

BUDGETWATCH

April 2014 Flash Report

Summary of March Budgetwatch (reporting on operations through February and subsidies through March):

Preliminary Year-to-Date (YTD) net results were slightly favorable to Budget, as unfavorable operating results from January and February snowfall were offset by favorable debt service and subsidy results. *In the first two months of 2014, Central Park experienced 11 days of snowfall and 49 inches of snow accumulation, more than three times the 16 inch norm for this period.* Combined passenger and toll revenues through February were \$29.6 million, or 2.7%, unfavorable, while operating expenses were \$20.5 million, or 1.3%, unfavorable; these unfavorable operating results reflect lower utilization and higher overtime due to the unusually heavy snowfall. Debt service costs through February were \$39.0 million, or 10.1% favorable (some of this is timing-related and will be reversed). Subsidies through March were net favorable by \$58.6 million (6.8%), primarily from higher real estate transaction tax receipts in January and February.

Overall Latest Condition (reporting on operations through March and subsidies through April):

Overall, preliminary net results for the month and YTD were favorable. YTD results have been heavily influenced by the favorable collections of real estate transaction taxes (particularly the NYC Urban Tax) that occurred in January and February. Total real estate taxes for April of \$84.5 million were \$7.1 million (9.1%) better than Budget, increasing the YTD favorable variance to \$65.6 million (21.2%). Urban tax collections for the month and YTD were favorable to the Budget; however, they continue to be very inconsistent. January and February collections were very strong; March collections were very low and April collections were in between – above Budget, but well below early year collection levels.

Operating results, including passenger revenue and operating expenses, were favorable in March which offset unfavorable weather-impacted results in January and February. Debt service costs were slightly unfavorable for the month but are favorable YTD. Excepting the real estate transaction taxes described above, combined subsidies have been virtually on target as higher PBT taxes have offset lower collections of PMT and MTA Aid.

Passenger and Toll Revenues

YTD March 2014 (\$ in millions)					Month of March 2014 (\$ in millions)				
	Actual	Adopted Budget	Diff	% Diff		Actual	Adopted Budget	Diff	% Diff
NYCT:					NYCT:				
Subway	\$752.2	\$750.2	\$2.0	0.3%	Subway	\$276.0	\$264.1	\$11.8	4.5%
Bus	224.8	230.7	(6.0)	-2.6%	Bus	86.0	82.3	3.6	4.4%
Other	<u>14.0</u>	<u>14.7</u>	<u>(0.7)</u>	<u>-5.0%</u>	Other	<u>4.8</u>	<u>5.0</u>	<u>(0.2)</u>	<u>-3.3%</u>
NYCT	\$991.0	\$995.7	(\$4.7)	-0.5%	NYCT	\$366.8	\$351.4	\$15.3	4.4%
LIRR	151.1	149.3	1.9	1.2%	LIRR	52.7	52.4	0.3	0.7%
MNR	<u>148.8</u>	<u>154.1</u>	<u>(5.3)</u>	<u>-3.4%</u>	MNR	<u>51.7</u>	<u>54.3</u>	<u>(2.5)</u>	<u>-4.7%</u>
Sub-total	\$1,290.9	\$1,299.0	(\$8.2)	-0.6%	Sub-total	\$471.2	\$458.1	\$13.1	2.9%
B&T	<u>368.2</u>	<u>376.6</u>	<u>(8.4)</u>	<u>-2.2%</u>	B&T	<u>136.9</u>	<u>137.2</u>	<u>(0.4)</u>	<u>-0.3%</u>
Total	\$1,659.0	\$1,675.6	(\$16.6)	-1.0%	Total	\$608.1	\$595.3	\$12.8	2.1%

YTD ridership and traffic numbers were impacted by heavy snowfall in January and February.

For the month, passenger revenues were \$13.1 million, or 2.9%, above Budget, while toll revenues were unfavorable by \$0.4 million, or 0.3%. Higher March passenger revenue offset much of the unfavorable weather impacts from January and February. For NYCT, March results reflect that the quarterly “true-up” of MetroCard revenue between NYCT and other entities yielded higher revenues to NYCT. At the LIRR, revenues were slightly favorable, further improving YTD results that have occurred in spite of the harsh winter. Metro-North, however, continued to perform below Budget with YTD results some 3.4% unfavorable. Toll revenues were slightly unfavorable for the month, with YTD results mainly displaying the impacted of the previously discussed winter weather.

Total Operating Expenses before Non-Cash Liability Adjustments

YTD March 2014 (\$ in millions)					Month of March 2014 (\$ in millions)				
	Adopted		Diff	% Diff		Adopted		Diff	% Diff
	Actual	Budget			Actual	Budget			
NYCT	\$1,574.3	\$1,560.3	(\$13.9)	-0.9%	NYCT	\$508.6	\$524.1	\$15.4	2.9%
LIRR	331.9	346.2	14.3	4.1%	LIRR	106.1	113.1	6.9	6.1%
MNR	276.2	279.6	3.4	1.2%	MNR	88.5	95.3	6.8	7.1%
B&T	<u>95.3</u>	<u>106.1</u>	<u>10.9</u>	<u>10.2%</u>	B&T	<u>34.9</u>	<u>39.3</u>	<u>4.4</u>	<u>11.3%</u>
Total	\$2,277.6	\$2,292.2	\$14.6	0.6%	Total	\$738.2	\$771.8	\$33.6	4.4%

