

# **Report to the Finance Committee Review of Variable Rate Debt**

April 22, 2013



# MTA's Variable Rate Debt Policy<sup>(1)</sup>

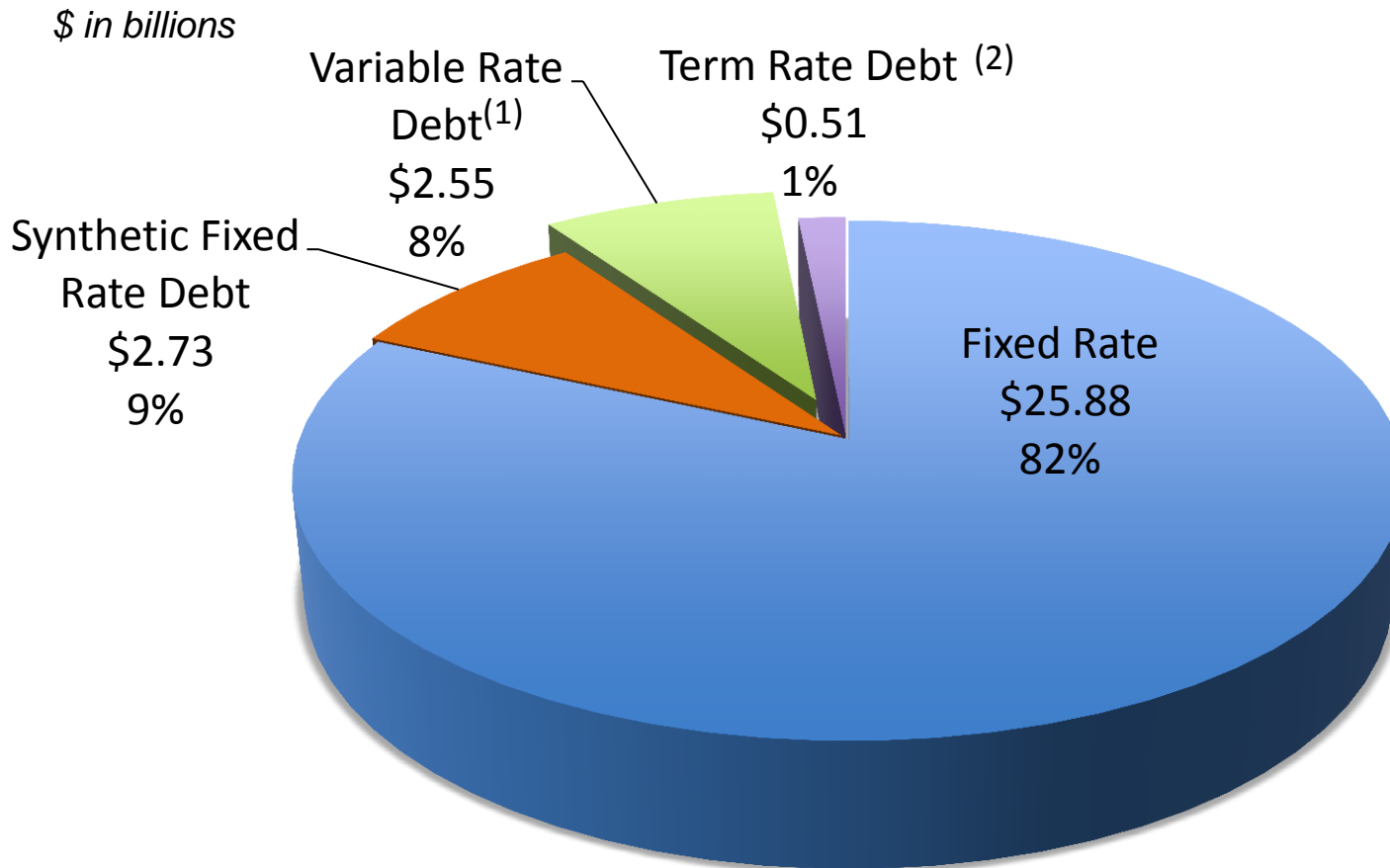
- The Authority desires to achieve the lowest possible interest cost on its debt and maintain a prudent level of interest rate risk. Therefore, the following policy shall apply:

*The Authority may issue Variable Rate Debt in such amounts as deemed necessary and/or beneficial by staff to provide funding for Approved Capital Programs or to refund existing obligations of the Authority. Upon such issuance, the principal amount of Variable Rate Debt outstanding shall not exceed 25% of the aggregate principal amount of all outstanding obligations of the Authority.*

