

**Minutes of the
Metropolitan Transportation Authority
Finance Committee Meeting
2 Broadway, 20th Floor Conference Room 4
New York, NY 10004
Monday September 23, 2024
2:15 p.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

The following Finance Committee Members were absent:

Hon. Haeda B. Mihaltses
Hon. Lisa Sorin
Hon. John Samuelsen
Hon. Vincent Tessitore, Jr.

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/september-2024>

1. CALL TO ORDER

Chair Neal Zuckerman called to order the meeting of the Finance Committee.

2. PUBLIC COMMENTS

There were two public speakers (*attended remotely):

Brian Fritsch, PCAC
Jason Anthony, LIRR ADA task force

3. MINUTES

The minutes of the meeting held on July 29, 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 August 2024, against the Mid-Year Forecast. Mr. Keller stated that YTD August 2024 preliminary results were favorable by \$208 million, with favorable results for operating expenses, commuter rail farebox revenue, operating subsidies, debt service expense and investment income more than offsetting shortfalls for subway and bus farebox revenue and B&T toll revenue.

Operating Revenues on a YTD basis were \$84 million (2%), unfavorable. Passenger revenues were \$75 million unfavorable and toll revenue was \$14 million unfavorable.

Subway farebox revenue was \$45 million (2%) unfavorable and Bus farebox revenue was \$57 million (12%) unfavorable, for a combined \$102 million unfavorable year-to-date. As a reminder, the Mid-Year Forecast includes a remaining reserve of \$167 million for 2024 to offset this unfavorable subway and bus revenue results.

Conversely, LIRR and MNR farebox revenue were each \$14 million (4%) favorable.

Operating Subsidies YTD through August were \$48 million (1%) favorable. Excluding Investment Income, subsidies directed to the operating budget were favorable by \$34 million. This was primarily driven by favorable results for the real estate-related taxes – the Urban Tax and the Mortgage Recording Tax – which were a combined \$32 million favorable year-to-date. As a reminder, this favorability is measured against the Mid-Year Forecast which was lowered from the Adopted Budget. Capital Subsidies YTD through August were \$2 million favorable.

Operating Expenses were favorable by \$228 million (2%) YTD through August, mostly due to timing-related favorable results at Transit, LIRR, MTA Bus, HQ and C&D. In addition to timing of expenses, Transit's variance reflects favorable payroll due to vacancies – which is more than offset by unfavorable overtime, unfavorable paratransit expenses reflecting higher trip volume and support costs and mostly offset by higher City reimbursement for paratransit expenses, and favorable electric power expense. The underrun at the LIRR mainly reflects lower average pay rates due to the mix of employee pay grades, higher project reimbursements, and favorable electric power. MNR's unfavorable variance was primarily due to increased payroll in connection with lower reimbursable activities, training and associated expenses related to new employees, overtime, and an increase in claims expenses.

Overtime YTD through August across the MTA was \$175 million (31%) unfavorable while payroll was \$139 million (3%) favorable.

Debt Service Expense was \$16 million (or 1%) favorable YTD through August.

Mr. Keller addressed questions from Chair Zuckerman concerning MRT and Urban Taxes, and subway ridership. Mr. Willens further commented about fare evasion.

Capital Financing

Olga Chernat, Deputy Chief, Financial Services, reported the results of one bond sale and provided preliminary information for a bond sale scheduled for October. On August 21, MTA issued

\$699.260 million Triborough Bridge and Tunnel Authority General Revenue Bonds, Series 2024A. Besides providing new money proceeds to fund existing approved bridge and tunnel capital projects, this transaction also refunded outstanding TBTA bonds including Build America Bonds for positive net present value savings of \$19.204 million or 4.37% of the refunded par. This transaction was led by book-running senior manager Ramirez & Co., Inc.(MBE) together with special co-senior managers: Rice Financial Products Company(MBE); Drexel Hamilton LLC (SDVOB); and Stern Brothers & Co.(WBE). Orrick, Herrington & Sutcliffe LLP and Bryant Rabbino LLP(MBE) served as co-bond counsel, and Public Resources Advisory Group and Backstrom McCarley Berry & Co., LLC(MBE) served as co-financial advisors.

In October, MTA expects to issue \$700.00 million Dedicated Tax Fund Green Bonds, Series 2024B. This bond sale will retire outstanding Triborough Bridge and Tunnel Authority Payroll Mobility Tax Bond Anticipation Notes, Series 2022B, which mature on December 16, 2024. Subject to market conditions, the transaction could also include a bond refunding component.