For the month, preliminary expenses were significantly favorable to Budget by \$33.6 million, or 4.4%. NYCT was \$15.4 million favorable due to lower labor expenses (\$11.5 million – lower for health and welfare and the OPEB current payment that were partially offset by higher salaries and wages), and lower non-labor expenses (\$3.9 million – mostly lower other business expenses and paratransit service contracts). The LIRR was favorable by \$6.9 million due to lower labor expenses (\$4.5 million – favorable with the exception of overtime) and lower non-labor expenses (\$2.4 million – mainly materials & supplies and maintenance and other operating contracts). MNR was \$6.8 million favorable due to lower labor expenses (\$4.5 million – mainly lower payroll and health and welfare expenses) and lower non-labor expenses (\$2.3 million – lower maintenance and other operating contracts and electric power). B&T was \$4.4 million favorable largely due to lower payroll costs from vacancies and the timing of maintenance contracts.

March YTD expenses were \$14.6 million, or 0.6%, favorable to budget. NYCT was \$13.9 million unfavorable due to higher labor expenses mostly attributable to the harsh winter weather (\$13.9 million - mostly overtime, other fringe benefits, and reimbursable overhead, partially offset by lower health and welfare and OPEB current payment). NYCT's non-labor expenses were on budget, as higher expenses for professional services, materials & supplies, and maintenance contracts were offset by lower expenses for paratransit service contracts, energy, and other business expenses. The LIRR was favorable by \$14.3 million due to lower non-labor expenses (\$12.5 million – favorable with the exception of energy), and lower labor expenses (\$1.8 million – favorable with the exception of overtime and reimbursable overhead). MNR was \$3.4 million favorable, due to non-labor expense (\$5.2 million – mainly maintenance and other operating contracts, professional services, and material costs), offset by higher labor costs (\$1.7 million – overtime partially offset by salaries and wages and health and welfare). B&T was \$10.9 million favorable mainly due to lower payroll costs from vacancies and lower and maintenance contract costs.

Overtime

YTD March 2014 (\$ in millions)					Month of March 2014 (\$ in millions)				
	Adopted		Diff	% Diff		Adopted		Diff	% Diff
	Actual	Budget			Actual	Budget			
NYCT	\$116.3	\$82.7	(\$33.6)	-40.6%	NYCT	\$34.5	\$27.1	(\$7.4)	-27.2%
LIRR	28.1	22.4	(5.7)	-25.6%	LIRR	6.8	6.0	(0.7)	-12.4%
MNR	19.8	14.6	(5.2)	-35.8%	MNR	5.2	5.0	(0.3)	-5.3%
B&T	<u>6.4</u>	<u>6.2</u>	<u>(0.2)</u>	<u>-3.7%</u>	B&T	<u>2.2</u>	<u>1.8</u>	<u>(0.3)</u>	<u>-17.8%</u>
Total	\$170.6	\$125.8	(\$44.8)	-35.6%	Total	\$48.7	\$40.0	(\$8.7)	-21.8%

YTD overtime expenses were adversely impacted by unusually high snowfall in January and February.

Overtime was unfavorable for the month by \$8.7 million, or 21.8%, increasing the unfavorable YTD variance to \$44.8 million, or 35.6%. Overall unfavorable YTD results largely reflect increased coverage requirements resulting from the harsh winter weather, as well as required NYCT track and signal work during the month of March.

Debt Service

Debt service costs for the month of March were \$214.9 million, which was \$3.6 million, or 1.7%, unfavorable due to the timing of debt service deposits. March YTD debt service costs were \$563.7 million, which was \$35.4 million, or 5.9%, favorable to Budget due primarily to timing of new Transportation Revenue Bond issues, timing of payments for Commercial Paper and lower than budgeted variable rates.

PMT and MTA Aid

YTD April 2014 (\$ in millions)					Month of April 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	% Diff		Actual	Budget	Diff	% Diff
PMT	\$503.0	\$517.4	(\$14.4)	-2.8%	PMT	\$101.1	\$107.0	(\$5.9)	-5.5%
MTA Aid	<u>71.3</u>	<u>78.4</u>	<u>(\$7.1)</u>	<u>-9.1%</u>	MTA Aid	<u>0.0</u>	<u>0.0</u>	<u>\$0.0</u>	<u>0.0%</u>
Total	\$574.3	\$595.8	(\$21.5)	-3.6%	Total	\$101.1	\$107.0	(\$5.9)	-5.5%

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

April Payroll Mobility Tax (PMT) receipts were \$5.9 million, or 5.5%, below Budget, increasing the YTD unfavorable variance to \$14.4 million, or 2.8%. Receipts continue to be monitored to determine if any portion of the YTD result is due to the timing of fund transfers by the State. MTA Aid receipts YTD were \$71.3 million, \$7.1 million or 9.1% unfavorable, and some portion of this variance appears to be timing-related; the next quarterly MTA Aid payment will be made in June.

