final report

MTA Value Gap Analysis

Prepared for

Rockland County

Prepared by

Cambridge Systematics, Inc.
38 East 32nd Street, 7th Floor
New York, NY 10016

February 2012

Federal Disclaimer

The preparation of this report has been financed in part through the U.S. Department of Transportation's Federal Transit Administration Grant NY-90-X461. This document is disseminated under the sponsorship of the Rockland County Department of Public Transportation in the interest of information exchange. The contents of this report reflect the views of the authors who are responsible for the facts and accuracy of the data presented herein. The contents do not necessarily reflect the official views of policies of the Federal Transit Administration, the Federal Highway Administration, or the State of New York. This report does not constitute a standard, specification or regulation.

Acknowledgements

C. Scott Vanderhoef, County Executive

Thomas B. Vanderbeek, P.E., Commissioner of Planning and Public Transportation

Rockland County Department of Planning Staff

Rockland County Department of Public Transportation Staff

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Memorandum

TO: Rockland County Dept. of Public Transportation

FROM: Cambridge Systematics

DATE: February 23, 2012

RE: 2012 Adjustments to "MTA Value Gap Analysis" Report, dated February 2012

The Rockland County Department of Public Transportation requested that Cambridge Systematics update two key figures included in the "MTA Value Gap Analysis" Report, dated February, 2012. As stated in the Report, the original estimates for these figures pertain to 2010 (the base year for all other figures in the Report, unless otherwise noted). The updated estimates provided in this memorandum pertain to 2012.

1. **Payroll Tax:** In December of 2011, Governor Cuomo signed into law a partial repeal of the MTA Payroll Tax, eliminating the tax for businesses with under $1.25 million in annual payroll, reducing it significantly for businesses with annual payrolls between $1.25 million and $1.75 million, and providing relief for various other parties, including self-employed workers and schools. The specific effect of this reduction on Rockland County businesses is impossible to quantify precisely without more granular data. Therefore, Rockland County's share was calculated by applying its portion of MTA Commuter District wages (1.48%) to the estimated $250 million overall revenue loss to the MTA. The resulting amount is $14.83 million, or $3.7 million less than the $18.53 million originally estimated.

2. **MTA Bridge and Tunnel toll increase:** In October 2010, MTA obtained permission to raise bridge and tunnel tolls in 2011. Based on MTA's 2012 Final Proposed Budget, the agency expects tolls to average $5.27 across the system, with 286.4 million vehicle crossings. Based on Rockland County's proportion of overall crossings in 2005 of 1.93% (Urbitran/CS report), Rockland County drivers would be expected to pay approximately $29.15 million, or about $1.75 million more than projected for 2010.

The net total effect of these updates is to remove about $1.95 million from the value gap. Holding all other figures constant, "County Payments to MTA" would be reduced to $108 million, leaving a $40 million value gap (ratio .63).

Executive Summary

In May 2009, the New York State Legislature approved, and the Governor signed into law, a new Metropolitan Commuter Transportation Mobility Tax (also known as the "Payroll Tax") to provide funding for the Metropolitan Transportation Authority (MTA). The tax is assessed on employers and self-employed individuals engaging in business in the Metropolitan Commuter Transportation District (MCTD), which comprises New York City and Nassau, Suffolk, Westchester, Dutchess, Orange, Rockland, and Putnam Counties.

Following the initiation of the Payroll Tax, State lawmakers introduced two bills, one in the New York State Assembly and the other in the New York State Senate, which, *if enacted*, would set the terms of Rockland's (as well as Dutchess's, Orange's and Putnam's) withdrawal from the MCTD. These bills, as well as a subsequent and virtually identical bill introduced in the State Senate in 2011, follow a successful 1986 legislative effort to pass withdrawal legislation. Although Rockland County did not withdraw from the MCTD in 1986, the passage of the 1986 legislation served as the impetus for negotiating the creation of the Dutchess, Orange, and Rockland Fund (DORF).

As a complement to the withdrawal efforts at the State level, this study updates the estimate of the gap between the value of services and funding provided by the MTA and the contributions of Rockland County residents and businesses to MTA. The current value gap estimation is just under $42 million, comparable to the $42 million gap estimated in 2005 (by MTA), and $22 million in 1998 (estimated by Hagler-Bailly on behalf of Rockland County). However, during the same time period, the value ratio has climbed from .44 to .62 (i.e., Rockland County receives approximately $0.62 in service for every dollar its residents and businesses contribute to the MTA, up from $0.44). The value gap would have been significantly greater if not for extensive and costly capital improvements undertaken by MTA throughout the system.

It is important to note that, although Rockland's withdrawal from the MCTD is a fundamental component of this study, withdrawal is an option for Rockland County *only* at the discretion of the State of New York's legislative and executive governing bodies (the Rockland County Legislature's release would also be required, but is not alone sufficient to enable withdrawal). Therefore, this study also examines a Value Gap Reduction scenario, under which the County would remain in the MCTD but negotiate greater financial compensation (e.g., direct provision of operating funds for Rockland County transit services, increased DORF, reduced payments to MTA (e.g., the Payroll Tax lawsuit or increased service enhancements). Under a Value Gap Reduction scenario, the value gap could shrink to approximately $28.6 million, depending on the success and aims of Rockland's negotiations with MTA, with significantly less risk involved than under withdrawal.

1.0 Purpose & Objectives

This study was initiated by the Rockland County Executive after the passage and implementation of the Metropolitan Commuter Transportation Mobility Tax (Payroll Tax). The primary purpose of this study is to update and provide a better understanding of the long-standing gap between the value of services and direct funding provided by the Metropolitan Transportation Authority (MTA) and the contributions of Rockland County residents and businesses to MTA. This report will also provide alternatives/ recommendations to help reduce the MTA value gap.

The County retained Cambridge Systematics (CS) to perform the following tasks:

- Review and summarize previous cost-benefit analyses and value gap estimates;
- Develop an updated value gap estimate;
- Examine pending legislation introduced to enable the County to withdraw from the Metropolitan Commuter Transportation District (MCTD);
- Identify financial resources and mechanisms that could be adapted to continue current regional transit services to Rockland County;
- Summarize operational and regulatory issues associated with withdrawal from the MCTD; and
- Summarize potential benefits and drawbacks associated with withdrawal.

This effort is preceded by a 1999 advisory report performed by Hagler Bailly, Inc. for Rockland County, and is in many ways oriented to follow up on the findings and recommendations of that document. Additionally, in 1999 and 2008, the MTA conducted/ sponsored analyses of the value of services provided to Rockland and other MCTD counties. The MTA studies provided complementary data to the Hagler Bailly report.

2.0 Examination of Previous Cost-Benefit Analyses

Several studies, sponsored by both MTA and Rockland County, have provided an estimation of the value gap between the costs and benefits of MTA service and funding to Rockland County. CS examined the methodologies and results of studies considered most relevant to this effort:

- MTA Cost Benefit Analysis, performed for Rockland County by Hagler Bailly, Inc. (1999, using 1998 data);
- Analysis of Costs and Benefits of MTA Service to Rockland County, performed by MTA (1999, using 1998 data);
- MTA County-by-County Cost Benefit Analysis, performed by Urbitran and Cambridge Systematics for MTA (Draft 2005, Final 2008, using 2005 data).

The methodologies employed to perform these studies differed based on data availability or professional discretion. Studies performed by the MTA had full access to data on MTA revenues, expenditures, and operations. For example, in estimating the value of East of Hudson MNR service to Rockland County, Hagler Bailly used system-wide per-passenger operating subsidies multiplied by estimated Rockland ridership, whereas the 1999 MTA study used the County's proportion of passenger miles (the 2008 MTA study also used origin-destination surveys). Coupled with differing estimates of East of Hudson capital costs, the variation is significant. Hagler Bailly estimated the East of Hudson benefit to Rockland County as $6.27 million, while the MTA calculated $5.83 million or about $440,000 less. This study replicates the 2008 MTA calculation methods whenever possible.

The studies also diverged in their respective treatments of non-Metro–North Railroad (MNR) MTA costs and benefits. Hagler Bailly rejects the inclusion of MTA services provided outside of Rockland County, with the notable exception of East of Hudson rail service ("East of Hudson rail services are used by Rockland County residents and can appropriately be included in the programs funded by the County's contributions"). MTA, however, includes all services and facilities for which survey data shows usage by Rockland County residents, including New York City Transit (NYCT) and Bridges and Tunnels (B&T). Although the County-sponsored study excludes these categories, due to the surpluses generated by B&T the inclusion of other services actually results in a more substantial value gap. Beyond this practical reason for including non-MNR services and facilities in the current value gap calculation, it is categorically inconsistent to include certain services outside of the County with Rockland ridership, and not others. This study encompasses all MTA services and facilities for which Rockland ridership or use has been identified.