5. CAPITAL PLAN DISCUSSION & PRESENTATION – CAPITAL PROGRAM FUNDING

Mr. Willens discussed the funding sources of MTA Capital Programs and the proposed amount of MTA and TBTA bonds to be a source of funding for the 2025-2029 Capital Program.

6. MTA HEADQUARTERS AND ALL-AGENCY ITEMS Action Items

Mr. Keller presented one action item. The action item was seeking Board approval to revise the MTA All-Agency Investment Guidelines to provide additional authorization to invest in money market funds that meet the definition of “Government Money Market Fund” under the SEC’s Rule 2a-7 under the Investment Company Act of 1940. Ms. Chernat provided highlights of the changes to the guidelines.

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

Lisette Camilo, Chief Administrative Officer reported three action items for MTA Headquarters for an estimated amount of \$3.04 billion. 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 is an award of a competitively negotiated personal service contract to Sedgwick Claims Management Services (Sedgwick) in the amount of \$86.9 million to provide NY Workers’ Compensation Program Third-Party Administrator and related services to NYC Transit and other MTA participating agencies. This contract is for an initial term of three years with three 1-year options. MTA Agency Workers’ Compensation claims are administered by the Workers’ Compensation Unit within the MTA Law Department; approximately 5,000 claims are filed by MTA employees each year, most of whom are unionized. The MTA has historically self-administered its Workers’ Compensation Unit programs. This has resulted in the unit being hampered by a shortage of staff; inadequate, cumbersome claims administration IT systems; lack of training capacity and expertise, and paper-based processes. Despite the best efforts and commitment of WC Unit staff, all of this has resulted in suboptimal claims handling. The MTA engaged a global consultancy firm to review the MTA’s Workers’ Compensation program and recommend short- and long-term strategic initiatives. The firm found that outsourcing program administration to a third-party administrator would result in annual reduction of \$20 million or

more in Workers' Compensation program costs. The costs of the program have steadily increased and exceeded \$240 million in 2023. The projected savings are in the areas of disability, medical, litigation, safety management, and claims processing. The costs related to the procurement of these services will be offset by a rightsizing of the MTA WC Unit over time. A two-step RFP procurement process was utilized to issue this contract. For prequalification Step 1, responses were received from 10 firms. Eight were asked to submit proposals for Step 2; four firms responded. The initial set of price proposals from all proposers ranged from \$96.6 million to \$195.9 million. The Selection Committee determined that Sedgwick's proposal was the most advantageous to the MTA based on the selection criteria.

The second item includes two actions; the first being the award of a five-year competitively negotiated personal service contract to Caremark PCS Health, LLC ("CVS Health") to provide pharmacy benefit management services. CVS Health will administer prescription drug benefits for eligible plan members from NYC Transit, MTA Bus, and Staten Island Rapid Transit Operating Authority, covering approximately 155,000 employees, retirees, and their dependents. The contract term is five years, which includes two, 1-year options. The total not-to-exceed price for this action is \$2.73 billion and includes the base and option costs. There are two proposed plans for this contract: a commercial plan that primarily serves members ineligible for Medicare; and an Employer Group Waiver Plan ("EGWP"), which serves Medicare-eligible members, taking advantage of financial incentives for employers made available through the Affordable Care Act. A two-step Request for Proposals procurement process was utilized: Step 1, the prequalification step, identified firms that met the MTA's minimum requirements for a contract award; and in Step 2, prequalified firms received the detailed RFP package. Three firms were prequalified and were subsequently asked to submit proposals for Step 2. The benefits coverage requirements of the RFP were informed by collective bargaining. The MTA was assisted in this RFP process by Mercer Health & Benefits LLC ("Mercer"), a benefits advisory consultant. Using its proprietary financial model, Mercer evaluated the initial, revised, and Best and Final Offer ("BAFO") pricing submissions, which were compared to the industry benchmarks. CVS Health's BAFO of \$2.73 billion includes projected claims as well as rebates and EGWP revenue. When comparing the initial CVS Health proposal to its BAFO, a five-year total cost avoidance of \$94.7 million is projected. This cost avoidance was achieved after negotiations due to improvements in pricing terms such as higher discount guarantees, which effectively lower pricing for drugs and provide higher rebates. CVS's proposal offered the best value for the MTA.

The second action for this item is the added funding to the current contract for this service, held by CVS, in the amount of \$14.7 million for the continued provision of pharmacy benefits for NYC Transit, MTA Bus, and SIRTOA employees, retirees, and their dependents through December 31, 2024, the CVS contract expiration date. The 2024 estimates were adjusted upward in order to reflect an increase in enrollment and more utilization of higher-cost drugs.