State Dedicated Taxes

For the month of April, Petroleum Business Tax (PBT) receipts of \$53.1 million were \$7.9 million, or 17.6%, above Budget; YTD PBT receipts of \$210.5 million were above Budget by \$22.7 million, or 12.1%. At least some of this favorable variance appears to be a timing-related “catch-up” from last year (2013 receipts were \$6.7 unfavorable). It is unclear as to how much, if any, of the remaining variance is “real”, or whether it represents an earlier-than-anticipated receipt of 2014 collections. Consistent with the Budget, the first MMTOA payment is anticipated in May.

Real Estate Transaction Taxes

YTD April 2014 (\$ in millions)					Month of April 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	% Diff		Actual	Budget	Diff	% Diff
MRT	\$113.8	\$133.6	(\$19.9)	-14.9%	MRT	\$28.2	\$33.4	(\$5.2)	-15.5%
NYC Urban	<u>261.7</u>	<u>176.3</u>	<u>\$85.4</u>	<u>48.5%</u>	NYC Urban	<u>\$56.3</u>	<u>44.1</u>	<u>\$12.2</u>	<u>27.8%</u>
Total	\$375.5	\$309.9	\$65.6	21.2%	Total	\$84.5	\$77.5	\$7.1	9.1%

Total real estate taxes for April of \$84.5 million were \$7.1 million (9.1%) better than Budget, increasing the YTD favorable variance to \$65.6 million (21.2%). YTD Total Real Estate Transaction Taxes are ahead of 2013 levels by \$38.1 million, or 11.3%. Urban tax collections for the month and YTD were favorable to the Budget; however, they continue to be very inconsistent. January and February collections were very strong; March collections were very low and April collections were in between – above Budget, but well below early year collection levels.

Regional Mortgage Recording Tax¹ receipts for April were \$5.2 million or 15.5% below Budget, with both MRT-1 and MRT-2 receipts lower than anticipated: MRT-1 was \$2.0 million unfavorable compared with Budget, and MRT-2 receipts, which last month had fallen to their lowest level in twenty-four months, came in unfavorable again in April, \$3.2 million worse than anticipated. YTD Mortgage Recording taxes of \$113.8 million fell short of Budget by \$19.9 million or 14.9%, with MRT-1 receipts worse than Budget by \$8.5 million, and MRT-2 receipts worse by \$11.4 million through April.

New York City Urban Tax² receipts for April were \$12.2 million or 27.8% favorable, making YTD Urban Tax receipts \$85.4 million (48.5%) favorable. For April, the MRT portion of the Urban Tax was \$20.6 million, which was \$4.4 million or 27.0% favorable. The Real Property Transfer Tax (RPTT) portion of the Urban Tax was \$35.7 million in April, favorable by \$7.8 million or 28.2%. With the exception of March, receipts of both components of the Urban Tax have exceeded budget forecasts in each month of 2014. Consequently, YTD receipts of both RPTT and Urban MRT continued to improve over Budget, with RPTT favorable by \$73.3 million, and Urban MRT favorable by \$12.1 million.

¹ Mortgage Recording Taxes consist of two separate taxes on all mortgages recorded in the twelve-county region: MRT-1 is a tax on both commercial and residential mortgages, while MRT-2 is imposed on residential real estate structures containing one to six dwelling units.

² New York City Urban Taxes are imposed on non-residential property and apartment building transactions within New York City that are valued at over \$500,000. The MRT component of the Urban Tax is imposed on mortgages of commercial property exceeding \$500,000, and the Real Property Transfer Tax component is imposed on the transfer of NYC commercial real properties valued over \$500K.

April 2014 BudgetWatch Regional Economy

New York City Employment

Sectors with Employment Gains in March 2014 Compared to March 2013

- Information Services
- Other Services
- Education and Health Svcs
- Financial Activities
- Manufacturing



- Transportation, Utilities
- Leisure and Hospitality
- Trade
- Professional and Business Services

