

MTA ANNUAL DISCLOSURE STATEMENT SUPPLEMENT
June 25, 2020

This Metropolitan Transportation Authority (“MTA”) Annual Disclosure Statement Supplement (the “Supplement”) is dated June 25, 2020, supplements the information contained in the Annual Disclosure Statement (the “ADS”) of MTA, dated April 29, 2020, as supplemented on May 1, 2020, May 19, 2020, May 27, 2020 and June 3, 2020. *This Supplement provides information relating primarily to MTA management’s emergency updated financial assessment of impacts of the COVID-19 pandemic for 2020 and 2021, and MTA’s available liquidity resources.* MTA expects to file this Supplement with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access (“EMMA”) system and may incorporate such information herein by specific cross-reference. No statement on MTA’s website or any other website is included by specific cross-reference herein. All of the information in this Supplement is accurate as of its respective date. MTA retains the right to update and supplement specific information contained herein as events warrant.

The factors affecting MTA’s financial condition are complex. This Supplement contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared and contains statements relating to future results and economic performance that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “project,” “forecast,” “anticipate” or other similar words. The forward-looking statements contained herein are based on MTA’s expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete, imprecise or not reflective of future actual results. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the preceding paragraph, MTA does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events occur that change the conditions or circumstances on which such statements are based. These forward-looking statements speak only as of the date of this Supplement.

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Emergency Updated Assessment of Impacts From the COVID-19 Pandemic on MTA and MTA Bridges and Tunnels Finances and Operations

The information set forth under the heading “Update Regarding Impacts from the Global Coronavirus Pandemic and Certain MTA, Federal and State Responses” in the ADS is further supplemented as set forth below. MTA intends to provide periodic updates on EMMA and MTA’s website of the continued impacts of the COVID-19 pandemic on MTA, particularly on its operations and finances, including available liquidity resources.

MTA Emergency Financial Update

At the June 24, 2020, joint Board and committee meeting, MTA management presented an emergency financial update to the Board. To bring into sharp relief the urgent need for incremental federal aid in both 2020 and 2021, together with MTA management’s responsibilities in developing the MTA’s upcoming July financial plan, the presentation detailed staggering losses for the nation’s largest transportation agency, with COVID-19 pandemic-related losses totaling a projected 45.3% of MTA’s 2020 adopted budget and projected 2-year deficits totaling \$10.3 billion through 2021. MTA is expected to exhaust all CARES Act (defined below) funding received in the first congressional relief package by July 2020, with 73% of that federal grant having been drawn down to cover agency operating expenses, excluding costs directly attributable for responding to the COVID-19 pandemic, in the months since the late January onset of the COVID-19 pandemic. Direct costs incurred in response to the pandemic are being submitted to the Federal Emergency Management Agency for reimbursement under its Public Assistance Program for the COVID-19 Pandemic. The anticipated deficits, combined with the expected exhaustion of CARES Act funds, underscore the need for an immediate infusion of additional funds from the federal government to stabilize the backbone of the region’s economy, which historically contributes nearly 10% of the national gross domestic product.

MTA management advised the Board and the public at-large that, “[i]f the Senate fails to follow the lead of the House of Representatives and neglects to deliver billions more in federal support, MTA will be unable to operate at the level needed to keep New York’s economy functioning where it needs to be to support the nation’s economy. The bottom line is that the financial health of the MTA is absolutely vital to the nation’s economic recovery more broadly.”

In addition to seeing massive losses in its operating budget due to steep ridership declines, MTA also expects to spend approximately \$500 million on direct COVID-19 pandemic-related expenses in 2020. That figure accounts primarily for MTA’s round-the-clock sanitizing of public and employee areas, with a small portion of those funds having gone toward the purchase of protective gear for employees and temperature checking of employees at numerous onsite work locations around the system.

Absent the billions in federal funding necessary for ensuring that the system can function at pre-COVID-19 pandemic levels, management is considering any and all options to address such shortfall. That includes, but is not limited to, wage freezes, delaying starting new capital projects

or reducing the scope of the historic 2020-2024 Capital Program, non-personnel expense reductions, reductions in workforce, fare and toll increases, service reductions and long-term deficit financing. Deficit financing would require additional resources to cover the debt service associated with such borrowing. At this time, the awarding of contracts relating to projects in the Capital Program remains on hold, although certain previous commitments for existing work that is part of the 2015-19 projects are being accelerated to take advantage of the current overnight closure and low ridership.

Status of Federal Aid. Federal emergency legislation, the “Coronavirus Aid, Relief and Economic Security Act” or “CARES Act”, received final passage by Congress and was signed into law by the President on March 27, 2020. The CARES Act through FTA’s formula funding provisions is providing approximately \$4 billion to MTA. Such funding is being provided at a 100% federal share, with no local match required, and is available to support operating and other expenses generally eligible under those programs and incurred beginning on January 20, 2020, to prevent, prepare for, and respond to the COVID-19 pandemic, including operating service for essential workers, such as medical personnel and first responders. MTA’s initial grant under the CARES Act for \$3.9 billion has been approved, and as of June 25, 2020, a total of \$2.916 billion has been released to MTA for operating assistance that occurred from January 20, 2020 through May 31, 2020. Instead on June 25, 2020, FTA approved an amendment to the initial CARES Act grant adding approximately \$98 million in additional formula grant allocations to MTA for a CARES Act grant total of \$4.009 billion.

