

BUDGETWATCH

June 2014 Flash Report

Summary of May Budgetwatch (reporting on operations through April and subsidies through May):

Overall, preliminary net results were unfavorable for the month but on target Year-to-Date (YTD). YTD results continue to be heavily influenced by January and February results, specifically the favorable collections of the NYC Urban Tax and the impact of heavy snowfall on both revenues and expenses. Operating results, including passenger revenue and operating expenses, were unfavorable in April, primarily the result of the unfavorable variance in NYCT operating expenses. Debt service costs were also unfavorable for the month; but this reflects the prefunding of May debt service costs. Subsidies were unfavorable, reflecting below-Budget real estate transaction tax collections and lower-than-expected PMT receipts. Total real estate taxes for May were \$8.2 million (10.5%) below Budget, lowering the YTD favorable variance to \$55.0 million (14.2%).

Overall Latest Condition (reporting on operations through May and subsidies through June):

Overall, preliminary net results were slightly favorable for the month and YTD.

Operating results, encompassing passenger/toll revenues and operating expenses, were on target for the month and also YTD. Favorable revenue results in recent months have offset weaker results in January and February that were impacted by harsh winter weather. Lower expenses for health & welfare and OTPS have offset a May accrual adjustment at NYCT to reflect the recent TWU contract award.

YTD debt service costs were favorable due to lower rates. Subsidies were on target for the month, and were favorable YTD. Strong collections of Urban Tax receipts, particularly in January and February, have more than offset unfavorable collections from the Mortgage Recording Tax (MRT) and the Payroll Mobility Tax (PMT).

Passenger and Toll Revenues

YTD May 2014 (\$ in millions)					Month of May 2014 (\$ in millions)				
	Actual	Adopted Budget	Diff	% Diff		Actual	Adopted Budget	Diff	% Diff
NYCT:					NYCT:				
Subway	\$1,282.6	\$1,276.1	\$6.5	0.5%	Subway	\$268.8	\$265.3	\$3.5	1.3%
Bus	385.5	393.7	(8.1)	-2.1%	Bus	81.6	82.5	(0.9)	-1.1%
Other	<u>33.7</u>	<u>24.7</u>	<u>8.9</u>	<u>36.0%</u>	Other	<u>9.8</u>	<u>5.0</u>	<u>4.8</u>	<u>95.5%</u>
NYCT	\$1,701.8	\$1,694.5	\$7.3	0.4%	NYCT	\$360.2	\$352.9	\$7.3	2.1%
LIRR	260.2	255.8	4.4	1.7%	LIRR	55.7	54.2	1.4	2.7%
MNR	<u>257.2</u>	<u>262.6</u>	<u>(5.3)</u>	<u>-2.0%</u>	MNR	<u>55.1</u>	<u>54.7</u>	<u>0.3</u>	<u>0.6%</u>
Sub-total	\$2,219.3	\$2,212.9	\$6.4	0.3%	Sub-total	\$470.9	\$461.8	\$9.1	2.0%
B&T	<u>657.6</u>	<u>661.8</u>	<u>(4.2)</u>	<u>-0.6%</u>	B&T	<u>149.8</u>	<u>147.8</u>	<u>2.0</u>	<u>1.4%</u>
Total	\$2,876.9	\$2,874.7	\$2.2	0.1%	Total	\$620.7	\$609.6	\$11.1	1.8%

Through May, combined passenger and toll revenues were on target. For the month, passenger revenues were \$9.1 million, or 2.0%, above Budget, and toll revenues were favorable by \$2.0 million, or 1.4%. On a year-to-date basis, passenger revenues were on target, while toll revenues were slightly unfavorable. NYCT was favorable in May due to higher fare media liability resulting from the expiration of MetroCards produced prior to the March, 2013 fare increase. At the LIRR, revenues were favorable due to strong ridership growth, further improving YTD results. Metro-North revenues were on target for the month, but remain 2.0% unfavorable year-to-date, primarily due to lower non-commutation ridership. Toll revenues were favorable for the month primarily due to higher traffic, with YTD results reflecting the impact of heavy snowfall earlier in the year.

Total Operating Expenses before Non-Cash Liability Adjustments

YTD May 2014 (\$ in millions)					Month of May 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	% Diff		Actual	Budget	Diff	% Diff
NYCT	\$2,672.7	\$2,615.3	(\$57.4)	-2.2%	NYCT	\$539.2	\$529.7	(\$9.5)	-1.8%
LIRR	549.9	574.5	24.6	4.3%	LIRR	112.7	115.8	3.1	2.7%
MNR	460.3	465.2	4.9	1.1%	MNR	92.9	93.4	0.5	0.6%
B&T	161.5	177.6	16.2	9.1%	B&T	37.8	38.9	1.1	2.9%
Total	\$3,844.3	\$3,832.6	(\$11.7)	-0.3%	Total	\$782.5	\$777.7	(\$4.7)	-0.6%

For the month, preliminary expenses were slightly unfavorable to Budget by \$4.7 million, or 0.6%. NYCT was \$9.5 million unfavorable: however, expenses included a \$41.8 million adjustment to reflect the recent TWU contract award. This was mostly offset by lower non-labor expenses (\$17.5 million – much was due to the reversal of Workers' Compensation Board expenses based on new legislation) and lower costs for health & welfare. The LIRR was favorable by \$3.1 million due to lower labor expenses (\$4.6 million – favorable with the exception of overtime), partly offset by higher non-labor expenses (\$1.5 million – mainly materials & supplies and electric power). MNR on target, reflecting lower labor expenses (\$0.6 million – primarily payroll, health and welfare, and other fringe benefits, partly offset by higher overtime expenses). B&T was \$1.1 million favorable largely due to higher vacancies.