<sup>(1)</sup> MTA Board adopted *the Variable Rate Policy* on May 20, 2004,

Note: Synthetic Fixed Rate presentation is scheduled to be presented to the Finance Committee in October 2013

# Variable Rate Debt Represents 8% of Total Debt



**Notes:**

As of March 31, 2013

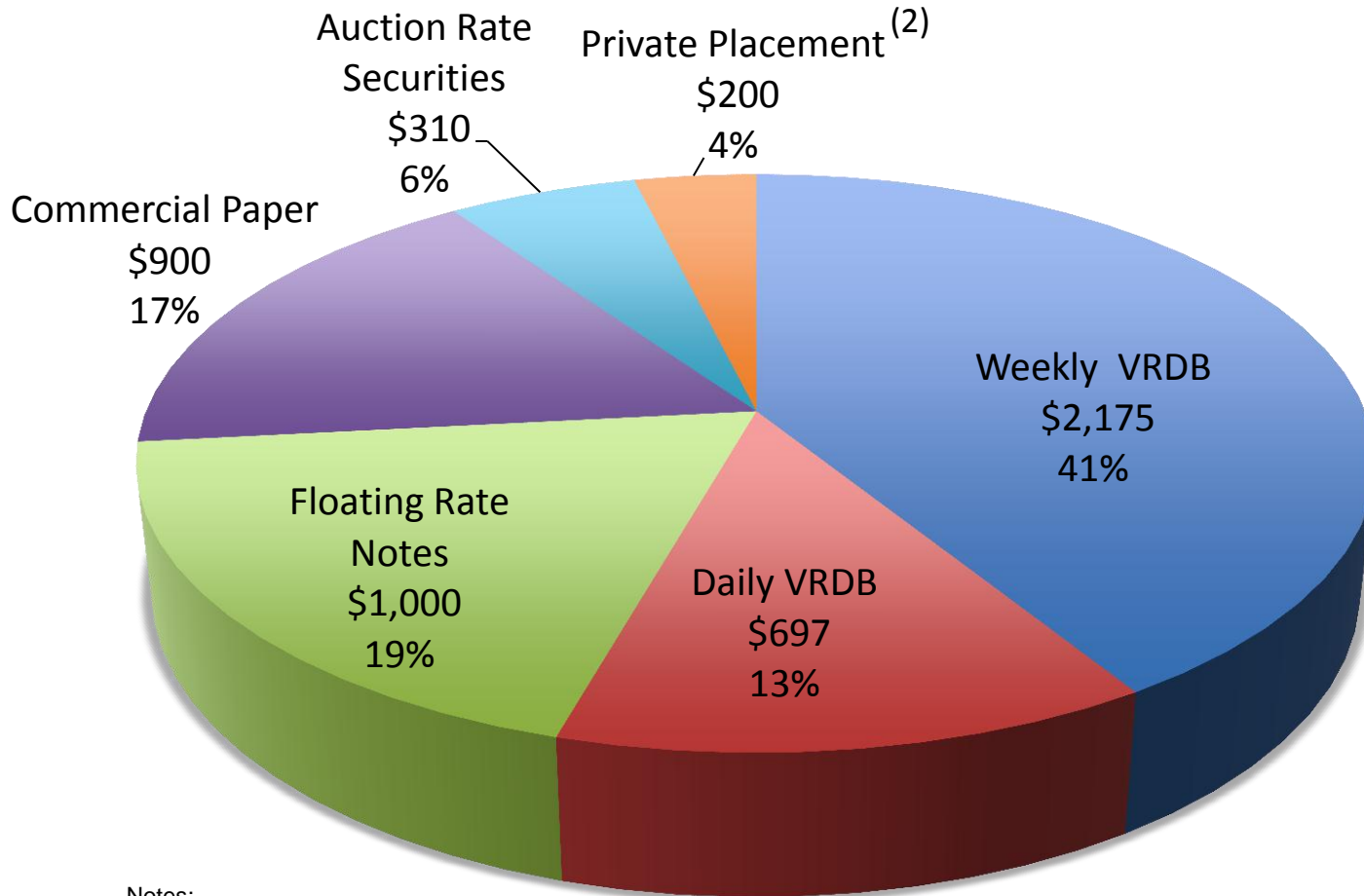
Excludes new York State supported Service Contract Bonds

<sup>(1)</sup> Includes \$900 million Transportation Revenue Bond Anticipation Notes, Series CP-2

<sup>(2)</sup> Term Rate bonds have a fixed rate for a defined period (ending with a mandatory tender) but do not have a fixed rate for the entire life of the bond.

