Metropolitan Transportation Authority

Derivatives Portfolio Report

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September 16, 2013

MTA's Derivatives Program Currently Includes Interest Rate Swaps, and Fuel Hedges

- **Synthetic Fixed Rate Debt:** To achieve a lower net cost of borrowing. (Floating to Fixed Rate Swaps)

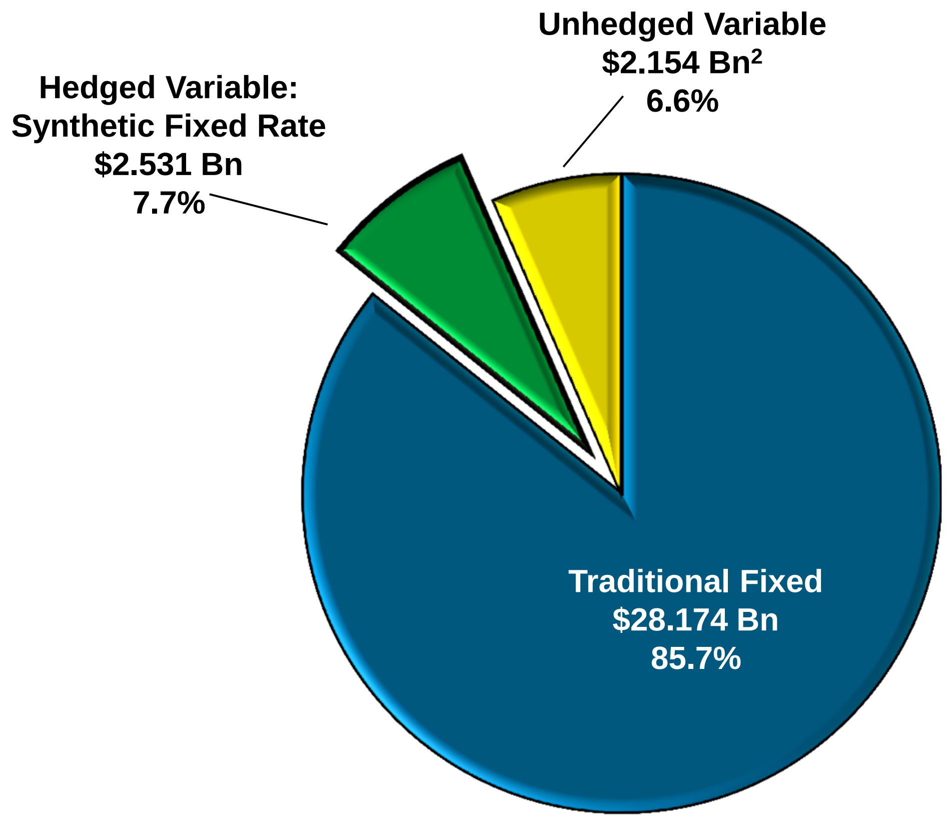
- **Interest Rate Hedges:** To protect against the potential of rising *interest rates* by capping exposure.

- **Fuel Hedges:** To establish more certainty and stability in budgeting the future price of *commodities* used by MTA.

Speculative Interest Rate and/or Fuel Hedges are ***not*** permitted.

Interest Rate Swaps

Synthetic Fixed Rate Debt Exposure is Less than 10% of Overall Debt[1]



Notes:

[1] As of September 1, 2013 and excludes State Service Contract Bonds.
[2] Includes $550 million CP

Synthetic Fixed Rate Debt is Cost Effective

- Synthetic fixed rate debt costs less than non-callable traditional fixed rate debt at the time of issuance.

