

**Minutes of the
Metropolitan Transportation Authority
Finance Committee Meeting
2 Broadway, 20th Floor Board Room
New York, NY 10004
Monday July 29, 2024
10:00 a.m.**

The following Finance Committee Members were present:

Hon. Neal Zuckerman, Chair
Hon. Andrew Albert
Hon. Norman E. Brown
Hon. Samuel Chu
Hon. Marc Herbst
Hon. David R. Jones
Hon. Meera Joshi
Hon. Haeda B. Mihaltses
Hon. Lisa Sorin

The following Finance Committee Members were absent:

Hon. Jamey Barbas
Hon. John Samuelsen
Hon. Vincent Tessitore, Jr.

The following Board Members were also present:

Hon. Blanca Lopez
Hon. Midori Valdivia

The following staff members attended:

Kevin Willens, Chief Financial Officer
Lisette Camilo, Chief Administrative Officer
Olga Chernat, Deputy Chief, Financial Services
David Florio, Chief Real Estate Transactions and Operations Officer
Paige Graves, General Counsel
David Keller, Acting Co-Deputy Chief, Management & Budget, Consolidated Analysis
Jaibala Patel, Deputy Chief Financial Officer

To hear the content of public comments, details of Committee presentations, and Committee Members' comments and questions as well as any part of the Finance Committee meeting, please refer to the video recording of the meeting produced by the MTA, available and maintained on the MTA website:

<https://new.mta.info/transparency/board-and-committee-meetings/july-2024>

1. CALL TO ORDER

Hon. Samuel Chu called to order the meeting of the Finance Committee.

2. PUBLIC COMMENTS

There were five public speakers (*attended remotely):

Lisa Daglian, PCAC
Matty Buchys Hyland*

Jason Anthony, LIRR ADA task force
Charlton D'Souza*, Passengers United
Christopher Greif, New York Advocate for Disability

3. MINUTES

The minutes of the meeting held on June 24, 2024, were approved.

4. FINANCIAL PERFORMANCE REPORT

Highlights of the Financial Performance Report were presented.

Finance Summary

David Keller, Acting Co-Deputy Chief, Management & Budget, Consolidated Analysis reported YTD results through June 2024, compared to the Adopted Budget. Mr. Keller stated that the July Financial Plan, which includes the Mid-Year Forecast, will be presented by Kevin Willens, Chief Financial Officer, at the Board meeting on Wednesday July 31, 2024. In addition, at the September 2024 Finance Committee meeting, performance results will be measured against the Mid-Year Forecast. YTD June 2024 preliminary results were unfavorable by \$58 million. Subsidy shortfalls and lower subway and bus farebox revenue were partially offset by favorable toll revenue, commuter rail farebox revenue, other revenues, investment income and operating expenses.

Operating Revenues on a YTD basis were \$27 million, or 1%, favorable. Passenger revenues were \$73 million unfavorable, which was offset by favorable toll revenue of \$48 million and favorable other operating revenue of \$52 million.

Farebox revenue results reflect unfavorable results at New York City Transit – Subway farebox revenue was \$28 million (or 2%) unfavorable and Bus farebox revenue was \$69 million (or 19%) unfavorable. Conversely, LIRR farebox revenue was \$3 million (1%) favorable and MNR farebox revenue was \$28 million (or 10%) favorable. Paid ridership year-to-date has been significantly unfavorable at Transit, with Subway ridership 17 million (or 2.9%) below budget and Bus ridership 43 million (or 21.5%) below budget. LIRR ridership is almost 2 million (4.9%) favorable to budget and MNR is just over 3 million (or 11%) favorable to budget.

Mr. Keller reminded the Committee that the Adopted Budget includes a provision of \$100 million for 2024 to offset unfavorable passenger revenue results.

The favorable results for other operating revenue reflect favorable City reimbursement for paratransit operations to cover higher Paratransit operating expenses, advertising revenue, and station retail revenue, as well as an insurance reimbursement related to Tropical Storm Ida that was received by NYCT in May.