Sectors with Employment losses in March 2014 Compared to March 2013

- Construction, Mining, Natural Resources
- Government



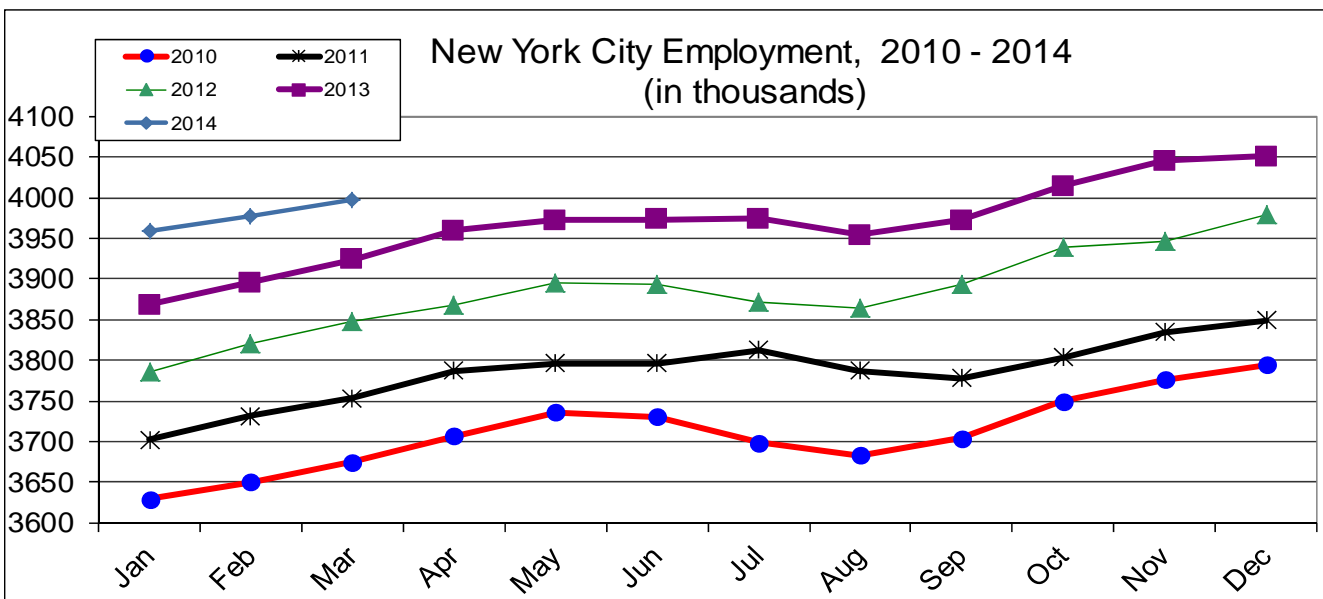
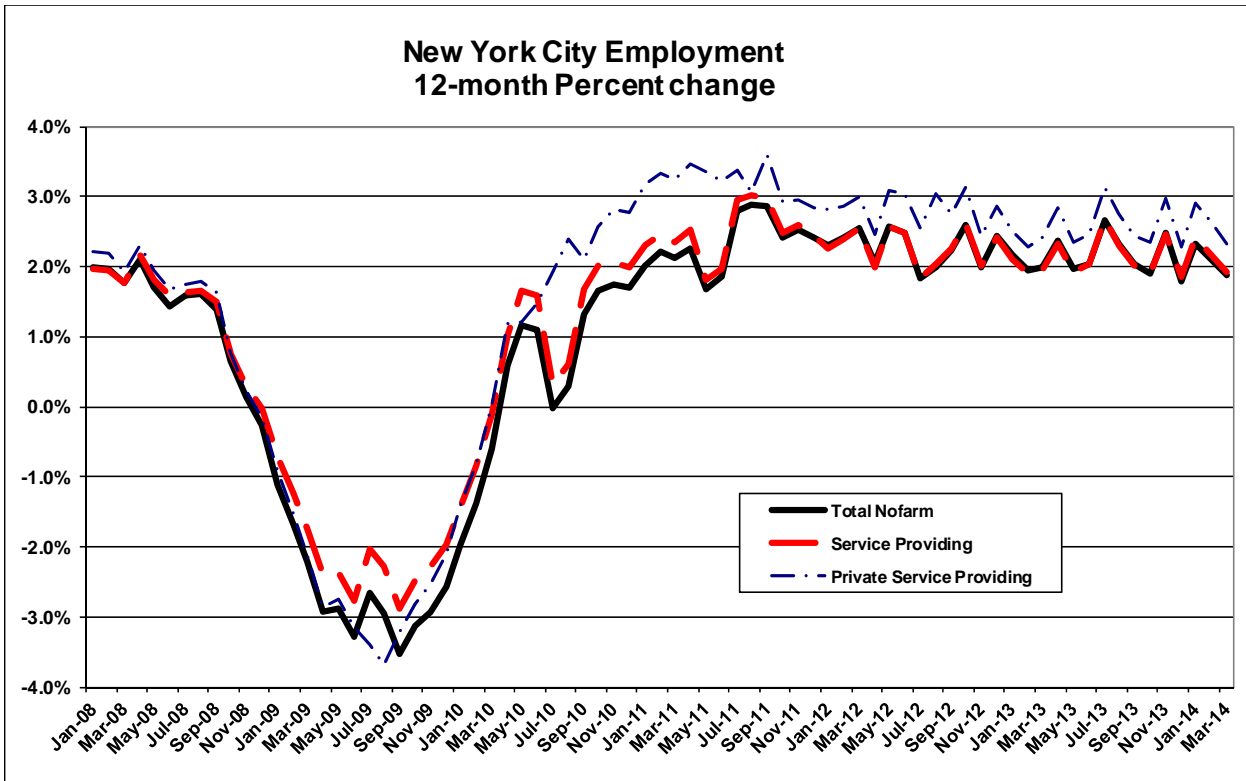
New York City Employment (in thousands)	Prelim Mar-14	Revised Feb-14	Mar-13	Gain / (Loss)			
				Mar-14 versus:			
				Feb-14		Mar-13	
				Net	Percent	Net	Percent
Total Employment	3998.0	3977.1	3924.4	20.9	0.5%	73.6	1.9%
Goods Producing	194.6	192.2	192.4	2.4	1.2%	2.2	1.1%
Construction, Mining, Nat Res	117.1	115.4	117.2	1.7	1.5%	(0.1)	-0.1%
Manufacturing	77.5	76.8	75.2	0.7	0.9%	2.3	3.1%
Service Producing	3803.4	3784.9	3732	18.5	0.5%	71.4	1.9%
Transportation, Utilities	122.1	120.8	120.5	1.3	1.1%	1.6	1.3%
Trade	484.1	483.5	469.9	0.6	0.1%	14.2	3.0%
Information	178.0	180.4	175.0	(2.4)	-1.3%	3.0	1.7%
Financial Activities	434.1	433.9	433.8	0.2	0.0%	0.3	0.1%
Education & Health Svcs	648.4	647.0	632.9	1.4	0.2%	15.5	2.4%
Professional & Business Svcs	841.6	833.4	813.6	8.2	1.0%	28.0	3.4%
Leisure & Hospitality	377.5	372.0	369.5	5.5	1.5%	8.0	2.2%
Other Services	176.3	175.1	172.7	1.2	0.7%	3.6	2.1%
Government	541.3	538.8	544.1	2.5	0.5%	(2.8)	-0.5%