# Variable Rate Debt Diversification<sup>(1)</sup>

\$ in millions



Notes:

As of March 31, 2013

(1) Includes hedged and unhedged variable rate debt and \$900 million Transportation Revenue Bond Anticipation Notes, Series CP-2.

Totals may not add due to rounding

(2) Variable rate determined as a set spread to 1-month LIBOR.

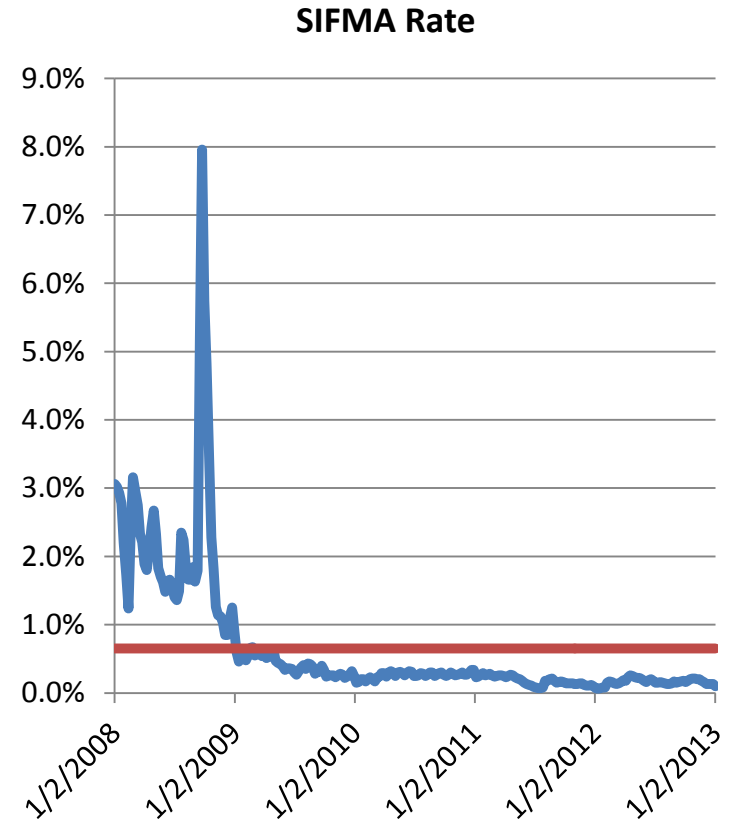
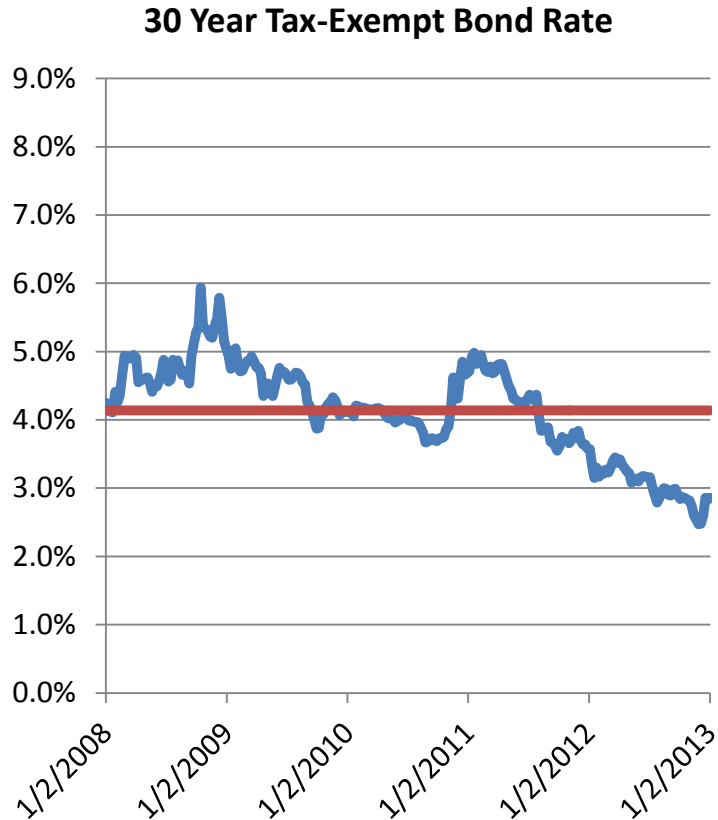
# Types of Variable Rate Debt in MTA's Debt Portfolio\*

