564	1,816	1,775
Long Island Bus	1,153	1,151	1,151	1,136	1,136
Staten Island Railway	277	273	273	271	271
Capital Construction Company	150	150	150	147	147
Bus Company	3,504	3,510	3,510	3,477	3,477
Integrated Electronic Security Systems (IESS)	64	129	141	141	141
Unspecified	TBD	TBD	TBD	TBD	TBD
<i>Total Full-Time</i>	70,270	70,198	70,161	70,099	69,412
NYC Transit	48,937	48,483	48,352	48,189	47,535
Long Island Rail Road	6,952	7,015	7,023	6,941	6,925
Metro-North Railroad	6,012	6,219	6,290	6,283	6,331
Bridges & Tunnels	1,819	1,816	1,816	1,807	1,783
Headquarters	1,511	1,561	1,564	1,816	1,775
Long Island Bus	1,044	1,042	1,042	1,027	1,027
Staten Island Railway	277	273	273	271	271
Capital Construction Company	150	150	150	147	147
Bus Company	3,504	3,510	3,510	3,477	3,477
Integrated Electronic Security Systems (IESS)	64	129	141	141	141
Unspecified	TBD	TBD	TBD	TBD	TBD
<i>Total Full-Time-Equivalents</i>	309	301	301	301	301
NYC Transit	195	187	187	187	187
Long Island Rail Road	0	0	0	0	0
Metro-North Railroad	5	5	5	5	5
Bridges & Tunnels	0	0	0	0	0
Headquarters	0	0	0	0	0
Long Island Bus	109	109	109	109	109
Staten Island Railway	0	0	0	0	0
Capital Construction Company	0	0	0	0	0
Bus Company	0	0	0	0	0
Integrated Electronic Security Systems (IESS)	0	0	0	0	0
Unspecified	TBD	TBD	TBD	TBD	TBD

2009 Agency Program to Eliminate the Gap

The 2009 Program to Eliminate the Gap (PEG), including MTA Bus, reflects savings of \$19 million and 115 positions in 2008, \$89 million and 467 positions in 2009, \$87 million and 476 positions in 2010, \$95 million and 511 positions in 2011, and \$86 million and 447 positions in 2012. These PEGs are in addition to the 2008 PEG program approved by the MTA Board in December of 2007 and included in the February 2008 Baseline. Included in the July Plan are prior year PEG re-forecasts which reduce the projected savings in the baseline by \$.5 million in 2008, and increase projected savings by \$.8 million in 2009 and by \$.08 million each year thereafter. Prior year PEG re-forecasts had no effect on positions. July Plan baseline positions for 2009 are 195 higher than the February Plan. Net of PEGs, 2009 positions are 272 lower than the February Plan.

Agencies were encouraged to start 2009 savings as soon as possible; therefore, some programs have begun in 2008 with savings of \$19 million.

2008 Impact:

NYCT's 2009 PEGs beginning in 2008 are expected to save \$10 million and 103 positions in 2008 primarily in the areas of Maintenance (\$7M and 67 positions), Administration (\$2M and 15 positions), and Service Support (\$1M and 21 positions). Maintenance savings are expected from efficiencies in terminal car cleaning, station track cleaning, RTO and Car Equipment, SONET/ATM maintenance, and bus facility maintenance. Administrative savings are expected from efficiencies and position reductions across all departments. Lastly, Service Support savings are expected from efficiencies in revenue collection/processing, and traffic checking. NYCT's 2009 PEGs beginning in 2008 are expected to yield average annual savings of approximately \$18 million over the 2009 through 2012 period.

The LIRR's 2009 PEGs beginning in 2008 are expected to save \$5 million and 11 positions in 2008 primarily from a deferral of the planned installation of Multiple Unit sanders, and a reduction in "in-house" tree trimming forces. The LIRR's 2009 PEGs beginning in 2008 are expected to yield average annual savings of approximately \$2 million over the 2009 through 2012 period.