Preliminary March 2014 employment in New York City shows a gain of 73.6 thousand jobs (an increase of 1.9%) compared to last March's employment level. This marks the forty-fourth consecutive month in which employment has improved over its level from one year earlier. The Professional and Business Services and the Education and Health Services sectors experienced the greatest gains among the major sectors, adding 28,000 and 15,500 jobs, respectively, over the past twelve months.

April 2014 BudgetWatch

Regional Economy

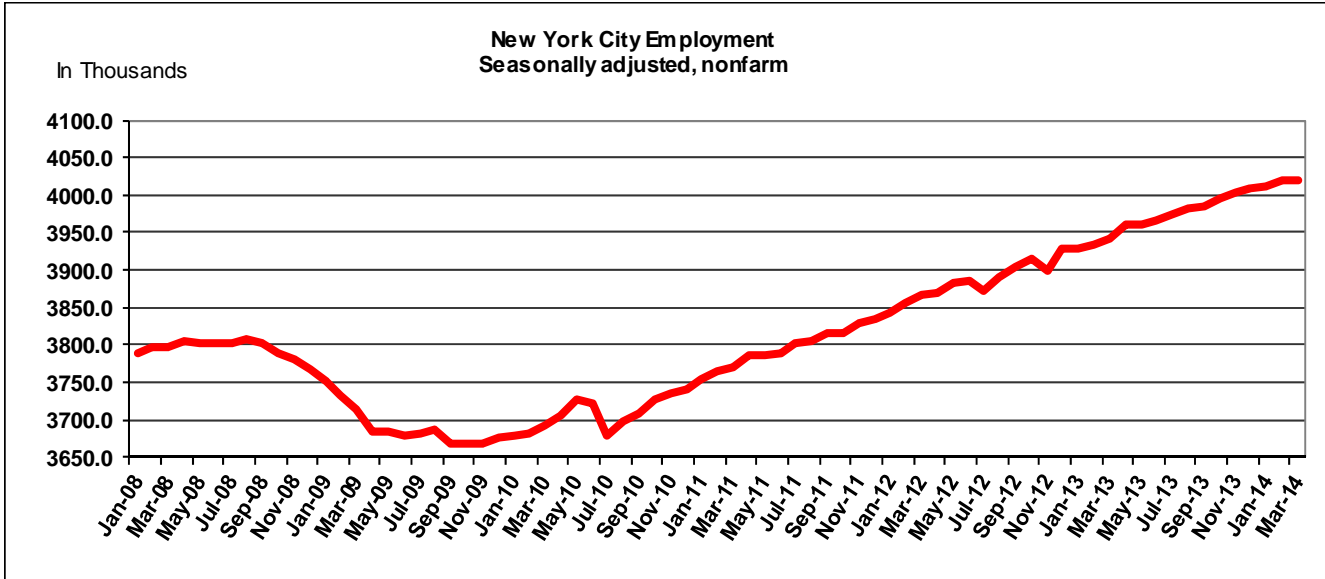
Employment in New York City's service-producing sectors increased by 71.4 thousand jobs, an increase of 1.9% over the March 2013 level. Private-sector service-providing employment in New York City increased by 74.2 thousand jobs, 2.3% higher than the level of one year ago, and March marks the forty-eighth consecutive month that has seen a year-to-year improvement of more than 1%.