The final major methodological difference between the Hagler Bailly study and the MTA-sponsored studies is Hagler Bailly's subtraction of Federal monies from MTA-funded capital expenditures. Given that the transfer of FTA-funded assets from one eligible party to another must be effected without repayment of the Federal portion, this study follows the Hagler Bailly methodology and includes only the MTA's estimated contributions to the capital program.

The estimation of taxes collected from Rockland County residents and businesses to support the MTA (whether dedicated or a proportion of general revenues) also differed, although the same set of taxes were considered by Hagler Bailly and MTA. Hagler Bailly's study reflected projections for mortgage recording taxes which the actual data used by MTA proved to be over $4.5 million too low. Similar discrepancies, although of smaller degree, were reflected in the Business Surcharge, Franchise Tax, and Petroleum Business Tax (PBT).

Without reconciliation of these factors, the calculated value gaps were as follows (expressed as amounts paid by Rockland over the value of MTA service and funding – a surplus would register as negative):

- Hagler Bailly (1998): $21.93 million (.44 payment ratio)
- MTA (1998): $31.92 million (.47 payment ratio)
- MTA (2005): $41.74 million (.53 payment ratio)

Figure 1: Comparison of Value Gap Estimates Reported in Rockland County and MTA-Sponsored Studies (in millions)

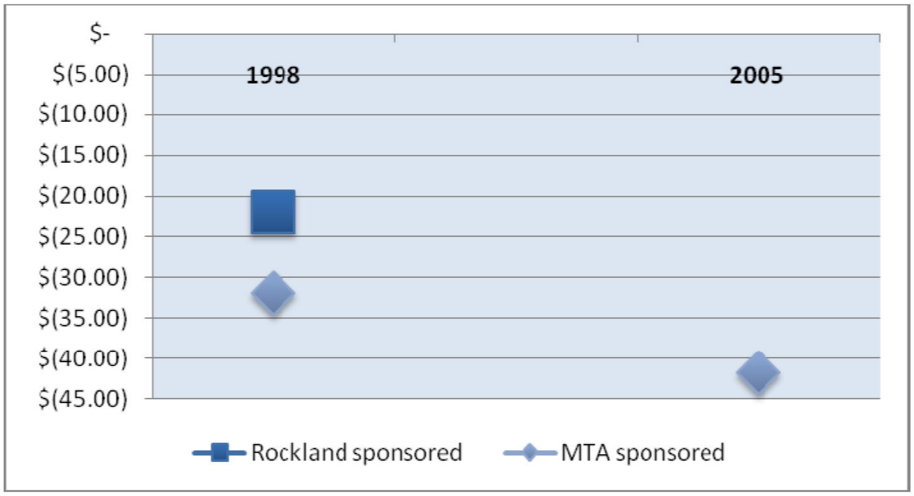


Figure 2: Comparison of Ratio of Benefits to Costs Reported in Rockland County and MTA-Sponsored Studies

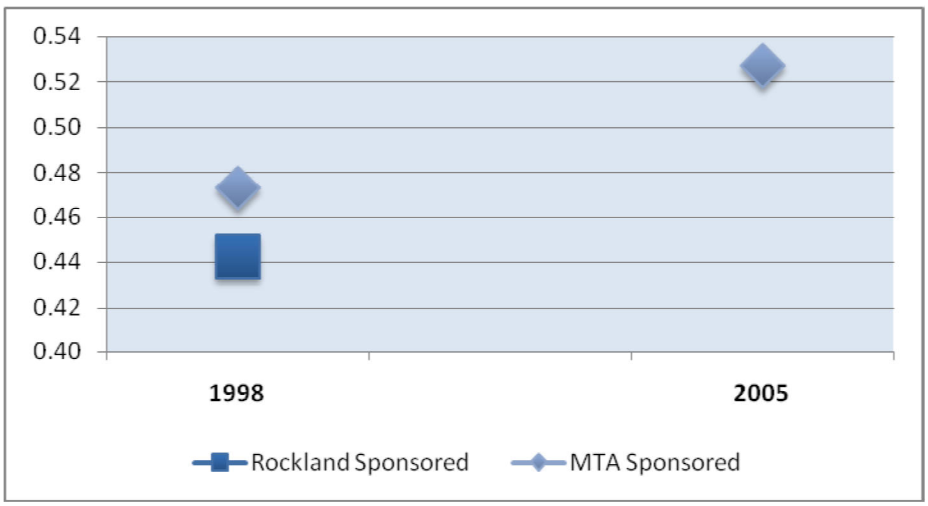


Table 1: Comparative Summary of Findings from Completed Studies (in millions)

STUDY AUTHOR	HAGLER BAILLY	MTA	CS/URBITRAN	CS
SPONSOR	ROCKLAND	MTA	MTA	ROCKLAND
DATA YEAR	1998	1998	2005	2010
VALUE OF SERVICE				
DORF	$ 2.00	$ 2.21	$ 8.70	$ 2.82
NYS AID TO LOCALITIES	$ 3.00	$ 3.00	$ 3.00	$ 2.65
MNR WEST OF HUDSON EXPENSES	$ 3.90	$ 2.46	$ 3.67	$ 6.10
MNR WEST OF HUDSON ADMIN			$ 2.00	$ 6.17
MNR EAST OF HUDSON EXPENSES	$ 6.27	$ 5.83	$ 2.02	$ 4.02
MTA CAPITAL BUDGET PAYMENTS	$ 2.24	$ 5.59	$ 9.19	$ 25.32
NYCT EXPENSES	$ -	$ 7.04	$ 9.43	$ 12.20
BRIDGES & TUNNELS EXPENSES	$ -	$ 2.50	$ 5.14	$ 7.68
HEADQUARTERS AND PD	-	-	$ 1.26	$ 1.07
MTA POLICY AND GAP CLOSING	-	-	$ 2.09	-
SUBTOTAL	**$ 17.41**	**$ 28.62**	**$ 46.50**	**$ 68.02**
COUNTY PAYMENTS TO MTA				
MORTGAGE RECORDING TAX 1	$ 2.43	$ 3.82	$ 19.69	$ 4.68
MORTGAGE RECORDING TAX 2	$ 2.15	$ 3.09		$ 3.33
SALES & USE (MTACD)	$ 7.40	$ 7.45	$ 9.84	$ 15.24
FRANCHISE TAX	$ 1.26	$ 1.54	$ 1.66	$ 1.56
BUSINESS SURCHARGE	$ 9.57	$ 9.95	$ 11.84	$ 17.71
PAYROLL/MOBILITY TAX	$ -	$ -	$ -	$ 18.53
PETROLEUM BUSINESS TAX (DMTTF)	$ 10.77	$ 11.79	$ 18.84	$ 6.93
PETROLEUM BUSINESS TAX (MMTOA)				$ 1.53
MTA AUTO RENTAL SPECIAL TAX	$ -	$ -	$ -	$ 0.54
MOTOR FUEL TAX	$ -	$ -	$ -	$ 0.18
DMV FEES	$ -	$ -	$ -	$ 1.79
STATION MAINTENANCE	$ -	$ 0.03	$ 0.04	$ 0.05
MNR WEST OF HUDSON FAREBOX	$ 2.25	$ 1.86	$ 2.23	$ 2.31
MNR EAST OF HUDSON FAREBOX	$ 3.41	$ 3.26	$ 1.11	$ 1.88
NYCT FARES	$ -	$ 5.17	$ 5.59	$ 6.27
BRIDGES & TUNNELS TOLLS	$ -	$ 12.51	$ 17.36	$ 27.40
LOCAL OPERATING ASSIST.			$ 0.02	$ 0.03
OTHER PAYMENTS	$ 0.10	$ 0.06	$ 0.02	$ -
SUBTOTAL	**$ 39.34**	**$ 60.54**	**$ 88.24**	**$ 109.95**
VALUE GAP	**$ (21.93)**	**$ (31.92)**	**$ (41.74)**	**$ (41.93)**
RATIO	**0.44**	**0.47**	**0.53**	**0.62**

3.0 Updated Value Gap Estimation

Among the primary objectives of this study was the development of an updated value gap estimation, using 2010 data unless otherwise noted[1]. This effort was structured based on previous study methodologies. Where these methodologies differed, CS determined which was most justifiable, whether based on best practices, consistency, or professional judgment. As a result, the following structural assumptions were established:

Service categories: Following MTA's prior studies, CS chose to include all MTA services and facilities utilized by Rockland County residents and businesses. The Hagler Bailly analysis reflected inconsistent accounting of services—which included East of Hudson MNR but not B&T or NYCT.