May YTD expenses were \$11.7 million, or 0.3%, unfavorable to Budget. NYCT was \$57.4 million unfavorable due to higher labor expenses of \$59.7 million, reflecting higher payroll costs resulting from the recent TWU contract award, and higher overtime, partly attributable to the harsh winter weather. The LIRR was favorable by \$24.6 million due to lower non-labor expenses (\$14.2 million – mainly materials & supplies, professional services and maintenance contracts, partly offset by higher energy), and lower labor expenses (\$10.4 million – favorable with the exception of overtime and reimbursable overhead). MNR was \$4.9 million favorable, mainly due to lower non-labor expenses (\$5.1 million – mostly maintenance and other operating contracts and professional services), partly offset by higher labor costs (\$1.2 million – mainly higher overtime mostly offset by lower payroll). B&T was \$16.2 million favorable mainly due to higher vacancies and the timing of maintenance contract costs.

Overtime

YTD May 2014 (\$ in millions)					Month of May 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	% Diff		Actual	Budget	Diff	% Diff
NYCT	\$180.8	\$135.9	(\$44.9)	-33.1%	NYCT	\$30.5	\$26.5	(\$4.0)	-14.9%
LIRR	43.5	36.7	(6.8)	-18.5%	LIRR	6.8	6.8	(0.0)	-0.4%
MNR	32.5	24.3	(8.3)	-34.2%	MNR	6.6	5.0	(1.6)	-32.6%
B&T	9.5	9.6	0.0	0.5%	B&T	1.6	1.8	0.1	6.9%
Total	\$266.3	\$206.4	(\$59.9)	-29.0%	Total	\$45.5	\$40.1	(\$5.5)	-13.7%

Overtime was \$5.5 million, or 13.7%, unfavorable for the month, increasing the unfavorable YTD variance to \$59.9 million, or 29.0%. Nearly \$45 million of the YTD variance was incurred during the first quarter, with weather emergencies accounting for half of the first quarter overage. The bulk of the remaining YTD unfavorable variance of \$36 million is comprised of \$12 million for increased vacancy/absentee coverage mostly at NYCT and MNR, \$8 million for unscheduled NYCT service, and \$8 million in programmatic routine maintenance for NYCT and the Commuter Railroads.

Debt Service

Debt service costs for May were \$104.3 million, which was \$55.5 million, or 34.7%, favorable as the result of advancing deposits to April for the Dedicated Tax Fund and Transportation Revenue Bonds. May YTD debt service costs were \$915.6 million, which was \$43.4 million, or 4.5%, favorable to Budget due primarily to lower than budgeted rates.

PMT and MTA Aid

YTD June 2014 (\$ in millions)					Month of June 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	%Diff		Actual	Budget	Diff	%Diff
PMT	\$719.6	\$774.7	(\$55.2)	-7.1%	PMT	\$71.9	\$78.9	(\$7.0)	-8.8%
MTA Aid	<u>147.6</u>	<u>156.8</u>	<u>(\$9.2)</u>	<u>-5.9%</u>	MTA Aid	<u>76.3</u>	<u>78.4</u>	<u>(\$2.1)</u>	<u>-2.7%</u>
Total	\$867.2	\$931.5	(\$64.3)	-6.9%	Total	\$148.2	\$157.3	(\$9.0)	-5.8%

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.

June Payroll Mobility Tax (PMT) receipts were \$7.0 million, or 8.8%, below Budget, increasing the YTD unfavorable variance to \$55.2 million, or 7.1%. An analysis of tax collection data from the State indicates that this unfavorable variance is likely real and not timing-related; the growth in these collections has not kept pace with the salary and wage growth projections that were used to formulate the 2014 Budget.

MTA Aid receipts for the month of \$76.3 million were \$2.1 million or 2.7% below Budget and YTD receipts of \$147.6 million were \$9.2 million or 5.9% unfavorable. A portion of this unfavorable variance appears to be timing-related due to delays in transfer of funds prior to remittance to the MTA and will continue to be monitored. The next quarterly MTA Aid payment will be made in September.

