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## New York MTA Asks Federal Reserve to Tap New Lending Program.

- **Agency wants to use the Fed's Municipal Liquidity Facility**
- **MTA request comes as agency upsizes long-term borrowing deals**

New York's Metropolitan Transportation Authority, the largest U.S. transit system, is asking the Federal Reserve to allow it to borrow through the central bank's new \$500 billion lending program.

The Fed currently allows states, some municipalities and multi-state entities to access the program, called the Municipal Liquidity Facility. While the MTA could have the state borrow on its behalf, it's seeking to do so directly.

While the agency has twice sold long-term debt this month, the coronavirus pandemic has challenged the MTA's ability to borrow over the short term, Pat Foye, the agency's chief executive officer, said in a letter Thursday to Fed Chairman Jerome Powell.

"Investors have shown confidence in MTA's long-term prospects but remain concerned about near-term risks," Foye wrote in the letter. "Based on our current surveillance, we believe public issuance of MTA transportation revenue notes would result in a premium incurred well in excess of the MLF pricing grid issued on May 11."

The Fed created the lending program after concerns over the coronavirus shook the \$3.9 trillion municipal-bond market in March. Prices temporarily fell by the most since at least 1980 and investors pulled record amounts out of mutual funds. The market has since recovered, buoyed by the mere prospect of the central bank's unprecedented intervention.

"There's been a disruption in the short-term market," Bob Foran, the MTA's chief financial officer, said during the agency's monthly board meeting on Wednesday. "Effectively right now, the short-term market costs as much to borrow as the long-term market."

The MTA has been able to raise money through the muni market by selling long-term debt, although the difference between the yield it paid on its \$1.1 billion revenue bond sale and the tax-exempt market's benchmark was more than four times greater than when the MTA borrowed in January, before the pandemic hit.

Investors have been willing to lend the MTA money over the long term. It boosted its bond sale Thursday by \$125 million to \$525 million to raise money for bridge and tunnel infrastructure. That comes after the agency nearly doubled the \$1.1 billion issuance on May 5.

The MTA estimates its deficit for 2020 may grow to as much as \$8.5 billion. It's seeking an additional \$3.9 billion of federal funds to help cover lost revenue. Ridership has sunk as people work from home and avoid using the system.

The system services a region of more than 15 million people through its network of subways, buses

and commuter rail lines that reach Long Island, the northern suburbs of New York City and Connecticut.

The agency is looking for help from Washington as its transportation services will help restore economic growth in the area.

“The New York metropolitan region represents over 8% of the nation’s total gross domestic product, and the MTA’s operations are critical to the economic health of the New York region and the country,” Foye said in the letter.

## **Bloomberg Markets**

By Michelle Kaske

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