MTA Bus' 2009 PEGs beginning in 2008 are expected to generate savings of \$3 million in 2008 through the recovery of qualified tax credits based on the use of Compressed Natural Gas (CNG) clean fuel in buses and reductions in maintenance material consumption. MTA Bus' 2009 PEGs beginning in 2008 are expected to yield average annual savings of approximately \$3 million over the 2009 through 2012 period.

SIR's 2009 PEGs beginning in 2008 are expected to save \$.2 million in 2008 through administrative efficiencies, and average annual savings of \$.3 million over the 2009 through 2012 period.

2009 – 2012:

NYCT's total 2009 PEG program is expected to save \$61 million and 501 positions in 2009, \$62 million and 510 positions in 2010, \$69 million and 545 positions in 2011, and \$59 million and 482 positions in 2012. PEG savings in 2009 are primarily in Maintenance (\$39 million and 328 positions), Service Support/Other (\$12 million and 115 positions), and Administration (\$10 million and 58 positions). Maintenance savings include PEGs starting in 2008 (mentioned above), revisions to Buses' 12-year upgrade program, revisions to Car Quality Control Initiatives (e.g. removing scratchitti), bus maintenance efficiencies (e.g. changed maintenance practices and reductions in the bus spare factor), water intrusion remediation efficiencies, and various other efficiencies. Service Support/Other savings include PEGs starting in 2008 (mentioned above), elimination of the Work Experience Program (WEP), efficiencies derived from better monitoring and management of bus depots' Extra Lists, platform conductor reductions, and RTO safety initiative efficiencies. Administrative savings include PEGs starting in 2008 (mentioned above), a re-negotiated prescription drug contract, and efficiencies across all departments. NYCT's July Plan baseline positions for 2009 are 11 lower than the February Plan. Net of PEGs, baseline positions decrease by 512.

MNR's total 2009 PEG program is expected to save \$9 million in 2009 and in each year of the Plan and increase positions by 52. PEG savings in 2009 are primarily in Customer Convenience /Amenities (\$5 million and 0 positions), Other (\$2 million and 2 positions), Revenue Enhancement (\$1 million and an increase of 62 positions), and Maintenance (\$.8 million and 8 positions). Customer Convenience/Amenities savings result from cancellation of the Component System Replacement (CSR) program on 30 M1 cars intended for use as a Yankee Stadium shuttle. MNR now plans to use newer equipment to provide this service. Projected "Other" savings are mainly due to re-estimates of the cost for MTA Police services on the New Haven Line, and Grand Central Terminal barrier separation maintenance. MNR's Revenue Enhancement PEG reflects net revenues of approximately \$1 million per year associated with the opening of the new Yankee Stadium station. MNR's July Plan baseline positions for 2009 are 1 higher than the February Plan. Net of PEGs, baseline positions increase by 53.

The LIRR's total 2009 PEG program is expected to save \$8 million in 2009, \$5 million in 2010, and approximately \$6 million in both 2011 and 2012. PEG position reductions remain flat at 15 over the Plan period. PEG savings in 2009 are primarily in Maintenance (\$4 million and 13 positions), Administration (\$2 million and 1 position), Service/Service Support (\$.9 million and 1 position), and Other (\$.7 million and 0 positions). Maintenance savings are entirely due to a continuation of PEGs starting in 2008 (mentioned above). Administration savings are expected mainly from improved oversight of retiree health and welfare benefits, a health insurance "Opt Out" buyback program, and the deferral of the Origin and Destination Study update. Service/Service Support savings are expected from an evaluation of off-peak and other supporting services to identify savings which are consistent with current service guidelines. Other savings are projected as a result of the increased oversight of the free rail pass policy, and a projected increase in real estate revenues from stations that currently have

underutilized excess space. The LIRR's July Plan baseline positions for 2009 are 57 higher than the February Plan. Net of PEGs, baseline positions increase by 42.