- **Variable Rate Demand Bonds (“VRDBs”), \$2.9 billion outstanding**
  - Interest rate is determined on a periodic basis depending on the interest rate mode; Remarketing Agent sets the interest rate on each reset date and markets bonds tendered
  - Optional tenders are supported by bank letters of credit and standby bond purchase agreements
- **Floating Rate Notes (FRNs), \$1.0 billion outstanding**
  - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)
- **Commercial Paper (“CP”), \$900 million outstanding**
- **Auction Rate Securities (“ARS”), \$310 million outstanding**
  - Interest rates are reset through a Dutch auction process which was designed to result in market-provided liquidity
  - ARSs have been failing since beginning of credit crunch in late 2008
- **Private Placement, \$200 million outstanding**
  - Interest rate is determined based on a set spread to 69% 1-month LIBOR index

Notes:

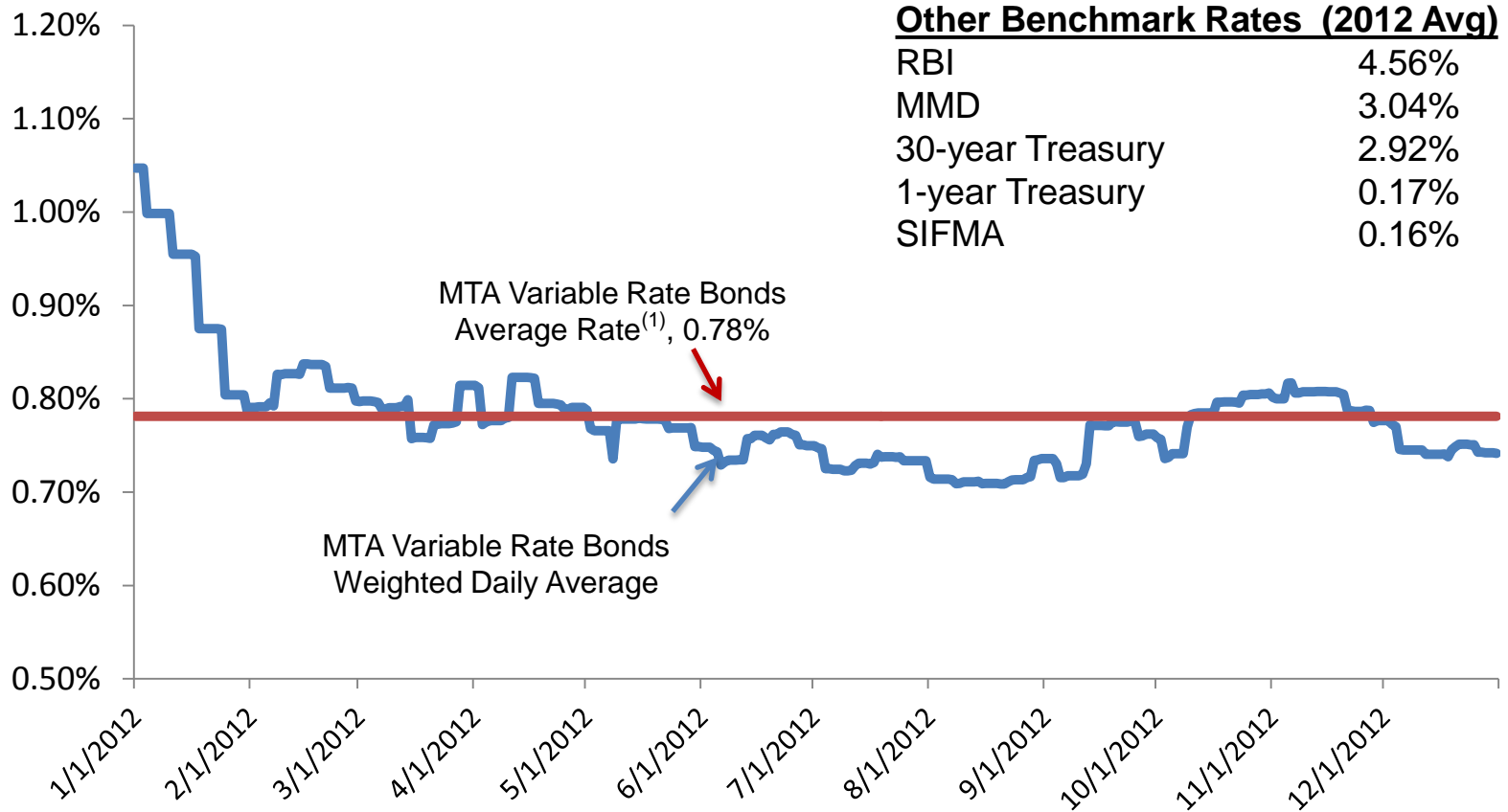
\* As of March 31, 2013

# 5-Year Tax-Exempt Bond Rate History



- The long-term bond yields trended generally downward in 2012, finishing the year 0.74% lower and rates continue near historic lows (5-year avg. is 4.14%).
- Short-term rates continue to remain near all-time lows since the upward spike on September 24, 2008. (5-year avg. is 0.65%)

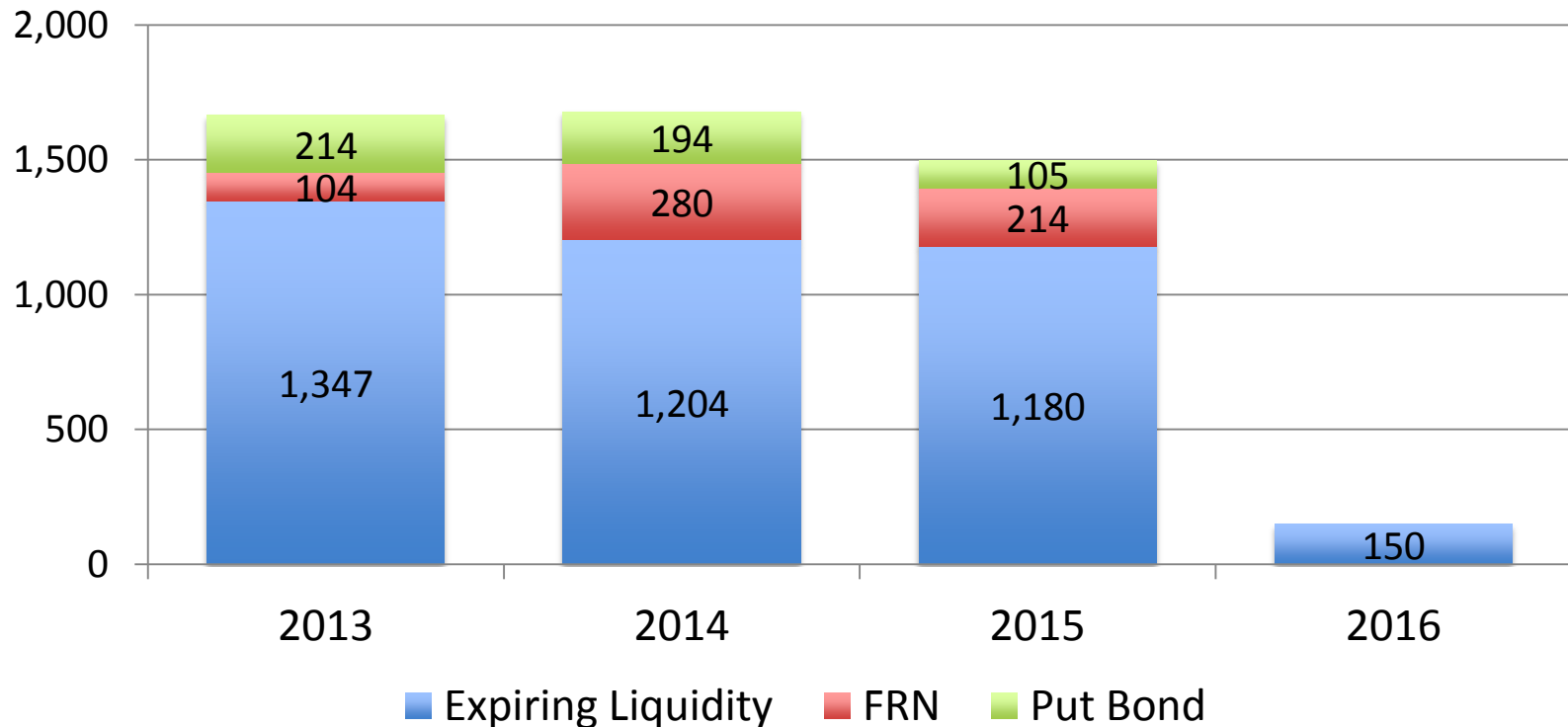
# 2012 Variable Rate Bonds Performance



(1) Average rate is inclusive of fees from January 1, 2012 through December 31, 2012. Excludes CP.