Federal capital contributions: Following the Hagler Bailly study, CS chose not to count the Federal portion of capital funds, which would have been paid to any eligible recipient, and would effectively be allocated at no cost to the County upon the transfer of capital assets.

Taxes: None of the studies reviewed considered indirect contributions from Rockland County to MTA through DMV fees and Motor Fuel taxes (the latter of which is negligible). Because an analysis of NY State tax law determined that both taxes feed revenues into the capital and operating funds dedicated to MTA, they were included. New taxes have been instituted since the last study was performed. The Payroll (Mobility) Tax is a significant dedicated revenue source for the MTA, while the MTA Auto Rental Special Tax provides a small, dedicated revenue stream.

Beyond these fundamental structural considerations, nearly every cost or benefit tallied required an assumption, except in the few instances where actual data was available. The prior studies provided precedent for most assumptions, while a few assumptions were established independently due to lack of precedent or data sufficiency issues. Following is a brief accounting of key non-structural assumptions:

3.1 Benefits (Value of Service)

DORF: Dutchess, Orange, and Rockland Fund payments from the MTA to Rockland County were provided by Rockland County, based on actual receipts.

New York State (NYS) Aid to Localities: Rockland County provided actual receipts for this State allocated revenue source. Previous studies consolidated DORF and NYS Aid to Localities under DORF. Based on guidance from Rockland County, this study separates these revenue sources, and effects this separation for previous studies as well.

[1] Not all year 2010 data correspond fully, given the potential misalignments of various fiscal years and the calendar year.

MNR West of Hudson Expenses: This study extracts and escalates operating expenses from the 2005 MNR-NJ Transit Operating Agreement. Because the value reflected in this agreement encompasses both Rockland and Orange Counties, the Rockland County proportion is derived by following MTA's assertion that 82% of the total is for the Port Jervis line, for which Rockland provides 1.77% of the ridership, and, of the remaining 18%, Rockland County accounts for 100% (total of about 19.45% allocated to Rockland).

MNR West of Hudson Administration: CS used the Urbitran/CS methodology to assign a portion of MNR's general and administrative costs to Rockland County, based on the ridership percentages established in the analysis of operating expenses. MNR administrative costs were sourced from the 2010 MTA budget.

MNR East of Hudson Expenses: CS followed the Urbitran/CS study, which uses MTA survey data to determine that Rockland residents account for 0.33% of East of Hudson passenger miles. Base expenses are sourced from the 2010 MTA Budget.

MTA Capital Budget Payments: The CS team diverged from previous studies, which either totaled and annualized non-Federal Rockland County capital expenditures (Hagler Bailly) or used average annual investment figures from the MTA Capital Program. Given that each prior study had allocated at least a portion of non-Rockland operating expenses to the County, CS felt that it was appropriate to count the value of relevant non-County capital expenses as well (capital subsidies are no less important than operating subsidies to the performance of services or facilities used by Rockland residents). This includes portions of the total annual capital budgets for Bridges and Tunnels (B&T), Metro-North Railroad (MNR), New York City Transit (NYCT) and regional access projects funded by the MTA Capital Construction Company (MTACC)—See Table 2 for details. Consistent with the Hagler Bailly methodology, no Federal contributions are counted. No debt service payments are included.

Table 2: Rockland County Allocation of MTA Capital Expenses (in millions)

Service	MTA $ only	Rockland Portion	Methodology (Source)	Example Expenditures
B&T	$186.84	$ 3.61	1.93% of total crossings (MTA)	• Substructure and underwater work ($25.62)
MNR (all)	$130.43	$ 2.98	2.29% of total riders (MTA)	• West of Hudson Improvements ($0.75 MM) • Positive train control ($9.93 MM)
NYCT	$2,765.24	$ 5.53	0.20% of total riders (MTA)	• Purchase 23"A" Division cars and convert 10 R142A cars ($75.37 MM) • Clara Hale Depot reconstruction ($238.23 MM)
MTACC	$602.91	$13.19	2.19% of region's population and jobs (US Census and Bureau of Labor Statistics)	• Fulton Street Transit Center enclosure ($218.61 tot/$16.13 MM MTA)
	$3,685.42	$ 25.32	0.69% of total	

New York City Transit Expenses: Using MTA's 2010 Budget as a base, CS followed previous MTA methodologies by calculating the portion of those expenses corresponding to Rockland County ridership (in this case, 0.20% of total).

Bridges and Tunnels Expenses: In 2005, the MTA reported that Rockland residents accounted for 1.93% of total crossings. That percentage was used to allocate overall B&T expenses, sourced from the 2010 MTA Budget.

Headquarters and MTA Police: Of the previous studies, only the final draft of the Urbitran/CS study included these criteria, which the current study team found material to the operation and performance of the system, and thus appropriate for inclusion. Following the precedent methodology, CS first sourced the overall headquarters costs (not including depreciation) and policing expenses from the MTA Budget, then allocated expenses by operating division (following MTA guidance), and finally determined the proportion of activity within each division attributed to Rockland County (based on use surveys). This amounted to approximately 0.38% of total expenses in this category.

MTA Policy and Gap Closing Measures: The 2008 Urbitran/CS study included certain expenditures related to policy and budget initiatives. Because such measures were not sufficiently defined in the previous study, CS was unable to replicate the calculation methodology or generate a credible estimate. According, this category is left blank for the current analysis.

3.2 COSTS (COUNTY PAYMENTS TO MTA)

Taxes and Fees

The MTA is subsidized through a variety of taxes and fees, many of which are dedicated to the MTA and applied only to counties within the MCTD—to which Rockland County is a party. Other transportation-oriented taxes are applied and collected at the State level, where they are subsequently distributed to various transportation funds, including the Mass Transportation Operating Assistance Fund (MTOAF) and the Dedicated Funds Pool. Portions of each of these funds are allocated to the MTA on a formula basis as established by State law. The MTA also typically receives a relatively small disbursement from the State's General Fund, although this study does not attempt to quantify the small contribution from the General Fund attributable to Rockland County.

Figure 3 summarizes the flow of taxes from Rockland County to the MTA (dark blue boxes indicate dedicated taxes, whereas medium blue boxes represent State taxes used for transportation funding. Light blue boxes represent transportation funding to the County from the MTA or State taxes only, and do not include all County funding sources).

Mortgage Recording Tax (1 & 2): Reflects the actual amount contributed by Rockland County, as reported in the 2009-2010 Annual Statistical Report of New York State Tax Collections, published by the New York State Department of Taxation and Finance.

Payroll (Mobility) Tax: The total amount of MTA Payroll Tax was sourced from the NYS Department of Taxation and Finance and allocated based on the proportion of Rockland County's wages within the MCTD.

- MTA Auto Rental Special Tax: This tax, enacted concurrently with the Payroll Tax, provides nominal revenue and is included within Payroll. The base amount was sourced from the NYS Department of Taxation and Finance, and allocated to Rockland County based on its composite share of MCTD population and non-farm jobs.