State Dedicated Taxes

YTD June 2014 (\$ in millions)					Month of June 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	%Diff		Actual	Budget	Diff	%Diff
PBT	\$308.5	\$292.9	\$15.6	5.3%	PBT	\$50.9	\$57.8	(\$7.0)	-12.1%
MMTOA	<u>288.8</u>	<u>288.8</u>	<u>\$0.0</u>	<u>0.0%</u>	MMTOA	<u>138.3</u>	<u>138.3</u>	<u>\$0.0</u>	<u>0.0%</u>
Total	\$597.3	\$581.7	\$15.6	2.7%	Total	\$189.1	\$196.1	(\$7.0)	-3.6%

For June, Petroleum Business Tax (PBT) receipts of \$50.9 million were \$7.0 million, or 12.1%, below Budget; YTD PBT remained above Budget, with receipts of \$308.5 million favorable by \$15.6 million, or 5.3%. At least some of this favorable variance appears to be a timing-related "catch-up" from last year (2013 receipts were \$6.7 unfavorable). The unfavorable June results seem to confirm that some of the favorable year-to-date variance represents earlier-than-anticipated receipts of 2014 collections and if this trend continues the favorable variance will be reduced further in the next few months; PBT receipts will be monitored for clearer indications of the timing-related nature of the YTD variance.

The MMTOA payment for the month of \$138.3 million and YTD of \$288.8 were consistent with the Budget.

Real Estate Transaction Taxes

YTD June 2014 (\$ in millions)					Month of June 2014 (\$ in millions)				
	Adopted					Adopted			
	Actual	Budget	Diff	%Diff		Actual	Budget	Diff	%Diff
MRT	\$170.9	\$200.5	(\$29.6)	-14.8%	MRT	\$31.6	\$33.4	(\$1.8)	-5.5%
NYC Urban	<u>364.7</u>	<u>264.4</u>	<u>\$100.2</u>	<u>37.9%</u>	NYC Urban	<u>\$61.4</u>	<u>44.1</u>	<u>\$17.4</u>	<u>39.4%</u>
Total	\$535.5	\$464.9	\$70.6	15.2%	Total	\$93.0	\$77.5	\$15.5	20.0%

Total real estate taxes for June were \$15.5 million (20.0%) better than Budget, improving the YTD favorable variance to \$70.6 million (15.2%). YTD Total Real Estate Transaction Taxes are ahead of 2013 levels by \$80.9 million, or 17.8%, and reflect strong Urban Tax collections which have been partially offset by languid MRT receipts.

Regional Mortgage Recording Tax¹ receipts for June were \$1.8 million or 5.5% below Budget; MRT-1 was \$0.9 million favorable, partly reflecting two large commercial mortgage transactions; however, MRT-2 receipts were \$2.7 million unfavorable. YTD MRT receipts fell short of Budget by \$29.6 million or 14.8%, with MRT-1 receipts \$11.9 million unfavorable and MRT-2 receipts \$17.7 unfavorable.

New York City Urban Tax² receipts for June were \$17.4 million or 39.4% favorable, making YTD Urban Tax receipts \$100.2 million (37.9%) favorable. After strong results in January and February, which combined for an \$86.9 million favorable variance, Urban Tax receipts have alternated between unfavorable and favorable monthly results; over the past four months; from March through June, combined Urban Tax receipts have been just \$13.4 million favorable. For June, the MRT portion of the Urban Tax was \$25.4 million, which was \$9.1 million or 56.1% favorable; this result includes the two large commercial mortgage transactions that also favorably impacted MRT-1 receipts. The Real Property Transfer Tax (RPTT) portion of the Urban Tax was \$36.1 million in June, favorable by \$8.2 million or 29.6%. Receipts of both RPTT and Urban MRT have well exceeded Budget in four of the first six months of this year, and YTD receipts from RPTT and Urban MRT are now favorable by \$79.3 million and \$21.0 million, respectively.

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.

June 2014 BudgetWatch Regional Economy

New York City Employment

Sectors with Employment Gains in April 2014 Compared to April 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 April 2014 Compared to April 2013