April 2014 BudgetWatch

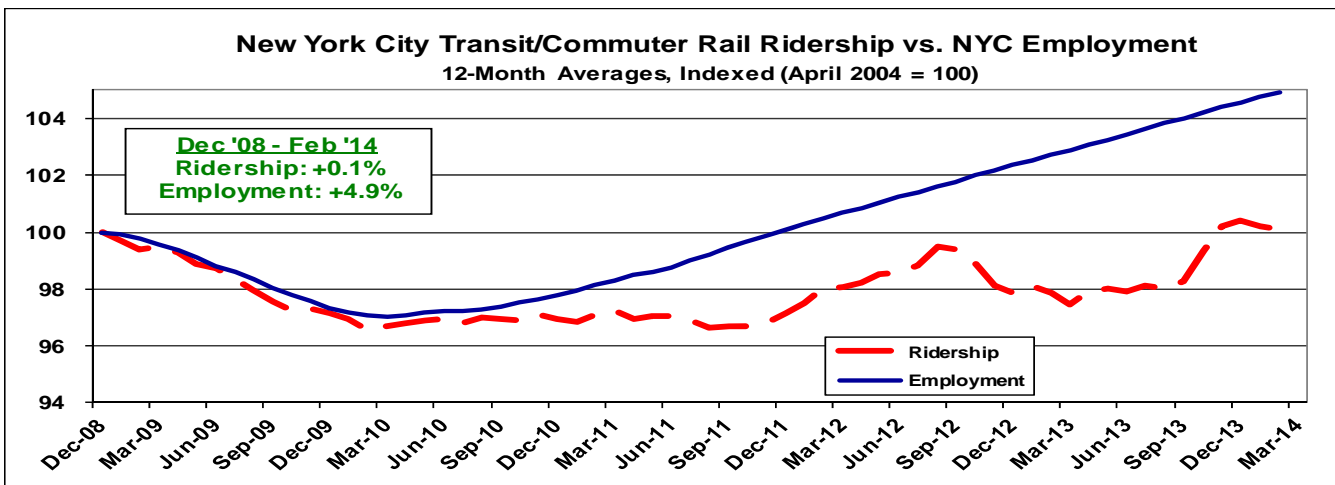
Regional Economy

In March, seasonally adjusted New York City employment of 4.0 million was higher than in March 2013 by 76.8 thousand jobs (1.9%), but lower than in February 2014 by 1.2 thousand jobs.



Ridership and Employment

In December 2008, the twelve-month moving average for employment began to decline after increasing in 51 of the previous 59 months. For the next fifteen months in a row, the twelve-month moving average fell, and employment levels declined by 4.0%. In the 48 months from March 2010 through February 2014, the twelve-month employment average has increased in forty-seven times, and was 4.9% higher in February 2014 than the December 2008 level. Annualized (12-month average) New York City Transit/Commuter Rail ridership has grown to 0.1% above the December 2008 level. The twelve-month average for ridership in February 2014 was 2.3% higher than one year earlier.



April 2014 BudgetWatch Regional Economy

Consumer Price Index

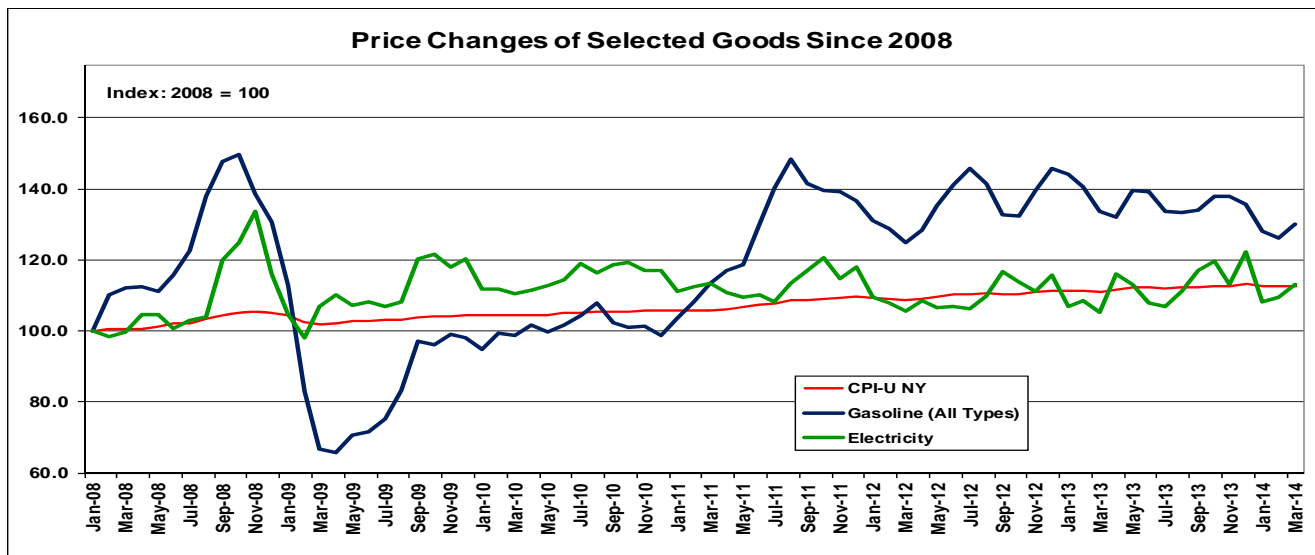
Goods Reporting Price Increases in March 2014 Compared to February 2014