MTA Bus's total 2009 PEG program is expected to save \$7 million in 2009 and increase positions by 6. Average annual savings of \$7 million are projected for each of the years 2010 through 2012. PEG savings in 2009 are primarily in Administration (\$3 million and an increase of 6 positions), Maintenance (\$3 million and 0 positions), and Safety (\$1 million and 0 positions). Net administrative savings are expected from the addition of 6 positions to assume Worker's Compensation functions currently performed by outside contractors. The balance of the Administration PEG savings, as well as all of the Maintenance savings are derived from a continuation of PEGs starting in 2008 (mentioned above). Lastly, savings are projected through the initiation of numerous safe operation initiatives that will reduce the quantity and size of claims. MTA Bus' July Plan baseline positions for 2009 did not change from the February Plan. Net of PEGs, baseline positions increase by 6.

MTA HQ's total 2009 PEG program is expected to save \$3 million in 2009, with average annual savings of \$3 million in each of the years 2010 through 2012. PEG savings in 2009 are primarily in Administration (\$2 million and 0 positions) and Security (\$1 million and 0 positions). Administration savings are entirely due to a continuation of PEGs starting in 2008. Security savings are projected from reductions in overtime resulting from MTA Police deployment efficiencies. MTA HQ's July Plan baseline positions for 2009 are 14 higher than the February Plan and remain 14 higher net of PEGs.

SIR's total 2009 PEG program is expected to save \$1 million and 4 positions in 2009, and \$.4 million in each of the out-years. Most of the savings in 2009 are in Administration and are due to a continuation of PEGs starting in 2008 (mentioned above). SIR's July Plan baseline positions for 2009 are 2 higher than the February Plan. Net of PEGs, baseline positions decrease by 2.

LIB's total 2009 PEG program is expected to save \$1 million and 2 positions in 2009, with average annual savings of \$.4 million thereafter. PEG savings in 2009 are primarily in Maintenance (\$.4 million and 2 positions) and Other (\$.3 million and 0 positions). Maintenance savings are anticipated as new Paratransit and Fixed Route buses are purchased. Additional savings in electricity are expected from charging batteries during lower rate/low peak hours and fueling buses on battery power during high rate/high peak periods, saving a total of 2 positions. Savings in the "Other" category result primarily from the implementation of enhanced warranty tracking initiatives as new replacement buses enter service. LIB's July Plan baseline positions for 2009 did not change from the February Plan. Net of PEGs, baseline positions decrease by 2.

B&T's 2009 PEG program is expected to save \$0.3 million and 3 positions in each year of the Plan. PEG savings in 2009 are entirely in Administration and are driven by efficiencies in Human Resources and the Controller's department. B&T's July Plan

baseline positions for 2009 are 3 higher than the February Plan. Net of PEGs, the change in baseline positions is 0.

2009 Agency PEGs - Positions

The 2009 Agency PEGs include headcount reductions of 115 in 2008, 467 in 2009, 476 in 2010, 511 in 2011, and 447 in 2012.

Agency PEGs are expected to result in position reductions at the end of 2012 of 482 at NYCT, 15 at the LIRR, 4 at SIR, 2 at LIB, and 2 at B&T, and position increases of 52 at MNR and 6 at MTA Bus. Positions are reduced in Maintenance (-327), Service/Service Support (-106), Administration (-61) and Other (-15), and increase in Revenue Enhancement (+62).

Post-2009 Agency Program to Eliminate the Gap

Post – 2009 PEGs identified by the agencies are expected to achieve savings of \$1 million in each of the years 2010 through 2012. Additionally, each Agency reflects a target PEG equivalent to a 1.5% reduction in controllable expenses. These PEGs have not been fully identified by the Agencies and so are designated “unspecified”. On an MTA-wide basis, the value of this “unspecified” PEG is \$101 million in 2010, \$184 million in 2011, and \$289 million in 2012.

The LIRR’s post – 2009 PEGs are expected to result in savings of \$1 million and 10 positions in each of the years 2010 through 2012. Savings from these PEGs are primarily due to the consolidation and replacement of the Jay, Hall, and Dunton Towers with a new “Mini-Theater” located in the Jamaica Central Control building, and administrative and service support efficiencies.