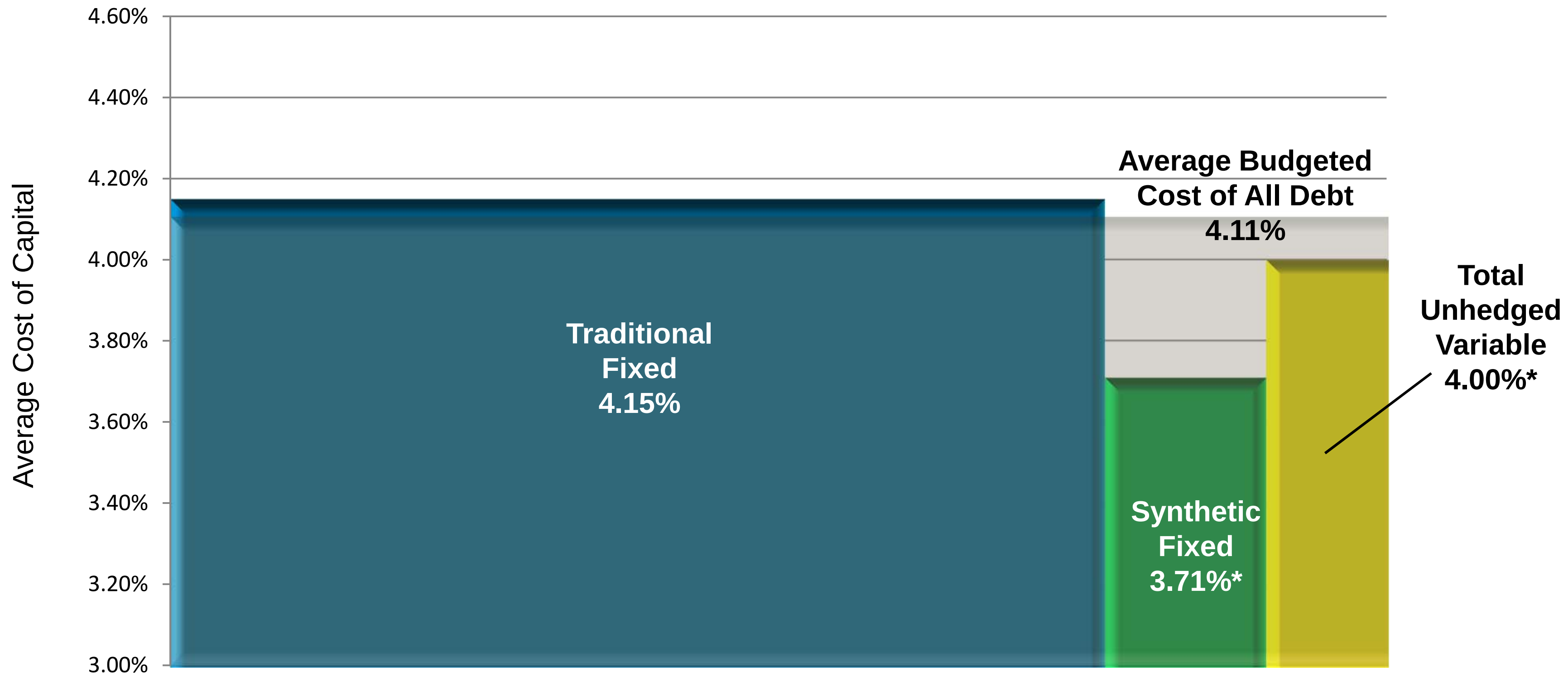
- *All-in cost of existing synthetic fixed-rate portfolio remains cost effective.*

- The weighted average cost of the synthetic fixed rate portfolio is 3.71% (excluding benefit of up-front payments and cost of Variable Rate fees). vs. 4.15% for traditional fixed-rate bonds.

- Synthetic fixed rate exposure continues to be manageable at 7.7% of total debt outstanding.

- Mark-to-Market values do not impact capital or operating budgeting.

Synthetic Fixed Rate Cost of Capital Compares Favorably to Traditional Fixed Rate Debt



*Excludes 54bp of variable rate fees.

2013 Dodd Frank Initiatives

- In March and July the Board Authorized Staff to amend all existing Swap Agreements to comply with newly enacted regulations stemming from changes in laws impacting swap transactions as a result of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act").

- Staff has reviewed all Swap agreements and implemented amendments where necessary to continue to manage MTA's outstanding portfolio of Swaps in compliance with the Act.

- The amendments allow MTA to continue to hedge it's Fuel cost exposure and to continue to discuss swap related matters with it's Counterparties.

