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New York's MTA Wants to Borrow Up to \$2.9 Billion From Federal Reserve.

Operator of New York City's subway system had hoped for a federal coronavirus bailout, but the relief package has stalled in Congress

New York's Metropolitan Transportation Authority plans to apply to the Federal Reserve to borrow as much as \$2.9 billion from a short-term lending program, as it faces an unprecedented financial crisis.

Lawrence Schwartz, chairman of the MTA's finance committee, told board members at a meeting Wednesday that in the absence of a new federal coronavirus bailout, which has stalled in Congress, the MTA should seek the maximum amount possible from the Fed program.

MTA officials estimate that they are losing \$200 million a week because of a slump in fares, tolls and dedicated taxes caused by the coronavirus pandemic. They have said they might have to slash subway and bus service in New York City by as much as 40% and lay off thousands of workers if they don't receive federal aid soon.

The state-controlled authority, which received almost \$4 billion in a federal coronavirus bailout earlier this year, projects a deficit of about \$12 billion through the end of 2021.

The MTA and the state of Illinois are the only two borrowers to have tapped the Fed's municipal-lending program so far. In August, the MTA sold \$450 million in bonds to the Fed at a yield of 1.9%, rejecting offers from the private market at yields of about 2.8%.

Based on the Fed program criteria, the MTA could be eligible to borrow a total of almost \$3.4 billion, transit officials said.

Mr. Schwartz told board members that he believes the MTA could borrow \$2.9 billion at a rate of about 1.8%. "That is the cheapest money the MTA will ever be able to get as a loan," he said.

He asked the MTA's chief financial officer, Robert Foran, to begin drawing up an application. If the MTA's application is approved, the authority would have until the end of the year to decide how much, if any, of the money to draw down.

Authority officials say they have enough liquidity to carry the agency through the first quarter of 2021. But the Fed program is scheduled to close on Dec. 31 this year. Mr. Foran said the funds could act as a bridge loan and be repaid as early as next year if federal bailout money comes through by then.

Patrick McCoy, the MTA's director of finance, said at a congressional hearing last week that the Fed should extend the borrowing deadline beyond the end of 2020 and increase the maximum maturity for facility debt beyond three years.

Budget watchdogs and even some MTA board members have raised concerns that the authority, which already owes more than \$45 billion, shouldn't take on more debt.

Rachael Fauss, a senior research analyst at fiscal watchdog group Reinvent Albany, said in an interview that a low-cost federal loan could make sense under certain conditions. But she added that as one of the nation's largest issuers of municipal debt, the MTA should work with the Fed and with Congress to lower interest rates further.

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By Paul Berger

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