Business Tax, which includes:

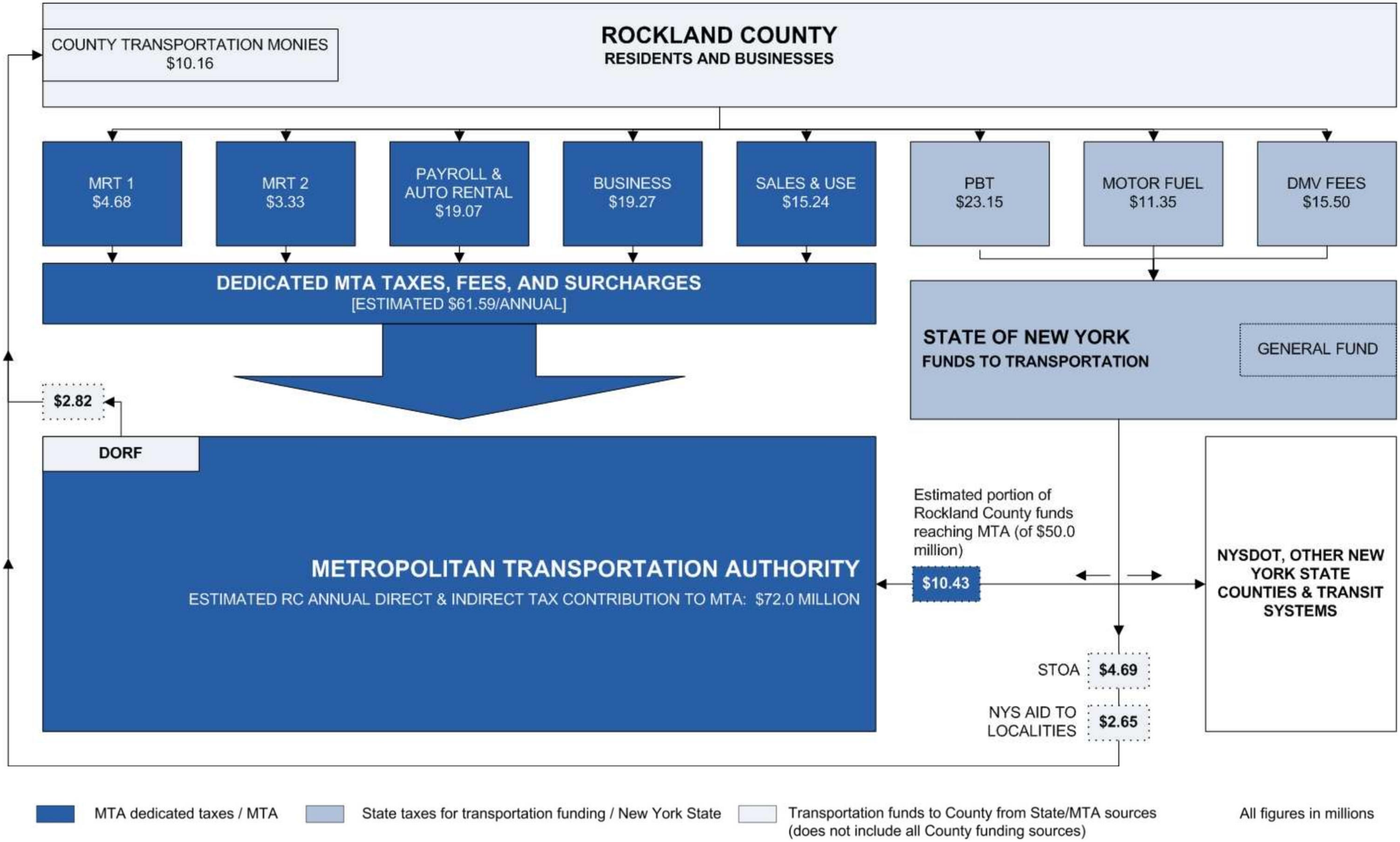
- Business Surcharge: Sourced from the MTA Budget and allocated to Rockland County based on the County's proportion of non-farm jobs within the MCTD. (This was referred to as the "Temporary Surcharge Tax" in MTA's 2008 study).
- Franchise Tax: A portion of the sum of Franchise Tax revenues received by the MTA was allocated based on Rockland County's composite proportion of non-farm jobs and population within the MCTD.

Sales and Use Tax (MTCD): Based on 2009 taxable sales and purchase data obtained from the New York State Department of Taxation and Finance, multiplied by the MTCD tax rate of 0.375%.

Petroleum Business Tax (PBT): For the current study, CS obtained data on fuel sales (taxable gallons by each fuel type) and rates of taxation (varies by fuel type) from the NYS Department of Taxation and Finance. For vehicle fuels, Rockland's allocation was proportionate to its share of statewide VMT (2.24%, based on NYSDOT statistics). For electricity-generating and heating fuels, the allocation was made based on the County's share of statewide population. Aviation gasoline was also allocated based on population, but no kero-jet taxes were allocated to the County based on the absence of commercial departures from any airport within the County. Finally, as a non-dedicated tax paid to the NYS Treasury, the proportion of the tax reaching the MTA was calculated based on New York State transportation funding law (TAX 301-a and 301-j) and allocated to MTA-dedicated operating (MMTOA, as dictated by STF 88-a) and capital funds (DMTTF, as dictated by 89-c).

The PBT estimate generated by this study is notably smaller than the estimates produced by previous studies. It is speculated that prior estimates were based on the entire value of PBT collected from Rockland County by the State of New York, although, based on the NYS laws cited above, only a portion of PBT revenues reach MTA (the balance of revenues are allocated to other transportation funding pools, such as the Dedicated Highway and Bridge Trust Fund) The Hagler Bailly study obtained PBT information directly from MTA, and so could not be replicated (despite this, there was still a $1 million PBT discrepancy between the 1999 Hagler Bailly and MTA reports). The 2008 Urbitran/CS study used a variety of consumption data to allocate revenues, such as vehicle registrations, electricity consumption, and air passenger boardings.

Figure 3: Current Collection and Allocation of Certain Transportation Taxes (in millions, based on 2010 data)



Motor Fuel Tax: The motor fuel tax was not included in prior studies, perhaps due to the negligible revenue it provides to the MTA. A close reading of NYS tax and transportation funding laws indicates that a small portion of diesel fuel taxes go to fund the MTA capital program. Of this revenue, Rockland's portion was allocated based in its share of the State's population (not VMT, given the regional and inter-state nature of truck travel related to goods movement).

DMV Fees: DMV fees were not considered in previous studies, but constitute a significant source of revenue for the MTA. DMV fees enter the Dedicated Funds Pool, 34% of which feeds the DMTTF. The gross DMV fee revenues were obtained from the New York Public Transit Association, based on 2009 data. The portion of the DMTTF contribution allocated to Rockland was based on its share of NYS vehicle registrations (1.9%).

Fares and User Fees

Fares and user fees paid to MTA have a combined total of $37.9 million, which is included in the value gap calculation.

MNR West of Hudson Farebox: The 2008 Urbitran/CS study used actual operating revenues allocated to each county based on the respective ridership of each line. In the absence of actual operating revenues, this study used the West of Hudson expense estimate and applied the current MNR farebox recovery ratio of 37.9% to back out estimated revenues. The prior study's claimed 60.1% farebox recovery ratio is likely unsupportable.

MNR East of Hudson Farebox: CS followed the Urbitran/CS study, which uses MTA survey data to determine that Rockland residents account for .33% of East of Hudson passenger miles. Base expenses are sourced from the 2010 MTA Budget.

New York City Transit Fares: CS calculated the portion of revenues associated with Rockland County ridership (0.20% of total), using total estimated NYCT revenues derived from the 2010 MTA Budget as a base.

Bridges and Tunnels Tolls: CS calculated the average toll by dividing total revenues by users, and allocated Rockland revenues based on 2005 crossing data (1.93% of total).

Station Maintenance: State Law mandates the County pay an annual amount to MTA/Metro-North Railroad for station maintenance, use and operations. In 2010 the amount was $47,893. This annual amount is escalated by CPI.

Local Operating Assistance: The County is required each year to provide a local match (0.1 percent) to the total amount of STOA received by MTA for its commuter rail operations. In 2010, the County paid $29,252 to MTA.

Based on these findings, which are detailed in Table 3, the estimated value of the service (benefit) to Rockland County from MTA services was $68,020,000 in 2010, while corresponding County payments to MTA (costs) total an estimated $109,950,000. Therefore, the net value difference was $41,930,000, with a ratio of .62 (or 62 cents in value for every dollar Rockland pays to the MTA).

Although the value gap has grown two-fold in absolute terms from the gap reported by Hagler Bailly in 1999 (and is about a third higher than the $31.92 million reported by the

MTA the same year), it remains roughly comparable with the 2005 estimate of $41.74 million.[2]

Benefits have grown faster than costs, as reflected by the service-to-payment ratio of .62, up from Hagler Bailly's .44 in 1999, MTA's own .47 estimate the same year, and MTA's .53 estimate for 2005. However, although it was not the charge of this study to determine, Rockland's payment ratio almost certainly remains among the lowest of all MCTD counties. The Urbitran/CS study estimated ratios ranging from 1.01 for Suffolk County to 1.61 for Nassau County, with Orange County the only other MCTD County with a ratio of under one (.67).

[2] Note that, although the value gap, as expressed in dollars, is nearly identical between the current study and the most recent MTA study, methodological differences, such as the inclusion of MTA's non-MNR capital expenditures in this study, play a significant role in the appearance of comparability.