Outstanding Swaps Aggregated by Counterparty

Swap Counterparty	Ratings Moody's/S&P/Fitch		Notional Amount ($000)		% of Total Notional		MTM	
	2012[1]	2013[2]	2012[1]	2013[2]	2012[1]	2013[2]	2012[1]	2013[2]
AIG Financial Products Corp.	Baa1/A-/BBB	Baa1/A-/BBB+	100,000	100,000	3	4	(27,948)	(18,324)
Ambac Financial Services, L.P.	WR/NR/NR	WR/NR/NR	20,900	-0-[3]	1	-0-[3]	(357)	-0-[3]
BNP Paribas North America, Inc.	A2/AA-/A+	A2/A+/A+	195,600	194,800	6	8	(44,365)	(25,059)
Citibank, N.A.	A3/A/A+	A3/A/A	195,600	194,800	6	8	(44,365)	(25,059)
JPMorgan Chase Bank	Aa3/A+/A+	Aa3/A+/A+	885,300	867,550	29	34	(274,245)	(185,101)
Morgan Stanley Capital Services Inc.	Baa1/A-/A	Baa1/A-/A	440,000	-0-[4]	15	-0-[4]	(16,677)	-0-[4]
The Bank of New York Mellon	Aa1/AA-/AA-	Aa1/AA-/AA-	338,530	336,755	11	13	(79,596)	(50,197)
UBS AG	A2/A/A	A2/A/A	840,625	836,950	28	33	(201,923)	(130,342)
Total			**3,016,555**	**2,530,855**			**(689,476)**	**(434,082)**

(1) Data as of last Derivatives Portfolio Report dated November 26, 2012.

(2) Data as of June 30, 2013 for Notional outstanding as of September 1, 2013. Totals may not add due to rounding.

(3) Swap agreements matured on January 1, 2013.

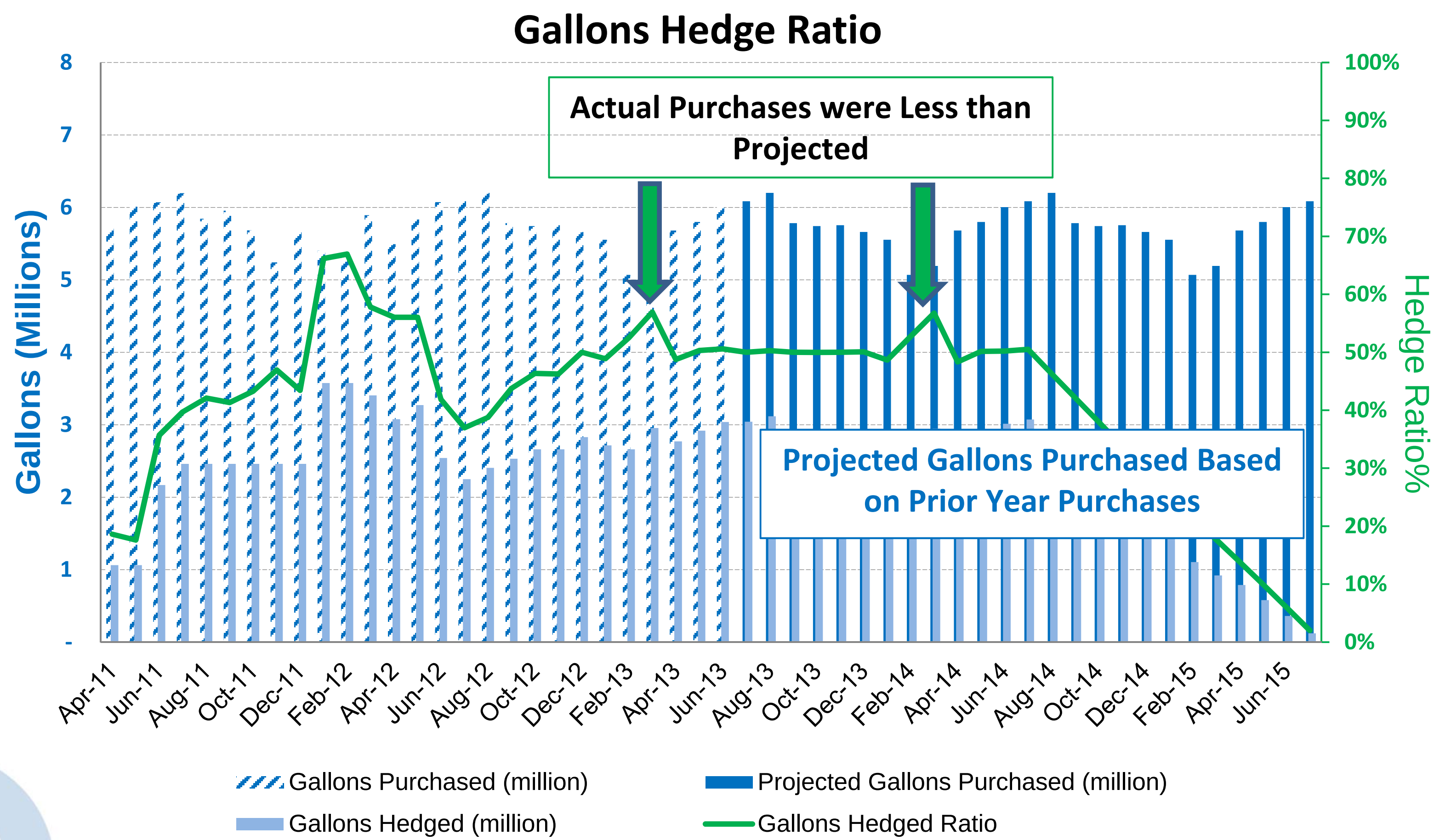
(4) Swap agreements matured on September 1, 2013.

