

**MTA**  
**Metro-North Railroad**

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**MISSION STATEMENT**

The mission of MTA Metro-North Railroad is to preserve and enhance the quality of life and economic health of the region we serve through the efficient provision of transportation service of the highest quality.

**DESCRIPTION OF SERVICES**

MTA Metro-North Railroad provides passenger rail service to five suburban counties in New York State (Westchester, Putnam, Dutchess, Rockland, and Orange), two in Connecticut (Fairfield and New Haven), and two urban counties in New York City (Bronx and Manhattan). East of Hudson train service extends 85 miles from Manhattan, with terminals to the northeast in New Haven, Waterbury, Danbury, and New Canaan on the New Haven Line; to the north in Wassaic on the Harlem Line, and Poughkeepsie on the Hudson Line. The Harlem, Hudson, and New Haven Lines converge and terminate at Grand Central Terminal in Manhattan. West of the Hudson River the Pascack Valley Line extends to Spring Valley, New York and the Port Jervis Line 95 miles from Hoboken at the border of New York and Pennsylvania. Both lines terminate in Hoboken, New Jersey. Service on the New Haven line is provided by Metro-North pursuant to a contract between the Connecticut Department of Transportation (ConnDOT) and Metro-North/MTA. Service on the Port Jervis and Pascack Valley Lines is operated by New Jersey Transit under contract to Metro-North. The railroad carried 72 million customers in 2003 over 385 route miles, to and from 121 stations, operating 598 trains on an average weekday East of Hudson, and 35 trains on an average weekday West of the Hudson.

**FINANCIAL OVERVIEW**

Each year within Metro-North's planning process, issues impacting the performance of the railroad are reviewed and initiatives developed to support the achievement of corporate safety, maintenance, customer service, and efficiency objectives. Consequently, operating resource estimates included in each budget are based on the consideration of factors which affect all aspects of the railroad including current operating trends, projected changes in costs, new initiatives/business decisions which affect service quantity, quality or efficiency, and the impacts of capital improvements on operating expenditures. Each of these factors is also carefully reviewed in the context of funding availability from MTA and ConnDOT, the agencies subsidizing Metro-North.

Metro-North's budget resource requirements reflected in the July Financial Plan 2005-2008 are substantially reduced from the February 2004-2007 Plan in a deliberate effort to meet a cost reduction target set by MTA to close a projected funding gap. These reductions were achieved through savings generated by lower than projected cost trends as well as program deferrals and eliminations. In Metro-North's case, these

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reductions had to be realized net of higher than projected costs (e.g. overtime and lower than projected overhead recovery) and lower than projected passenger revenue on both East and West of Hudson service lines. In addition, Metro-North identified a number of "Programs to Eliminate the Gap" (PEGs), which are listed separately below the "Baseline Net Cash Surplus/(Deficit)" for each year, and described and quantified in detail further in this document.

**2005 PRELIMINARY BUDGET**

The 2005 Preliminary Non-Reimbursable Budget reflects revenue projections totaling \$448.6 million, and expenses, including depreciation, of \$919.6 million that generate an operating deficit of \$471.0 million. Cash adjustments of \$194.2 million reduce that amount to a cash deficit of \$276.8 million, of which \$224.0 million represents MTA share and \$52.8 million ConnDOT share. The 2005 Reimbursable revenues and expenses total \$157.5 million.

The Non-Reimbursable revenue projections reflect the average 5.5% Connecticut fare increase on the New Haven Line authorized to take effect January 2005. The Non-Reimbursable expenses and cash adjustments reflect the impact of net cost/deficit reductions vs. the February 2004-2007 Financial Plan totaling \$32.2 million over 2003-2005 period. PEGs totaling \$15.9 million have been identified for 2005 (an additional \$.9 million in PEGs is listed for 2004). Should it be necessary to implement the PEGs, the resulting 2005 cash deficit would decrease to \$260.9 million, of which \$212.3 million would represent MTA share and \$48.6 million ConnDOT share. Notwithstanding PEG reductions, the 2005 Preliminary Budget reflects a continuation of current train service levels and maintains MTA's commitment to safety and security. Major assumptions reflected in the 2005 Preliminary Budget and reconciliation to the February Plan are furnished later in this document.

**2006-2008 PROJECTIONS**

The Non-Reimbursable revenue projections total \$457.1 million in 2006, \$462.8 million in 2007, and \$467.8 million in 2008. Non-Reimbursable expense projections, including depreciation, total \$964.5 million in 2006, \$990.5 million in 2007, and \$1,021.7 million in 2008. These revenue and expense projections generate an operating deficit of \$507.4 million in 2006, \$527.7 million in 2007, and \$554.0 million in 2008. Cash adjustments of \$179.7 million in 2006, \$183.6 million in 2007, and \$183.9 million in 2008 reduce the amounts to a cash deficit projection of \$327.7 million in 2006, \$344.1 million in 2007, and \$370.1 million in 2008. MTA share of the cash deficit totals \$266.3 million in 2006, \$276.6 million in 2007, and \$296.2 million in 2008, while ConnDOT share totals \$61.4 million, \$67.5 million, and \$73.9 million, respectively. The Reimbursable revenues and expenses total \$156.6 million in 2006, \$159.3 million in 2007, and \$164.7 million in 2008.

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JULY FINANCIAL PLAN 2005-2008**

The Non-Reimbursable expenses and cash adjustments listed above reflect the impact of net cost/deficit reductions vs. the February Plan of \$11.3 million in 2006 and \$9.9 million in 2007. Major assumptions reflected in the 2006-2008 projections and reconciliation to the February Plan for 2006 and 2007 are furnished later in this document. PEGs for 2006 total \$36.6 million, \$33.5 million for 2007 and \$22.4 for 2008.

**GAP CLOSING MEASURES**

2005 PEG ACTIONS

As mentioned previously, PEGs totaling \$15.9 million have been identified for 2005. The initiatives listed to begin in 2004 and 2005 met selection criteria that first deferred improvements then increased parking fees and commissary prices, and last reduced existing programs/efforts. These were sequenced to first affect programs that are administrative in nature and /or address customer convenience and amenities (including cleanliness) followed by maintenance and other programs. The PEGs listed for 2005 will affect 180 positions: the deferral of 96 position additions, and the abolishment of 84 current positions.

2006 PEG ACTIONS

The value of PEGs listed for 2006 totals \$36.6 million. This amount in addition to PEGs continued from 2005 includes measures that will have serious adverse impact on Metro-North services and ridership. They include the closure of most NYS ticket offices (only GCT and 5 NYS stations will have staffed ticket offices), increase in East of Hudson-NYS loading standard (more riders will stand), and NYS peak service (East and West of Hudson) as well as West of Hudson weekend service reductions. Additional cost savings from these measures net of projected loss in revenue totals \$10.1 million. The amount also includes \$9.7 million in as of yet unspecified PEGs. Due to the adverse impact on service, Metro-North believes these measures may require public hearings and environmental reviews pursuant to the State Environmental Quality Review Act. The specified PEGs listed for 2006 will involve the elimination of 71 more positions (total of 251: 155 existing and 96 new).

2007-2008 PROJECTIONS

The value of PEGs listed for 2007 totals \$33.5 million. Of that amount, \$6.1 million is unspecified. The value of PEGs currently listed for 2008 totals \$22.4 million; specific reductions of \$24.9 million exceed the targeted reduction by \$2.5 million.

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**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2009**  
**Accrual Statement of Operations by Category**  
(\$ in millions)

**NON-REIMBURSABLE**

	<b>2003</b>	<b>2004</b>	<b>2005</b>			
	<b>Actuals</b>	<b>Mid-Year Forecast</b>	<b>Preliminary Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Revenue</b>						
Farebox Revenue	\$ 378.093	\$ 406.722	\$ 418.500	\$ 425.955	\$ 431.043	\$ 435.328
Vehicle Toll Revenue						
Other Operating Revenue	30.895	29.566	30.178	31.097	31.741	32.442
Capital and Other Reimbursements						
<b>Total Revenue</b>	<b>\$ 408.988</b>	<b>\$ 436.288</b>	<b>\$ 448.678</b>	<b>\$ 457.052</b>	<b>\$ 462.784</b>	<b>\$ 467.770</b>
<b>Expenses</b>						
Labor:						
Payroll	\$ 306.752	\$ 319.751	\$ 335.978	\$ 347.904	\$ 357.946	\$ 368.569
Overtime	38.686	39.428	40.239	41.815	42.676	44.197
Health and Welfare	56.339	60.760	69.450	75.599	82.709	90.686
Pensions	23.698	25.941	27.506	28.979	30.387	31.894
Other Fringe Benefits	63.682	65.399	69.543	72.343	74.822	77.378
Reimbursable Overhead	(36.643)	(36.605)	(38.905)	(37.046)	(37.507)	(38.906)
<b>Total Labor Expenses</b>	<b>\$ 452.514</b>	<b>\$ 474.674</b>	<b>\$ 503.812</b>	<b>\$ 529.594</b>	<b>\$ 551.033</b>	<b>\$ 573.819</b>
Non-Labor:						
Traction and Propulsion Power	\$ 35.992	\$ 38.320	\$ 41.728	\$ 43.782	\$ 43.743	\$ 42.793
Fuel for Buses and Trains	6.248	7.016	7.055	7.208	7.431	7.733
Insurance	7.104	10.347	10.554	10.786	11.066	11.376
Claims	10.245	14.745	15.110	15.925	15.925	15.925
Paratransit Service Contracts						
Maintenance and Other						
Operating Contracts	52.12	68.587	72.048	77.073	72.846	74.039
Professional Service Contracts	21.903	24.176	23.166	25.387	26.381	27.560
Materials & Supplies	56.328	59.336	56.661	58.168	58.448	58.458
Other Business Expenses	9.465	10.371	9.500	9.538	11.645	13.030
<b>Total Non-Labor Expenses</b>	<b>\$ 199.405</b>	<b>\$ 232.898</b>	<b>\$ 235.822</b>	<b>\$ 247.867</b>	<b>\$ 247.485</b>	<b>\$ 250.914</b>
Other Expenses Adjustments:						
Other						
<b>Total Other Expense Adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses before Depreciation</b>	<b>\$ 651.919</b>	<b>\$ 707.572</b>	<b>\$ 739.634</b>	<b>\$ 777.461</b>	<b>\$ 798.518</b>	<b>\$ 824.733</b>
Depreciation	145.819	162.431	180.000	187.000	192.000	197.000
<b>Total Expenses</b>	<b>\$ 797.738</b>	<b>\$ 870.003</b>	<b>\$ 919.634</b>	<b>\$ 964.461</b>	<b>\$ 990.518</b>	<b>\$ 1,021.733</b>
<b>Baseline Net Surplus/(Deficit)</b>	<b>\$ (388.750)</b>	<b>\$ (433.715)</b>	<b>\$ (470.956)</b>	<b>\$ (507.409)</b>	<b>\$ (527.734)</b>	<b>\$ (553.963)</b>
<b>Cash Conversion Adjustments:</b>						
Depreciation	\$ 145.819	\$ 162.431	\$ 180.000	\$ 187.000	\$ 192.000	\$ 197.000
Operating/Capital	\$ (10.317)	\$ (17.996)	\$ (10.925)	\$ (12.848)	\$ (12.500)	\$ (12.000)
Other Cash Adjustments	\$ (3.304)	\$ 0.517	\$ 25.117	\$ 5.541	\$ 4.097	\$ (1.116)
<b>Total Cash Conversion Adjustments</b>	<b>\$ 132.198</b>	<b>\$ 144.952</b>	<b>\$ 194.192</b>	<b>\$ 179.693</b>	<b>\$ 183.597</b>	<b>\$ 183.884</b>
<b>Baseline Net Cash Surplus/(Deficit)</b>	<b>\$ (256.552)</b>	<b>\$ (288.763)</b>	<b>\$ (276.764)</b>	<b>\$ (327.716)</b>	<b>\$ (344.137)</b>	<b>\$ (370.079)</b>
Program to Eliminate the Gap	-	0.904	15.869	36.637	33.505	22.422
<b>Net Surplus/(Deficit)</b>	<b>\$ (256.552)</b>	<b>\$ (287.859)</b>	<b>\$ (260.896)</b>	<b>\$ (291.079)</b>	<b>\$ (310.632)</b>	<b>\$ (347.656)</b>

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2009**  
**Accrual Statement of Operations by Category**  
**(\$ in millions)**

**REIMBURSABLE**

	2004		2005				
	2003	Mid-Year	Preliminary		2006	2007	2008
	Actuals	Forecast	Budget				
<b>Revenue</b>							
Farebox Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle Toll Revenue							
Other Operating Revenue							
Capital and Other Reimbursements	138.563	142.925	157.503	156.559	159.313	164.694	
<b>Total Revenue</b>	<b>\$ 138.563</b>	<b>\$ 142.925</b>	<b>\$ 157.503</b>	<b>\$ 156.559</b>	<b>\$ 159.313</b>	<b>\$ 164.694</b>	
<b>Expenses</b>							
Labor:							
Payroll	\$ 32.402	\$ 33.858	\$ 36.146	\$ 37.230	\$ 38.041	\$ 39.106	
Overtime	13.008	10.172	10.477	10.791	11.072	11.382	
Health and Welfare	5.815	6.623	7.371	7.920	8.497	9.197	
Pensions	3.678	3.602	3.854	4.014	4.145	4.320	
Other Fringe Benefits	8.483	7.706	8.391	8.696	8.921	9.222	
Reimbursable Overhead	36.193	37.979	38.146	36.265	36.706	38.082	
<b>Total Labor Expenses</b>	<b>\$ 99.579</b>	<b>\$ 99.940</b>	<b>\$ 104.383</b>	<b>\$ 104.915</b>	<b>\$ 107.383</b>	<b>\$ 111.309</b>	
Non-Labor:							
Traction and Propulsion Power							
Fuel for Buses and Trains							
Insurance	3.935	3.725	4.745	4.887	4.983	5.123	
Claims							
Paratransit Service Contracts							
Maintenance and Other							
Operating Contracts	5.721	2.587	3.241	2.661	2.730	2.806	
Professional Service Contracts	1.212	6.519	8.166	6.704	6.878	7.071	
Materials & Supplies	21.672	27.354	34.114	34.475	34.449	35.413	
Other Business Expenses	6.445	2.801	2.855	2.918	2.891	2.971	
<b>Total Non-Labor Expenses</b>	<b>\$ 38.984</b>	<b>\$ 42.986</b>	<b>\$ 53.120</b>	<b>\$ 51.644</b>	<b>\$ 51.930</b>	<b>\$ 53.384</b>	
Other Expenses Adjustments:							
Other							
<b>Total Other Expense Adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses before Depreciation</b>	<b>\$ 138.563</b>	<b>\$ 142.925</b>	<b>\$ 157.503</b>	<b>\$ 156.559</b>	<b>\$ 159.313</b>	<b>\$ 164.694</b>	
Depreciation							
<b>Total Expenses</b>	<b>\$ 138.563</b>	<b>\$ 142.925</b>	<b>\$ 157.503</b>	<b>\$ 156.559</b>	<b>\$ 159.313</b>	<b>\$ 164.694</b>	
<b>Baseline Net Surplus/(Deficit)</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ -</b>	<b>\$ 0.000</b>	<b>\$ (0.000)</b>	
<b>Cash Conversion Adjustments:</b>							
Depreciation							
Operating/Capital							
Other Cash Adjustments							
<b>Total Cash Conversion Adjustments</b>							
<b>Net Baseline NetCash Surplus/(Deficit)</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ -</b>	<b>\$ 0.000</b>	<b>\$ (0.000)</b>	
Program to Eliminate the Gap							
<b>Net Surplus/(Deficit)</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ 0.000</b>	<b>\$ -</b>	<b>\$ 0.000</b>	<b>\$ (0.000)</b>	