- Transportation
- Electricity
- Gasoline
- Medical Care



Goods Reporting Price Declines in March 2014 Compared to February 2014

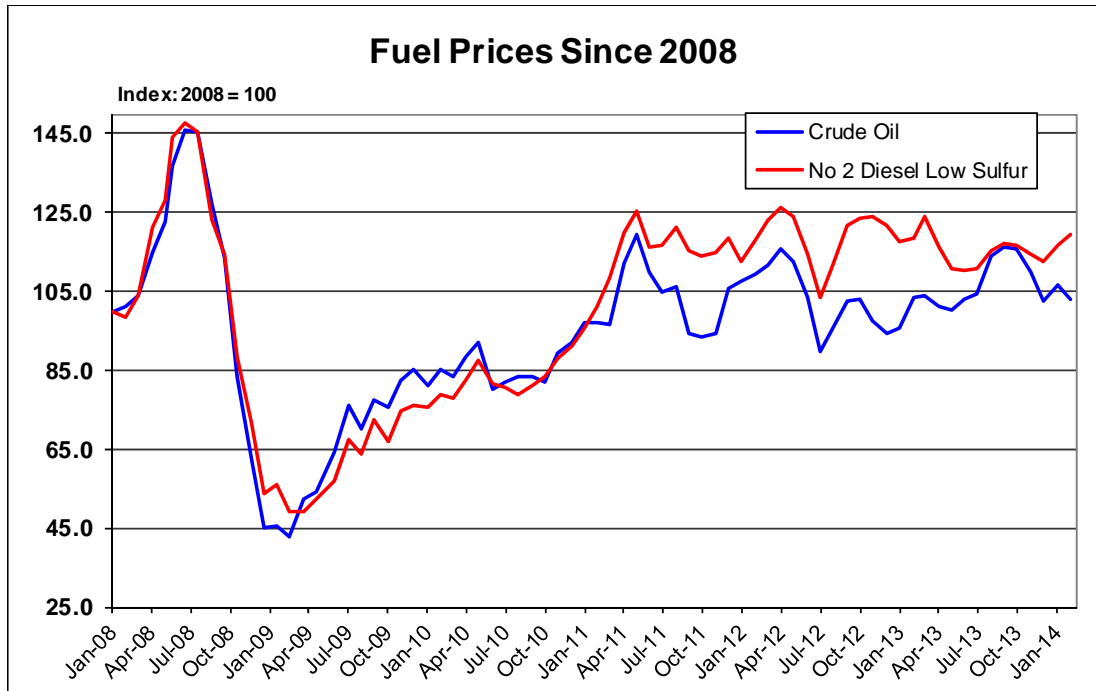
- Apparel
- Food



NY-NJ-CT Consumer Price Index All Urban Consumers (CPI-U)	Mar-14	Feb-14	Mar-13	Increase / (Decrease)			
				Mar-14 vs			
				Feb-14		Mar-13	
				Net	Percent	Net	Percent
Regional CPI-U	260.0	259.0	256.6	1.0	0.4%	3.4	1.3%
Medical Care Component	433.2	431.3	423.8	1.9	0.4%	9.4	2.2%
Electricity Component	201.6	196.5	178.0	5.1	2.6%	23.6	13.2%
Gasoline (all grades) Component	282.8	276.2	295.7	6.6	2.4%	(13.0)	-4.4%
National CPI-U	236.3	234.8	232.8	1.5	0.6%	3.5	1.5%

April 2014 BudgetWatch Regional Economy

Fuel Prices



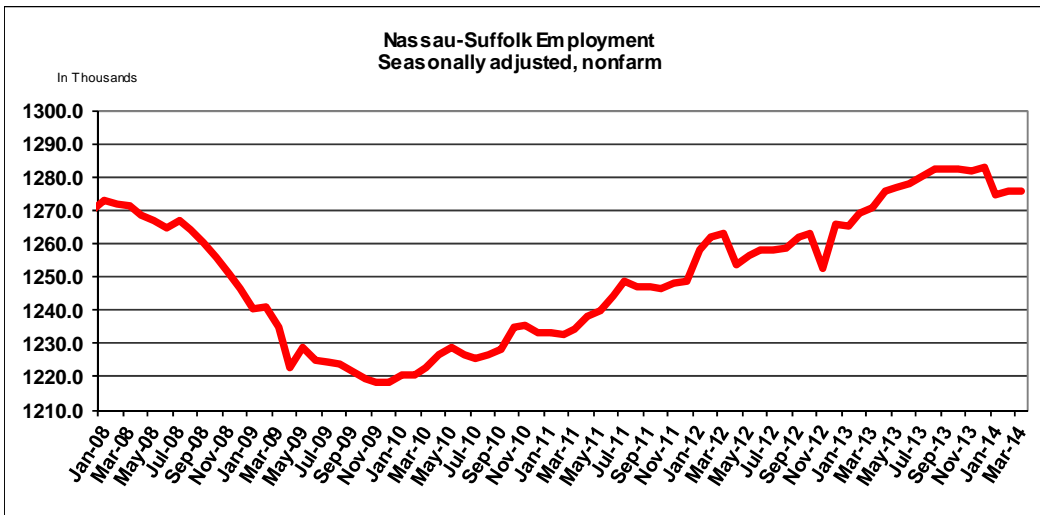
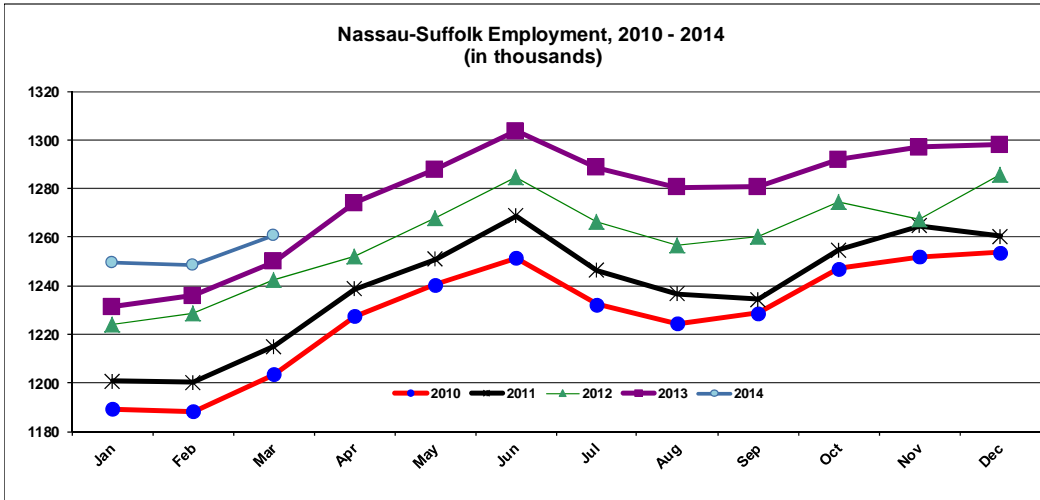
NOTE: Latest Crude Oil and No.2 Diesel Low Sulfur prices: March 18, 2014

