

U.S. Municipal Bond Market

Quiet Phase Two for NYC, More Relief “Absolutely Critical” for NYMTA

Summary

- New York City began its phase two reopening, but companies have been largely slow to move workers back to offices and the workers themselves have not been quick to return, either.
- There are significant short-term questions about the financial status of the New York Metropolitan Transportation Authority (MTA).
- In a Monday interview on Bloomberg, MTA Chairman and CEO Pat Foye said, “We are in a dire financial situation.” Foye noted the proposed money in the HEROES Act is “absolutely critical.”

Phase Two of New York City’s Reopening Began This Week

The second phase of New York City’s reopening began this week. For weeks, New York City was considered the U.S. epicenter of the battle against COVID-19. Demonstrations and protests that occurred much of the first half of June have diminished. The city has not been under curfew since the beginning of the month. Now that the city, state, and region have successfully flattened the COVID-19 curve, New York Governor Chris Cuomo’s daily briefings have stopped and New York City is able to concentrate on its reopening process.

Although workers can return to offices as part of the second part of the reopening, reports show only a limited number of companies and workers have and or are expected to return to their offices.¹ Even so, as more workers begin to reappear, social distancing measures are expected to change the old habits of those utilizing the subways, bridges, and tunnels to get to and from work. Commuting conditions are expected to be an obstacle amidst New York City’s return to normalcy.²

Among these uncertainties are other important questions to be answered about what the short- and medium-term will look like for New York City. One key question is how long this New COVID-19 Normal will last, including how social distancing will change daily life; Secondly, how much, if any, additional federal relief will be available?

New York City Ratings and Credit Outlooks

New York City (Aa1/AA/AA)³ financial leaders have been working tirelessly to create a balanced financial plan for the New COVID-19 Normal. However, sales and income taxes have fallen, and it is uncertain how long they will remain below normal. Additionally, questions remain about the city and regional real estate markets, which are key contributors to municipal revenue. Moody’s lowered the city’s general obligation (GO) bond outlook to “Negative” back on April 1 because of the coronavirus impact on the budget. S&P and Fitch still have the city GO at “Stable.”

New Relief is “Critical” for New York MTA

New York City is entering phase two of its reopening, as we noted above. Questions remain about how long it will take for New York Metropolitan Transportation Authority (MTA) ridership to return. It is also important to consider the future toll social distancing is likely to have on ridership numbers. While it is good news the MTA is disinfecting stations and train cars, this also comes at an increased cost. Another change is that facial coverings are not optional, as state law now requires riders wear a

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mask on public transit. MTA has been distributing millions of masks to riders.

There are significant short-term questions about the financial status of the New York MTA. In a Monday interview on Bloomberg, MTA Chairman and CEO Pat Foye said, "We are in a dire financial situation."⁴

Chair Foye explained that the \$3.8 billion MTA received from the CARES Act "will carry us through July." He also noted that the proposed money in the HEROES Act⁵ would provide an additional \$3.9 billion for the MTA, citing "This will take us through 2020." And then he highlighted that it was "Absolutely critical that the MTA receive that money."⁶ Therefore, the timing of another round of MTA federal aid is critical.

Transit Providers Need More Federal Relief

Federal lawmakers provided \$25 billion of relief for transit providers in the CARES Act.⁷ However, roughly three months later, ridership has not fully returned and more assistance is still needed. Additional aid for MTA and for other providers across the country is being sought after. The American Public Transportation Association (APTA) asked Washington, D.C. lawmakers for another \$24 billion in emergency relief. "The stress on agencies is very real," APTA CEO Paul Skoutelas said. "There is a need for additional funding across the board from New York to California for systems large and small."⁸

New York MTA Ratings and Credit Outlooks

MTA has experienced a significant reduction in fares, tolls, and ultimately, revenues. The organization expects that trend will continue into fiscal 2021. The rating agencies currently have MTA's Transportation Revenue pledge rated with the following outlooks:

- Moody's: A2, "Negative" outlook
- S&P: A-, "Creditwatch Negative" outlook
- Fitch: A+, "Negative" outlook
- Kroll: AA+, "Watch Downgrade" outlook

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¹ See both: Gold, Michael and Troy Closson; [New Yorkers can now go back to offices but many won't](#); *New York Times*; June 22, 2020 and Putzier, Konrad; [New Yorkers now can return to the office. Most are staying away](#); *Wall Street Journal*; June 22, 2020.

² Putzier, Konrad; [Social distancing on trains could mean longer commutes to Manhattan](#); *Wall Street Journal*; June 21, 2020.

³ Please see [ratings summary via the New York City Comptroller's website](#), accessed June 23, 2020.

⁴ Goldman, Henry; [MTA chief says agency set to run out of cash by August](#); *Bloomberg*; June 22, 2020.

⁵ Kozlik, Tom; [The HEROES Act: The House Democrats' opening proposition](#); May 12, 2020.

⁶ Goldman, Henry; [MTA chief says agency set to run out of cash by August](#); *Bloomberg*; June 22, 2020.

⁷ Kozlik, Tom; [Agreement on the \\$2+ Trillion CARES Act, not nearly enough for state and local governments](#); *HilltopSecurities*; March 25, 2020.

⁸ Beene, Ryan; [Fearful commuters on trains, buses, hold one key to U.S. recovery](#); *Bloomberg*; June 23, 2020.

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