- Construction, Mining, Natural Resources
- Government

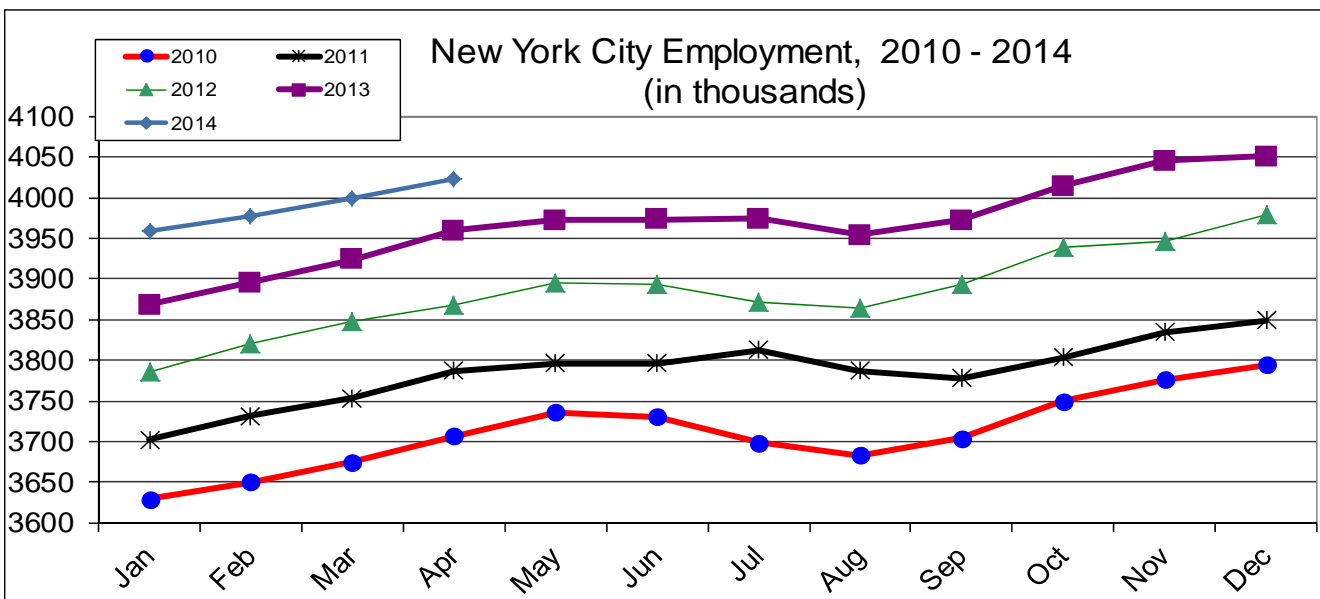
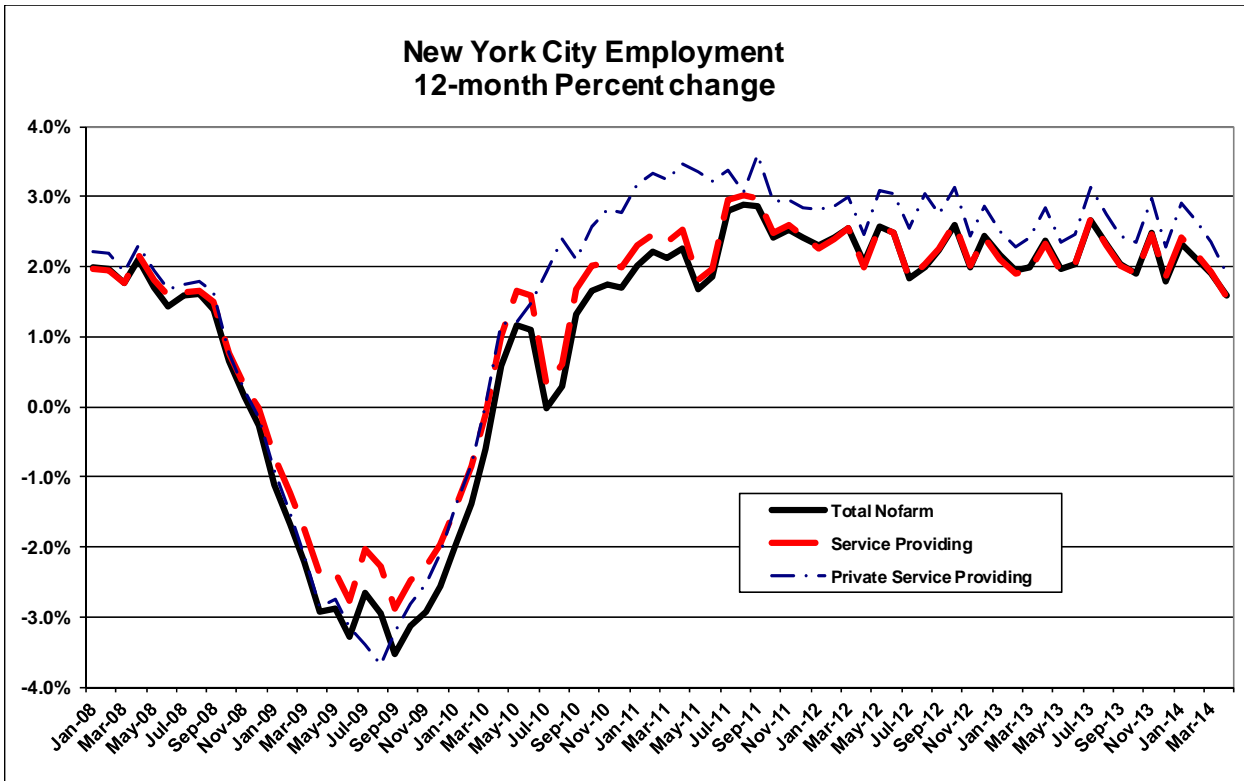