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Accrual Statement of Operations by Category**  
(\$ in millions)

**NON-REIMBURSABLE and  
REIMBURSABLE**

	<b>2003</b>	<b>2004</b>	<b>2005</b>			
	<b>Actuals</b>	<b>Mid-Year Forecast</b>	<b>Preliminary Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Revenue</b>						
Farebox Revenue	\$ 378.093	\$ 406.722	\$ 418.500	\$ 425.955	\$ 431.043	\$ 435.328
Vehicle Toll Revenue	-	-	-	-	-	-
Other Operating Revenue	30.895	29.566	30.178	31.097	31.741	32.442
Capital and Other Reimbursements	138.563	142.925	157.503	156.559	159.313	164.694
<b>Total Revenue</b>	<b>\$ 547.551</b>	<b>\$ 579.213</b>	<b>\$ 606.181</b>	<b>\$ 613.611</b>	<b>\$ 622.097</b>	<b>\$ 632.464</b>
<b>Expenses</b>						
<b>Labor:</b>						
Payroll	\$ 339.154	\$ 353.609	\$ 372.124	\$ 385.134	\$ 395.987	\$ 407.675
Overtime	51.694	49.600	50.716	52.606	53.748	55.579
Health and Welfare	62.154	67.383	76.821	83.519	91.207	99.883
Pensions	27.376	29.543	31.360	32.993	34.532	36.215
Other Fringe Benefits	72.165	73.105	77.934	81.039	83.743	86.600
Reimbursable Overhead	(0.450)	1.374	(0.759)	(0.781)	(0.801)	(0.824)
<b>Total Labor Expenses</b>	<b>\$ 552.093</b>	<b>\$ 574.613</b>	<b>\$ 608.195</b>	<b>\$ 634.509</b>	<b>\$ 658.416</b>	<b>\$ 685.128</b>
<b>Non-Labor:</b>						
Traction and Propulsion Power	\$ 35.992	\$ 38.320	\$ 41.728	\$ 43.782	\$ 43.743	\$ 42.793
Fuel for Buses and Trains	6.248	7.016	7.055	7.208	7.431	7.733
Insurance	11.039	14.072	15.299	15.673	16.049	16.499
Claims	10.245	14.745	15.110	15.925	15.925	15.925
Paratransit Service Contracts	-	-	-	-	-	-
Maintenance and Other	57.841	71.174	75.289	79.733	75.575	76.845
Professional Service Contracts	23.115	30.695	31.332	32.091	33.260	34.630
Materials & Supplies	78.000	86.690	90.775	92.643	92.897	93.871
Other Business Expenses	15.910	13.172	12.355	12.456	14.536	16.001
<b>Total Non-Labor Expenses</b>	<b>\$ 238.389</b>	<b>\$ 275.884</b>	<b>\$ 288.942</b>	<b>\$ 299.511</b>	<b>\$ 299.415</b>	<b>\$ 304.298</b>
<b>Other Expenses Adjustments:</b>						
Other	-	-	-	-	-	-
<b>Total Other Expense Adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses before Depreciation</b>	<b>\$ 790.482</b>	<b>\$ 850.497</b>	<b>\$ 897.138</b>	<b>\$ 934.020</b>	<b>\$ 957.831</b>	<b>\$ 989.426</b>
Depreciation	145.819	162.431	180.000	187.000	192.000	197.000
<b>Total Expenses</b>	<b>\$ 936.301</b>	<b>\$ 1,012.928</b>	<b>\$ 1,077.138</b>	<b>\$ 1,121.020</b>	<b>\$ 1,149.831</b>	<b>\$ 1,186.426</b>
<b>Baseline Net Surplus/(Deficit)</b>	<b>\$ (388.750)</b>	<b>\$ (433.715)</b>	<b>\$ (470.956)</b>	<b>\$ (507.409)</b>	<b>\$ (527.734)</b>	<b>\$ (553.963)</b>
<b>Cash Conversion Adjustments:</b>						
Depreciation	145.819	162.431	180.000	187.000	192.000	197.000
Operating/Capital	(10.317)	(17.996)	(10.925)	(12.848)	(12.500)	(12.000)
Other Cash Adjustments	(3.304)	0.517	25.117	5.541	4.097	(1.116)
<b>Total Cash Conversion Adjustments</b>	<b>\$ 132.198</b>	<b>\$ 144.952</b>	<b>\$ 194.192</b>	<b>\$ 179.693</b>	<b>\$ 183.597</b>	<b>\$ 183.884</b>
<b>Baseline Net Cash Surplus/(Deficit)</b>	<b>(256.552)</b>	<b>(288.763)</b>	<b>(276.764)</b>	<b>(327.716)</b>	<b>(344.137)</b>	<b>(370.079)</b>
Program to Eliminate the Gap	-	0.904	15.869	36.637	33.505	22.422
<b>Net Surplus/(Deficit)</b>	<b>\$ (256.552)</b>	<b>\$ (287.859)</b>	<b>\$ (260.896)</b>	<b>\$ (291.079)</b>	<b>\$ (310.632)</b>	<b>\$ (347.656)</b>



**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Cash Receipts & Expenditures  
(\$ in millions)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>			
	<b>Actuals</b>	<b>Mid-Year Forecast</b>	<b>Preliminary Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Receipts</b>						
Farebox Revenue	\$ 386.290	\$ 415.098	\$ 426.848	\$ 434.105	\$ 439.193	\$ 443.478
Vehicle Toll Revenue						
Other Operating Revenue	48.086	47.778	44.575	45.337	45.856	46.557
Capital and Other Reimbursements	138.966	140.158	154.519	156.187	158.628	163.731
<b>Total Receipts</b>	<b>\$ 573.342</b>	<b>\$ 603.034</b>	<b>\$ 625.942</b>	<b>\$ 635.629</b>	<b>\$ 643.677</b>	<b>\$ 653.766</b>
<b>Expenditures</b>						
Labor:						
Payroll	\$ 339.220	\$ 343.005	\$ 356.350	\$ 372.046	\$ 384.189	\$ 398.907
Overtime	51.455	49.773	50.894	52.790	53.936	55.772
Health and Welfare	61.139	69.455	79.344	86.018	93.595	102.014
Pensions	25.761	39.057	20.624	43.364	45.600	48.329
Other Fringe Benefits	77.935	73.582	78.118	81.231	83.941	87.204
Reimbursable Overhead		0.000	0.000	0.000	0.000	0.000
<b>Total Labor Expenditures</b>	<b>\$ 555.510</b>	<b>\$ 574.872</b>	<b>\$ 585.331</b>	<b>\$ 635.449</b>	<b>\$ 661.261</b>	<b>\$ 692.227</b>
Non-Labor:						
Traction and Propulsion Power	35.921	38.320	41.728	43.782	43.743	42.793
Fuel for Buses and Trains	6.248	7.016	7.055	7.208	7.431	7.733
Insurance	11.650	13.940	15.894	15.557	15.937	17.104
Claims	11.966	15.871	13.370	13.189	13.070	13.070
Paratransit Service Contracts	0.000	0.000	0.000	0.000	0.000	0.000
Maintenance and Other Operating Contracts	70.658	86.251	87.568	92.982	79.982	88.490
Professional Service Contracts	26.575	38.162	35.578	36.647	31.470	39.488
Materials & Supplies	89.153	89.494	92.371	94.085	101.234	94.828
Other Business Expenses	18.540	27.871	23.811	24.446	33.686	28.112
<b>Total Non-Labor Expenditures</b>	<b>\$ 270.711</b>	<b>\$ 316.925</b>	<b>\$ 317.375</b>	<b>\$ 327.896</b>	<b>\$ 326.553</b>	<b>\$ 331.618</b>
Other Expenditure Adjustments:						
Other	3.673	0.000	0.000	0.000	0.000	0.000
<b>Total Other Expenditure Adjustments</b>	<b>\$ 3.673</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 829.894</b>	<b>\$ 891.797</b>	<b>\$ 902.706</b>	<b>\$ 963.345</b>	<b>\$ 987.814</b>	<b>\$ 1,023.845</b>
<b>Baseline Net Surplus/(Deficit)</b>	<b>\$ (256.552)</b>	<b>\$ (288.763)</b>	<b>\$ (276.764)</b>	<b>\$ (327.716)</b>	<b>\$ (344.137)</b>	<b>\$ (370.079)</b>
Program to Eliminate the Gap	-	0.904	15.869	36.637	33.505	22.422
<b>Net Cash Deficit</b>	<b>\$ (256.552)</b>	<b>\$ (287.859)</b>	<b>\$ (260.896)</b>	<b>\$ (291.079)</b>	<b>\$ (310.632)</b>	<b>\$ (347.656)</b>

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Cash Conversion (Cash Flow Adjustments)**  
(\$ in millions)

	<b>2003</b>	<b>2004</b>	<b>2005</b>			
	<b>Actuals</b>	<b>Mid-Year</b>	<b>Preliminary</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
		<b>Forecast</b>	<b>Budget</b>			
<b>Receipts</b>						
Farebox Revenue	\$ 8.197	\$ 8.376	\$ 8.348	\$ 8.150	\$ 8.150	\$ 8.150
Vehicle Toll Revenue	-	-	-	-	-	-
Other Operating Revenue	17.191	18.212	14.397	14.240	14.115	14.115
Capital and Other Reimbursements	0.403	(2.767)	(2.984)	(0.372)	(0.685)	(0.963)
<b>Total Receipt Adjustments</b>	<b>\$ 25.791</b>	<b>\$ 23.821</b>	<b>\$ 19.761</b>	<b>\$ 22.018</b>	<b>\$ 21.580</b>	<b>\$ 21.302</b>
<b>Expenditures</b>						
Labor:						
Payroll	\$ (0.066)	\$ 10.604	\$ 15.774	\$ 13.088	\$ 11.798	\$ 8.768
Overtime	0.239	(0.173)	(0.178)	(0.184)	(0.188)	(0.193)
Health and Welfare	1.015	(2.072)	(2.523)	(2.499)	(2.389)	(2.131)
Pensions	1.615	(9.514)	10.736	(10.371)	(11.068)	(12.115)
Other Fringe Benefits	(5.770)	(0.477)	(0.184)	(0.192)	(0.198)	(0.604)
Reimbursable Overhead	(0.450)	1.374	(0.759)	(0.781)	(0.801)	(0.824)
<b>Total Labor Expenditures</b>	<b>\$ (3.417)</b>	<b>\$ (0.258)</b>	<b>\$ 22.864</b>	<b>\$ (0.940)</b>	<b>\$ (2.845)</b>	<b>\$ (7.099)</b>
Non-Labor:						
Traction and Propulsion Power	\$ 0.071	\$ -	\$ -	\$ -	\$ -	\$ -
Fuel for Buses and Trains	-	-	-	-	-	-
Insurance	(0.611)	0.132	(0.595)	0.116	0.112	(0.605)
Claims	(1.721)	(1.126)	1.740	2.736	2.855	2.855
Paratransit Service Contracts	-	-	-	-	-	-
Maintenance and Other Operating Contracts	(12.817)	(15.077)	(12.279)	(13.248)	(4.406)	(11.645)
Professional Service Contracts	(3.460)	(7.467)	(4.246)	(4.556)	1.789	(4.857)
Materials & Supplies	(11.153)	(2.804)	(1.596)	(1.442)	(8.337)	(0.957)
Other Business Expenditures	(2.630)	(14.699)	(11.456)	(11.990)	(19.150)	(12.111)
<b>Total Non-Labor Expenditures</b>	<b>\$ (32.322)</b>	<b>\$ (41.041)</b>	<b>\$ (28.433)</b>	<b>\$ (28.385)</b>	<b>\$ (27.138)</b>	<b>\$ (27.320)</b>
Other Expenditure Adjustments:						
Other	\$ (3.673)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Other Expenditure Adjustments</b>	<b>\$ (3.673)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Cash Conversion Adjustments before Depreciation</b>	<b>\$ (13.621)</b>	<b>\$ (17.479)</b>	<b>\$ 14.192</b>	<b>\$ (7.307)</b>	<b>\$ (8.403)</b>	<b>\$ (13.116)</b>
<b>Depreciation Adjustment</b>	<b>145.819</b>	<b>162.431</b>	<b>180.000</b>	<b>187.000</b>	<b>192.000</b>	<b>197.000</b>
<b>Baseline Total Cash Conversion Adjustments</b>	<b>\$ 132.198</b>	<b>\$ 144.952</b>	<b>\$ 194.192</b>	<b>\$ 179.693</b>	<b>\$ 183.597</b>	<b>\$ 183.884</b>
Program to Eliminate the Gap						
	-	-	-	-	-	-
<b>Total Cash Conversion Adjustments</b>	<b>\$ 132.198</b>	<b>\$ 144.952</b>	<b>\$ 194.192</b>	<b>\$ 179.693</b>	<b>\$ 183.597</b>	<b>\$ 183.884</b>

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**YEAR-TO-YEAR CHANGES BY CATEGORY – ACCRUAL (TOTAL)**

FARE BOX REVENUE

Non-Reimbursable

- Projected ridership growth of 0.7% in 2005, 1.6% in 2006, 1.0% in 2007, and 1.0% in 2008 together with an average 5.5% Connecticut fare increase effective January 2005 is responsible for higher Fare Box Revenue.