Table 3: 2010 Value Gap and Payment Ratio for MTA Services (in millions, based on 2010 data)

VALUE OF SERVICE 2010	
DORF	$2.82
NYS AID TO LOCALITIES	$2.65
MNR WEST OF HUDSON EXPENSES	$6.10
MNR WEST OF HUDSON ADMIN	$6.17
MNR EAST OF HUDSON EXPENSES	$4.02
MTA CAPITAL BUDGET PAYMENTS	$25.32
NYCT EXPENSES	$12.20
BRIDGES & TUNNELS EXPENSES	$7.68
HEADQUARTERS AND PD	$1.07
SUBTOTAL	$68.02
COUNTY PAYMENTS TO MTA 2010	
MORTGAGE RECORDING TAX 1	$(4.68)
MORTGAGE RECORDING TAX 2	$(3.33)
SALES & USE (MCTD)	$(15.24)
FRANCHISE TAX	$(1.56)
BUSINESS SURCHARGE	$(17.71)
PAYROLL/MOBILITY TAX	$(18.53)
PETROLEUM BUSINESS TAX (DMTTF)	$(6.93)
PETROLEUM BUSINESS TAX (MMTOA)	$(1.53)
MTA AUTO RENTAL SPECIAL TAX	$(0.54)
MOTOR FUEL TAX	$(0.18)
DMV FEES	$(1.79)
STATION MAINTENANCE	$(0.05)
MNR WEST OF HUDSON FAREBOX	$(2.31)
MNR EAST OF HUDSON FAREBOX	$(1.88)
NYCT FARES	$(6.27)
BRIDGES & TUNNELS TOLLS	$(27.40)
LOCAL OPERATING ASSISTANCE (STOA)	$(0.03)
OTHER PAYMENTS	-
SUBTOTAL	$(109.95)
VALUE GAP (SUM OF SUBTOTALS)	$(41.93)
RATIO	.62

4.0 Scenario Analysis

The Hagler Bailly report examined three scenarios; each representing a potential course of action Rockland County could pursue in order to address the value gap. These three scenarios were:

- **Withdraw**—Rockland County could attempt to withdraw from the MCTD, which would require legislative approval first and foremost, as well financial and administrative resources to operate a comparable commuter rail service;
- **New Deal**—Rockland County could remain a party to the MCTD, but condition its ongoing participation on achieving a more favorable benefit/cost ratio, either by obtaining improved service or, more likely, additional compensation through the existing Dutchess, Orange, and Rockland Fund;
- **Stay and Grow**—Rockland County could remain a party to the MCTD, and work with MTA to gradually expand value by seeking service improvements and strategic capital investments.

This report takes these scenarios as rough precedents for analysis under current-day conditions. The withdrawal scenario is considered alone, as its steep requirements dictate, while the "New Deal" and "Stay and Grow" scenarios are not as strictly defined, and are best treated together as a scenario entitled "Value Gap Reduction."

4.1 Withdrawal Scenario

Rockland's withdrawal from the MCTD becomes an option for Rockland County ***only*** at the discretion of the State legislative and executive governing bodies. The Rockland County Legislature's release would also be required, but is not alone sufficient to enable withdrawal. At the time of writing, two State-level bills enabling withdrawal have been stalled in committee since early- and mid-2010, respectively. A third bill, substantially similar to the 2010 Senate Bill, was introduced in April 2011.

The implications of withdrawal are considered through the lenses of three primary categories:

- State Legislation,
- Financial,
- Operational and Administrative.

State Legislation

Rockland County is bound into the MCTD by State law (Public Authorities Law section 1271), and *cannot withdraw without legislative approval*. Accordingly, County representatives have introduced withdrawal bills in both the New York State Senate and House. These bills have currently been in committee for a significant duration, and the prospect of passage is highly uncertain. The Senate bill introduced in April 2011 has been referred to the Transportation Committee. CS was instructed to consider the terms of previous withdrawal legislation, which had been enacted by New York State in 1986, and for which Public Authorities Law 1279-B was drawn up (this section is now occupied by the terms of the DORF agreement). Although the current bills were clearly modeled on the 1986 legislation, they differ in certain particulars, the most notable of which are summarized in Table 4.

Significantly, none of the bills make explicit provisions for the reallocation of any dedicated MCTD tax revenues to Rockland County or for the modification of State transportation funding accounts' distribution formulas. Left unchanged, this would require Rockland County to pay NJ Transit to operate commuter rail services without significant MTA operating revenues. CS believes that this is an unintended and undesirable result in addition to being financially infeasible, and therefore must assume that all current MCTD dedicated taxes would need to be re-established, with Rockland County as the recipient, with the exception of the Payroll Tax. (This would require State Legislative action to reallocate MCTD dedicated taxes and to modify state transportation funding distribution formulas).

Steps associated with the withdrawal, as dictated by the legislation are:

- State Legislation authorizing withdrawal must be passed and approved by Governor;
- State Legislation authorizing reallocation of MCTD dedicated taxes and formula funds to Rockland County must be drafted, introduced and passed;
- County Legislature must approve the withdrawal;
- A public transportation plan must be submitted to the New York State Department of Transportation (NYSDOT);
- The duration of negotiations between MTA and the County could exceed one year (potentially a significant drain on the County's professional and legal resources which could eventually result in arbitration); and
- The approval of the NYSDOT Commissioner may be required (although the current Assembly and Senate bills would provide the County with recourse to proceed without approval if withdrawal negotiations with MTA fail).

Financial

Many financial uncertainties accompany the prospect of withdrawal from the MCTD. However, because the current operating agreement between NJ Transit and Metro-North would be transferred to Rockland County and remain in effect, few short-term financial risks pertain to operating expenditures. The operating expenses assumed in the current withdrawal analysis correspond to the existing expenses identified in Exhibit 11 (NJ TRANSIT Operating Expenses Allocated to Metro-North, included electronically with this report), a portion of which is then assigned to Rockland County based on ridership and then escalated by the 2005 weighted AAR index (8.06%). Additional operating expenditures incurred in a withdrawal scenario include liability and umbrella insurance policies (required by the Operating Agreement), policing and public safety outlays, station maintenance, and consultant labor. Basic estimates of these expenditures are included in Table 5.

Table 4: Comparison of Current Proposed Withdrawal Legislation to Previous Withdrawal Legislation

Provision	NY PBA Law[3] 1279-B (1986)	Assembly 09166[4] (9/ 2009)	Senate 05849[5] (6/ 2009)	Senate 04826 (5/ 2011)
Days to indicate intention to withdraw	75 days after bill is effective	90 days from preceding January 1	75 days after bill is effective	75 days after bill is effective
Submission of a public transportation plan for NYSDOT Commissioner approval	YES	YES	YES	YES
Requires NYSDOT commissioner approval	YES	NO*	NO*	NO*
RC pays for capital improvements financed by CRR bonds ONLY within County	YES	YES	YES	YES
Assignment of contracts, including NJ transit operating agreement	YES	YES	YES	YES
RC must lease agreements/contracts that cannot be assigned from MTA	YES	YES	YES	YES
MTA balloon payment to RC on withdrawal ($200-$300 million)	NO	YES	NO	NO
Re-establishment of Commuter District taxes for County use	NO	NO	NO	NO

*if negotiations fail

Rockland County would also assume the administrative/overhead costs of managing a commuter rail system. This would require the County to hire commuter railroad experts and potentially significantly increase Planning and Public Transportation staff. Currently, MNR administrative and overhead charges total $392 million for the system, of which the West of Hudson lines' collective share is 8.09 percent, and Rockland County's share is 19.44 percent of that. At a total of $6.17 million, administrative expenses are comparable to operating expenses, and while Rockland County might realize some efficiencies, there is no substantive justification for reducing this figure in the withdrawal scenario.

Minimal risk is associated with short-term capital expenditures, which are included in the MTA's five-year Capital Program (which, at the time of writing, was not fully funded). There are more unknowns associated with longer-term capital projects (those beyond the five-year plan)—a conversation with MTA would be required to identify major projects anticipated beyond the scope of the current Program.

[3] Enacted but not implemented.

[4] Proposed, in corporations, authorities and commissions committee since 6/28/2010.

[5] Proposed, in transportation committee since 1/6/2010.

The greatest immediate financial risk of withdrawal is the County's mandated repayment of relevant Commuter Rail Revenue bonds. The amount could potentially be substantial, even crippling. Circumstances could permit the County to pay these obligations by reissuing the bonds if the assets and services by which they are backed are generating adequate revenue. However, County bonding costs could be significantly higher than MTA's.