Operating Subsidies YTD through June were \$198 million, or 5%, unfavorable. Excluding Investment Income, subsidies directed to the operating budget were unfavorable by \$218 million, or 6%. This was primarily driven by unfavorable results for real estate related taxes – the Urban Tax and the Mortgage Recording Tax – which were a combined \$161 million unfavorable year-to-date. Year-to-date results from other tax-related sources – MMTOA, Petroleum Business Tax, Payroll Mobility Tax, MTA Aid, For-Hire Vehicle Surcharge, and several smaller sources – were collectively on budget. Besides the real estate related taxes, the remainder of the Operating Subsidies shortfall through June was timing related. Capital Subsidies YTD through June were \$12 million unfavorable reflecting unfavorable receipts from the Mansion Tax.

Operating Expenses YTD through June were favorable by \$90 million (or 1%) favorable. Other than Transit and Metro-North, Agencies were favorable, but primarily due to timing of expenses.

At Transit, the unfavorable expense variance primarily reflects higher overtime for availability requirements, higher maintenance requirements, and higher Paratransit expenses due to increased expenses related to higher ridership; these were partially offset by favorable payroll, and lower electric power and fuel costs. Metro-North's unfavorable result reflects increased payroll expense mainly due to lower reimbursable activities and hiring for critical operations and higher subsidy payments for West of Hudson service.

Overtime YTD through June across the MTA was \$154 million (or 38%) unfavorable while payroll was \$98 million (or 3%) favorable.

Debt Service Expense was \$23 million (or 2%) favorable YTD through June.

Mr. Willens further commented that two items, fare evasion and real estate related tax receipts, affected YTD Financial Performance and the July Financial Plan. Both items would be further discussed at the Wednesday July 31, 2024, Board Meeting.

Finance staff addressed Hon. Midori Valdivia's question concerning the Outer Borough Transportation Account.

Capital Financing

Olga Chernat, Deputy Chief, Financial Services, reported results of two bond sales and provided preliminary information for a bond sale scheduled for August. On July 10, MTA issued \$770.1 million of Triborough Bridge and Tunnel Authority Payroll Mobility Tax Senior Lien Green Bonds, Series 2024C. This transaction achieved our goals of reducing the amount of Build America Bonds in the portfolio by \$779 million and increased the overall higher-rated credit debt capacity in the portfolio by \$700 million, all while achieving positive net present value savings. On July 23, MTA issued \$388.5 million of Dedicated Tax Fund Bonds, Series 2024A to repay outstanding bond anticipation notes. Ms. Chernat further stated that the MTA hasn't been with the DTF credit in the market for some time, and due to its scarcity value and AA ratings, the bonds were very well received by investors.

In August 2024, MTA expects to issue \$800 million Triborough Bridge and Tunnel Authority General Revenue Bonds, Series 2024A. This bond sale will refinance some of the outstanding bonds for savings and provide funding for TBTA capital projects. This transaction will be led by book-running senior manager Ramirez & Co., Inc. together with special co-senior managers: Rice Financial Products Company (MBE); Drexel Hamilton LLC (SDVOB); and Stern Brothers & Co.(WBE).

5. CAPITAL PLAN DISCUSSION – INVESTMENTS AND DEBT LEVELS

Mr. Willens discussed the Comparative Capital Expenditure Analysis report prepared by J.P. Morgan for the MTA and the effects of growing capital needs on MTA's debt levels.

6. MTA HEADQUARTERS AND ALL-AGENCY ITEMS

Action Items

Ms. Chernat presented two action items. The first action item was related to the MTA's refunding policy. MTA's current refunding policy was adopted by the MTA Board more than 5 years ago in December 2018. Staff was seeking Finance Committee approval to update the current Refunding Policy. The proposed updates to the Refunding Policy achieve the following: 1. Streamline requirements for current fixed rate refundings, which are fixed rate refunding transactions that pay off the refunded bonds within 90 days from the closing of the refunding, by allowing execution of

such refundings as long as they achieve positive net present value (NPV) savings. 2. Allow execution of fixed rate refundings of bonds that were issued as short or intermediate maturity bonds without having to test for savings or come back to the Board for a special authorization. From time to time, mostly to take advantage of the yield curve benefit, including yield curve inversion, MTA issues short or intermediate-maturity bonds. MTA currently has \$ 1.4 Bn of such bonds in its portfolio. At the time of their issuance, such shorter bonds, are expected to be refunded to extend their maturity to match long useful lives of the assets financed by the bonds, and the updated policy will authorize such refundings.

The Committee voted to recommend the action item before the Board for approval.