New York City Employment (in thousands)	Prelim Apr-14	Revised Mar-14	Apr-13	Gain / (Loss)			
				Apr-14 versus:			
				Mar-14		Apr-13	
				Net	Percent	Net	Percent
Total Employment	4022.4	3999.1	3959.5	23.3	0.6%	62.9	1.6%
Goods Producing	201.1	195.3	196.8	5.8	3.0%	4.3	2.2%
Construction, Mining, Nat Res	124.6	118.0	120.8	6.6	5.6%	3.8	3.1%
Manufacturing	76.5	77.3	76.0	(0.8)	-1.0%	0.5	0.7%
Service Producing	3821.3	3803.8	3762.7	17.5	0.5%	58.6	1.6%
Transportation, Utilities	122.8	122.3	121.4	0.5	0.4%	1.4	1.2%
Trade	485.5	484.6	472.3	0.9	0.2%	13.2	2.8%
Information	178.6	178.5	176.5	0.1	0.1%	2.1	1.2%
Financial Activities	436.7	434.4	434.0	2.3	0.5%	2.7	0.6%
Education & Health Svcs	651.6	648.8	639.4	2.8	0.4%	12.2	1.9%
Professional & Business Svcs	841.5	841.2	819.9	0.3	0.0%	21.6	2.6%
Leisure & Hospitality	384.5	376.6	379.6	7.9	2.1%	4.9	1.3%
Other Services	177.1	176.1	174.1	1.0	0.6%	3.0	1.7%
Government	543.0	541.3	545.5	1.7	0.3%	(2.5)	-0.5%

Preliminary April 2014 employment in New York City shows a gain of 62.9 thousand jobs (an increase of 1.6%) compared to last April's employment level. This marks the forty-fifth consecutive month in which employment has improved over its level from one year earlier. The Professional & Business Services and the Trade sectors experienced the greatest gains among the major sectors, adding 21,600 and 13,200 jobs, respectively, over the past twelve months.

June 2014 BudgetWatch Regional Economy

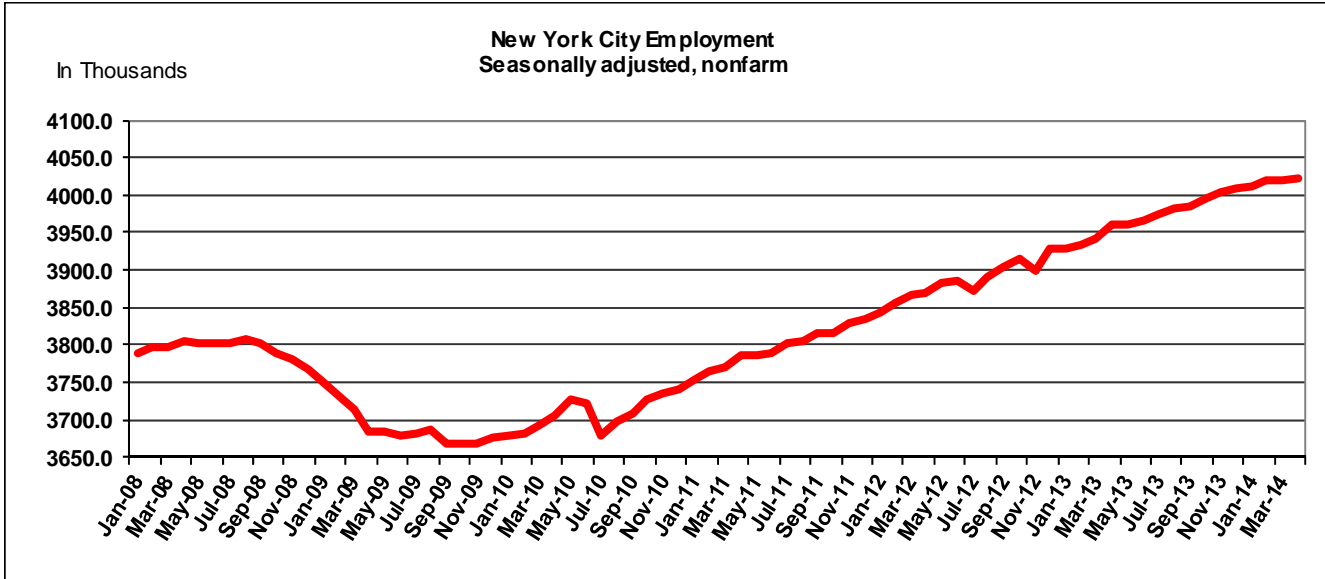
Employment in New York City's service-producing sectors increased by 58.6 thousand jobs, an increase of 1.6% over the April 2013 level. Private-sector service-providing employment in New York City increased by 61.1 thousand jobs, 1.9% higher than the level of one year ago, and April marks the forty-ninth consecutive month that has seen a year-to-year improvement of more than 1%.