On April 16, 2020, MTA Chairman and Chief Executive Officer Patrick J. Foye wrote to the New York State Congressional delegation, urging Congressional action to provide an additional \$3.9 billion in federal grant assistance “to stem the immediate hemorrhaging in the MTA’s 2020 operating budget”. Such aid would be supplemental to the approximately \$4 billion contained and approved in the CARES Act, and was requested to be included in any upcoming new Congressional COVID-19 aid package. Such additional federal assistance, if approved, would be exclusive of any capital infrastructure stimulus funding to be considered by Congress and the Administration. The Health and Economic Recovery Omnibus Emergency Solutions Act (“HEROES Act”) passed the U.S. House of Representatives on May 15, 2020. Among its provisions intended to address the COVID-19 pandemic, the HEROES Act would provide the additional \$3.9 billion in federal funding requested by MTA to cover the remaining estimated operating losses in 2020 only (as documented in the McKinsey Report referred to in the ADS). As of the date of this Supplement, the U.S. Senate has not acted on the HEROES Act, nor has the Administration indicated the President’s stance on the bill.

MTA officials have continued to make the case that the federal funding formula for mass transit agencies is flawed and outdated. MTA would receive approximately 15% of funds from a recently authored bill (“Investing in a New Vision for the Environment and Surface Transportation in America Act” or the “INVEST in America Act”, part of H.R. 2 in the House of Representatives) aimed at assisting mass transit agencies, despite carrying 40% of the nation’s mass transit riders. While the INVEST in America Act, if enacted, would authorize robust national funding levels, MTA’s share of such funding would be inadequate. The INVEST in America Act would provide MTA only with an estimated \$900 million for fiscal year 2021. MTA is currently drawing

down \$700-\$800 million per month on its CARES Act funding, so the bill would not come close to addressing anticipated needs.

Projected COVID-19 Pandemic Budgetary Impacts. At the MTA June 24, 2020 Board meeting, MTA management identified and projected a \$6.6 billion budget gap for MTA’s 2021 fiscal year (based upon the midpoint scenario of the McKinsey Report). However, there are no provisions in the HEROES Act, or any other currently approved federal assistance, to assist with such projected losses anticipated in 2021. See the tabular representation of MTA’s projected COVID-19 pandemic impacts for 2020 and 2021 below:

	(\$ billions)		
	<u>2020</u>	<u>2021</u>	<u>2-Year Total</u>
2020 Adopted Budget			
Total Operating Expenses + Debt Service	\$17.12	\$17.41	\$34.53
McKinsey COVID-19 Analysis			
Fare and Toll Revenue	\$(5.30)	\$(3.90)	\$(9.20)
Subsidies	(1.70)	(1.90)	(3.60)
Additional Expenses	(0.75)	(0.75)	(1.50)
Total COVID-19 Loss	\$(7.75)	\$(6.55)	\$(14.30)
Percent of Total Budget	-45.3%	-37.6%	-41.4%
Federal CARES Act			
Remaining Budget GAP	\$(3.75)	\$(6.55)	\$(10.30)
Percent of Total Budget	-21.9%	-37.6%	-29.8%

Ridership and Traffic Update. As of June 22, 2020, ridership on MTA facilities continues to be dramatically below 2019 year-to-year levels. Compared to 2019 results, ridership is down 82% on the subways, 52% for combined New York City Transit and MTA Bus ridership, 87% on MTA Metro-North Railroad, and 84% on the Long Island Rail Road. For the period from June 1st through June 24th, crossings at MTA Bridges and Tunnels facilities are down by an estimated 32% compared to 2019. This data represents an improvement in preliminary results for the period from May 1st through May 31st, which showed a decrease in traffic of approximately 49% compared to 2019.

MTA Liquidity Resources. MTA currently has liquidity resources in the approximate amount of \$5.617 billion, consisting of a current running cash balance of \$2.268 billion (including CARES Act grant receipts of \$2.916 billion), internal available flexible funds of \$1.161 billion, OPEB resources of \$336 million and commercial bank lines of credit plus interest earnings totaling \$1.852 billion (total commercial bank lines of credit are now \$2.150 billion, of which \$1.003 billion have been drawn by MTA, with \$703 million of that remaining unspent, together with \$1.148 billion undrawn as of the date hereof). *Certain of these funds provide a temporary funding “bridge” to a permanent solution to the lost revenue and higher expenses. Such funds must be repaid or replaced. Use of these monies will leave MTA with a significant gap in funding for both*

the operating budget and capital plan over the longer term and will likely result in additional debt issuance and unfunded operating needs.

The status of MTA and its Related Entities operations and finances remain dire, and it continues to be extremely difficult to predict the course of these impacts due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by other governmental authorities, particularly the federal government, and health care providers to contain or mitigate its impact.