Certain revenue streams on which MTA currently relies to operate the system are also subject to significant uncertainty. Railroad farebox revenues could be expected to remain constant, assuming service levels are maintained, as could dedicated former-MCTD taxes assuming they are re-established in the withdrawal legislation. (None of the current legislation drafts contain any language that would re-establish any taxes). However, the non-dedicated taxes that feed various transportation funding pools will continue to be collected by the State from County residents and businesses, with no guarantee that additional funds would be allocated to Rockland commuter rail (this would require multiple changes to the distribution formulas, which are in the State law). The Federal funding picture also remains cloudy. MTA currently relies on significant FTA funding for its capital program. The County's share of FTA 5307 funding is unlikely to increase significantly, while the need for new train sets, rolling stock and capital track improvements would continue to increase. For the County's share of FTA 5307 funding to increase, the formula by which 5307 funds are distributed regionally would need to be changed. This would require regional concurrence and a vote of NYMTC principals.

Withdrawal would forfeit the County's claim to DORF monies, which currently amount to $2.82 million, but have in the past totaled $8.7 million. DORF money is one of the primary sources of operating funds for the County bus system, including Transport of Rockland and TRIPS paratransit.

Finally, Rockland County's annual allocation of NYS Aid to Localities funding, which is part of the prior negotiated agreement to remain in the MTA, could be at risk. This allocation of operating assistance dollars to Rockland County, via the State budget (NYS Aid to Localities) through the MTOAF-dedicated category has been fixed at $3 million annually since 1989. However, since 2008, Rockland's allocation has been reduced each year along with other budget cuts in this category. The 2010 allocation totaled $2.647 million. This funding is used to operate County bus services.

Operational and Administrative

As long as the Operating Agreement with NJ Transit remains in effect, operational challenges are minimized. As stipulated in the Agreement, if Rockland County withdraws from the MCTD, then MNR is required to assign the Agreement to the County. However, NJ Transit may choose not to renew the agreement, which expires in 2012 (one year renewals are automatic unless one party provides written notice of termination).

If NJ Transit Agreement is in effect, the withdrawal status of Orange County, which would have the same rights of withdrawal, is less consequential to services operated by Rockland County. Should Orange County elect to withdraw, then it would presumably become a separate party to the Operating Agreement, and if Orange County remained in the MCTD, MNR would likely remain a separate party to the Agreement (although it technically has the right of contract termination if either County should withdraw). The Agreement references a trackage rights agreement between MNR and Norfolk Southern, which pertains to certain trackage west of Suffern. This will likely require partial assignment to Rockland County and eventual re-negotiation.

Rockland County would inherit a host of additional administrative duties upon withdrawal, most of which are financially quantifiable and treated in the previous discussion of potential fiscal repercussions.

Anticipated duties would be the multitude of legal and regulatory requirements of operating a commuter rail line, including FTA and FRA reporting, which would likely require the engagement of consultants and/or the hiring of experienced new staff. Recipients of FTA funds must submit to annual audits, conducted by the FTA, and grantees must also submit to a compliance and certifications review once every three years. Recipients must also comply with National Transit Database (NTD) reporting mandates, which include monthly ridership reporting, several annual reporting modules (e.g., basic service, financial, asset, resource). The addition of rail service would trigger requirements for additional reporting modules and the volume of information to report would expand significantly. The FRA has separate reporting requirements for grant recipients, including monthly progress and financial reports and "final" reports due within 90 days after the period of performance ends.

Additional issues include maintaining proper liability and umbrella insurance coverage, police and security coverage, retaining a lobbyist at the State and Federal levels, and management of stations and park-n-ride lots. These issues are organized by potential cost and risk, and are catalogued in Figure 5.

Withdrawal Scenario Summary

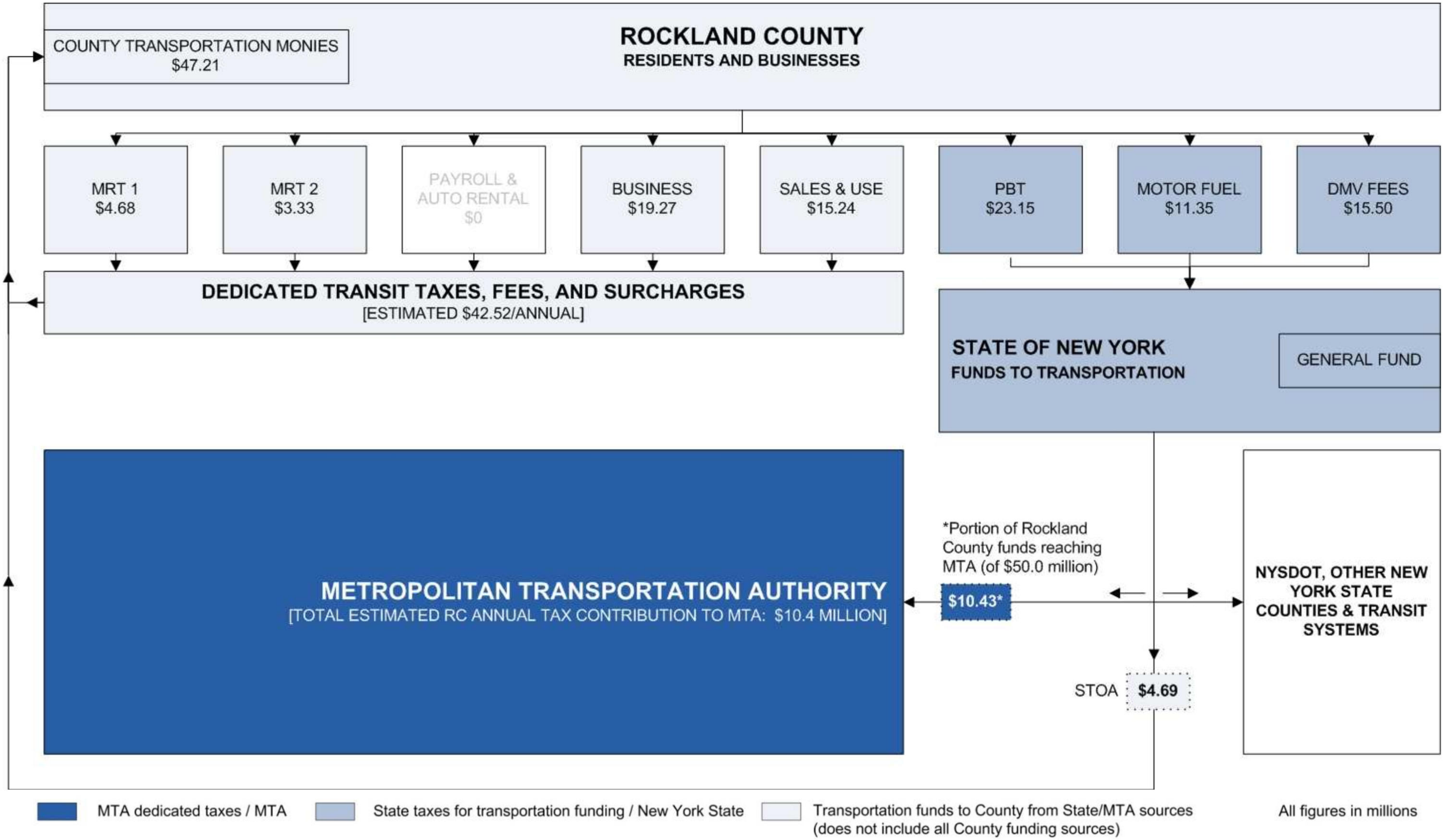
CS estimates that Rockland County would incur $16,540,000 in new annual commuter rail operating expenses apart from one-time costs and charges (listed as "RC New Expenses" in Table 5), and forfeit $2,819,000 in yearly DORF payments and $2,647,000 in NYS Aid to Localities (together, "RC Revenue loss"), for total annual costs/losses of about **$22 million**. This figure should probably be risk-adjusted given the number and magnitude of potential additional expenses, including the repayment of Commuter Rail Revenue bonds, long-term capital costs, and insurance premiums. The county would continue paying non-dedicated taxes and user fees to the MTA, totaling approximately **$45.97 million** ("Continuing Taxes/Fees to MTA"). Counting these continuing expenses on the "cost" side of the ledger yields a total liability of about **$68 million**.