Reimbursable

- Not applicable

OTHER OPERATING REVENUE

Non-Reimbursable

- 2004-2005 reflects the withdrawal of all outside buildings from the GCT power grid.
- 2005 reflects the impact of additional West of Hudson parking fees and contractually based advertising revenue increases.
- 2006-2008 primarily incorporates CPI increase of 2.2%, 2.6%, and 2.8%, respectively.

Reimbursable

- Not applicable

CAPITAL AND OTHER REIMBURSEMENTS

Non-Reimbursable

- Not applicable

Reimbursable

- Capital project cost reimbursements in each year of the financial plan are based on recouping 100% of accrued project expenditures. 2005-2008 accrued expenditures (and receipts) are based on a continuation of the 2004 mid-year forecast project cost levels.
- The increase in 2005 reimbursements reflects the impact of inflation on the 2004 mid-year expenditure base, plus an increase in the M2 Critical System Replacement project.
- 2006-2008 increases in reimbursements reflect the impact of inflation.

PAYROLL

Non-Reimbursable

- 2004-2006 costs include an annual wage increase of 3.0%. Differentials between 3% and CPI rates of 2.0% in 2005 and 2.2% in 2006 for management staff represent projected costs for phased merit costs as well as equity adjustments required for compression differentials with agreement employees.
- 2007 and 2008 include CPI based wage increases of 2.6% and 2.8%, respectively.
- 2005 includes additional labor resources primarily for:

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- Customer Service Amenities improvements with additional car cleaning, E-cleaning and maintenance at Highbridge Yard (\$1.1million) as well as GCT platform cleaning (\$.2 million).
- Maintenance force increases in GCT, West of Hudson and along the right-of-way (\$.7 million).
- Service increases primarily on the Harlem line due to new third track (\$.6 million).
- Security upgrades to signal and information systems and on-going testing and inspection of life safety devices (\$.6 million)
- Administrative oversight to strengthen quality assurance functions in key operations groups (\$1.1 million).
- 2006 - 2008 additional labor costs are added for on-going safety improvements to systems and facilities and service increases on all lines.

Reimbursable

- 2004-2006 costs include an annual wage increase of 3.0%. Differentials between 3% and CPI rates of 2.0% in 2005 and 2.2% in 2006 for management staff represent projected costs for phased merit costs as well as equity adjustments required for compression differentials with agreement employees.
- 2005 includes an increase staffing for the M2 Critical System Replacement project
- 2007 and 2008 include CPI-based wage increases of 2.6% and 2.8%, respectively.

OVERTIME

Non-Reimbursable

- 2005-2006 costs include annual wage increases of 3.0%.
- 2007 and 2008 include CPI-based wage increases of 2.6% and 2.8%, respectively.
- 2005-2008 includes additional on-board coverage requirements due to increases in service levels on all lines.

Reimbursable

- 2005-2006 costs include annual wage increases of 3.0%.
- 2007 and 2008 include CPI based wage increases of 2.6% and 2.8%, respectively.

HEALTH AND WELFARE

Non-Reimbursable

- Projected inflationary increases of 14.2% in 2004, 12.9% in 2005, and 9.3% each year 2006 - 2008.
- 2005-2008 include the non-reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927million in 2007 and \$1.227million in 2008.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- Other Cost adjustments for 2005-2008 are the result of changes in staffing levels associated with the programmatic changes that are incorporated into each year of the financial plan for Maintenance Improvements, Service Plan Enhancements, Customer Service Amenities, Security, and Administration.

Reimbursable

- Projected inflationary increases of 14.2% in 2004, 12.9% in 2005, and 9.3% each year 2006 - 2008.
- 2005-2008 include the reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions, estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007 and \$1.227 million in 2008.

PENSIONS

Non-Reimbursable

- Pension cost increases 2005-2006 are based on payroll costs that increase by 3% each year and CPI-based wage increases for 2007-2008.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 and 2008.
- 2005-2008 management pension costs reflect the non-reimbursable share of a \$0.3 million annual cost increase.

Reimbursable

- Pension cost increases 2005-2006 are based on payroll costs that increase by 3% each year and CPI-based wage increases for 2007-2008.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; rate increases by 0.2% in 2007 and 2008.
- 2005-2008 management pension costs reflect the reimbursable share of a \$0.3 million annual cost increase.

OTHER FRINGE BENEFITS

Non-Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2008 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I are estimated at \$94,500 in 2005, \$99,000 in 2006, \$103,800 in 2007, and \$108,000 in 2008.
- Maximum earnings level for Tier II are estimated at \$70,200 in 2005, \$73,500 in 2006, \$77,100 in 2007, and \$80,400 in 2008
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2008 at 7.65% and 13.1%, respectively.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- Maximum earnings level for Tier I are estimated at \$94,500 in 2005, \$99,000 in 2006, \$103,800 in 2007, and \$108,000 in 2008.
- Maximum earnings level for Tier II are estimated at \$70,200 in 2005, \$73,500 in 2006, \$77,100 in 2007, and \$80,400 in 2008

**REIMBURSABLE OVERHEAD**

**Non-Reimbursable**

- Overhead cost credits are based on a percentage share of direct labor costs charged to a capital project. 2005-2008 direct labor costs are based on the continuation of the 2004 mid-year forecast project cost levels.
- The increase in 2005 overhead costs reflects the impact of a 3% wage increase on the 2004 mid-year labor base, plus an increase in payroll costs for the M2 Critical System Replacement project.
- 2006-2008 increases in overheads reflect the impact of wage increases on direct labor project costs.

**Reimbursable**

- Overhead costs are based on a percentage share of direct labor costs charged to a reimbursable project. 2005-2008 direct labor costs are based on the continuation of the 2004 mid-year forecast project cost levels.
- The increase in 2005 overhead costs reflects the impact of a 3% wage increase on the 2004 mid-year labor base, plus an increase in payroll costs for the M2 Critical System Replacement project.
- 2006-2008 increases in overheads reflect the impact of wage increases on direct labor project costs.

**TRACTION AND PROPULSION POWER**

**Non-Reimbursable**

- In addition to CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively, costs include a \$2.1 million provision for power cost increases.
- 2005-2008 incorporates the net effect of new car procurements and retirements.
- Service Plan enhancements increase costs by \$.4 million in 2005 and 2006 with the completion of the Harlem third track, by \$.1 million in 2007 and by \$.2 million in 2008.

**Reimbursable**

- No Cost

**FUEL FOR BUSES AND TRAINS**

**Non-Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Equipment Replacement Plan introduction of new coaches and locomotives.
- 2005-2008 Service Plan enhancements increase costs by \$.1 million annually.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

Reimbursable

- No Cost

INSURANCE

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

CLAIMS

Non-Reimbursable

- 2005 and 2006 include consultant fees for Employee Safety Training.

Reimbursable

- No Cost

MAINTENANCE AND OTHER CONTRACTS

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Equipment maintenance programs increase 2005 costs by \$1.3 million and 2006 costs by \$3.5 million for the Genesis and West of Hudson Locomotive Remanufacture and Comet 3 Overhaul programs. In 2007 costs are reduced by \$5.9 million with the completion of these programs and a decrease in car disposal costs, offset by preventative maintenance improvement provisions.
- 2005 includes lower costs for GCT electric charges due to the withdrawal of outside buildings from power grid (\$1.2 million), offset by an increase in Port Jervis line lease charges (\$1.5 million). The costs also reflect a provision for power cost increase (\$.8 million), office space renovations (\$1.0 million), financial system maintenance costs (\$.6 million) and outlying facility security costs (\$.8 million).
- 2006 includes additional outlying facility security costs (\$.8 million, offset by decreasing fees for DuPont safety training (\$.8 million).

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

PROFESSIONAL SERVICE CONTRACTS

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Reduction in Insurance charge-back starting in 2004 (\$.6 million) and MTA police service charges starting in 2005 (\$1.3 million).
- Restoration of 2004 reduction in Advertising provision in 2006 (\$.8 million).

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**MATERIAL AND SUPPLIES**

**Non-Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Elimination of M1 Rehabilitation Project costs in 2004 and 2005.
- 2005 includes cost savings from the completion of the FL9 Overhaul (\$.9 million), the M4/M6 inverter conversion program (\$.5 million), and the M3 HVAC control replacement program.
- 2005-2008 includes the impact of equipment procurements and retirements

**Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- 2005 includes an increase in material costs for the M2 Critical System Replacement project

**OTHER BUSINESS EXPENSES**

**Non-Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- 2005 reduction in legal fees (\$.7 million).
- 2007 and 2008 include provisions for maintenance initiatives (\$1.0 million in 2007 and \$2.0 million in 2008).

**Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

**DEPRECIATION**

**Non-Reimbursable**

- Increase is primarily due to purchase of new equipment (M7s).

**Reimbursable**

- No Cost



**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**YEAR-TO-YEAR CHANGES BY CATEGORY – CASH (TOTAL)**

FARE BOX REVENUE

Non-Reimbursable

- Projected ridership growth of 0.7% in 2005, 1.6% in 2006, 1.0% in 2007, and 1.0% in 2008 together with an average 5.5% Connecticut fare increase effective January 2005 is responsible for higher Fare Box Revenue.

Reimbursable

- Not applicable

Cash

- 2004-2008 cash adjustments include receipts from the sale of MetroCards, Westchester County bus fares, and special event promotions, partially offset by credit card fees associated with the purchase of passenger tickets.

OTHER OPERATING REVENUE

Non-Reimbursable

- 2004-2005 reflects the withdrawal of all outside buildings from the GCT power grid.
- 2005 reflects the impact of additional West of Hudson parking fees and contractually based advertising revenue increases.
- 2006-2008 primarily incorporates CPI increase of 2.2%, 2.6%, and 2.8%, respectively.

Reimbursable

- Not applicable

Cash

- 2004 cash adjustments include a projected \$3.7 million reimbursement for September 11, 2001 revenue loss. 2004-2008 adjustments include the reclassification of Amtrak and other railroad reimbursements (from the Maintenance and Other Operating Contracts category), reimbursements from CDOT for station facilities and unitickets, the MTA for electricity charges, and payments by former employees for health insurance coverage and other miscellaneous items.

CAPITAL AND OTHER REIMBURSEMENTS

Non-Reimbursable

- Not applicable

Reimbursable

- Capital project cost reimbursements in each year of the financial plan are based on recouping 100% of accrued project expenditures. 2005-2008 accrued expenditures (and receipts) are based on a continuation of the 2004 mid-year forecast project cost levels.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- The increase in 2005 reimbursements reflects the impact of inflation on the 2004 mid-year expenditure base, plus an increase in the M2 Critical System Replacement project.
- 2006-2008 increases in reimbursements reflect the impact of inflation.

**PAYROLL**

**Non-Reimbursable**

- 2004-2006 costs include an annual wage increase of 3.0%. Differentials between 3% and CPI rates of 2.0% in 2005 and 2.2% in 2006 for management staff represent projected costs for phased merit costs as well as equity adjustments required for compression differentials with agreement employees.
- 2007 and 2008 include CPI based wage increases of 2.6% and 2.8%, respectively.
- 2005 includes additional labor resources primarily for:
  - Customer Service Amenities improvements with additional car cleaning, E-cleaning and maintenance at Highbridge Yard (\$1.1million) as well as GCT platform cleaning (\$.2 million).
  - Maintenance force increases in GCT, West of Hudson and along the right-of-way (\$.7 million).
  - Service increases primarily on the Harlem line due to new third track (\$.6 million).
  - Security upgrades to signal and information systems and on-going testing and inspection of life safety devices (\$.6 million)
  - Administrative oversight to strengthen quality assurance functions in key operations groups (\$1.1 million).
- 2006 - 2008 additional labor costs are added for on-going safety improvements to systems and facilities and service increases on all lines.

**Reimbursable**

- 2004-2006 costs include an annual wage increase of 3.0%. Differentials between 3% and CPI rates of 2.0% in 2005 and 2.2% in 2006 for management staff represent projected costs for phased merit costs as well as equity adjustments required for compression differentials with agreement employees.
- 2005 includes an increase staffing for the M2 Critical System Replacement project
- 2007 and 2008 include CPI-based wage increases of 2.6% and 2.8%, respectively.

**Cash**

- 2004 Cash adjustments include payment of \$6 million (excluding fringe) for prior period accrued RWA for unsettled unions. 2004-2008 cash adjustments include difference between expense accruals and cash disbursements for the number of days paid, vacation and sick day provisions, employee health club memberships, agreement employee allowance for tools and safety shoes, employee contribution to health care coverage, and agreement employee contributions to the Defined Benefit Pension Plan.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

OVERTIME

Non-Reimbursable

- 2005-2006 costs include annual wage increases of 3.0%.
- 2007 and 2008 include CPI-based wage increases of 2.6% and 2.8%, respectively.
- 2005-2008 includes additional on-board coverage requirements due to increases in service levels on all lines.

Reimbursable

- 2005-2006 costs include annual wage increases of 3.0%.
- 2007 and 2008 include CPI based wage increases of 2.6% and 2.8%, respectively.

HEALTH AND WELFARE

Non-Reimbursable

- Projected inflationary increases of 14.2% in 2004, 12.9% in 2005, and 9.3% each year 2006 - 2008.
- 2005-2008 include the non-reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007 and \$1.227 million in 2008.
- Other Cost adjustments for 2005-2008 are the result of changes in staffing levels associated with the programmatic changes that are incorporated into each year of the financial plan for Maintenance Improvements, Service Plan Enhancements, Customer Service Amenities, Security, and Administration.