Fuel Hedging Program

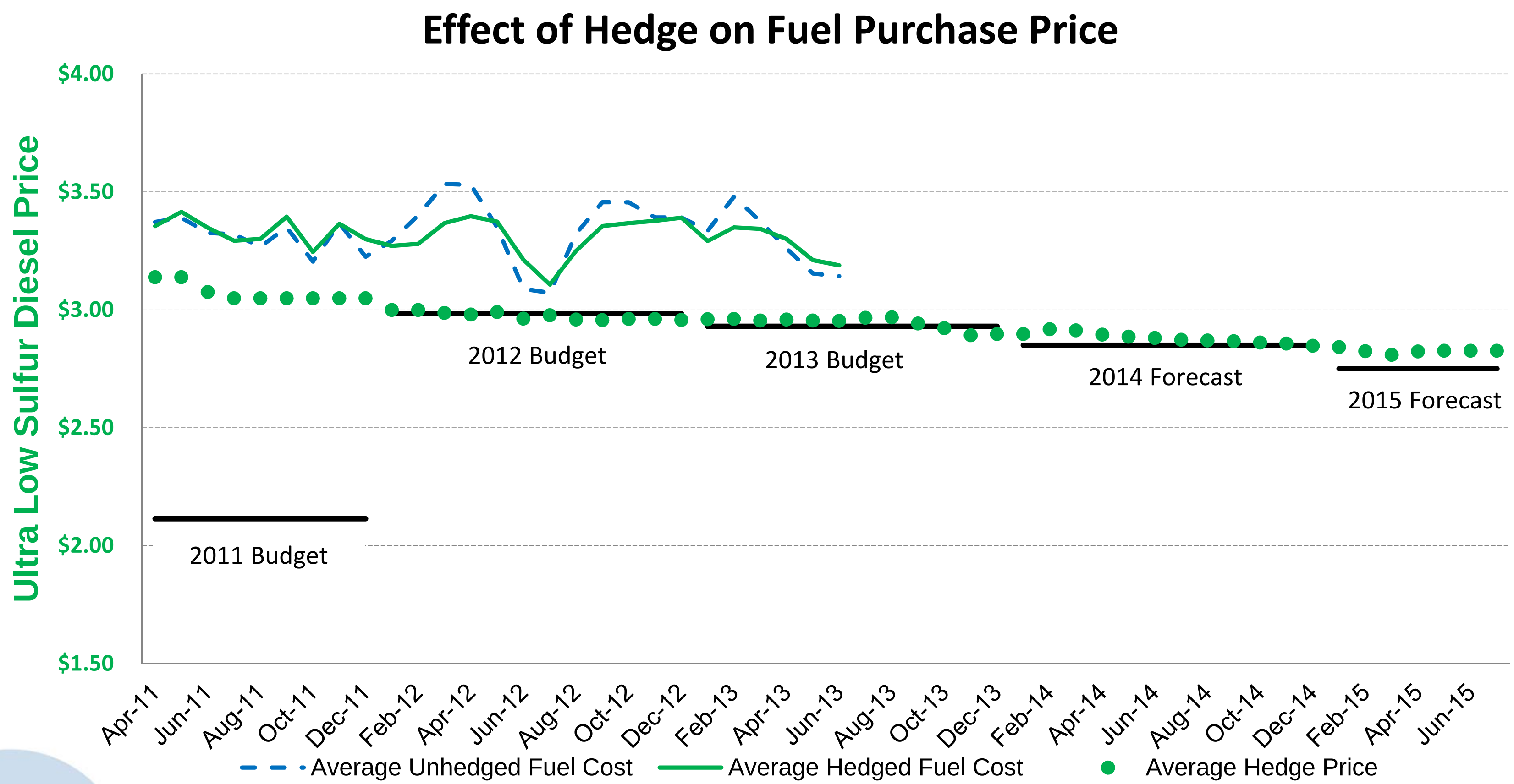
MTA Hedges a Portion of its Fuel Costs to Provide Budgetary Certainty