Assuming that MCTD taxes could be re-established for the use of Rockland (with the exception of the Payroll Tax), the County would gain access to an estimated **$44.83 million** (including farebox revenues), although additional State and Federal funds could potentially augment that amount significantly[6]. This figure does not include State or Federal revenues currently dispersed to Rockland County for transportation purposes.

If withdrawal occurs and Rockland County receives all the current MTA taxes (except the Payroll Tax) the "Value Gap" is anticipated to be reduced to $23.15 million based on the current 2010 data.

[6] Again, there is no provision for the reestablishment of former MTA taxes for Rockland County use in any State bill introduced for the purposes of withdrawal, past or present. Therefore, use of these monies is entirely hypothetical.

Figure 4: Collection and Allocation of Certain Transportation Taxes under Withdrawal Scenario (in millions, based on 2010 data)*



**Assumes reallocation of MCTD dedicated taxes to Rockland County by State Legislature (not currently part of language in any of the draft bills)*

Figure 5: Potential Withdrawal Impacts

	Potential Annual Cost							
	REVENUES				EXPENSES			
Probability	**>$1 MM**	**$100 K-$1 MM**	**<$100 K**	**NEUTRAL**	**<$100 K**	**$100 K - $1 MM**	**>$1 MM**	**UNKNOWN**
Highly Likely	• PASSENGER REVENUES • REPROGRAM EXISTING MTA TAXES*	• STOA	• ADDITIONAL STATION REVENUES (PARK-N-RIDE LOTS)	• TAPPAN ZEE EXPRESS/MNR MONTHLY PASS • WEST-OF-HUDSON REGIONAL TRANSIT ACCESS STUDY • HAVERSTRAW/ OSSINING FERRY • WOODBINE YARD • SUFFERN STATION • LABOR AGREEMENTS	• LOSS OF MTA MARKETING • ADDITION OF FTA & FRA OVERSIGHT • STATION MAINTENANCE (net of potential revenue)	• LIABILITY (INSURANCE) • POLICE/SECURITY	• LOSS OF DORF • NJ TRANSIT OPERATING AGREEMENT • ADMINISTRATION & OPERATIONS (IN-HOUSE & CONSULTANT) • CAPITAL PURCHASES (ROLLING STOCK, ETC.)	• MAINTAIN CURRENT LOS • NO REGIONAL INCREASE IN 5307 FUNDING
Likely	• DISCRETIONARY FEDERAL FUNDS • STOA	• ADDITIONAL STATION REVENUES (PARK-N-RIDE LOTS)			• LOBBYIST • REGIONAL BUS OPERATORS INCREASE SHARE • POLICE/SECURITY		• LIABILITY (INSURANCE) • ROLLING STOCK PURCHASES	
Unlikely					• HIRE CONSULTANT FOR OPERATING/ ADMIN	• REGIONAL BUS OPERATORS INCREASE SHARE		
Unknown					• NORFOLK SOUTHERN TRACKAGE RIGHTS AGREEMENT • ORANGE COUNTY SERVICE	• NORFOLK SOUTHERN TRACKAGE RIGHTS AGREEMENT • ORANGE COUNTY SERVICE		• FUTURE TAPPAN ZEE BRIDGE COMMUTER RAIL SERVICE • RC SHARE OF 5307 FUNDING

*requires state legislative approval

Table 5: Estimated Annual Costs and Benefits to Rockland County under a Withdrawal Scenario (based on 1986 legislation) (in millions, based on 2010 data)

	RC NEW EXPENSES	RC REVENUE LOSS
DORF	$ -	$ (2.82)
NYS AID TO LOCALITIES	$ -	$ (2.65)
MNR WEST OF HUDSON EXPENSES	$ (6.10)	$ -
MNR WEST OF HUDSON ADMIN	$ (6.17)	$ -
MNR EAST OF HUDSON EXPENSES	$ -	$ -
CAPITAL EXPENDITURES	$ (2.98)	$ -
OTHER	$ (1.28)	$ -
SUBTOTAL	**$ (16.54)**	**$ (5.47)**
	POTENTIAL NEW TAX REVENUES TO RC	**CONTINUING RC TAXES/FEES TO MTA**
MORTGAGE RECORDING TAX 1*	$ 4.68	$ -
MORTGAGE RECORDING TAX 2*	$ 3.33	$ -
SALES & USE (.375%)*	$ 15.24	$ -
FRANCHISE TAX*	$ 1.56	$ -
BUSINESS SURCHARGE*	$ 17.71	$ -
PAYROLL/MOBILITY TAX	$ -	$ -
PETROLEUM BUSINESS TAX (DMTTF)	$ -	$ (6.93)
PETROLEUM BUSINESS TAX (MMTOA)	$ -	$ (1.53)
MTA AUTO RENTAL SPECIAL TAX	$ -	$ -
MOTOR FUEL TAX	$ -	$ (0.18)
DMV FEES	$ -	$ (1.79)
MNR WEST OF HUDSON FAREBOX	$ 2.31	$ -
MNR EAST OF HUDSON FAREBOX	$ -	$ (1.88)
NYCT FARES	$ -	$ (6.27)
BRIDGES & TUNNELS TOLLS	$ -	$ (27.40)
STOA (NYSDOT) & GENERAL FUND	$ 4.69[7]	$ -
SUBTOTAL	**$ 44.83**	**$ (45.97)**
POTENTIAL VALUE GAP (SUM OF ALL SUBTOTALS)		**-$ (23.15)**

* assumes reallocation of MCTD dedicated taxes to Rockland County by State Legislature, which is not currently a part of any proposed legislation

[7] Not dependent on MCTD participation, therefore not counted

4.2 VALUE GAP REDUCTION SCENARIO

Value Gap Reduction represents options and strategies for reducing the value gap that Rockland County can package as priorities dictate. Such strategies hinge on:

- Reducing payments to the MTA,
- Receiving direct operating funds for Rockland County transit services,
- Receiving increased value from the MTA through the addition or enhancement of service, or
- The return of more money to the County, likely in the form of additional DORF.

Several strategies still require a modification of State law, necessitating legislation.

Reduction of Payments to MTA

All relevant taxes, whether State taxes or MTA dedicated taxes, are enabled by State law. A State legislative modification or court ruling would be required to change the current tax situation. In 2010, Rockland County filed suit in Rockland County Supreme Court against the MTA, stating that the Payroll Tax was a violation of the State Constitution and seeking additional compensation for the value gap. If the County wins this suit, then the Payroll Tax would be eliminated, reducing payments to MTA. Other (minor) payments to MTA could also be reduced or eliminated, such as Station Maintenance and Local Operating Assistance (STOA).

Receiving Direct Operating Funds

Direct funding for TZx/TOR/TRIPS Bus Service: MTA or NYSDOT could provide direct funding to one or all of these services, which cost the County several millions of dollars to operate annually8. This is the most feasible and desirable option.

Enhancement of Value Provided by MTA

A few options exist for enhancing the value of service provided by MTA, although not all are easily quantifiable. These include:

- Shuttle Circulators: MTA could fund a new rail feeder shuttle bus service to the Suffern Rail Station and to stations along the Pascack Valley Line. The value of these services would depend on the level of service provided, and could range from tens to hundreds of thousands of dollars annually.
- Station Access Improvements (various stations): MTA could fund pedestrian and bicycle upgrades to various stations serving Rockland residents. Costs would range

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[8] The 2010 costs for maintenance & operations were: TZx = $3,500,000, TOR= $11,300,000, TRIPS=$3,000,000.

into the hundreds of thousands or low millions, but would be one-time capital expenditures.[9]

- Remove Parking Fees at MTA Stations in Rockland County: Abolishing parking fees at the Pearl River, Nanuet, and Spring Valley stations would save commuters $245 annually (permit rate with tax), or $4.50 per day.
- Sunday Service for TZx bus: Currently Rockland County only operates Monday – Saturday TZx bus service. MTA could provide funding for Sunday service to cross the Tappan Zee Bridge and connect to Metro-North.
- Ferry: MTA could provide Mid-Day service on the Haverstraw/Ossining Ferry. The Ferry currently only operates Monday –Friday during AM and PM peak hours.
- MTA could provide funds to establish a dedicated BRT/bus service on portions of the Piermont Line and Route 59 in Rockland County.
- Pascack Valley Line: Work with NJ Transit to improve Pascack Valley Line service.