Reimbursable

- Projected inflationary increases of 14.2% in 2004, 12.9% in 2005, and 9.3% each year 2006 - 2008.
- 2005-2008 include the reimbursable share of cost reductions associated with escalating levels of agreement employee premium contributions, estimated at \$.374 million in 2005, \$.643 million in 2006, \$.927 million in 2007 and \$1.227 million in 2008.

Cash

- 2004-2008 cash adjustments include current and former employee contributions toward health insurance costs.

PENSIONS

Non-Reimbursable

- Pension cost increases 2005-2006 are based on payroll costs that increase by 3% each year and CPI-based wage increases for 2007-2008.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; employer contribution rate increases by 0.2% in 2007 and 2008.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- 2005-2008 management pension costs reflect the non-reimbursable share of a \$0.3 million annual cost increase.

Reimbursable

- Pension cost increases 2005-2006 are based on payroll costs that increase by 3% each year and CPI-based wage increases for 2007-2008.
- 2005-2006 agreement pension costs incorporate an effective employer contribution rate of 6% of payroll costs; rate increases by 0.2% in 2007 and 2008.
- 2005-2008 management pension costs reflect the reimbursable share of a \$0.3 million annual cost increase.

Cash

- 2004-2008 adjustments include difference between expense accruals and cash disbursements, and agreement employee contribution to the Defined Benefit Pension Plan. 2005 reflects a \$20 million cash reduction due to the prepayment of pension costs (paid in 2003).

OTHER FRINGE BENEFITS

Non-Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2008 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I are estimated at \$94,500 in 2005, \$99,000 in 2006, \$103,800 in 2007, and \$108,000 in 2008.
- Maximum earnings level for Tier II are estimated at \$70,200 in 2005, \$73,500 in 2006, \$77,100 in 2007, and \$80,400 in 2008
- Other cost adjustments reflect inflationary salary increase and changes in staffing levels.

Reimbursable

- Railroad Retirement tax rates for Tier I and II remain constant for 2005-2008 at 7.65% and 13.1%, respectively.
- Maximum earnings level for Tier I are estimated at \$94,500 in 2005, \$99,000 in 2006, \$103,800 in 2007, and \$108,000 in 2008.
- Maximum earnings level for Tier II are estimated at \$70,200 in 2005, \$73,500 in 2006, \$77,100 in 2007, and \$80,400 in 2008

REIMBURSABLE OVERHEAD

Non-Reimbursable

- Overhead cost credits are based on a percentage share of direct labor costs charged to a capital project. 2005-2008 direct labor costs are based on the continuation of the 2004 mid-year forecast project cost levels.
- The increase in 2005 overhead costs reflects the impact of a 3% wage increase on the 2004 mid-year labor base, plus an increase in payroll costs for the M2 Critical System Replacement project.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

- 2006-2008 increases in overheads reflect the impact of wage increases on direct labor project costs.

Reimbursable

- Overhead costs are based on a percentage share of direct labor costs charged to a reimbursable project. 2005-2008 direct labor costs are based on the continuation of the 2004 mid-year forecast project cost levels.
- The increase in 2005 overhead costs reflects the impact of a 3% wage increase on the 2004 mid-year labor base, plus an increase in payroll costs for the M2 Critical System Replacement project.
- 2006-2008 increases in overheads reflect the impact of wage increases on direct labor project costs.

TRACTION AND PROPULSION POWER

Non-Reimbursable

- In addition to CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively, costs include a \$2.1 million provision for power cost increases.
- 2005-2008 incorporates the net effect of new car procurements and retirements.
- Service Plan enhancements increase costs by \$.4 million in 2005 and 2006 with the completion of the Harlem third track, by \$.1 million in 2007 and by \$.2 million in 2008.

Reimbursable

- No Cost

FUEL FOR BUSES AND TRAINS

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Equipment Replacement Plan introduction of new coaches and locomotives.
- 2005-2008 Service Plan enhancements increase costs by \$.1 million annually.

Reimbursable

- No Cost

INSURANCE

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

Cash

- 2005 reflects increase in force account payments as well payment of Bioterrorism insurance (Renewed every three years).

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

CLAIMS

Non-Reimbursable

- 2005 and 2006 include consultant fees for Employee Safety Training.

Reimbursable

- No Cost

Cash

- 2004 payments reflect settlement of prior period New Haven Line accident claim.

MAINTENANCE AND OTHER CONTRACTS

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Equipment maintenance programs increase 2005 costs by \$1.3 million and 2006 costs by \$3.5 million for the Genesis and West of Hudson Locomotive Remanufacture and Comet 3 Overhaul programs. In 2007 costs are reduced by \$5.9 million with the completion of these programs and a decrease in car disposal costs, offset by preventative maintenance improvement provisions.
- 2005 includes lower costs for GCT electric charges due to the withdrawal of outside buildings from power grid (\$1.2 million), offset by an increase in Port Jervis line lease charges (\$1.5 million). The costs also reflect a provision for power cost increase (\$.8 million), office space renovations (\$1.0 million), financial system maintenance costs (\$.6 million) and outlying facility security costs (\$.8 million).
- 2006 includes additional outlying facility security costs (\$.8 million, offset by decreasing fees for DuPont safety training (\$.8 million).

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

Cash

- 2004 cash adjustments include payment of prior period accruals for damaged equipment, West of Hudson subsidy costs, and GCT management fees, partially offset by 2004 accrued costs for miscellaneous services paid in 2005.

PROFESSIONAL SERVICE CONTRACTS

Non-Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Reduction in Insurance charge-back starting in 2004 (\$.6 million) and MTA police service charges starting in 2005 (\$1.3 million).
- Restoration of 2004 reduction in Advertising provision in 2006 (\$.8 million).

Reimbursable

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**MATERIAL AND SUPPLIES**

**Non-Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- Elimination of M1 Rehabilitation Project costs in 2004 and 2005.
- 2005 includes cost savings from the completion of the FL9 Overhaul (\$.9 million), the M4/M6 inverter conversion program (\$.5 million), and the M3 HVAC control replacement program.
- 2005-2008 includes the impact of equipment procurements and retirements

**Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- 2005 includes an increase in material costs for the M2 Critical System Replacement project

**OTHER BUSINESS EXPENSES**

**Non-Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.
- 2005 reduction in legal fees (\$.7 million).
- 2007 and 2008 include provisions for maintenance initiatives (\$1.0 million in 2007 and \$2.0 million in 2008).

**Reimbursable**

- CPI increases in 2005-2008 of 2.0%, 2.2%, 2.6% and 2.8%, respectively.

**Cash**

- 2004 cash adjustments include a one-time MTA reclassification associated with prior period administrative assets. 2005 includes lower CDOT pass-through reimbursements.

**DEPRECIATION**

**Non-Reimbursable**

- Increase is primarily due to purchase of new equipment (M7s).

**Reimbursable**

- No Cost

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Year-to-Year Changes by Category - Accrual Basis**  
(\$ in millions)

**NON-REIMBURSABLE and  
REIMBURSABLE**

Favorable/(Unfavorable)

	2004	2005	Change 2005 - 2004	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007
<b>Revenue</b>									
Farebox Revenue	\$ 406.722	\$ 418.500	\$ 11.778	\$ 425.955	\$ 7.455	\$ 431.043	\$ 5.088	\$ 435.328	\$ 4.285
Vehicle Toll Revenue	-	-	-	-	-	-	-	-	-
Other Operating Revenue	29.566	30.178	0.612	31.097	0.919	31.741	0.644	32.442	0.701
Capital and Other Reimbursements	142.925	157.503	14.578	156.559	(0.944)	159.313	2.754	164.694	5.381
<b>Total Revenue</b>	<b>\$ 579.213</b>	<b>\$ 606.181</b>	<b>\$ 26.968</b>	<b>\$ 613.611</b>	<b>\$ 7.430</b>	<b>\$ 622.097</b>	<b>\$ 8.486</b>	<b>\$ 632.464</b>	<b>\$ 10.367</b>
<b>Expenses</b>									
Labor:									
Payroll	\$ 353.609	\$ 372.124	\$ (18.514)	\$ 385.134	\$ (13.010)	\$ 395.987	\$ (10.853)	\$ 407.675	\$ (11.688)
Overtime	49.600	50.716	(1.116)	52.606	(1.890)	53.748	(1.142)	55.579	(1.831)
Health and Welfare	67.383	76.821	(9.438)	83.519	(6.698)	91.207	(7.688)	99.883	(8.676)
Pensions	29.543	31.360	(1.817)	32.993	(1.633)	34.532	(1.540)	36.215	(1.682)
Other Fringe Benefits	73.105	77.934	(4.829)	81.039	(3.105)	83.743	(2.704)	86.600	(2.857)
Reimbursable Overhead	1.374	(0.759)	2.133	(0.781)	0.023	(0.801)	0.020	(0.824)	0.022
<b>Total Labor Expenses</b>	<b>\$ 574.613</b>	<b>\$ 608.195</b>	<b>\$ (33.582)</b>	<b>\$ 634.509</b>	<b>\$ (26.313)</b>	<b>\$ 658.416</b>	<b>\$ (23.907)</b>	<b>\$ 685.128</b>	<b>\$ (26.712)</b>
Non-Labor:									
Traction and Propulsion Power	\$ 38.320	\$ 41.728	\$ (3.408)	\$ 43.782	\$ (2.054)	\$ 43.743	\$ 0.039	\$ 42.793	\$ 0.950
Fuel for Buses and Trains	7.016	7.055	(0.039)	7.208	(0.153)	7.431	(0.223)	7.733	(0.302)
Insurance	14.072	15.299	(1.227)	15.673	(0.374)	16.049	(0.376)	16.499	(0.450)
Claims	14.745	15.110	(0.365)	15.925	(0.815)	15.925	-	15.925	-
Paratransit Service Contracts	-	-	-	-	-	-	-	-	-
Maintenance and Other	71.174	75.289	(4.114)	79.733	(4.444)	75.575	4.158	76.845	(1.270)
Professional Service Contracts	30.695	31.332	(0.637)	32.091	(0.759)	33.260	(1.168)	34.630	(1.371)
Materials & Supplies	86.690	90.775	(4.085)	92.643	(1.868)	92.897	(0.254)	93.871	(0.975)
Other Business Expenses	13.172	12.355	0.817	12.456	(0.101)	14.536	(2.080)	16.001	(1.466)
<b>Total Non-Labor Expenses</b>	<b>\$ 275.884</b>	<b>\$ 288.942</b>	<b>\$ (13.059)</b>	<b>\$ 299.511</b>	<b>\$ (10.568)</b>	<b>\$ 299.415</b>	<b>\$ 0.095</b>	<b>\$ 304.298</b>	<b>\$ (4.883)</b>
Other Expenses Adjustments:									
Other	-	-	-	-	-	-	-	-	-
<b>Total Other Expense Adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses before Depreciation</b>	<b>\$ 850.497</b>	<b>\$ 897.138</b>	<b>\$ (46.641)</b>	<b>\$ 934.020</b>	<b>\$ (36.882)</b>	<b>\$ 957.831</b>	<b>\$ (23.811)</b>	<b>\$ 989.426</b>	<b>\$ (31.595)</b>
Depreciation	162.431	180.000	(17.569)	187.000	(7.000)	192.000	(5.000)	197.000	(5.000)
<b>Total Expenses</b>	<b>\$ 1,012.928</b>	<b>\$ 1,077.138</b>	<b>\$ (64.210)</b>	<b>\$ 1,121.020</b>	<b>\$ (43.882)</b>	<b>\$ 1,149.831</b>	<b>\$ (28.811)</b>	<b>\$ 1,186.426</b>	<b>\$ (36.595)</b>
<b>Baseline Net Surplus/(Deficit)</b>	<b>\$ (433.715)</b>	<b>\$ (470.956)</b>	<b>\$ (37.242)</b>	<b>\$ (507.409)</b>	<b>\$ (36.452)</b>	<b>\$ (527.734)</b>	<b>\$ (20.325)</b>	<b>\$ (553.963)</b>	<b>\$ (26.229)</b>
Program to Eliminate the Gap	0.904	15.869	14.965	36.637	20.768	33.505	(3.132)	22.422	(11.082)
<b>Net Surplus/(Deficit)</b>	<b>\$ (432.811)</b>	<b>\$ (455.088)</b>	<b>\$ (22.277)</b>	<b>\$ (470.772)</b>	<b>\$ (15.684)</b>	<b>\$ (494.229)</b>	<b>\$ (23.457)</b>	<b>\$ (531.540)</b>	<b>\$ (37.311)</b>



**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Year-to-Year Changes by Category - Cash Basis**  
**(\$ in millions)**