# Liquidity Expirations and FRN and Put Bond Reset Dates by Year, 2013-2016

\$ in millions



- **2013 Remarketings (YTD):** \$29.6 million of FRNs remarketed.
- **2013 Outlook:** \$1,050 million expected to renew and \$200 million are expected need replacement facilities, \$97 million expected to be converted to fixed rate, \$214 million in Term bonds and \$104 million in FRNs will reset in 2013.



# Appendix

- 2013 Liquidity Expiration Schedule
- Variable Rate Remarketing Assignments

# 2013 Liquidity Expiration Schedule

Resolution	Series	Type of Facility	Par Amount (\$ millions) <sup>(1)</sup>	Provider	Liquidity Exp. Date	Final Maturity
Trans Rev	CP-2 Subseries C	LOC	350.000	RBC	6/30/2013	9/16/2016
DTF	2008B-1	LOC	97.415	Bank of Nova Scotia	8/15/2013	11/1/2034
Trans Rev	CP-2 Subseries A	LOC	100.000	TD Bank	9/12/2013	9/16/2016
Trans Rev	CP-2 Subseries B	LOC	250.000	Barclays	9/12/2013	9/16/2016
Trans Rev	CP-2 Subseries D	LOC	200.000	Citi	9/12/2013	9/16/2016
Trans Rev	2002G-1	LOC	200.000	Bank of Nova Scotia	10/7/2013	1/1/2026
Trans Rev	2005D-1	LOC	150.000	Helaba	11/7/2013	1/1/2035

1) Par Amount Outstanding on expiration date.  
Complete Liquidity Expiration Schedule is available at [MTA.info](http://MTA.info)

# Variable Rate Debt Remarketing Assignments as of March 31, 2013

Series	Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
Transportation 2002B-1	7-Day Auction	105.250	J. P. Morgan and Merrill Lynch Pierce Fenner and Smith
Transportation 2002B-2	28-Day Auction	105.250	J. P. Morgan and Merrill Lynch Pierce Fenner and Smith
Transportation 2002D-2	PP	200.000	Wells Fargo
Transportation 2002G-1	Weekly VRDB	200.000	Merrill Lynch
Transportation 2005D-1	Weekly VRDB	150.000	Merrill Lynch
Transportation 2005D-2	Daily VRDB	100.000	Morgan Stanley
Transportation 2005E-1	Weekly VRDB	100.000	Merrill Lynch
Transportation 2005E-2	Weekly VRDB	75.000	JP Morgan
Transportation 2005E-3	Daily VRDB	75.000	PNC
Transportation 2011B	Weekly VRDB	99.560	Merrill Lynch
Transportation 2012A-1	FRN	50.000	Merrill Lynch
Transportation 2012A-2	FRN	50.000	J. P. Morgan
Transportation 2012A-3	FRN	50.000	J. P. Morgan
Transportation 2012G-1	FRN	84.450	J. P. Morgan
Transportation 2012G-2	FRN	125.000	J. P. Morgan
Transportation 2012G-3	FRN	75.000	J. P. Morgan
Transportation 2012G-4	FRN	75.000	J. P. Morgan
Transportation CP-2 Subseries A	CP	100.000	Morgan Stanley
Transportation CP-2 Subseries B	CP	250.000	Barclays
Transportation CP-2 Subseries C	CP	350.000	RBC
Transportation CP-2 Subseries D	CP	200.000	Citigroup

- (1) Merrill Lynch Pierce Fenner and Smith is the broker dealer and remarketing agent of BofA Merrill Lynch  
(2) Private Placement – Interest rate is determined based on a set spread to 69% 1-month LIBOR.

Note: VRDB stands for Variable Rate Demand Bond.