- MTA is currently hedging its annual ultra-low sulfur diesel ("ULSD") expenditures pursuant to existing Board Authorization.
- The goal of the program is to reduce fuel price volatility associated with 50% of projected fuel purchases on a rolling 12 month basis with declining hedge percentages for months 13 – 24.
- Executing monthly hedges allows MTA to average it's hedged price of fuel so each monthly hedge is locked in over 12 transactions. This avoids any one month's average hedge price being overly exposed to any monthly spike in fuel prices.
- The hedge strategy was implemented after the Board approved the extension of the program in September 2012 to 24 months. The current structure was fully implemented by early 2013.
- Hedges are procured through a competitive bidding process.
  - Deutsche Bank, Goldman Sachs & Co. (via J. Aron & Company) and JP Morgan remain as approved Counterparties.
  - MTA is negotiating with 3 additional potential counterparties and will seek Board approval if and when it has decided to expand the group of potential bidders.

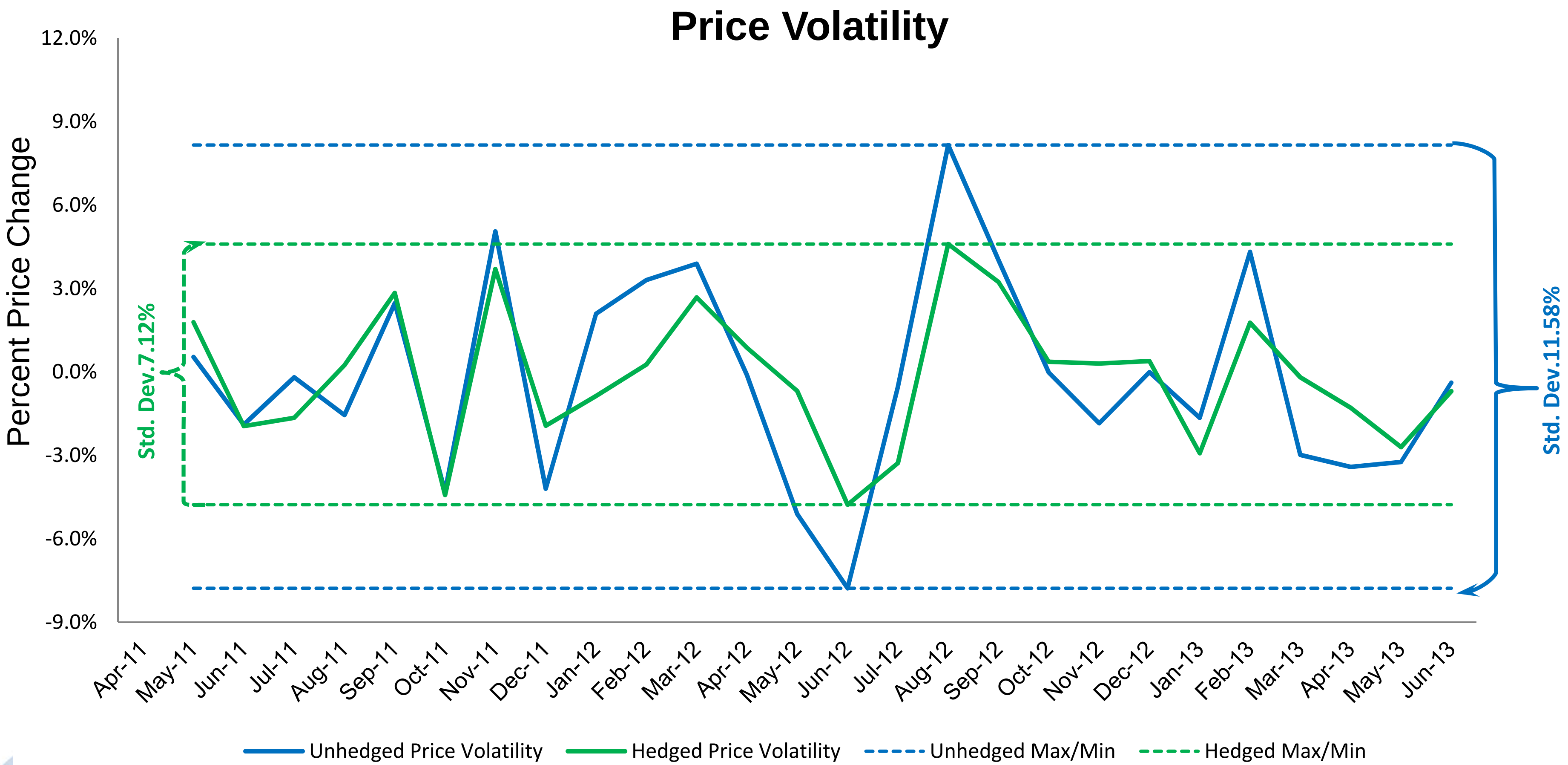
MTA Maintains a 50% Hedge of the Next 12 Months Projected Fuel Purchases to Reduce Budgetary Volatility With Declining Hedge Amounts in the 13th – 24th Months