	Favorable/(Unfavorable)									
	2004	2005	Change 2005 - 2004	2006	Change 2006 - 2005	2007	Change 2007 - 2006	2008	Change 2008 - 2007	
<b>Cash Receipts &amp; Expenditures</b>										
<b>Receipts</b>										
Farebox Revenue	\$ 415.098	\$ 426.848	\$ 11.750	\$ 434.105	\$ 7.257	\$ 439.193	\$ 5.088	\$ 443.478	\$ 4.285	
Vehicle Toll Revenue	-	-	-	-	-	-	-	-	-	
Other Operating Revenue	47.778	44.575	(3.203)	45.337	0.762	45.856	0.519	46.557	0.701	
Capital and Other Reimbursements	140.158	154.519	14.361	156.187	1.668	158.628	2.441	163.731	5.103	
<b>Total Receipts</b>	<b>\$ 603.034</b>	<b>\$ 625.942</b>	<b>\$ 22.908</b>	<b>\$ 635.629</b>	<b>\$ 9.687</b>	<b>\$ 643.677</b>	<b>\$ 8.048</b>	<b>\$ 653.766</b>	<b>\$ 10.089</b>	
<b>Expenditures</b>										
<b>Labor:</b>										
Payroll	\$ 343.005	\$ 356.350	\$ (13.345)	\$ 372.046	\$ (15.696)	\$ 384.189	\$ (12.143)	\$ 398.907	\$ (14.718)	
Overtime	49.773	50.894	(1.121)	52.790	(1.896)	53.936	(1.146)	55.772	(1.836)	
Health and Welfare	69.455	79.344	(9.889)	86.018	(6.674)	93.595	(7.577)	102.014	(8.419)	
Pensions	39.057	20.624	18.433	43.364	(22.740)	45.600	(2.236)	48.329	(2.729)	
Other Fringe Benefits	73.582	78.118	(4.537)	81.231	(3.112)	83.941	(2.710)	87.204	(3.264)	
Reimbursable Overhead	-	-	-	-	-	-	-	-	-	
<b>Total Labor Expenditures</b>	<b>\$ 574.872</b>	<b>\$ 585.331</b>	<b>\$ (10.459)</b>	<b>\$ 635.449</b>	<b>\$ (50.118)</b>	<b>\$ 661.261</b>	<b>\$ (25.812)</b>	<b>\$ 692.227</b>	<b>\$ (30.966)</b>	
<b>Non-Labor:</b>										
Traction and Propulsion Power	\$ 38.320	\$ 41.728	\$ (3.408)	\$ 43.782	\$ (2.054)	\$ 43.743	\$ 0.039	\$ 42.793	\$ 0.950	
Fuel for Buses and Trains	7.016	7.055	(0.039)	7.208	(0.153)	7.431	(0.223)	7.733	(0.302)	
Insurance	13.940	15.894	(1.954)	15.557	0.337	15.937	(0.380)	17.104	(1.167)	
Claims	15.871	13.370	2.501	13.189	0.181	13.070	0.119	13.070	-	
Paratransit Service Contracts	-	-	-	-	-	-	-	-	-	
Maintenance and Other										
Operating Contracts	86.251	87.568	(1.317)	92.982	(5.414)	79.982	13.000	88.490	(8.509)	
Professional Service Contracts	38.162	35.578	2.584	36.647	(1.069)	31.470	5.177	39.488	(8.017)	
Materials & Supplies	89.494	92.371	(2.877)	94.085	(1.714)	101.234	(7.149)	94.828	6.406	
Other Business Expenses	27.871	23.811	4.060	24.446	(0.635)	33.686	(9.240)	28.112	5.574	
<b>Total Non-Labor Expenditures</b>	<b>\$ 316.925</b>	<b>\$ 317.375</b>	<b>\$ (0.450)</b>	<b>\$ 327.896</b>	<b>\$ (10.521)</b>	<b>\$ 326.553</b>	<b>\$ 1.343</b>	<b>\$ 331.618</b>	<b>\$ (5.065)</b>	
<b>Other Expenditure Adjustments:</b>										
Other	-	-	-	-	-	-	-	-	-	
<b>Total Other Expenditure Adjustments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Total Expenditures</b>	<b>\$ 891.797</b>	<b>\$ 902.706</b>	<b>\$ (10.910)</b>	<b>\$ 963.345</b>	<b>\$ (60.638)</b>	<b>\$ 987.814</b>	<b>\$ (24.469)</b>	<b>\$ 1,023.845</b>	<b>\$ (36.031)</b>	
<b>Baseline Net Cash Deficit</b>	<b>\$ (288.763)</b>	<b>\$ (276.764)</b>	<b>\$ 11.998</b>	<b>\$ (327.716)</b>	<b>\$ (50.951)</b>	<b>\$ (344.137)</b>	<b>\$ (16.421)</b>	<b>\$ (370.079)</b>	<b>\$ (25.942)</b>	
Program to Eliminate the Gap	0.904	15.869	14.965	36.637	20.768	33.505	(3.132)	22.422	(11.082)	
<b>Net Cash Deficit</b>	<b>(287.859)</b>	<b>(260.896)</b>	<b>26.963</b>	<b>(291.079)</b>	<b>(30.183)</b>	<b>(310.632)</b>	<b>(19.553)</b>	<b>(347.656)</b>	<b>(37.024)</b>	

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Ridership/Traffic Volume (Utilization)**  
(in millions)

	<b>2003</b>	<b>2004</b>	<b>2005</b>			
	<b>Actuals</b>	<b>Mid-Year</b>	<b>Preliminary</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
		<b>Forecast</b>	<b>Budget</b>			
<b><u>Farebox Revenue</u></b>						
Harlem Line	\$111.545	\$ 118.338	\$ 120.363	\$ 123.077	\$ 125.129	\$ 126.753
Hudson Line	77.870	83.276	85.157	87.853	89.782	91.158
New Haven Line	188.678	205.108	212.980	215.025	216.132	217.417
<b>Total Farebox Revenue</b>	<b>\$ 378.093</b>	<b>\$ 406.722</b>	<b>\$ 418.500</b>	<b>\$ 425.955</b>	<b>\$ 431.043</b>	<b>\$ 435.328</b>
<b><u>Ridership</u></b>						
Harlem Line	24.004	24.322	24.662	25.146	25.491	25.811
Hudson Line	13.739	13.873	14.128	14.517	14.786	15.015
New Haven Line	32.759	33.151	33.049	33.313	33.460	33.678
<b>Baseline Total Ridership</b>	<b>70.502</b>	<b>71.346</b>	<b>71.839</b>	<b>72.976</b>	<b>73.737</b>	<b>74.504</b>
<i>Impact of:</i>						
Program to Eliminate the Gap	0	0	0.000	(1.942)	(2.070)	(2.224)
<b>Total Ridership</b>	<b>70.502</b>	<b>71.346</b>	<b>71.839</b>	<b>71.034</b>	<b>71.667</b>	<b>72.280</b>

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**CHANGES TO THE FEBRUARY FINANCIAL PLAN 2004 - 2007**

Revisions to Metro-North's financial plan for the 2004-2007 period reflect adjustments resulting from evolving economic conditions, changing cost assumptions and a series of program deferrals that contribute toward cost reduction mandates while limiting to the extent possible adverse impact to Metro-North's current service levels and performance standards. Note that the subsidy requirements in the February Financial Plan assumed unidentified PEGs of \$16.4 million in 2005, \$8.6 million in 2006, and \$5.1 million in 2007.

**2004: JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN**

In the July Financial Plan subsidy requirements for non-reimbursable operations are \$1.6 million higher than in the February Plan. Several factors beyond the railroad's control had a significant impact on projections. Sluggish job market in New York City that seems to contradict predictions of an ending economic downturn and the reduced employment opportunities in lower Manhattan since the events of 9/11, have resulted in lower than projected passenger fares from both East and West of Hudson operations. Inclement weather conditions earlier in the year necessitated high overtime costs for snow removal and equipment repair, and lowered the level of reimbursable project activity that in turn resulted in a reduced level of overhead cost recoveries. These unfavorable impacts were only partially offset by favorable adjustments to wage and tax rate assumptions.

Reimbursable project costs (and receipts) were \$18.1 million below the February Plan. In addition to inclement weather conditions during the first quarter, which reduced overall project activity levels and the lower wage and tax rate assumptions noted above, lower costs reflect changes to project schedules. They include rescheduling of expenditures for East Side Access, M2 Critical System Replacement, Shell-at-Grade and several Communication and Signal projects.

**2005: July Financial Plan vs. February Financial Plan**

In the July Financial Plan 2005 subsidy requirements for non-reimbursable operations are \$10.3 million lower than in the February plan. 2004 plan changes associated with lower passenger fare growth, changes in wage and tax rates, and higher overtime costs continue to be realized as cost adjustments in 2005. In addition, current cost increase projections for health and welfare exceed previously projected levels, as are power cost projections. Reduction in subsidies is attributed to the Connecticut fare increase, higher advertising and GCT retail tenant revenues, and several changes to Operating/Capital projects planned for 2005. These include expense re-estimates for the Corporate Data Network and Equipment Disposal projects, the elimination of the Automated People Counting System and Penta Upgrade projects, and the deferral of the Commissary

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

Renovation, Vehicle Replacement, and the GCT Upper Level Block Restoration projects.

Reimbursable project costs (and receipts) were \$12.6 million below the February Plan reflecting lower wage and tax rates, higher health and welfare costs, and a general decrease in expenditures predicated on the continuation of the revised 2004 expenditure level base.

**2006 JULY FINANCIAL PLAN VS. FEBRUARY FINANCIAL PLAN**

In the July Financial Plan 2006 subsidy requirements for non-reimbursable operations are \$9.5 million lower than the February plan. 2006 plan changes have been adjusted for current trends in lower passenger fare growth, Connecticut fare increase, higher non-passenger revenues, favorable wage and tax rates, higher overtime, increasing health and welfare and power costs as well as lower cost recoveries from reimbursable projects. Other changes in subsidies are attributed to the elimination of the Business Recovery Hot Site project at Mott Haven, the deferral of the GCT Upper Level Block Restoration and Customer Communication and Model Station projects, and the re-estimate of MTA Police Services costs. The subsidies also reflect project cost refinements for Equipment Plan Disposal, the Corporate Data Network, and the Genesis Locomotive Remanufacture.

Reimbursable project costs (and receipts) were \$17.1 million below the February Plan reflecting lower wage and tax rates, higher health and welfare costs, and a general decrease in expenditures predicated on the continuation of 2005 project expenditure levels.

**2007 July Financial Plan Vs. February Financial Plan**

In the July Financial Plan 2007 subsidy requirements for non-reimbursable operations are \$11.6 million lower than the February Plan. 2007 plan changes have been adjusted for current trends in lower passenger fare growth, Connecticut fare increase, higher non-passenger revenues, favorable wage and tax rates, higher overtime, increasing health and welfare and power costs as well as lower cost recoveries from reimbursable projects. Other changes in subsidies are attributed to the re-estimate of the Corporate Data Network project, the elimination of cost provisions for unspecified projects, and the rescheduling of expenditures for the Global Positioning System Installation and Vehicle Replacement projects.

Reimbursable project costs (and receipts) were \$17.6 million below the February Plan reflecting lower wage and tax rates, higher health and welfare costs, and a general decrease in expenditures predicated on the continuation of 2006 project expenditure levels.

**MTA METRO-NORTH RAILROAD  
2005 PRELIMINARY BUDGET  
JULY FINANCIAL PLAN 2005-2008**

**POSITION ASSUMPTIONS**

**NON-REIMBURSABLE POSITIONS**

- Positions are stated as of December 31 of each year and reflect the estimated number of paid employees. Consequently, position totals incorporate existing vacancy and turnover estimates.
  
- Annual staffing levels include the impact of program deferrals, eliminations, or re-estimates, consistent with the associated cost changes incorporated into the financial plan.

**REIMBURSABLE POSITIONS**

- Positions are stated as of December 31 of each year and reflect employees estimated to be paid. Consequently, position totals incorporate existing vacancy and turnover estimates.
  
- 2004 staffing levels reflect changes in project requirements.
  
- 2005-2008 staffing levels assume a continuation of 2004 project activity levels.

**RIDERSHIP/UTILIZATION PROJECTIONS**

- Ridership projections are developed primarily by the application of line segment ridership forecasting models that incorporate the impact of economic and demographic factors and government-supported mass transit initiatives. In addition, internal programs that affect service, customer awareness, and access to Metro-North are also incorporated into ridership forecasts.
  
- The current financial plan assumes lower customer growth levels than the February Plan. Ridership from both East and West of Hudson operations was lower than projected primarily due to the unfavorable job market in New York City that reflects a sluggish economy and the reduced employment opportunities in lower Manhattan since the events of 9/11.
  
- The 2004 revised forecast reflects East of Hudson Service ridership that is 1.2% lower than the adopted (February Plan) budget, but still 1.2% higher than 2003 actual results. In 2005, 2006, 2007 and 2008, ridership is projected to grow 0.7%, 1.6%, 1.0% and 1.0%, respectively.

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of Changes Between Financial Plans by Category**  
**(\$ in millions)**

	2004	2005	2006	2007
<b>NON-REIMBURSABLE</b>				
<b>2004 February Financial Plan - Operating Cash Income/(Deficit)</b>	<b>(\$287.185)</b>	<b>(\$287.020)</b>	<b>(\$337.173)</b>	<b>(\$355.729)</b>
Add Back: February Plan Unspecified PEGS		(\$16.426)	(\$8.562)	(\$5.082)
<b>Baseline 2004 February Financial Plan - Operating Cash Income/(Deficit)</b>	<b>(\$287.185)</b>	<b>(\$303.446)</b>	<b>(\$345.735)</b>	<b>(\$360.811)</b>
<b>Baseline:</b>				
<b>Changes</b>				
Revenue				
Lower Passenger Revenue due to lower ridership	(4.166)	(3.625)	(1.344)	(.666)
Higher Advertising and GCT tenant revenues	1.828	2.522	2.831	3.019
CDOT Fare Increase	.000	6.679	6.735	6.764
Sub-Total Revenue Changes	(\$2.338)	\$5.576	\$8.222	\$9.117
Expenses				
AutoCAD Hardware & Software	.000	.051	.052	.053
Penta System Upgrade Maintenance	.000	.000	.156	.160
Equipment Replacement Plan - Disposal Costs	1.120	1.081	(1.668)	.000
CDPD Consult Services	.050	.000	.000	.000
Inventory Adjustment	.000	.835	.000	.000
Reduction in Miscellaneous Professional Services	.000	.550	.000	.000
Insurance Chargeback Change	.629	.665	.680	.698
New Car Servicing Product Testing	.000	.051	.052	.053
Power Department-2 Vehicles	.000	.049	.000	.000
Provision For Management Initiatives	.000	2.040	2.085	2.139
Adopt-A-Station Landscape - Start-Up Costs	.025	.026	.026	.027
CIC - Telephone System Improvements	.035	.036	.036	.037
Signal & CTC Improvements Danbury Branch	.000	.314	.294	(.032)
Cyclical Glazing Program	.000	.051	.052	.053
Cyclical Replacement of Radios-C&S	.000	.051	.052	.053
Equip Strategy - M3 Hvac Control Replacement Program	.400	(.171)	.000	.000
Equip Strategy - Genesis Locomotive Remanufacture	1.000	.000	(1.042)	.000
M of E - Preventative Maintenance Program	.000	.615	.000	.000
Reduction in MTA Police Services	.000	1.326	1.355	1.390
S&F-West of Hudson Facility Maintenance Vehicle	.000	.024	.000	.000
Signal Standards Consultant	.000	.102	(.104)	.000
Security Plan - GCT Barrier Separations (Maintenance)	.000	.125	.131	.136
Security Plan - Provide Firewalls & Electronic Security	.000	.397	.000	.000
2003 Subsidy Underrun	.000	.000	.000	.000
Reduced Payroll Rate Assumption (Includes Fringe)	10.359	11.710	13.208	13.759
Lower Tier II Railroad Retirement Rate and Other Fringe Changes	1.108	1.031	.564	.935
2004 Forecast Adjustments	(1.880)	(2.566)	(2.778)	(2.713)
Equip Strategy - Inverter Conversion (GTO to IGBT) On M4/M6 Cars	(.200)	.306	.000	.000
MS Office Suite Licenses	.000	(.388)	.000	.000
Increase West of Hudson Subsidy (lower revenue estimate)	(3.700)	(3.200)	(3.200)	(3.200)
IT-PC Supplies Provision	.000	(.026)	(.026)	(.027)
Automated People Counting System	.000	.000	(.208)	(.214)
Non Payroll Inflation	.000	(.404)	(.993)	(2.028)
Health and Welfare Changes	.677	(2.674)	(3.232)	(4.074)
Change in Overhead Recovery	(3.159)	.407	(2.141)	(2.450)
All Other Cost Adjustments	(.006)	(.114)	.133	2.348
Sub-Total Expense Changes	6.458	12.301	3.484	7.105

