

Bond Case Briefs

Municipal Finance Law Since 1971

New York MTA Looks to Spending Cuts While Congress Debates Aid.

- **Transit agency to mull \$350 million of spending cuts in 2021**
- **Congress has a few weeks to hammer out additional aid**

New York's Metropolitan Transportation Authority is seeking another \$350 million of spending cuts in its 2021 budget as the transit agency grapples with billions in lost revenue and Congress negotiates another coronavirus relief bill.

The MTA, the largest U.S. public transportation system, plans to discuss the spending reductions with its board on Wednesday, MTA Chairman Pat Foye said Tuesday in an interview with video site Cheddar. The MTA is reworking its budget as it seeks about \$10.4 billion of federal aid for the rest of 2020 and next year. Without additional federal help, the MTA may consider service cuts, employee layoffs and deficit borrowing.

"Those are things unattractive, unpalatable and unacceptable to New Yorkers," Foye said during Tuesday's interview. "But obviously we've got to balance our books."

States, cities and mass-transit agencies throughout the U.S. are looking to the federal government for additional help. Public transportation systems are seeking \$36 billion to cover lost revenue as riders have avoided subways, buses and commuter rail lines.

Even as ridership declines and increased disinfecting and cleaning costs have rocked MTA's finances, some municipal-bond investors see the transit agency's \$45.4 billion of outstanding debt as a buying opportunity. Yields on MTA bonds increased this year and the debt offers relative value, according to Citigroup Inc.

Citi's long-term view on the credit follows S&P Global Ratings' downgrade of the MTA to BBB+ from A- on July 8, and Moody's Investors Service in April cut its rating to A2 with a negative outlook, meaning it could be dropped further.

The potential \$350 million reduction along with earlier budget cuts and savings from MTA's plan to reduce headcount could help the agency slash its 2021 budget by \$1.1 billion, Foye said. The \$350 million spending cut would come from reducing overtime and cutting or ending consulting contracts.

The MTA may not receive the full \$3.9 billion it's requesting from the federal government to help the agency through 2020, S&P analysts said in the July 8 report.

Still, states and cities may get around \$500 billion of federal funds, which may be tied to covering coronavirus-related costs, Bloomberg Intelligence analysts Nathan Dean and Eric Kazatsky wrote in a report Tuesday.

Federal lawmakers have only a few weeks to pass another stimulus bill before Congress takes a scheduled August break.

Bloomberg Politics

By Michelle Kaske

July 21, 2020, 11:39 AM PDT

Copyright © 2020 Bond Case Briefs | bondcasebriefs.com