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New York MTA May Turn to Riders to Raise Cash in the Bond Market.

- **Smaller-sized debt used in 1970s to help the city raise cash**
- **MTA's borrowing penalty has quadrupled in the market**

The fiscally ravaged Metropolitan Transportation Authority is considering a tool that hearkens back to New York City's financial crisis in the 1970s: sell bonds in low denominations so riders and residents can invest in subways and buses.

The MTA, the biggest mass-transit system in the U.S., is having to explore different ways of raising cash as the coronavirus pandemic has decimated ridership and sunk revenue collections. Already, the agency has won approval to sell debt to cover operating costs, or so called deficit bonds; it's tapped bank loans and is asking for an additional $3.9 billion of federal funds.

Now the agency is looking at offering individuals tax-exempt MTA bonds in $1,000 denominations, said Pat Foye, the agency's chief executive officer. The Municipal Assistance Corp., created in the 1970s to help steady the fiscally distressed city, sold a similar type of bond at the time as a way raise cash.

"It's one that we're looking at," Foye said during a web cast with Association for a Better New York. "The MAC experience is well known and that is also on the table and could be part of a portfolio of ideas put together."

The MTA is facing a potential $8.5 billion deficit this year. Subway ridership is down about 92%, as cleaning and sanitation costs increase, Foye said. The agency this week began closing the subway system down between 1 a.m. to 5 a.m. to disinfect trains, an unprecedented move that suspends its 24-hour service.

Selling tax-exempt debt in smaller sizes would drive more individual investors to participate in the agency's borrowing. The MTA on Tuesday sold $1.1 billion of bonds in denominations of $5,000. Smaller allotments can attract a larger pool of investors who may not have as much as $5,000 to invest.

Still, it's costing the MTA more to borrow. Tuesday's sale included debt maturing in 2045 that priced at a yield of 4.95%, 290 basis points more than top-rated municipals, according to data compiled by Bloomberg. That's more than four times the 69-basis-points spread on 25-year debt the MTA sold on Jan. 9.

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