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of Changes Between Financial Plans by Category**  
**(\$ in millions)**

	2004	2005	2006	2007
Cash Adjustments:				
Revenue				
Expense				
Corp. Data Network - Construction	.000	1.000	2.000	3.500
Unidentified Operating Capital Project Provision	.000	.000	1.152	5.300
Automatic People Counting System - Implementation Of Full System	.100	2.400	.000	.000
Bar Coding For AMS/IMS Material	.965	.000	.000	.000
Implementation of New Timekeeping for Ot&E	.000	.175	.000	.000
Maintenance of Equipment Facility Roof Replacement - NWP and Brewster	.000	.200	.000	.000
Rehabilitation of Park Avenue Vents	.000	.050	.000	.000
Business Recovery Hot Site at Mott Haven	.000	.000	1.500	.000
Case Management System	.350	.000	.000	.000
Event Recorder Replacement Study	.200	.100	.000	.000
Web Based Training Programs	.100	.100	.000	.000
Customer Communication and Model Station	.000	1.000	2.000	.000
Global Positioning System (GPS) Installation (Rolling Stock Tracking with VTTS	.000	1.000	.000	(1.000)
Penta Replacement or Upgrade	.000	1.000	(.500)	(.500)
Station Sign Replacement and New Monitors	.000	.750	.000	(.750)
CSS Extension and Life Cycle Replacement	.000	.300	(.500)	.000
Commissary Renovation (GCT)	.000	1.507	.000	.000
Purchase Vacuum Truck	.000	.300	.000	.000
Upper Level Block Area Restoration	.000	.844	1.000	.000
Third Rail Gauge Measuring System	.000	.150	.000	.000
Vehicle Replacement Provision	.000	1.500	.000	(1.500)
Lost & Found/Parcel Room - Facility Expansion	.000	.050	.000	(.050)
Financial System Replacement	(.575)	.095	.000	.000
GCT Walkway Lighting	(.268)	.000	.000	.000
LAN Hardware Replacement and Upgrade	(.150)	.000	.000	.000
Radio Shop Renovation and Expansion	(.586)	.000	.000	.000
Procure Automated Hours of Service Scanner Equipment	(.042)	.000	.000	.000
Pass Bureau Equipment Replacement	.000	(.102)	.000	.000
Filing System Refurbishment	.000	(.041)	.000	.000
NYP&ConEdison Power Increases	.000	(2.880)	(2.880)	(2.911)
Enterprise System Expansions	.000	.000	(1.000)	(.500)
Furniture/Fixtures - Harmon Yard Buildings	(.150)	.000	.000	.000
Annual Replacement C&S Test Equipment	.000	.000	.000	.000
C&S Microcomputer Replacement	.000	.000	.000	.000
Forktruck Replacement	.000	.000	.000	.000
CMS Rewrite	.000	.000	(1.500)	.000
2003 Operating Capital Costs Paid in 2004	(1.447)	.000	.000	.000
Capital Administration for Operating Capital	.000	.000	.000	.000
Reduced RWA Provision (including Fringe)	1.609	.000	.000	.000
Change in Accrued vs Paid Days	.000	.000	3.939	.000
All Other Cash Adjustments	(.550)	(.065)	1.683	(.278)
Increase Claims Disbursements	(1.800)	.200	.000	.000
Delay in Force Account Receipts	.000	(.391)	(.553)	(.853)
2003 West of Hudson Subsidy Paid in 2004	(1.307)	.000	.000	.000
2003 LaSalle Management Fees Paid in 2004	(.433)	(.437)	.000	.000
2003 MTA Real Estate Fees Paid in 2004	(.325)	.000	.000	.000
2003 CDOT Administrative Asset Adjustment	(1.388)	.000	.000	.000
Sub-Total Cash Adjustment Changes	(5.697)	8.805	6.341	.458
Total Baseline Changes	(1.577)	26.682	18.047	16.680
Programmatic New Needs (Inflated)	.000	.000	.000	.000
Program to Eliminate the Gap (Inflated)	.904	15.869	26.889	27.408
Unspecified Reductions	.000	.000	9.748	6.097
Difference	(.001)	(.001)	(.028)	(.006)
<b>Total Changes</b>	<b>(.674)</b>	<b>42.550</b>	<b>54.656</b>	<b>50.179</b>
<b>2004 July Financial Plan - Operating Cash Income/(Deficit)</b>	<b>(287.859)</b>	<b>(260.896)</b>	<b>(291.079)</b>	<b>(310.632)</b>

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of Changes Between Financial Plans by Category**  
**(\$ in millions)**

	2004	2005	2006	2007
<b>REIMBURSABLE</b>				
2004 February Financial Plan - Operating Cash Income/(Deficit)	\$0.000	\$0.000	\$0.000	\$0.000
Baseline 2004 February Financial Plan - Operating Cash Income/(Deficit)	\$0.000	\$0.000	\$0.000	\$0.000
<b>Baseline:</b>				
<b>Changes</b>				
Revenue				
Changes in Capital Project Activity Levels	(18.079)	(12.622)	(17.129)	(17.595)
Sub-Total Revenue Changes	(\$18.079)	(\$12.622)	(\$17.129)	(\$17.595)
Expenses				
Changes in Capital Project Activity Levels	18.079	12.622	17.129	17.595
Sub-Total Expense Changes	\$18.079	\$12.622	\$17.129	\$17.595
Cash Adjustments:				
Revenue				
Expense				
Sub-Total Cash Adjustment Changes	\$.000	\$.000	\$.000	\$.000
<b>Total Baseline Changes</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>(\$0.000)</b>	<b>\$0.000</b>
Programmatic New Needs	\$.000	\$.000	\$.000	\$.000
Program to Eliminate the Gap	\$.000	\$.000	\$.000	\$.000
<b>Total Changes</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>
<b>2004 July Financial Plan - Operating Cash Income/(Deficit)</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>(\$0.000)</b>	<b>\$0.000</b>



**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of Changes Between Financial Plans by Category**  
**(\$ in millions)**

	2004	2005	2006	2007
<b>NON-REIMBURSABLE and REIMBURSABLE</b>				
<b>2004 February Financial Plan - Operating Cash Income/(Deficit)</b>	(\$287.185)	(\$287.020)	(\$337.173)	(\$355.729)
<b>Add Back: February Plan Unspecified PEGS</b>	\$0.000	(\$16.426)	(\$8.562)	(\$5.082)
<b>Less: Waived Cost Increases</b>	\$0.000	\$0.000	\$0.000	\$0.000
<b>Baseline 2004 February Financial Plan - Operating Cash Income/(Deficit)</b>	(\$287.185)	(\$303.446)	(\$345.735)	(\$360.811)
<b>Baseline:</b>				
<b>Changes</b>				
Revenue				
Lower Passenger Revenue due to lower ridership	(4.166)	(3.625)	(1.344)	(.666)
Higher Advertising and GCT tenant revenues	1.828	2.522	2.831	3.019
Changes in Capital Project Activity Levels	(18.079)	(12.622)	(17.129)	(17.595)
CDOT Fare Increase	0	6.679	6.735	6.764
Sub-Total Revenue Changes	(20.417)	(7.046)	(8.907)	(8.478)
Expenses				
AutoCAD Hardware & Software	.000	.051	.052	.053
Penta System Upgrade Maintenance	.000	.000	.156	.160
Equipment Replacement Plan - Disposal Costs	1.120	1.081	(1.668)	.000
CDPD Consult Services	.050	.000	.000	.000
Inventory Adjustment	.000	.835	.000	.000
Reduction in Miscellaneous Professional Services	.000	.550	.000	.000
Insurance Chargeback Change	.629	.665	.680	.698
New Car Servicing Product Testing	.000	.051	.052	.053
Power Department-2 Vehicles	.000	.049	.000	.000
Provision For Management Initiatives	.000	2.040	2.085	2.139
Adopt-A-Station Landscape - Start-Up Costs	.025	.026	.026	.027
CIC - Telephone System Improvements	.035	.036	.036	.037
Signal & CTC Improvements Danbury Branch	.000	.314	.294	(.032)
Cyclical Glazing Program	.000	.051	.052	.053
Cyclical Replacement of Radios-C&S	.000	.051	.052	.053
Equip Strategy - M3 Hvac Control Replacement Program	.400	(.171)	.000	.000
Equip Strategy - Genesis Locomotive Remanufacture	1.000	.000	(1.042)	.000
M of E - Preventative Maintenance Program	.000	.615	.000	.000
Reduction in MTA Police Services	.000	1.326	1.355	1.390
S&F-West of Hudson Facility Maintenance Vehicle	.000	.024	.000	.000
Signal Standards Consultant	.000	.102	(.104)	.000
Security Plan - GCT Barrier Separations (Maintenance)	.000	.125	.131	.136
Security Plan - Provide Firewalls & Electronic Security	.000	.397	.000	.000
2003 Subsidy Underrun	.000	.000	.000	.000
Reduced Payroll Rate Assumption (Includes Fringe)	10.359	11.710	13.208	13.759
Lower Tier II Railroad Retirement Rate and Other Fringe Changes	1.108	1.031	.564	.935
2004 Forecast Adjustments	(1.880)	(2.566)	(2.778)	(2.713)
Equip Strategy - Inverter Conversion (GTO to IGBT) On M4/M6 Cars	(.200)	.306	.000	.000
MS Office Suite Licenses	.000	(.388)	.000	.000
Increase West of Hudson Subsidy (lower revenue estimate)	(3.700)	(3.200)	(3.200)	(3.200)
IT-PC Supplies Provision	.000	(.026)	(.026)	(.027)
Automated People Counting System	.000	.000	(.208)	(.214)
Non Payroll Inflation	.000	(.404)	(.993)	(2.028)
Health and Welfare Changes	.677	(2.674)	(3.232)	(4.074)
Change in Overhead Recovery	(3.159)	.407	(2.141)	(2.450)
All Other Cost Adjustments	(.006)	(.114)	.133	2.348
Changes in Capital Project Activity Levels	18.079	12.622	17.129	17.595
Sub-Total Expense Changes	24.537	24.923	20.613	24.700

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of Changes Between Financial Plans by Category**  
**(\$ in millions)**

	2004	2005	2006	2007
Cash Adjustments:				
Revenue				
Expense				
Corp. Data Network - Construction	.000	1.000	2.000	3.500
Unidentified Operating Capital Project Provision	.000	.000	1.152	5.300
Automatic People Counting System - Implementation Of Full System	.100	2.400	.000	.000
Bar Coding For AMS/IMS Material	.965	.000	.000	.000
Implementation of New Timekeeping for Ot&E	.000	.175	.000	.000
Maintenance of Equipment Facility Roof Replacement - NWP and Brewster	.000	.200	.000	.000
Rehabilitation of Park Avenue Vents	.000	.050	.000	.000
Business Recovery Hot Site at Mott Haven	.000	.000	1.500	.000
Case Management System	.350	.000	.000	.000
Event Recorder Replacement Study	.200	.100	.000	.000
Web Based Training Programs	.100	.100	.000	.000
Customer Communication and Model Station	.000	1.000	2.000	.000
Global Positioning System (GPS) Installation (Rolling Stock Tracking with VTTS	.000	1.000	.000	(1.000)
Penta Replacement or Upgrade	.000	1.000	(.500)	(.500)
Station Sign Replacement and New Monitors	.000	.750	.000	(.750)
CSS Extension and Life Cycle Replacement	.000	.300	(.500)	.000
Commissary Renovation (GCT)	.000	1.507	.000	.000
Purchase Vacuum Truck	.000	.300	.000	.000
Upper Level Block Area Restoration	.000	.844	1.000	.000
Third Rail Gauge Measuring System	.000	.150	.000	.000
Vehicle Replacement Provision	.000	1.500	.000	(1.500)
Lost & Found/Parcel Room - Facility Expansion	.000	.050	.000	(.050)
Financial System Replacement	(.575)	.095	.000	.000
GCT Walkway Lighting	(.268)	.000	.000	.000
LAN Hardware Replacement and Upgrade	(.150)	.000	.000	.000
Radio Shop Renovation and Expansion	(.586)	.000	.000	.000
Procure Automated Hours of Service Scanner Equipment	(.042)	.000	.000	.000
Pass Bureau Equipment Replacement	.000	(.102)	.000	.000
Filing System Refurbishment	.000	(.041)	.000	.000
NYP&ConEdison Power Increases	.000	(2.880)	(2.880)	(2.911)
Enterprise System Expansions	.000	.000	(1.000)	(.500)
Furniture/Fixtures - Harmon Yard Buildings	(.150)	.000	.000	.000
Annual Replacement C&S Test Equipment	.000	.000	.000	.000
C&S Microcomputer Replacement	.000	.000	.000	.000
Forktruck Replacement	.000	.000	.000	.000
CMS Rewrite	.000	.000	(1.500)	.000
2003 Operating Capital Costs Paid in 2004	(1.447)	.000	.000	.000
Capital Administration for Operating Capital	.000	.000	.000	.000
Reduced RWA Provision (including Fringe)	1.609	.000	.000	.000
Change in Accrued vs Paid Days	.000	.000	3.939	.000
All Other Cash Adjustments	(.550)	(.065)	1.683	(.278)
Increase Claims Disbursements	(1.800)	.200	.000	.000
Delay in Force Account Receipts	.000	(.391)	(.553)	(.853)
2003 West of Hudson Subsidy Paid in 2004	(1.307)	.000	.000	.000
2003 LaSalle Management Fees Paid in 2004	(.433)	(.437)	.000	.000
2003 MTA Real Estate Fees Paid in 2004	(.325)	.000	.000	.000
2003 CDOT Administrative Asset Adjustment	(1.388)	.000	.000	.000
Sub-Total Cash Adjustment Changes	(\$5.697)	\$8.805	\$6.341	\$4.458
<b>Total Baseline Changes</b>	<b>(\$1.577)</b>	<b>\$26.682</b>	<b>\$18.047</b>	<b>\$16.680</b>
Programmatic New Needs (Inflated)				
Program to Eliminate the Gap (Inflated)	\$.904	\$15.869	\$26.889	\$27.408
Unspecified Reductions	\$.000	\$.000	\$9.748	\$6.097
Difference	(\$0.01)	(\$0.01)	(\$0.028)	(\$0.006)
<b>Total Changes</b>	<b>(\$0.674)</b>	<b>\$42.550</b>	<b>\$54.656</b>	<b>\$50.179</b>
<b>2004 July Financial Plan - Operating Cash Income/(Deficit)</b>	<b>(\$287.859)</b>	<b>(\$260.896)</b>	<b>(\$291.079)</b>	<b>(\$310.632)</b>