June 2014 BudgetWatch

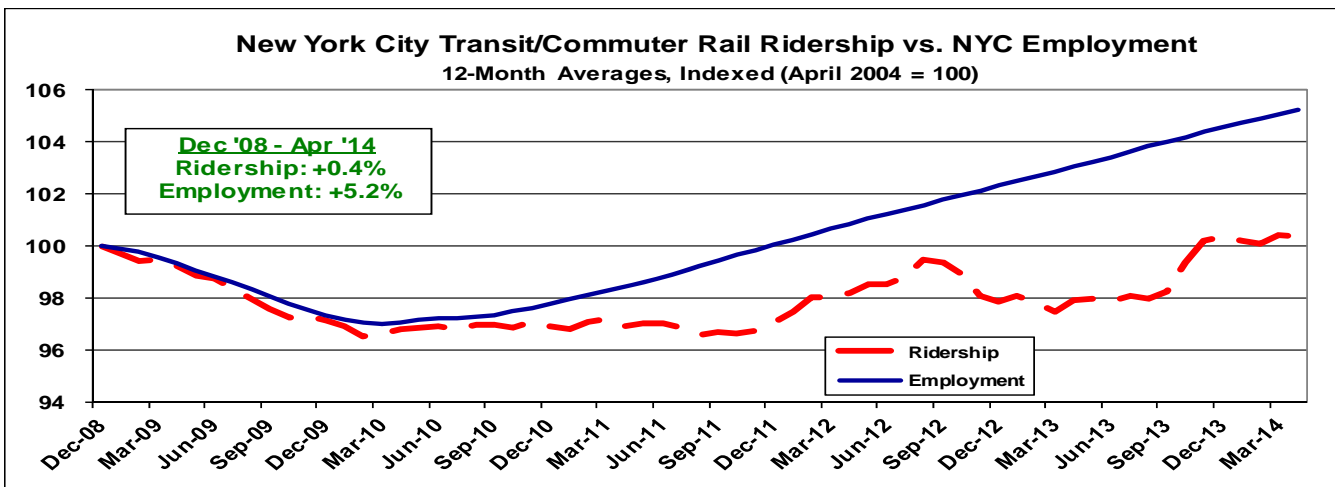
Regional Economy

In April, seasonally adjusted New York City employment of 4.0 million was higher than in April 2013 by 61.3 thousand jobs (1.5%), and slightly higher than in March 2014 by 1.6 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 50 months from March 2010 through April 2014, the twelve-month monthly employment average has increased forty-nine times, and was 5.2% higher in April 2014 than the December 2008 level. Annualized (12-month average) New York City Transit/Commuter Rail ridership has grown to 0.4% above the December 2008 level. The twelve-month average for ridership in April 2014 was 3.0% higher than one year earlier.



June 2014 BudgetWatch Regional Economy

Consumer Price Index

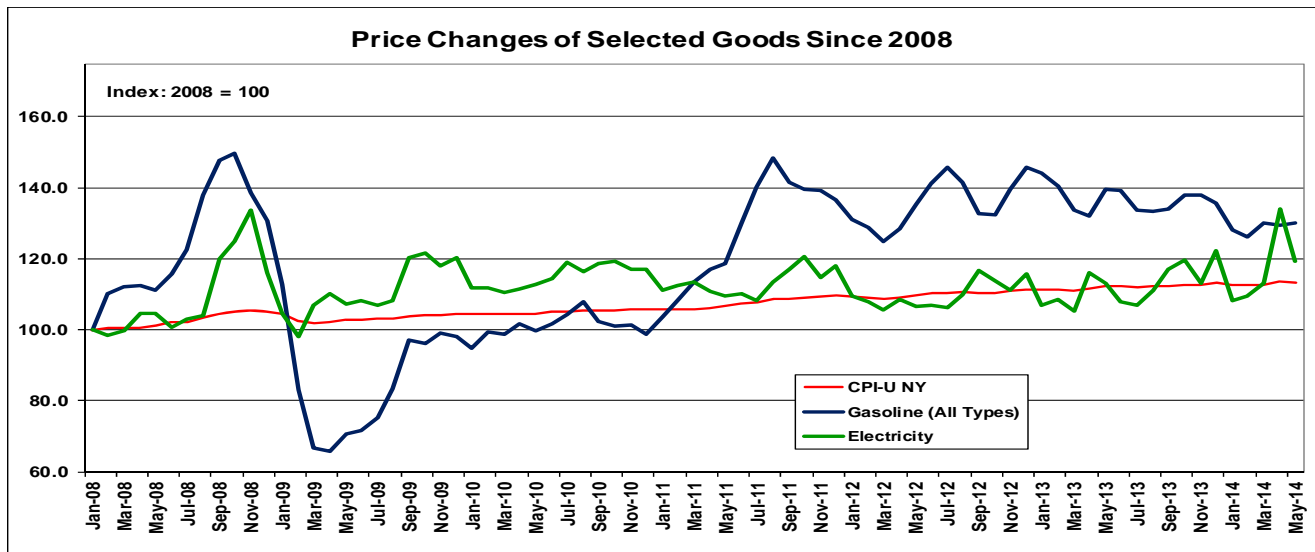
Goods Reporting Price Increases in May 2014 Compared to April 2014