The Hedge is Designed to Reduce the Volatility of Fuel Prices



MTA's Fuel Hedge Program is Successful in Reducing Price Risk



Notes: Data as of September 1, 2013. Totals may not add due to rounding.

Fuel Hedges Outstanding By CounterParty

Ultra-Low Sulfur Diesel

	Rating	Current Gallons Hedged	Dollars Hedged	MTM
Deutsche Bank	A2/A+/A+	8,897,990	$26,001,668	($1,135,173)
Bank of America	Baa2/A-/A	4,343,972	12,777,767	(425,950)
Goldman Sachs (JAron)	A3/A-/A	16,689,461	48,082,841	(1,236,822)
JP Morgan	A2/A/A+	20,716,763	60,275,460	(2,214,047)
Total		50,648,186	$ 147,137,736	($ 5,011,992)

Notes: Data as of June 30, 2013. Totals may not add due to rounding.

Appendix

Interest Rate Derivative Contracts Specifics

Issue	Bond Series	Par Amount ($Mn)	Fixed Rate Paid (%)	Variable Rate Index Received	Maturity Date	MTM Values ($Mn)
Transportation Revenue						
	2002D-2	$200.00	4.450%	69% 1-Month LIBOR	November 1, 2032	$(65.012)
	2002G-1	194.10	3.092	Lesser of Actual Bond Rate or 67% 1-Month LIBOR-45 bp	January 1, 2030	$(30.992)
	2005D & 2005E	400.00	3.561	67% 1-Month LIBOR	November 1, 2035	(73.297)
	2011B	22.37	3.092	Lesser of Actual Bond Rate or 67% 1-Month LIBOR-45 bp	January 1, 2030	(13.572)
	2012G	359.45	3.563	67% 1-Month LIBOR	November 1, 2032	(74.497)
	Total	$1,175.92				$(257.370)
Dedicated Tax Fund						
	2008A	$336.76	3.316	67% 1-Month LIBOR	November 1, 2031	$(50.197)
	Total	$336.76				$ (50.197)
Bridges and Tunnels – General Revenue						
	2002F	194.80	3.076	67% 1-Month LIBOR	January 1, 2032	(25.059)
	2005A	24.86	3.092	Lesser of Actual Bond Rate or 67% 1-Month LIBOR-45 bp	January 1, 2019	(5.183)
	2005B	584.40	3.076	67% 1M LBR	January 2, 2032	(75.178)
	Total	$804.06				$(105.420)
Bridges and Tunnels – Subordinate						
	2000AB[(a)]	$113.30	6.080%	SIFMA – 15 bp	January 1, 2019	$(20.533)
	Total	$113.30				$(20.533)
2 Broadway						
	2004A	$100.825	3.092%	Lesser of Actual Bond Rate or 67% 1-Month LIBOR - 45 bp	January 1, 2030	$(10.564)
	Total	$100.825				$(10.564)

Notes: Data as of June30, 2013 for derivative contracts outstanding as of September 1, 2013. Totals may not add due to rounding.
(a) MTA's only "off-market" swaps were competitively bid in 1999 and generated over $27 million in proceeds for the capital program.