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**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of the Programs to Eliminate the Gap**  
**(\$ in millions)**

	Favorable/(Unfavorable)									
	2004		2005		2006		2007		2008	
	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars
<b>LIST of PROGRAMS</b>										
ADMINISTRATION:										
IT- Evaluation Equipment & Technology	0	\$ .000	0	\$ .102	0	\$ .104	0	\$ .000	0	\$ .000
Office Space Renovation	0	\$ .000	0	\$ 1.020	0	\$ 1.042	0	\$ .535	0	\$ (1.099)
Establish a Quality Assurance Group for Op. Services, GCT and Mof W	0	\$ .000	13	\$ 1.849	13	\$ 1.922	13	\$ 1.994	0	\$ .000
Reduce Administrative Positions (20 Filled positions)	0	\$ .000	20	\$ 1.927	20	\$ 2.005	20	\$ 2.080	20	\$ 2.161
Sub-Total Administration	0	\$ .000	33	\$ 4.898	33	\$ 5.073	33	\$ 4.609	20	\$ 1.062
CUSTOMER CONVENIENCE & AMENITIES										
Customer E-Mail	1	\$ .053	1	\$ .111	1	\$ .116	1	\$ .120	1	\$ .125
Close GCT North Weekends	0	\$ .000	8	\$ .584	8	\$ .608	8	\$ .631	8	\$ .656
Eliminate GCT North Station Master's Office	0	\$ .000	1	\$ .147	1	\$ .153	1	\$ .159	1	\$ .166
Platform Cleaning GCT	0	\$ .000	5	\$ .442	5	\$ .380	5	\$ .395	5	\$ .410
GCT Reduced Station Cleaning	0	\$ .000	8	\$ .584	8	\$ .608	8	\$ .631	8	\$ .656
Reduce Station E-Cleaning - NYS	0	\$ .000	7	\$ .574	7	\$ .611	7	\$ .651	7	\$ .693
Reduce Station Cleaning - NYS	0	\$ .000	17	\$ 1.199	17	\$ 1.248	17	\$ 1.295	17	\$ 1.345
Close Ticket Offices - NYS	0	\$ .000	0	\$ .000	32	\$ 2.506	32	\$ 2.610	32	\$ 2.720
Sub-Total Customer Convenience & Amenities	1	\$ .053	47	\$ 3.642	79	\$ 6.230	79	\$ 6.493	79	\$ 6.772
SERVICE:										
Increase T&E Staff for Service Coverage	0	\$ .000	12	\$ 1.124	12	\$ 1.168	12	\$ 1.211	12	\$ 1.257
Service Plan 2004 and 2005	26	\$ .351	26	\$ .665	26	\$ 2.228	26	\$ 2.345	26	\$ 2.472
Increase East of Hudson Loading Standards - NYS	0	\$ .000	0	\$ .000	14	\$ 1.570	14	\$ 1.683	14	\$ 1.806
Peak Svce Reductions - East of Hudson NYS	0	\$ .000	0	\$ .000	29	\$ 3.131	29	\$ 3.331	29	\$ 3.549
West of Hudson Weekend Service Reductions (net Subsidy)	0	\$ .000	0	\$ .000	0	\$ .500	0	\$ .513	0	\$ .528
West of Hudson Weekday Service Reductions (net Subsidy)	0	\$ .000	0	\$ .000	0	\$ 1.605	0	\$ 1.647	0	\$ 1.693
Sub-Total Service	26	\$ .351	38	\$ 1.789	81	\$ 10.203	81	\$ 10.731	81	\$ 11.304

**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Summary of the Programs to Eliminate the Gap**  
**(\$ in millions)**

	Favorable/(Unfavorable)									
	2004		2005		2006		2007		2008	
	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars	Positions <sup>1</sup>	Dollars
MAINTENANCE:										
Additional Car Cleaning and Maintenance	0	\$ .000	21	\$1.333	21	\$1.386	21	\$1.439	21	\$1.495
Landmark Preservation Maintenance	0	\$ .500	0	\$ .510	0	\$ .521	0	\$ .535	0	\$ .550
Second Trick Periodic Inspection - M of E	0	\$ .000	4	\$ .321	0	(\$ .006)	0	\$ .000	0	\$ .000
Standard Engineer Track and Other Administrative Resources	0	\$ .000	4	\$ .488	4	\$ .508	4	\$ .527	4	\$ .547
Reduce Station Maintenance Forces	0	\$ .000	22	\$1.657	22	\$1.706	22	\$1.771	22	\$1.841
Sub-Total Maintenance	0	\$ .500	51	\$4.309	47	\$4.115	47	\$4.271	47	\$4.433
REVENUE ENHANCEMENTS:										
E of H Parking Fees Increase (Increase Revenue)	0	\$ .000	0	\$ .160	0	\$ .160	0	\$ .160	0	\$ .160
Increase Commissary Prices 5 Percent (increase revenues)	0	\$ .000	0	\$ .100	0	\$ .100	0	\$ .100	0	\$ .100
Sub-Total Revenue Enhancements	0	\$ .000	0	\$ .260	0	\$ .260	0	\$ .260	0	\$ .260
OTHER:										
Right of Way Fencing - New Program	0	\$ .000	2	\$ .162	2	\$ .169	2	\$ .175	2	\$ .182
H&H Interlocking Lighting	0	\$ .000	3	\$ .371	3	\$ .383	3	\$ .396	3	\$ .411
Security Plan - GCT Maint & Test Life Safety & Fire Alarm	0	\$ .000	6	\$ .438	6	\$ .456	6	\$ .473	6	\$ .492
Sub-Total Other	0	\$ .000	11	\$ .970	11	\$1.008	11	\$1.045	11	\$1.084
<b>Total PEGS</b>	<b>27</b>	<b>\$ .904</b>	<b>180</b>	<b>\$15.869</b>	<b>251</b>	<b>\$26.889</b>	<b>251</b>	<b>\$27.408</b>	<b>238</b>	<b>\$24.914</b>
<b>Unspecified Reductions</b>	<b>0</b>	<b>\$ .000</b>	<b>0</b>	<b>\$ .000</b>	<b>0</b>	<b>\$9.748</b>	<b>0</b>	<b>\$6.097</b>	<b>0</b>	<b>(\$2.492)</b>
<b>Total Reductions</b>	<b>27</b>	<b>\$ .904</b>	<b>180</b>	<b>\$15.869</b>	<b>251</b>	<b>\$36.637</b>	<b>251</b>	<b>\$33.505</b>	<b>238</b>	<b>\$22.422</b>

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Administration  
**Program:** IT- Evaluation Equipment & Technology

<b>Background Details:</b>	The Information Technology Department must perform research and evaluation of new technologies and products to ensure that MNR IT services are both efficient and secure while at the same time meeting current and future industry standards.
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<b>PEG Description/Implementation Plan:</b>	The IT department will not be able to perform this service as planned if this equipment evaluation and technology product is eliminated.		
<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b>	January 2005

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.102	\$0.104	\$0.000	\$0.000

<b>Total Reduction in Positions Required</b>	-	-	-	-	-
--	---	---	---	---	---

Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-



**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Administration  
**Program:** Establish a Quality Assurance Group for Op. Services, GCT and Mof W

<b>Background Details:</b>	Additional staffing in the Quality Assurance Department is required to implement the recommended standards for improved oversight of capital programs, enhance contract and contractor auditing, and to introduce the QA/QC function within the Operations Services, GCT, and Maintenance of Way Departments.
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<b>PEG Description/Implementation Plan:</b>	Defer or eliminate additional QA/QC staffing. QA/QC will continue to provide oversight at current levels.	
<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$1.849	\$1.922	\$1.994	\$0.000

<b>Total Reduction in Positions Required</b>	-	13.0	13.0	13.0	-
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)	-	-	-	-	-
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-





**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience & Amenities  
**Program:** Customer E-Mail

**Background Details:** Customer e-mail was implemented in February 2003. Staff was added to support this new customer communication service. 5,000 e-mails received in first twelve months and growing.

**PEG Description/Implementation Plan:** E-mail response staff will be reduced. Average time for response to customer will be increased by up to five business days.

**PEG Implementation Date:** July 2004 **When will PEG savings begin?:** July 2004

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.053	\$0.111	\$0.116	\$0.120	\$0.125
<b>Total Reduction in Positions Required</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>
Current Vacancies					
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience & Amenities

**Program:** Close GCT North Weekends

<b>Background Details:</b>	Approximately 6,000 customers use Grand Central North on a typical weekend. Closing GCN on weekends may add up to 20 minutes to their trip in each direction.
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<b>PEG Description/Implementation Plan:</b>	Eliminate 8 positions and close GCN to customers from 9:30PM Friday until 6:30 AM on Monday. The current Customer Satisfaction Rating for Grand Central North was a "98% satisfied"; this more than likely will decline.
<b>PEG Implementation Date:</b>	January 2005 <span style="float: right;"><b>When will PEG savings begin?:</b> January 2005</span>

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.584	\$0.608	\$0.631	\$0.656
<b>Total Reduction in Positions Required</b>	-	8.0	8.0	8.0	8.0
Current Vacancies					
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience & Amenities  
**Program:** Eliminate GCT North Station Master's Office

<b>Background Details:</b>	Grand Central North is open from 6:30 AM until 9:30 PM weekdays and from 9:00AM to 9:30 PM on weekends. There is a satellite Station Masters Office that is staffed during the peak periods and during certain hours on the weekends. This satellite SMO is accessible to all customers for information, assistance, and to address safety issues as need.
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<b>PEG Description/Implementation Plan:</b>	Close the satellite SMO completely, thereby eliminating two positions seven days a week. MNR customers who use GCN will not have immediate access to assistance. These customers will be required to go all the way to the main concourse SMO for assistance. The current Customer Satisfaction Rating of Grand Central North was a 98% satisfied; this more than likely will decline.
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<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005
---------------------------------	--------------	---

	<b>2004 Mid-Year Forecast</b>	<b>2005 Preliminary Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.147	\$0.153	\$0.159	\$0.166

<b>Total Reduction in Positions Required</b>	-	1.0	1.0	1.0	1.0
--	---	-----	-----	-----	-----

Current Vacancies

*Impact on Operations:*

Ridership Per Week (in thousands)

Mean Distance Between Failure

On-Time Performance

Other

(Identify Appropriate Indicator)

	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience  
**Program:** Platform Cleaning GCT

<b>Background Details:</b>	This program was designed to ensure that all GCT platforms are cleaned on a 3 day cyclical basis. The program includes five additional positions and a \$75k start-up cost for scrubbing machinery.
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<b>PEG Description/Implementation Plan:</b>	Additional resources for program implementation are eliminated from the budget.			
<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005		

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.442	\$0.380	\$0.395	\$0.410
<b>Total Reduction in Positions Required</b>	-	5.0	5.0	5.0	5.0
Current Vacancies					
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience  
**Program:** GCT Reduced Station Cleaning

<b>Background Details:</b>	GCT currently performs cleaning on all three shifts with the heavy cleaning being performed on the overnight shift.
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<b>PEG Description/Implementation Plan:</b>	Reduce overnight shift by 25% ( eliminates 8 positions) . This will result in a much lower level of cleanliness for the restored terminal.
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<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005
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	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.584	\$0.608	\$0.631	\$0.656

<b>Total Reduction in Positions Required</b>	-	8.0	8.0	8.0	8.0
--	---	-----	-----	-----	-----

Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)	-	-	-	-	-
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience  
**Program:** Reduce Station E-Cleaning - NYS

<b>Background Details:</b>	All MNR outlying stations receive cyclical extra-ordinary cleaning every 30 to 35 days. Cleaning cycle will increase to once every 65 to 70 days.
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<b>PEG Description/Implementation Plan:</b>	Cleaning cycle change will eliminate 9 e-cleaning positions as well as two MNR vehicles. There will be a significant impact on the cleanliness of MNR outlying facilities.
<b>PEG Implementation Date:</b>	January 2005
	<b>When will PEG savings begin?:</b> January 2005

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
NY <i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.574	\$0.611	\$0.651	\$0.693

<b>Total Reduction in Positions Required</b>	-	7.0	7.0	7.0	7.0
--	---	-----	-----	-----	-----

Current Vacancies

<b>Impact on Operations:</b>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-





**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Service  
**Program:** Increase T&E Staff for Service Coverage

<b>Background Details:</b>	In 2005, twelve (12) assistant conductor positions were scheduled to be added to improve on board customer service and customer communication efforts as well as to improve revenue collection on specific trains.
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<b>PEG Description/Implementation Plan:</b>	Positions are eliminated, foregoing desired improvements.
<b>PEG Implementation Date:</b>	January 2005 <span style="float: right;"><b>When will PEG savings begin?:</b> January 2005</span>

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$1.124	\$1.168	\$1.211	\$1.257

<b>Total Reduction in Positions Required</b>	-	12.0	12.0	12.0	12.0
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Service  
**Program:** Service Plan 2004 and 2005

**Background Details:** The Mid-Harlem Line Third Track Project, which will provide increased capacity to operate additional trains, will be completed in October 2004. Planned service improvements to utilize this completed capital project (\$57 million) were scheduled (along with other service improvements on the Hudson and New Haven lines) to be implemented in 2004.