The third and final item is the award of a competitively negotiated, personal service contract to Cigna Health and Life Insurance ("Cigna") to provide health care benefits, inclusive of medical and prescription coverage for Metro-North Railroad non-represented and represented employees and their dependents residing in Connecticut, covering approximately 2,700 members. The contract term is five years, which includes two 1-year Options. The total cost for this contract, including the Option years, is \$208.9 million. This new contract solicitation will replace MNR's current contract for this service, provided by ConnectiCare, Inc., that expires on December 31, 2024. A two-step RFP process was used to issue a successor contract, starting with a prequalification step to identify firms that met the minimum requirements. The prequalified firms

then received the detailed RFP package; four submitted responses. The RFP allowed for both fully insured and self-insured plan options. Cigna's self-insured BAFO was \$5.2 million less, or 2.5 percent lower when compared to the next-lowest proposal. The SC convened and voted unanimously to recommend Cigna's self-insured option as the recommendation for award, since it offered the best value to the MTA based on the evaluation criteria for this procurement.

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

7. INFORMATION ITEMS

Ms. Camillo reported two information items for the NYC Transit Committee. The first item was a request that the Board approve the use of the competitive Request for Proposals process, pursuant to New York State Public Authorities Law, Section 1209, for the procurement of a Paratransit Camera Security System for NYC Transit.

The second item is a request that the Board approve the modification of a contract with Feigi Taub Halberstam Audiology & Speech Pathology, P.C. d/b/a Omni Rehab for Eligibility Assessment Services, for Paratransit and Reduced Fare to establish an eligibility assessment center at 3 Stone Street in lower Manhattan.

There were no information items for Metro-North, Long Island Railroad, or Bridges and Tunnels procurements this month.

8. REAL ESTATE AGENDA

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

The first two items are for the Metropolitan Transportation Authority and include a license agreement with Municipal Credit Union for the installation and maintenance of ATMs at various bus facilities and MTA Headquarters; and a license agreement with ClearChannel for billboard advertising on MTA agency properties.

The third and fourth are for the MTA Long Island Rail Road and include a grant of permanent and temporary easements to Amtrak for its East River Tunnel Rehab project at the Sunnyside Yard in Queens; and a lease agreement with SNH Medical Office Properties Trust for medical and administrative offices at 200 Old Country Road in Mineola.

The final two items are for MTA Metro-North Railroad and include a conveyance of property interests to Hudson Harbor LLC in support of an 88-unit multifamily transit-oriented development in Tarrytown; and an acquisition of property interests from the Village of Pleasantville in support of the Harlem and Hudson Power Improvements project.

There are, in addition, eight information items. The first four information items are for MTA New York City Transit:

A license agreement between NYCT and the Whitney Museum of American Art for the installation, maintenance, and display of artwork at the West 4th Street – Washington Square Station, the Jay Street-Metro Tech Station, and the Fordham Road Station.

A license agreement between NYCT and Brooklyn Public Library for the installation, maintenance, and display of artwork at the Euclid Avenue Station.

A license agreement between NYCT and Los Herederos Inc. for the installation, maintenance, and display of community inspired artwork and a radio studio at the Jackson Heights – Roosevelt Avenue/74th Street Station.

A license agreement between NYCT and Emmett Palaima for the installation of a multi-channel audio system to play recorded compositions at the Chambers Street Station.

The next two information items are for the MTA Long Island Rail Road:

A license agreement between the LIRR and Archer Towers Phase 1 Development LLC for the installation, maintenance, and display of artwork along the LIRR's retaining wall in Jamaica, Queens.

A license agreement between the LIRR and the City of Long Beach for a temporary maintenance of equipment mobile facility adjacent to the Long Beach Station.

The last two information items are for MTA Metro-North Railroad and are:

A short-term parking permit between MNR and Bike New York, Inc. for the use of parking spaces at the Poughkeepsie Station.

And a report on retail agreements entered into directly by the Real Estate Department pursuant to MTA Board policy.

Frederika Cuenca, head of MTA's Advertising and Promotions was present to answer any questions regarding the second action item, and Bob Paley, head of MTA's Transit Oriented Development group was present to answer any questions regarding the fifth action item.

Hon. Albert commented that the action items should designate the specific subway station and lines they are on when being reported.

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

9. ADJOURNMENT

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

Respectfully submitted,

Patrick Isom,
Senior Manager, Finance and Debt Management