- Transportation
- Gasoline
- Medical Care
- Food
- Electricity



Goods Reporting Price Declines in May 2014 Compared to April 2014

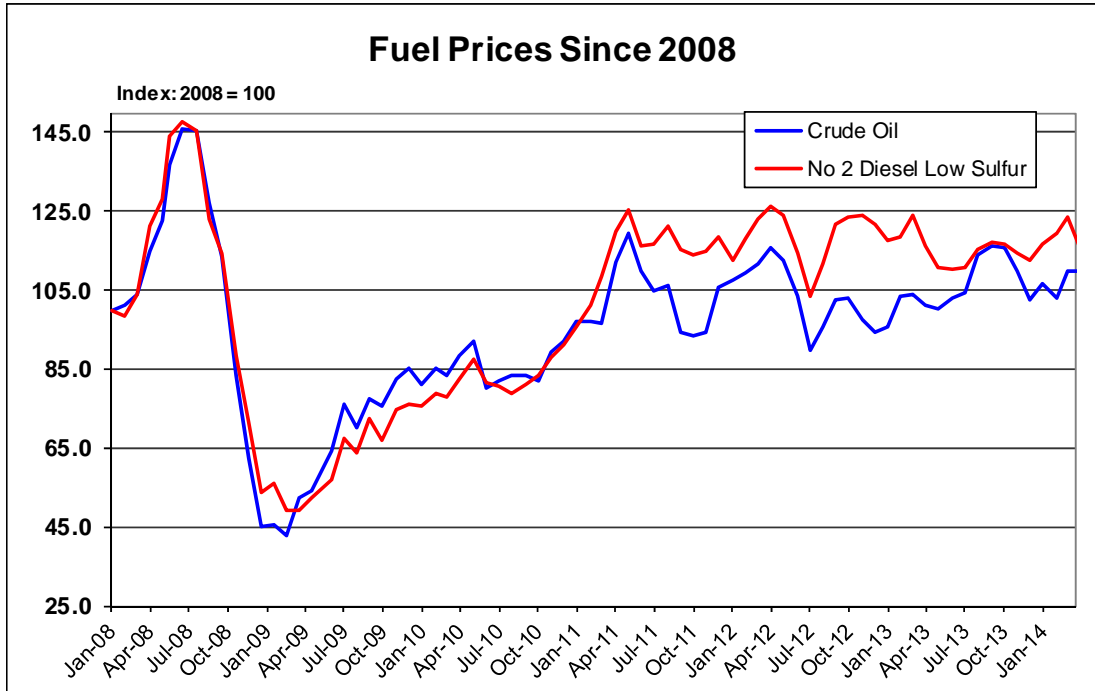
- Apparel



NY-NJ-CT Consumer Price Index All Urban Consumers (CPI-U)	May-14	Apr-14	May-13	Increase / (Decrease) May-14 vs			
				Apr-14		May-13	
				Net	Percent	Net	Percent
Regional CPI-U	261.2	260.0	256.3	1.2	0.5%	5.0	1.9%
Medical Care Component	437.9	434.0	424.3	3.9	0.9%	13.5	3.2%
Electricity Component	194.6	185.6	183.1	9.0	4.8%	11.4	6.3%
Gasoline (all grades) Component	293.3	288.2	283.0	5.1	1.8%	10.3	3.6%
National CPI-U	237.9	237.1	232.9	0.8	0.3%	5.0	2.1%

June 2014 BudgetWatch Regional Economy

Fuel Prices



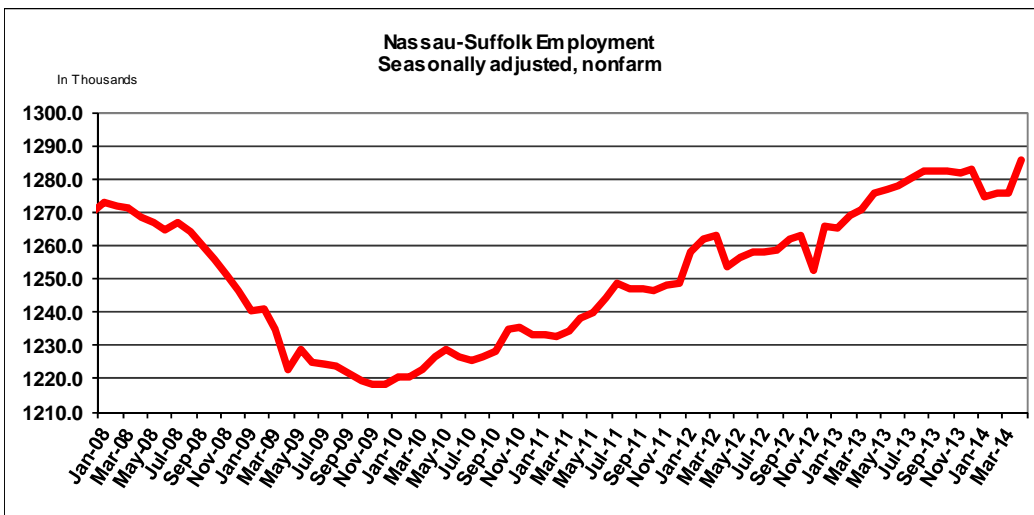
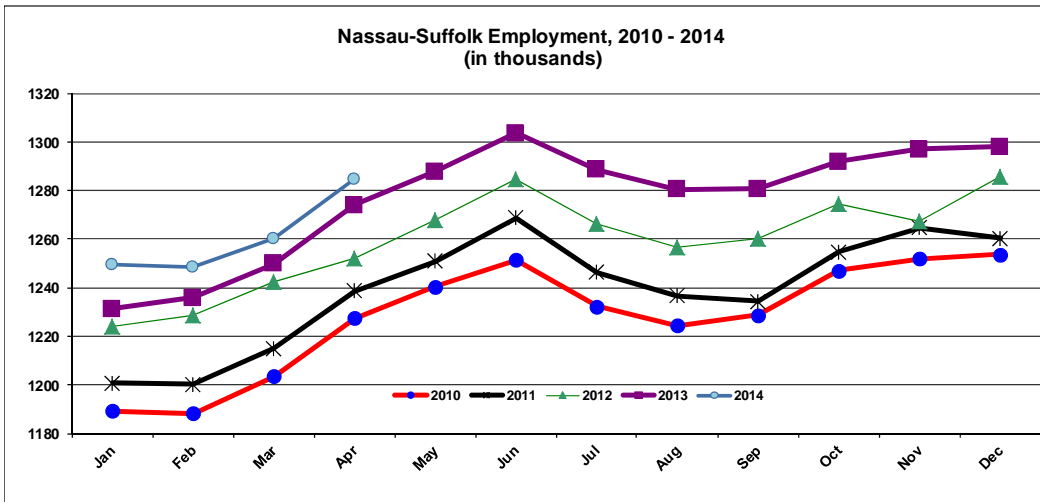
NOTE: Latest Crude Oil and No.2 Diesel Low Sulfur prices: March 18, 2014