Increase of DORF Payments

DORF is codified in State law (PBA 1270-b) and includes both a base payment of $2 million to Rockland and a percentage payment based on the County's respective growth in payments to the MTA since 1989, multiplied by $2 million. Rockland County could pursue a larger base DORF payment or readjustment of the index, or both.

The only means of ensuring increased DORF payments would be to change New York State Law PBA 1270-a, which sets the base and percentage amounts.

Value Gap Reduction Summary

This scenario cannot be expected to eliminate the value gap, but rather mitigate the gap. If Rockland County can assemble a package of direct operating funds, service enhancements and increased DORF payments that brings the value gap to within a reasonable range of the much higher-risk withdrawal scenario, this could be the preferred strategy.

Table 6, represents an illustrative "Value Gap Reduction" scenario. Its central features include increasing the base DORF payment from $2 million to $12 million, for an estimated annual total of $12.819 million, and partial subsidization of TZx, TOR, and/or TRIPS services of $5 million, along with the more minor contributions of shuttle circulators ($250,000 annually) waiving the station maintenance fee ($46,715/year) and local operating assistance fee ($29,252/year) for a total of about **$15.33 million** in additional compensation. All of these potential actions require either legislative changes (e.g., DORF) or negotiated agreements with MTA (e.g., bus subsidization). Based on these hypothetical outcomes, the combined value of funds to Rockland County and services provided by the MTA is $81.32 million, weighed against $109.92 million in payments to MTA. Under this scenario, the value gap shrinks to **$26.6 million**, or $3.45

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[9] The net value of this enhancement would depend on the distribution of ongoing additional operations and maintenance costs between the County and MTA.

million more than under the withdrawal scenario. Whether this sum, if it could be obtained through negotiation and legislative change, justifies abandoning the much riskier withdrawal scenario is a matter of judgment for the County.

Table 6: Estimated Annual Costs and Benefits to RC under a Value Gap Reduction Scenario (in millions, based on 2010 data)

	RC EXPENSES	REVENUE TO RC
DORF	$ -	$ 12.82
NYS AID TO LOCALITIES	$ -	$ 2.65
MNR WEST OF HUDSON EXPENSES	$ -	$ -
MNR WEST OF HUDSON ADMIN	$ -	$ -
MNR EAST OF HUDSON EXPENSES	$ -	$ -
CAPITAL EXPENDITURES	$ -	$ -
OTHER (TZx, TOR, or TRIPS funds)	$ -	$ 5.00
SUBTOTAL	**$ -**	**$ 20.47**
	MTA EXPENSES FOR RC SERVICE	**CONTINUING RC TAXES TO MTA**
MORTGAGE RECORDING TAX 1	$ -	$ (4.68)
MORTGAGE RECORDING TAX 2	$ -	$ (3.33)
SALES & USE (.375%)	$ -	$ (15.24)
FRANCHISE TAX	$ -	$ (1.56)
BUSINESS SURCHARGE	$ -	$ (17.71)
PAYROLL/MOBILITY TAX	$ -	$ (18.53)
PETROLEUM BUSINESS TAX (DMTTF)	$ -	$ (6.93)
PETROLEUM BUSINESS TAX (MMTOA)	$ -	$ (1.53)
MTA AUTO RENTAL SPECIAL TAX	$ -	$ (0.54)
MOTOR FUEL TAX	$ -	$ (0.18)
DMV FEES	$ -	$ (1.79)
MNR WEST OF HUDSON	$ 12.27	$ (2.31)
MNR EAST OF HUDSON	$ 4.02	$ (1.88)
NYCT	$ 12.20	$ (6.27)
BRIDGES & TUNNELS	$ 7.68	$ (27.40)
CAPITAL PLUS POLICE AND HQ	$ 26.38	$ -
OTHER	$ .30[10]	$ .03
SUBTOTAL	**$ 62.85**	**$ (109.92)**
POTENTIAL VALUE GAP (SUM OF ALL SUBTOTALS)		**$(26.60)**

[10] Station circulator plus station maintenance fees. Facing column includes approximately $30,000 in local operating assistance no longer paid to MTA.

4.3 ORGANIZATIONAL STRUCTURE

If State Law enables Rockland to withdraw from the MTCD and Rockland decides to pursue the withdraw scenario and assume responsibility for managing a Rockland-based commuter line, the County might find it preferable to form a public benefit corporation (a local authority) following the terms established by NY State Public Authorities law[11]. The key advantages of this approach include the flexibility to issue revenue bonds without voter approval or legislative approval. However, incorporation as a public benefit corporation does not require withdrawal, and may provide advantages to the County's current public transportation operations and management. Rockland County should consult with legal counsel for a full understanding of the potential risks and rewards of incorporation.

[11] These terms include regular reporting to and oversight by the New York State Authority Budget Office.

5.0 Summary of Options

Based on the analysis performed in Section 3, it is clear that a significant gap remains between the value of services and funding provided by MTA to Rockland and the contributions of the County's residents and businesses to MTA revenue streams. However, selecting the most prudent strategy to address the value gap is a matter of public policy, with potential repercussions well beyond the realm of transportation operations and financing. The following summarizes the two options examined in Section 4.

5.1 Withdrawal

Withdrawal remains impossible without the enactment and implementation of State legislation. Rockland's sole power in this matter lies in its representatives' collective ability to persuade a sufficient quantity of their fellow legislators to agree to the terms and the general principle of withdrawal from the MCTD. This may prove a difficult task because other MCTD Counties would see their own positions weaken if Rockland County were to withdraw.

In the event that withdrawal is enabled by the State Law, a key County goal should be to better quantify the withdrawal proposition by clarifying expenses and revenues especially:

- MTA dedicated taxes, which the County must ensure are re-established for use of the County (through State Legislation);
- The allocation of formula-based operating funds (through State Legislation) which must be modified to compensate the County for its vastly increased responsibilities;
- The potential value of relevant Commuter Rail Revenue bond debt which the County may have to repay;
- Operating and capital expenses extending beyond the current term of the NJ Transit Operating agreement (2012) and MTA Capital Program, respectively.
- The withdrawal scenario would eliminate MTA's DORF payment to Rockland County and a portion of the NYS Aid to Localities payment, which are primary sources of operating funds for the County bus services.

Where these expenses cannot be narrowed, the County should consider adjusting the estimates presented in this report to reflect the presence of significant risk.

5.2 Value Gap Reduction

The Value Gap Reduction scenario represents a continuum of potential strategies, some of which require legislative intervention. The strategies pursued by Rockland County will depend on its ability to realistically negotiate terms with MTA and/or achieve State Legislative change. The County's strategy for cultivating leverage is beyond the scope of this document, but might rely on a range of legislative, political, legal, and financial tools—including the pending withdrawal legislation and current lawsuit filed against the MTA (claiming that the Payroll Tax is unconstitutional and seeking substantial damages). Provisions for which Rockland might negotiate are outlined in Section 4, the most compelling of which include:

- The direct provision of operating funds for Rockland County transit service, which could include certain portions of TZx, TOR, and/or TRIPS (this study considers $5 million in Section 4.2) or gestures with relatively nominal financial impact, such as the suspension of parking fees at MTA-controlled lots in Rockland County. This arrangement might be facilitated through the drafting of a Memorandum of Understand/Agreement, or other legal document, as determined by the County's General Counsel.
- The enhancement of DORF base payments beyond the current $2 million (the preceding analysis considered $12 million). The enhancement of the variable payment amount could complement this strategy, either through the increase of the multiplier (currently $2 million) or the readjustment of the index (currently set to 1989). The increase of DORF would require State legislation.
- Reducing Payments to MTA, either through legislative changes, legal challenges (including the ongoing lawsuit targeting the elimination of the Payroll Tax), or negotiated agreements. Such payment reductions could include removal of the station maintenance and local operating assistance payments.
- The enhancement of service value from MTA. This may include, for example, the operation of a midday Haverstraw/Ossining Ferry run, reduced or eliminated parking fees, or the provision of better service on the Pascack Valley Line (through negotiation with NJ Transit). Funding could also be provided for station circulators (shuttles) and station access improvements.

5.3 OPTIONS

The County must weigh the Withdrawal scenario against the Value Gap Reduction approach. Whichever option the County decides to pursue, it is clear that the value gap must be reduced. Withdrawal entails substantial financial risks, requires State Legislation changes, and involves operational challenges, along with the certainty of significant County administrative burdens. The Value Gap Reduction scenario offers a financially defined prospect that could unfold in stages over years or decades, and which could result in a moderate, but still significant, reduction of the current value gap.