**PEG Description/Implementation Plan:** The service improvements will not be implemented and the customer benefits of this \$57 million capital improvement will not be fully realized. The service plan would have provided more frequent service and reduced travel time for the service markets on the Upper Harlem line, Hartsdale and Scarsdale, Crestwood, Tuckahoe and Bronxville. Also, planned new peak intermediate service on the mid-Harlem line would have provided a single-seat ride and reduced trip time for customers traveling from the mid-Harlem stations to the Bronx.

**PEG Implementation Date:** July 2004 **When will PEG savings begin?:** July 2004

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.351	\$0.665	\$2.228	\$2.345	\$2.472
<b>Total Reduction in Positions Required</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>
Current Vacancies					
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Maintenance  
**Program:** Additional Car Cleaning and Maintenance

<b>Background Details:</b>	In order to respond to low ratings from customers in terms of car cleanliness, MNR had planned on adding 16 coach cleaners and reducing the current extraordinary cleaning cycle from 90 days down to 60 days.
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<b>PEG Description/Implementation Plan:</b>	The additional positions would be eliminated from the budget and current e-cleaning cycles would remain in place.
<b>PEG Implementation Date:</b>	January 2005 <span style="float: right;"><b>When will PEG savings begin?:</b> January 2005</span>

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$1.333	\$1.386	\$1.439	\$1.495

<b>Total Reduction in Positions Required</b>	-	21.0	21.0	21.0	21.0
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Maintenance  
**Program:** Landmark Preservation Maintenance

<b>Background Details:</b>	GCT restoration and renovation was completed in 1999. In 2005 additional maintenance funding was added to the MNR budget on an annual basis to help ensure that the restoration of GCT would be maintained.
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<b>PEG Description/Implementation Plan:</b>	Defer additional maintenance funding for GCT, which may pose a risk of deterioration over time. GCT has received the highest customer satisfaction survey ratings and fewest customer complaints. This positive public perception may change over a period of time.
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<b>PEG Implementation Date:</b>	January 2004	<b>When will PEG savings begin?:</b> January 2004
---------------------------------	--------------	---

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.500	\$0.510	\$0.521	\$0.535	\$0.550

<b>Total Reduction in Positions Required</b>	-	-	-	-	-
--	---	---	---	---	---

Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Maintenance  
**Program:** Second Trick Periodic Inspection - M of E

<b>Background Details:</b>	Eliminate second trick Maintenance of Equipment forces that are dedicated to performing required periodic inspections. These inspections must be performed during the other two tours of duty.
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<b>PEG Description/Implementation Plan:</b>	FRA regulations require specific periodic inspections on equipment. Elimination of this function during the second trick will result in moving these inspections to the other two tours of duty, resulting in lower car availability.
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<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005
---------------------------------	--------------	---

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.321	(\$0.006)	\$0.000	\$0.000

<b>Total Reduction in Positions Required</b>	-	4.0	-	-	-
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Current Vacancies

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Maintenance  
**Program:** Standard Engineer Track and Other Administrative Resources

<b>Background Details:</b>	Standards Engineer and additional resources previously requested will be eliminated from the budget.
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<b>PEG Description/Implementation Plan:</b>	Standards Engineer/Track, Manager-Fleet Administration, Clerk - Structures and Facilities, CAD Operator - Structures and Facilities, and Planning & Development Interns will not be filled.
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<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005
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	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.488	\$0.508	\$0.527	\$0.547

<b>Total Reduction in Positions Required</b>	-	4.0	4.0	4.0	4.0
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-



**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Administration  
**Program:** E of H Parking Fees Increase (Increase Revenue)

<b>Background Details:</b>	Implement East of Hudson Parking fee increases approved by the MTA board in 2004. This was not previously included in the MNR financial plan for 2005.
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<b>PEG Description/Implementation Plan:</b>	Parking fees will be increased in January 2005 at East of Hudson MNR parking facilities.	
<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.160	\$0.160	\$0.160	\$0.160

<b>Total Reduction in Positions Required</b>	-	-	-	-	-
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-







**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Other  
**Program:** H&H Interlocking Lighting

<b>Background Details:</b>	Eliminate dedicated maintenance staff for security lighting repair at all interlockings on the Hudson and Harlem Lines
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<b>PEG Description/Implementation Plan:</b>	Security and safety lighting repairs will be performed through general work orders or on as needed basis. This will lengthen repair turnaround time and may also result in reduced on time performance.	
<b>PEG Implementation Date:</b>	January 2005	<b>When will PEG savings begin?:</b> January 2005

	<b>2004 Mid-Year Forecast</b>	<b>2005 Preliminary Budget</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.371	\$0.383	\$0.396	\$0.411

<b>Total Reduction in Positions Required</b>	-	3.0	3.0	3.0	3.0
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-



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**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Customer Convenience & Amenities

**Program:** Close Ticket Offices - NYS

**Background Details:** Close most NYS ticket offices. A total of 23 will be closed. The only ticket offices remaining open will be Fordham, Harlem - 125th Street, Poughkeepsie, White Plains and New Rochelle. In GCT, hours and availability of ticket sellers will also be reduced. Where outlying ticket offices are being closed, station building facilities will also be closed unless they are under lease or integral to station platform access. The station buildings under consideration to be closed are Hastings, Tarrytown, Ossining, Tuckahoe, Bronxville, Larchmont, Mamaroneck, Harrison, and Rye. In addition, ticket seller vacancies will no longer be filled, except where required by labor contract, thus reducing extra list and overtime costs.

**PEG Description/Implementation Plan:** Closing of 23 outlying stations (6 Hudson Line, 10 Harlem Line, and 7 NYS-New Haven line) will have a major customer impact. There will be long lines at existing TVMs and in GCT. Average time to purchase tickets during peak sale periods may increase from approximately five minutes to an estimated average of twenty minutes. TVM maintenance requirements will also increase as well as the purchase of tickets onboard trains using cash. In addition, customers will lose access to customer facilities at those 18 stations where the building is closed.

**PEG Implementation Date:** January 2006 **When will PEG savings begin?:** January 2006

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
NY					
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.000	\$2.506	\$2.610	\$2.720
<b>Total Reduction in Positions Required</b>	-	-	32.0	32.0	32.0
Current Vacancies					
<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Service  
**Program:** Increase East of Hudson Loading Standards - NYS

**Background Details:** MNR has two basic standards used to determine the number of seats (cars) assigned to a train while still accommodating routine shifts in customer travel patterns. The one standard is used to determine when cars are added to a train, and the other is used to determine whether or not cars can be reduced.

First, cars are added to peak period trains when 5% (95% occupancy) or less seats are empty, and cars are added to off-peak/weekend trains when 25% (75% occupancy) or less seats are empty. (The greater variability of off-peak/weekend ridership requires the broader standard, whereas peak period travel is more consistent.) Second, cars can be reduced on a train during peak periods only if the reduction leaves at least 13% (87% occupancy) of the seats available for customers, and cars can be reduced on OP/WE trains only if the reduction leaves a minimum of 35% (65% occupancy) of the seats available for customers. The car reduction standard maintains a margin of error that allows for longer term ridership growth as well as routine shifts in ridership patterns.

**PEG Description/Implementation Plan:** Increase overall train capacity standard to 95% on weekdays and 90% on weekends and off-peak. This will reduce annual revenue car miles by 2.9 million miles. The result will be a reduction in car requirements for AM peak service by 32 cars. 264,000 riders per week will experience more crowded/standee conditions. On weekends, due to the variability of ridership, it is estimated that 5% to 10% of our customers will experience standee conditions.

**PEG Implementation Date:** January 2006 **When will PEG savings begin?:** January 2006

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
NY					
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.000	\$1.570	\$1.683	\$1.806

**Total Reduction in Positions Required** - - 14.0 14.0 14.0

Current Vacancies

*Impact on Operations:*

Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-





**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Service  
**Program:** West of Hudson Weekend Service Reductions (net Subsidy)

<b>Background Details:</b>	Reduce Port Jervis weekend service.
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<b>PEG Description/Implementation Plan:</b>	Eliminate three Port Jervis roundtrips each weekend day, thereby eliminating service additions of August 2003. Major impact for approximately 450 customers, who would have to travel up to two hours earlier or later.
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<b>PEG Implementation Date:</b>	January 2006	<b>When will PEG savings begin?:</b> January 2006
---------------------------------	--------------	---

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.000	\$0.500	\$0.513	\$0.528

<b>Total Reduction in Positions Required</b>	-	-	-	-	-
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Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)	-	-	-	-	-
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

**MTA Metro-North Railroad  
July Financial Plan 2005 - 2008  
Program to Eliminate the Gap Worksheet**

**PEG Category:** Service  
**Program:** West of Hudson Weekday Service Reductions (net Subsidy)

<b>Background Details:</b>	Eliminate majority of weekday service that was added in August of 2003, including 2 Port Jervis peak round trips, one Port Jervis AM inbound train, and one Pascack Valley peak express round trip.
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<b>PEG Description/Implementation Plan:</b>	Due to reduced frequency of service, customers will have to travel up to 34 minutes earlier or later and their trips will be up to 16 minutes longer. This will affect 700 daily customers who use these specific trains.
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<b>PEG Implementation Date:</b>	January 2006	<b>When will PEG savings begin?:</b> January 2006
---------------------------------	--------------	---

	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
<i>Financial Impact (Operating)</i>					
Net Savings (in millions)	\$0.000	\$0.000	\$1.605	\$1.647	\$1.693

<b>Total Reduction in Positions Required</b>	-	-	-	-	-
--	---	---	---	---	---

Current Vacancies

<i>Impact on Operations:</i>					
Ridership Per Week (in thousands)					
Mean Distance Between Failure	-	-	-	-	-
On-Time Performance	-	-	-	-	-
Other (Identify Appropriate Indicator)	-	-	-	-	-

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**MTA Metro-North Railroad**  
**July Financial Plan 2005 - 2008**  
**Total Non-Reimbursable - Reimbursable Positions at End-of-Year <sup>(1)</sup>**  
**Full-Time Positions and Full Time Equivalents**  
(\$ in millions)

Departments	2003* Actuals	2004 Mid-Year Forecast	2005 Preliminary Budget	2006	2007	2008
President	6	6	6	6	6	6
Labor Relations	14	14	14	14	14	14
Safety	15	11	14	14	14	14
Corporate & Media Relations	16	15	15	15	15	15
<b>Executive Division</b>	<b>51</b>	<b>46</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>
Legal	17	17	17	17	17	17
Claims Services	23	23	23	23	23	23
Environmental Compliance & Serv	6	6	6	6	6	6
<b>General Counsel</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>
VP Human Resources	3	3	3	3	3	3
Human Resources	50	48	48	48	48	48
Training	31	31	31	31	31	31
Workforce Diversity	4	4	4	4	4	4
<b>Human Resources &amp; Diversity</b>	<b>88</b>	<b>86</b>	<b>86</b>	<b>86</b>	<b>86</b>	<b>86</b>
VP Planning & Development	5	5	5	5	5	5
Operations Planning	13	13	13	13	13	13
Capital Planning	14	14	14	14	14	14
Business Development & Facilities	14	14	14	14	14	14
Marketing	11	11	11	11	11	11
Industrial Engineering	9	9	9	9	9	9
<b>Planning/Development Division</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>66</b>	<b>66</b>
Executive Vice President	1	1	1	1	1	1
Controller	131	130	130	130	130	130
Procurement & Material Mgmt	172	172	172	172	172	172
Information Technology	123	116	128	129	129	129
Budget	16	16	16	16	16	16
Customer Service <sup>(2)</sup>	68	65	66	67	67	67
<b>Finance &amp; Admin Division</b>	<b>511</b>	<b>500</b>	<b>513</b>	<b>515</b>	<b>515</b>	<b>515</b>
Project Budget	13	13	13	13	13	13
Construction Management	39	39	41	41	41	41
Engineering & Design	63	61	61	61	61	61
<b>Capital Division</b>	<b>115</b>	<b>113</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>
VP Operations	33	37	50	50	50	50
GCT	350	342	363	366	374	374
Operations Services <sup>(3)</sup>	1,995	1,941	2,000	2,006	2,011	2,019
Maintenance of Equipment	1,163	1,119	1,122	1,120	1,120	1,120
Maintenance of Way	1,547	1,504	1,527	1,532	1,535	1,537
<b>Operations Division</b>	<b>5,088</b>	<b>4,943</b>	<b>5,062</b>	<b>5,074</b>	<b>5,090</b>	<b>5,100</b>
Metro-North West	28	28	28	28	28	28
Corporate	-	(25)	(45)	(45)	(45)	(45)
<b>Baseline Total Positions</b>	<b>5,993</b>	<b>5,803</b>	<b>5,920</b>	<b>5,934</b>	<b>5,950</b>	<b>5,960</b>
<i>Non-Reimbursable</i>	5,288	5,188	5,303	5,317	5,333	5,343
<i>Reimbursable</i>	705	615	617	617	617	617
<i>Total Full-Time</i>	5,988	5,798	5,915	5,929	5,945	5,955
<i>Total Full-Time-Equivalents</i>	5	5	5	5	5	5
Impact of:						
Program to Eliminate the Gap (Fav (Unfav))	-	27	180	251	251	238
<b>Total Positions</b>	<b>5,993</b>	<b>5,776</b>	<b>5,740</b>	<b>5,683</b>	<b>5,699</b>	<b>5,722</b>
<i>Non-Reimbursable</i>	5,288	5,161	5,123	5,066	5,082	5,105
<i>Reimbursable</i>	705	615	617	617	617	617
<i>Total Full-Time</i>	5,988	5,771	5,735	5,678	5,694	5,717
<i>Total Full-Time-Equivalents</i>	5	5	5	5	5	5

(1) Reflects authorized positions reduced by vacancies.  
(2) Includes 1 FTE for 2 part-time positions.  
(3) Includes 4 FTEs for 9 part-time positions.  
\* 2003 stated as authorized positions, 2004-2008 stated as paid positions.

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