Fuel Prices New York Spot Prices	Most Recent Quarter				Change, Dec '13 vs.			
	Apr. 23, 2014	Mar-14	Feb-14	Jan-14	Mar-13	Feb-14	Jan-14	Mar-13
Crude Oil *	104.35	100.80	100.82	94.62	92.94	0.0%	6.5%	8.5%
Conventional Regular Gasoline **	3.01	2.75	2.80	2.67	2.91	-1.5%	3.0%	-5.5%
Low Sulfur No.2 Diesel Fuel **	3.02	2.99	3.23	3.12	3.04	-7.3%	-4.0%	-1.4%
No.2 Heating Oil **	2.92	2.91	3.06	3.06	2.94	-4.9%	-4.9%	-1.1%

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

April 2014 BudgetWatch Regional Economy

Nassau & Suffolk Employment (in thousands)	Gain / (Loss) Mar-14 versus						
	Prelim Mar-14	Revised Feb-14	Mar-13	Feb-14		Mar-13	
				Net	Percent	Net	Percent
Total Employment	1260.6	1248.4	1250	12.2	1.0%	10.6	0.8%
Goods Producing	136.7	133.1	136.4	3.6	2.7%	0.3	0.2%
Construction, Mining, Nat Res	62.8	59.7	63.0	3.1	5.2%	(0.2)	-0.3%
Manufacturing	73.9	73.4	73.4	0.5	0.7%	0.5	0.7%
Service Producing	1123.9	1115.3	1113.6	8.6	0.8%	10.3	0.9%
Transportation, Utilities	40.2	39.9	38.4	0.3	0.8%	1.8	4.7%
Trade	226.7	225.2	220.8	1.5	0.7%	5.9	2.7%
Information	23.2	23.3	23.8	(0.1)	-0.4%	(0.6)	-2.5%
Financial Activities	70.5	71.4	71.4	(0.9)	-1.3%	(0.9)	-1.3%
Education & Health Svcs	161.4	158.1	162.7	3.3	2.1%	(1.3)	-0.8%
Professional & Business Svcs	244.0	242.5	238.3	1.5	0.6%	5.7	2.4%
Leisure & Hospitality	105.7	103.5	104.1	2.2	2.1%	1.6	1.5%
Other Services	56.2	56.3	54.6	(0.1)	-0.2%	1.6	2.9%
Government	196.0	195.1	199.5	0.9	0.5%	(3.5)	-1.8%



April 2014 BudgetWatch Regional Economy

Poughkeepsie-Newburgh-Middletown Employment (in thousands)	Gain / (Loss) Mar-14 versus						
	Prelim Mar-14	Revised Feb-14	Mar-13	Feb-14		Mar-13	
				Net	Percent	Net	Percent
Total Employment	253.1	251.9	249.3	1.2	0.5%	3.8	1.5%
Goods Producing	27.2	26.9	26.8	0.3	1.1%	0.4	1.5%
Construction, Mining, Nat Res	9.0	8.8	8.6	0.2	2.3%	0.4	4.7%
Manufacturing	18.2	18.1	18.2	0.1	0.6%	0.0	0.0%
Service Producing	225.9	225.0	222.5	0.9	0.4%	3.4	1.5%
Transportation, Utilities	9.0	9.0	8.8	0.0	0.0%	0.2	2.3%
Trade	47.1	47.3	46.2	(0.2)	-0.4%	0.9	1.9%
Information	3.5	3.5	3.6	0.0	0.0%	(0.1)	-2.8%
Financial Activities	8.5	8.5	8.5	0.0	0.0%	0.0	0.0%
Education & Health Svcs	22.5	22.4	22.0	0.1	0.4%	0.5	2.3%
Professional & Business Svcs	54.7	54.3	53.9	0.4	0.7%	0.8	1.5%
Leisure & Hospitality	22.4	22.0	20.6	0.4	1.8%	1.8	8.7%
Other Services	10.4	10.4	10.3	0.0	0.0%	0.1	1.0%
Government	47.8	47.6	48.6	0.2	0.4%	(0.8)	-1.6%