Ms. Chernat presented the second action item. Staff was seeking authorization to submit the resolution authorizing issuance of bonds secured and payable from real estate transfer tax receipts for approval to the Capital Program Review Board. The real estate transfer tax is one of the three new tax revenue streams which were dedicated to funding the 2020-2024 Capital Program and subsequent capital programs. For the 2020-2024 Capital Program, these three revenue streams are intended to fund \$10 billion of capital projects which is separate and apart from the funding from the congestion pricing revenues. This proposed bond resolution will authorize TBTA to borrow approximately \$2 billion of this \$10 billion funding need secured by the real estate transfer tax receipts. This financing plan and funding need is not related to the Central Business District Tolling Program. Ms. Chernat further stated that before submitting to CPRB for approval Staff might make some changes to the resolution to achieve better ratings, and once the resolution is approved by CPRB, Staff will bring the final resolution back to TBTA Board for ratification.

The Committee voted to recommend the action item before the Board for approval.

Lisette Camilo, Chief Administrative Officer reported seven action items for MTA Headquarters for an estimated amount of \$351.4 million. All items recommended for Board approval this month are the result of competitive RFPs. The Board was requested to authorize the MTA Assistant Deputy Chief Procurement Officer to approve the exercise of all options included in these items if it is in the best interest of the MTA at the time.

The first item was the award of a personal services contract to Cigna Health and Life Insurance Company (“Cigna”) to provide dental benefits services for NYC Transit and the Manhattan and Bronx Surface Transit Operating Authority. The benefits will cover the over 24,500 represented active employees, retirees, and their dependents from various unions. The contract term is five years (January 1, 2025–December 31, 2029) and includes two 1-year options. The total contract estimated price of \$57.8 million was based on May 2024 enrollment and includes the option years. The Preferred Provider Organization (“PPO”) portion is valued at \$46.9 million, of which \$1.5M will be paid to CIGNA for administration fees and the balance of \$45.3M for actual claims costs. The Dental Health Maintenance Organization (“DHMO”) portion is valued at \$10.9 million. Of the five firms submitting proposals, the Selection Committee (“SC”) recommended Cigna for award of both the PPO and DHMO plans as they offer the best value to the MTA.

The second and third items were for the award of two estimated quantity personal service contracts to provide tenant management/lease administration services for all tenants, both retail and non-retail, managed throughout the MTA System by MTA Real Estate, excluding Grand Central Terminal. Item 2 is to Greystone Select Inc., d/b/a Greystone Management Solutions (“Greystone”) to provide tenant management, lease administration, design and construction

oversight, and transaction management, including acquisitions of property for the capital program and operating needs. Item 3 is to Venture NY Property Management LLC (“Venture”) to provide subway entrance easement oversight (including third-party elevator and escalator services) and property management services for properties acquired for capital projects until control is assumed by the developer. Approximately 21 firms attended the Pre-Proposal Conference; proposals were received from Greystone and Venture. The contract terms are five years plus two, 2-year options (August 1, 2024–July 31, 2033). The award to Greystone is in the estimated amount of \$83.7 million, which includes \$41 million for the options; Venture’s estimated amount is \$2.4 million, which includes \$814,795 for the options.

Items 4 and 5 were for: the award of a personal services contract for the provision of retail property management services and an extension of the existing contract for the incumbent vendor to facilitate the transition to the new vendor. Item 4 was an award to Spinoso Management Group, LLC (“Spinoso”) to provide retail property management services for Grand Central Terminal and Grand Central Madison for a five-year period (September 1, 2024–August 31, 2029) with two, 2-year options to be exercised at the MTA’s discretion. The estimated cost of this contract, including the option years, is \$115.2 million. This price includes \$32.4 million for Spinoso’s management fees and salaries, and \$82.8 million for subcontracting and pass-through costs such as facility repairs, janitorial services, security, and retail utilities. Of the five proposals received, the Selection Committee determined that Spinoso and another vendor were the most technically qualified to perform this work and requested Procurement to proceed with negotiations. Procurement was able to negotiate a 6 percent reduction in Spinoso’s original proposal and which was lower than the BAFO received from the other technically qualified proposer. Item 5 is an extension of the current contract with Jones Lang LaSalle Incorporated (“JLL”) for 10 weeks (through November 8, 2024) to enable the transition from JLL, the incumbent vendor, to Spinoso. The estimated cost for this transition is \$3.4 million.