# Variable Rate Debt Remarketing Assignments as of March 31, 2013

Series	Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
DTF 2002B-1	Weekly VRDB	150.000	Morgan Stanley
DTF 2002B-2a	FRN	46.600	Morgan Stanley
DTF 2002B-2b	FRN	48.600	Morgan Stanley
DTF 2002B-2c	FRN	50.700	Morgan Stanley
DTF 2002B-2d	FRN	15.900	Morgan Stanley
DTF 2008A-1	Weekly VRDB	171.855	Morgan Stanley
DTF 2008A-2	Weekly VRDB	171.845	Goldman Sachs
DTF 2008B-1	Weekly VRDB	97.415	Barclays
DTF 2008B-3a	FRN	35.000	Goldman Sachs
DTF 2008B-3b	FRN	54.470	Goldman Sachs
DTF 2008B-3c	FRN	44.740	Goldman Sachs
DTF 2008B-4	Weekly VRDB	100.000	Barclays

(1) Merrill Lynch Pierce Fenner and Smith is the broker dealer and remarketing agent of BofA Merrill Lynch

(2) Private Placement – Interest rate is determined based on a set spread to 69% 1-month LIBOR.

Note: VRDB stands for Variable Rate Demand Bond.

# Variable Rate Remarketing Assignments as of March 31, 2013

Series			Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
TBTA Gen	2001B	TBTA Gen 2001B	Weekly VRDB	130.845	Citigroup
TBTA Gen	2001C	TBTA Gen 2001C	Weekly VRDB	130.845	Citigroup
TBTA Gen	2002F	TBTA Gen 2002F	Daily VRDB	209.640	J. P. Morgan
TBTA Gen	2003B-1	TBTA Gen 2003B-1	Weekly VRDB	91.610	Citigroup
TBTA Gen	2003B-2	TBTA Gen 2003B-2	Weekly VRDB	49.470	Citigroup
TBTA Gen	2003B-3	TBTA Gen 2003B-3	Daily VRDB	58.605	US Bank
TBTA Gen	2005A-1	TBTA Gen 2005A-1	Daily VRDB	59.390	US Bank
TBTA Gen	2005A-2	TBTA Gen 2005A-2	Weekly VRDB	32.090	US Bank
TBTA Gen	2005A-3	TBTA Gen 2005A-3	Weekly VRDB	38.010	US Bank
TBTA Gen	2005B-2a	TBTA Gen 2005B-2a	Daily VRDB	89.360	JP Morgan
TBTA Gen	2005B-2b	TBTA Gen 2005B-2b	Daily VRDB	48.300	JP Morgan
TBTA Gen	2005B-2c	TBTA Gen 2005B-2c	Daily VRDB	57.140	US Bank
TBTA Gen	2005B-3	TBTA Gen 2005B-3	Weekly VRDB	194.800	Jefferies
TBTA Gen	2005B-4a	TBTA Gen 2005B-4a	FRN	29.600	Barclays
TBTA Gen	2005B-4b	TBTA Gen 2005B-4b	FRN	37.500	J. P. Morgan
TBTA Gen	2005B-4c	TBTA Gen 2005B-4c	FRN	38.700	J. P. Morgan
TBTA Gen	2005B-4d	TBTA Gen 2005B-4d	FRN	43.800	J. P. Morgan
TBTA Gen	2005B-4e	TBTA Gen 2005B-4e	FRN	45.200	J. P. Morgan
TBTA Gen	2008B-1	TBTA Gen 2008B-1	Put Bond	83.500	J. P. Morgan
TBTA Gen	2008B-2	TBTA Gen 2008B-2	Put Bond	63.650	J. P. Morgan
TBTA Gen	2008B-3	TBTA Gen 2008B-3	Put Bond	105.080	J. P. Morgan
TBTA Sub	2000AB**	TBTA Sub 2000AB**	Weekly VRDB	113.300	J. P. Morgan
TBTA Sub	2000CD**	TBTA Sub 2000CD**	Weekly VRDB	78.150	Citigroup

Note: VRDB stands for Variable Rate Demand Bond.

# Variable Rate Remarketing Assignments as of March 31, 2013

Series	Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
2 Broadway COPs, 2004A-1	7-day Auction	\$ 9,800,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith <sup>(1)</sup>
2 Broadway COPs, 2004A-2	7-day Auction	11,225,000	J.P. Morgan
2 Broadway COPs, 2004A-3	7-day Auction	37,250,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith <sup>(1)</sup>
2 Broadway COPs, 2004A-4	35-day Auction	38,450,000	J.P. Morgan
2 Broadway COPs, 2004A-5	35-day Auction	4,100,000	J.P. Morgan