METROPOLITAN TRANSPORTATION AUTHORITY
Mid-year forecast for 2008
Summary of 2009 Program to Eliminate the Gap(PEGs)
(\$ in millions)

	2008		2009		2010		2011		2012	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
MTA-Wide										
MTA BUS COMPANY	0	2.563	(6)	6.555	(6)	6.291	(6)	7.307	(6)	7.964
MTA HEADQUARTERS	0	1.044	0	2.446	0	2.498	0	2.557	0	2.609
MTA LONG ISLAND BUS	0	0.000	2	0.640	2	0.540	2	0.400	2	0.340
MTA BRIDGES AND TUNNELS	0	0.000	3	0.264	3	0.313	3	0.323	2	0.334
MTA METRO-NORTH RAILROAD	0	0.000	(52)	9.226	(52)	9.251	(52)	9.251	(52)	9.251
MTA LONG ISLAND RAIL ROAD	11	5.094	15	7.655	15	5.310	15	5.703	15	6.451
MTA NEW YORK CITY TRANSIT	103	9.929	501	60.973	510	61.939	545	69.303	482	59.114
MTA STATEN ISLAND RAILWAY	1	0.225	4	0.743	4	0.428	4	0.428	4	0.428
Total MTA-Wide	115	\$ 18.855	467	\$ 88.502	476	\$ 86.570	511	\$ 95.272	447	\$ 86.491
MTA-Wide by Category										
Administration	16	5.386	59	17.883	62	19.030	62	19.834	61	20.278
Customer Convenience/Amenities	0	0.000	0	5.354	0	0.000	0	0.000	0	0.000
Maintenance	78	12.026	351	47.134	355	41.433	390	48.148	327	38.020
Other	0	0.000	15	4.708	15	10.378	15	10.478	15	10.518
Revenue Enhancement	0	0.000	(62)	1.046	(62)	1.394	(62)	1.229	(62)	1.132
Safety	0	0.000	0	0.478	0	0.650	0	0.839	0	1.047
Security	0	0.000	0	0.639	0	0.669	0	0.695	0	0.712
Service	0	0.000	1	0.877	1	1.659	1	2.539	1	3.272
Service Support	21	1.443	103	10.383	105	11.357	105	11.510	105	11.512
Total MTA-Wide by Category	115	\$ 18.855	467	\$ 88.502	476	\$ 86.570	511	\$ 95.272	447	\$ 86.491

METROPOLITAN TRANSPORTATION AUTHORITY
Mid-year forecast for 2008
Summary of 2009 Program to Eliminate the Gap(PEGs)
(\$ in millions)