Fuel Prices New York Spot Prices	Most Recent Quarter				Change, Dec '13 vs.			
	May 18, 2014	Apr-14	Mar-14	Feb-14	Apr-13	Mar-14	Feb-14	Apr-13
Crude Oil *	102.07	102.07	100.80	100.82	92.02	1.3%	1.2%	10.9%
Conventional Regular Gasoline **	2.90	2.90	2.75	2.80	2.71	5.2%	3.6%	7.0%
Low Sulfur No.2 Diesel Fuel **	2.96	2.96	2.99	3.23	2.90	-1.2%	-8.3%	2.0%
No.2 Heating Oil **	2.89	2.89	2.91	3.06	2.74	-0.8%	-5.7%	5.3%

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

June 2014 BudgetWatch Regional Economy

Nassau & Suffolk Employment (in thousands)	Gain / (Loss) Apr-14 versus						
	Prelim Apr-14	Revised Mar-14	Apr-13	Mar-14		Apr-13	
				Net	Percent	Net	Percent
Total Employment	1284.5	1260.4	1274	24.1	1.9%	10.5	0.8%
Goods Producing	142.1	136.2	140.8	5.9	4.3%	1.3	0.9%
Construction, Mining, Nat Res	68.0	62.5	67.2	5.5	8.8%	0.8	1.2%
Manufacturing	74.1	73.7	73.6	0.4	0.5%	0.5	0.7%
Service Producing	1142.4	1124.2	1133.2	18.2	1.6%	9.2	0.8%
Transportation, Utilities	40.2	40.2	38.9	0.0	0.0%	1.3	3.3%
Trade	229.1	226.6	223.4	2.5	1.1%	5.7	2.6%
Information	23.4	23.3	23.8	0.1	0.4%	(0.4)	-1.7%
Financial Activities	70.6	70.5	72.2	0.1	0.1%	(1.6)	-2.2%
Education & Health Svcs	168.4	161.4	167.9	7.0	4.3%	0.5	0.3%
Professional & Business Svcs	245.9	244.7	240.9	1.2	0.5%	5.0	2.1%
Leisure & Hospitality	111.1	105.3	109.8	5.8	5.5%	1.3	1.2%
Other Services	56.8	56.2	55.9	0.6	1.1%	0.9	1.6%
Government	196.9	196.0	200.4	0.9	0.5%	(3.5)	-1.7%



June 2014 BudgetWatch Regional Economy

Putnam, Rockland & Westchester Employment (in thousands)	Gain / (Loss) Apr-14 versus						
	Prelim Apr-14	Revised Mar-14	Apr-13	Mar-14		Apr-13	
				Net	Percent	Net	Percent
Total Employment	564.6	557.0	566.1	7.6	1.4%	(1.5)	-0.3%
Goods Producing	51.8	49.8	53.9	2.0	4.0%	(2.1)	-3.9%
Construction, Mining, Nat Res	28.5	26.5	29.7	2.0	7.5%	(1.2)	-4.0%
Manufacturing	23.3	23.3	24.2	0.0	0.0%	(0.9)	-3.7%
Service Producing	512.8	507.2	512.2	5.6	1.1%	0.6	0.1%
Transportation, Utilities	17.9	18.0	18.0	(0.1)	-0.6%	(0.1)	-0.6%
Trade	86.5	86.5	87.4	0.0	0.0%	(0.9)	-1.0%
Information	12.5	12.5	12.8	0.0	0.0%	(0.3)	-2.3%
Financial Activities	33.4	33.5	33.7	(0.1)	-0.3%	(0.3)	-0.9%
Education & Health Svcs	75.4	73.9	74.8	1.5	2.0%	0.6	0.8%
Professional & Business Svcs	124.7	124.0	120.6	0.7	0.6%	4.1	3.4%
Leisure & Hospitality	48.9	46.5	49.7	2.4	5.2%	(0.8)	-1.6%
Other Services	25.8	25.6	25.9	0.2	0.8%	(0.1)	-0.4%
Government	87.7	86.7	89.3	1.0	1.2%	(1.6)	-1.8%