Item 6 was the award of an estimated quantity miscellaneous service contract for custodial services at 20 designated MTA facilities located throughout New York City, Westchester, Long Island, and Orange County, to Guardian Services Industries, Inc. (“Guardian”), the incumbent. The contract term is five years (three-year base contract with two 1-year options), commencing August 1, 2024. This contract, managed on the MTA’s behalf by CBRE, is essential for maintaining custodial and janitorial services at specific MTA facilities. Proposals were received from seven firms. Guardian’s price proposal and best and final offer were the lowest of the vendors who were deemed technically qualified to perform the work. The estimated amount of the contract is \$87 million, which includes \$36.6 million for the option years.

The seventh and final action was the award of an All-Agency competitively negotiated miscellaneous services contract to Initium Softworks (“Initium”) to develop and implement a Document Management System for the MTA’s Occupational Health Services Department (“OHS”). Proposals were received from 14 vendors. The contract term is eight years (five year base + three 1-year options). It will provide automation of OHS’s current manual processing of medical records as well as digitize the data capture and electronic storage of paper records. Initium will develop and implement a document management system and complete the digitization of approximately 71,000 medical charts. Post implementation, the MTA anticipates the elimination of overtime and file storage costs by an estimated amount of \$1.3 million. The estimated total amount of this eight-year contract including option years is \$2 million.

After Staff addressed questions from Hon. Haeda B. Mihaltses concerning items 2 and 5, the Committee voted to recommend the action items before the Board for approval. Hon. Mihaltses voted against the action items.

7. REAL ESTATE AGENDA

David Florio, Chief Real Estate Transactions and Operations Officer reported seven transactional action items for consideration and approval.

The first is for the MTA and is a lease agreement with Starbucks Corporation for a retail unit in 2 Broadway.

The next three items are for the MTA New York City Transit and include: a license agreement with CC Vending, Inc. for vending machines at various subway stations; a license agreement with Wells Fargo Bank, N.A. for ATMs at 34 St Herald Square, 14 St - Union Square, Gun Hill Road, and Jackson Heights – Roosevelt Avenue/74th Street Stations; and an amendment of the lease with Greater Jamaica Development Corp. for a relocated Jamaica Bus Terminal.

The next two items are for MTA Metro-North Railroad and include: a lease agreement with Bagel Train Brewster LLC for food and beverage use in the Brewster Station Building; and the acquisition of 3876-3880 Park Avenue from 1049 Ogden Realty Co., LLC in connection with the MNR Claremont Substation project in the Bronx.

The seventh and final item is for MTA Long Island Rail Road and is a license agreement with Consolidated Edison for vacant land adjacent to the LIRR right-of-way in Brooklyn.

There are, in addition, five information items. The first two items are for MTA Metro-North Railroad and include: Grand Central Terminal Annual Report; and a short-term access agreement extension between MNR and 1 HMB MZL Property Owner, LLC for continued storage operations at 1 Half Moon Bay, Croton-on-Hudson.

The third information item was for MTA Bridges & Tunnels and is a permit agreement with Sandhurst Associates LTD for the sidewalk area adjacent to 633 Third Avenue.

The fourth information item was for MTA New York City Transit and is a license agreement with Art on the Ave NYC to create and operate a sound booth for live music performances at 81 Street Station.

The fifth and final information item was the report on retail agreements entered into directly by the Real Estate Department pursuant to Board policy.

After Staff addressed questions from Hon. Mihaltses concerning Greater Jamaica Development Corp. and Hon. Andrew Albert concerning CC Vending, Inc., the Committee voted to recommend the action items before the Board for approval. Hon. Mihaltses voted against the action items.

8. INFORMATION ITEMS

Chair Zuckerman stated that draft financial statements for the first quarter of 2024 and the study by J.P. Morgan on Capital Asset Investment Comparisons are presented in the Committee book.

9. MTA CONSOLIDATED REPORTS

Chair Zuckerman stated that the Monthly consolidated reports can be found in the Committee book.

10. ADJOURNMENT

Upon motion duly made and seconded the Committee voted to adjourn the meeting.

Respectfully submitted,

Patrick Isom,
Senior Manager, Finance and Debt Management