	2008		2009		2010		2011		2012	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
LIST of AGENCY PROGRAMS										
Administration										
MTA BUS COMPANY	0	1.851	(6)	3.498	(6)	3.009	(6)	3.784	(6)	4.178
MTA HEADQUARTERS	0	1.044	0	1.807	0	1.829	0	1.862	0	1.897
MTA BRIDGES AND TUNNELS	0	0.000	3	0.264	3	0.313	3	0.323	2	0.334
MTA LONG ISLAND RAIL ROAD	0	0.500	1	2.081	1	1.083	1	1.086	1	1.090
MTA NEW YORK CITY TRANSIT	15	1.766	58	9.567	61	12.445	61	12.428	61	12.428
MTA STATEN ISLAND RAILWAY	1	0.225	3	0.666	3	0.351	3	0.351	3	0.351
Sub-Total: Administration	16	\$ 5.386	59	\$ 17.883	62	\$ 19.030	62	\$ 19.834	61	\$ 20.278
Customer Convenience/Amenities										
MTA METRO-NORTH RAILROAD	0	0.000	0	5.354	0	0.000	0	0.000	0	0.000
Sub-Total: Customer Convenience/Amenities	0	\$ 0.000	0	\$ 5.354	0	\$ 0.000	0	\$ 0.000	0	\$ 0.000
Maintenance										
MTA BUS COMPANY	0	0.712	0	2.579	0	2.632	0	2.684	0	2.739
MTA LONG ISLAND BUS	0	0.000	2	0.370	2	0.270	2	0.180	2	0.160
MTA METRO-NORTH RAILROAD	0	0.000	8	0.790	8	0.801	8	0.816	8	0.833
MTA LONG ISLAND RAIL ROAD	11	4.594	13	4.044	13	1.263	13	0.770	13	0.779
MTA NEW YORK CITY TRANSIT	67	6.720	328	39.351	332	36.467	367	43.698	304	33.509
Sub-Total: Maintenance	78	\$ 12.026	351	\$ 47.134	355	\$ 41.433	390	\$ 48.148	327	\$ 38.020
Other										
MTA LONG ISLAND BUS	0	0.000	0	0.270	0	0.270	0	0.220	0	0.180
MTA METRO-NORTH RAILROAD	0	0.000	2	2.036	2	7.056	2	7.206	2	7.286
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.650	0	1.300	0	1.300	0	1.300
MTA NEW YORK CITY TRANSIT	0	0.000	13	1.752	13	1.752	13	1.752	13	1.752
Sub-Total: Other	0	\$ 0.000	15	\$ 4.708	15	\$ 10.378	15	\$ 10.478	15	\$ 10.518
Revenue Enhancement										
MTA METRO-NORTH RAILROAD	0	0.000	(62)	1.046	(62)	1.394	(62)	1.229	(62)	1.132

METROPOLITAN TRANSPORTATION AUTHORITY
Mid-year forecast for 2008
Summary of 2009 Program to Eliminate the Gap(PEGs)
(\$ in millions)

	2008		2009		2010		2011		2012	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
LIST of AGENCY PROGRAMS										
Sub-Total: Revenue Enhancement	0	\$ 0.000	(62)	\$ 1.046	(62)	\$ 1.394	(62)	\$ 1.229	(62)	\$ 1.132
Safety										
MTA BUS COMPANY	0	0.000	0	0.478	0	0.650	0	0.839	0	1.047
Sub-Total: Safety	0	\$ 0.000	0	\$ 0.478	0	\$ 0.650	0	\$ 0.839	0	\$ 1.047
Security										
MTA HEADQUARTERS	0	0.000	0	0.639	0	0.669	0	0.695	0	0.712
Sub-Total: Security	0	\$ 0.000	0	\$ 0.639	0	\$ 0.669	0	\$ 0.695	0	\$ 0.712
Service										
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.800	0	1.582	0	2.462	0	3.195
MTA STATEN ISLAND RAILWAY	0	0.000	1	0.077	1	0.077	1	0.077	1	0.077
Sub-Total: Service	0	\$ 0.000	1	\$ 0.877	1	\$ 1.659	1	\$ 2.539	1	\$ 3.272
Service Support										
MTA LONG ISLAND RAIL ROAD	0	0.000	1	0.080	1	0.082	1	0.085	1	0.087
MTA NEW YORK CITY TRANSIT	21	1.443	102	10.303	104	11.275	104	11.425	104	11.425
Sub-Total: Service Support	21	\$ 1.443	103	\$ 10.383	105	\$ 11.357	105	\$ 11.510	105	\$ 11.512
Total Agency PEGs	115	\$ 18.855	467	\$ 88.502	476	\$ 86.570	511	\$ 95.272	447	\$ 86.491

METROPOLITAN TRANSPORTATION AUTHORITY
Mid-year forecast for 2008
Summary of Post 2009 PEGs
(\$ in millions)

