



Metropolitan Transportation Authority

State of New York

May 21, 2020

Jerome H. Powell
Chair, Board of Governors
Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

RE: Participation in the Municipal Liquidity Facility, (“MLF”)

Dear Chairman Powell:

I am reaching out to you with an urgent request, that the Metropolitan Transportation Authority (“MTA”) of New York be allowed to participate directly as an eligible issuer in the Federal Reserve Bank MLF program. The MTA is distinctly unique as one of the nation’s largest issuers of municipal securities and the largest provider of mass transportation services in the country. MTA’s direct access to the MLF would represent a substantial portion of the program, as the New York Metropolitan Region represents over 8% of the nation’s total GDP, and MTA’s operations are critical to the economic health of the New York region and the country.

The MLF program was thoughtfully created to provide state and certain local governments with access to funding during the ongoing COVID-19 pandemic. Recent amendments to the program announced on May 11 clearly recognize the importance of providing such issuers access to short-term funding, and for which the MTA would be prepared to quickly place its obligations.

While MTA’s services are concentrated in New York, we also provide commuter rail service in Connecticut and northern New Jersey through MTA Metro-North Railroad. This 12-county service area includes all of New York City and the seven surrounding counties of Nassau, Suffolk, Westchester, Rockland, Orange, Putnam and Dutchess, and our services extend into Connecticut and northern New Jersey. **MTA’s service area is home to more than 15 million people.**

MTA’s public transportation services underpin the largest economy in America, with the nation’s largest bus fleet and more subway and commuter rail cars than all other U.S. transit systems combined. Our workforce of more than 70,000 employees ensure that we meet the demand of approximately 2.6 billion trips each year, accounting for about one-third of the nation’s mass transit users and two-thirds of its commuter rail passengers.

Our approved capital program for the 2020-2024 period is \$51.5 billion – which heavily relies on access to the capital markets. The investments included in this program are essential to ensuring that the MTA is prepared to meet the transit needs of the region today, and still serve it effectively tomorrow. We are committed to the work that needs to be done to modernize this system and protect the funding commitments that are now at risk because of the COVID-19 pandemic.

As an issuer of municipal securities, the MTA is among the largest in the nation, surpassing many states and most large cities in making the investments to maintain, expand and improve the vast public infrastructure upon which this vital regional economy depends. As an eligible issuer, having access to the Special Purpose Vehicle created under Section 13(3) of the Federal Reserve Act will provide MTA critical access and flexibility to managing its short-term financial needs during the COVID-19 pandemic.

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Construction & Development
MTA Bus Company

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The MTA has been highly focused on its operations and closely managing spend to run an effective organization over the past decade – reducing annually recurring expenses by over \$2 billion to date. These reductions underscore MTA's commitment to providing critical public transportation services as efficiently as possible. Any federal assistance available to the MTA will be treated with the care and scrutiny that taxpayers deserve and expect.

MTA's current portfolio of outstanding debt across our multi-credit structure totals \$45 billion. In addition, the MTA has a large active note program with over \$6 billion outstanding. Our principal credit which we would propose to utilize in the MLF, the Transportation Revenue Bond ("TRB"), with over \$30 billion outstanding, is rated A2/A-/A+/AA+ by Moody's, S&P, Fitch, and Kroll respectively, and has seen 3 downgrades since the declaration of the pandemic, and all these agencies have the credit on negative outlook or outlook for downgrade. Nonetheless, the TRB credit has strong legal protections including a gross first lien on revenue, state prohibition against bankruptcy, and benefits from a state covenant not to impair bondholders. This credit structure has been the cornerstone of MTA's unprecedented investment of over \$100 billion since our first capital program beginning in 1982. The MTA's strong financial structure is strengthened by an ability to raise revenue via fares or tolls without needing further third-party approvals, providing bondholders the assurance that we can meet our covenant to set fares and tolls, together with other available monies, sufficient to meet debt service and continue to operate the system. This structure is well accepted in the market and supported by almost 40 years of strong managerial performance.

MTA's recent TRB issuance of \$1.975 billion of long-term bonds during the week of May 4 attracted strong interest from investors but it was long dated, with wide spreads. In addition, the COVID-19 pandemic has challenged our ability to issue new or roll existing short-term obligations. We are a frequent issuer of bond anticipation notes, and the MLF is an ideal vehicle to place our short-term obligations during this crisis. It is for this reason that MTA is seeking access to the MLF. Investors have shown confidence in MTA's long-term prospects but remain concerned about near-term risks. Based on our current surveillance, we believe public issuance of MTA TRB notes would result in a premium incurred well in excess of the MLF pricing grid issued on May 11. The MLF will provide that critical bridge to helping us through the COVID-19 pandemic while we continue to meet our mission now, and for the future.

We would be happy to meet with your staff on a conference call to further discuss our request. Thank you for your consideration of this urgent request, and for your leadership and dedication to supporting the national economy during this critical time.

Very truly yours,



Patrick J. Foye
Chairman and Chief Executive Officer
Metropolitan Transportation Authority

cc: Senator Charles E. Schumer
Senator Kirsten Gillibrand
Senator David Perdue, Chairman of the Subcommittee on Housing, Transportation, & Community Development, Senate Committee on Banking, Housing, and Urban Affairs
Senator Robert Menendez, Ranking Member of the Subcommittee on Housing, Transportation, & Community Development, Senate Committee on Banking, Housing, and Urban Affairs Committee