	2008		2009		2010		2011		2012	
MTA-Wide	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
MTA BUS COMPANY	0	0.000	0	0.000	0	4.965	0	9.930	0	14.895
MTA HEADQUARTERS	0	0.000	0	0.000	0	2.162	0	4.431	0	6.707
MTA LONG ISLAND BUS	0	0.000	0	0.000	0	1.491	0	2.982	0	4.473
MTA BRIDGES AND TUNNELS	0	0.000	0	0.000	0	2.010	0	11.308	0	16.962
MTA METRO-NORTH RAILROAD	0	0.000	0	0.000	0	9.251	0	18.502	0	27.753
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.000	10	22.575	10	17.913	10	39.275
MTA NEW YORK CITY TRANSIT	0	0.000	0	0.000	0	59.613	0	119.226	0	178.839
MTA STATEN ISLAND RAILWAY	0	0.000	0	0.000	0	0.420	0	0.840	0	1.260
Total MTA-Wide	0	\$ 0.000	0	\$ 0.000	10	\$ 102.487	10	\$ 185.132	10	\$ 290.164
MTA-Wide by Category										
Administration	0	0.000	0	0.000	4	0.400	4	0.412	4	0.424
Other	0	0.000	0	0.000	5	102.005	5	184.635	5	289.653
Service Support	0	0.000	0	0.000	1	0.082	1	0.085	1	0.087
Total MTA-Wide by Category	0	\$ 0.000	0	\$ 0.000	10	\$ 102.487	10	\$ 185.132	10	\$ 290.164

METROPOLITAN TRANSPORTATION AUTHORITY
Mid-year forecast for 2008
Summary of Post 2009 PEGs
(\$ in millions)

	2008		2009		2010		2011		2012	
	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>	<u>Positions</u>	<u>Dollars</u>
LIST of AGENCY PROGRAMS										
Administration										
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.000	4	0.400	4	0.412	4	0.424
Sub-Total: Administration	0	\$ 0.000	0	\$ 0.000	4	\$ 0.400	4	\$ 0.412	4	\$ 0.424
Other										
MTA BUS COMPANY	0	0.000	0	0.000	0	4.965	0	9.930	0	14.895
MTA HEADQUARTERS	0	0.000	0	0.000	0	2.162	0	4.431	0	6.707
MTA LONG ISLAND BUS	0	0.000	0	0.000	0	1.491	0	2.982	0	4.473
MTA BRIDGES AND TUNNELS	0	0.000	0	0.000	0	2.010	0	11.308	0	16.962
MTA METRO-NORTH RAILROAD	0	0.000	0	0.000	0	9.251	0	18.502	0	27.753
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.000	5	22.093	5	17.416	5	38.764
MTA NEW YORK CITY TRANSIT	0	0.000	0	0.000	0	59.613	0	119.226	0	178.839
MTA STATEN ISLAND RAILWAY	0	0.000	0	0.000	0	0.420	0	0.840	0	1.260
Sub-Total: Other	0	\$ 0.000	0	\$ 0.000	5	\$ 102.005	5	\$ 184.635	5	\$ 289.653
Service Support										
MTA LONG ISLAND RAIL ROAD	0	0.000	0	0.000	1	0.082	1	0.085	1	0.087
Sub-Total: Service Support	0	\$ 0.000	0	\$ 0.000	1	\$ 0.082	1	\$ 0.085	1	\$ 0.087
Total Agency PEGs	0	\$ 0.000	0	\$ 0.000	10	\$ 102.487	10	\$ 185.132	10	\$ 290.164

IV. Appendix

**Certification of the Executive Director
of the
Metropolitan Transportation Authority
in accordance with Section 202.3(l)
of the
State Comptroller's Regulations**

I, Elliot G. Sander, Executive Director of the Metropolitan Transportation Authority ("MTA"), hereby certify, to the best of my knowledge and belief after reasonable inquiry, including certifications from senior management at the MTA agencies, that the attached budget and financial plan is based on reasonable assumptions and methods of estimation and that the requirements of Section 202.3 and 202.4 of the Regulations referenced above have been satisfied.

Metropolitan Transportation Authority

By:


Elliot G. Sander
Executive Director

Dated: July 23, 2008

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