



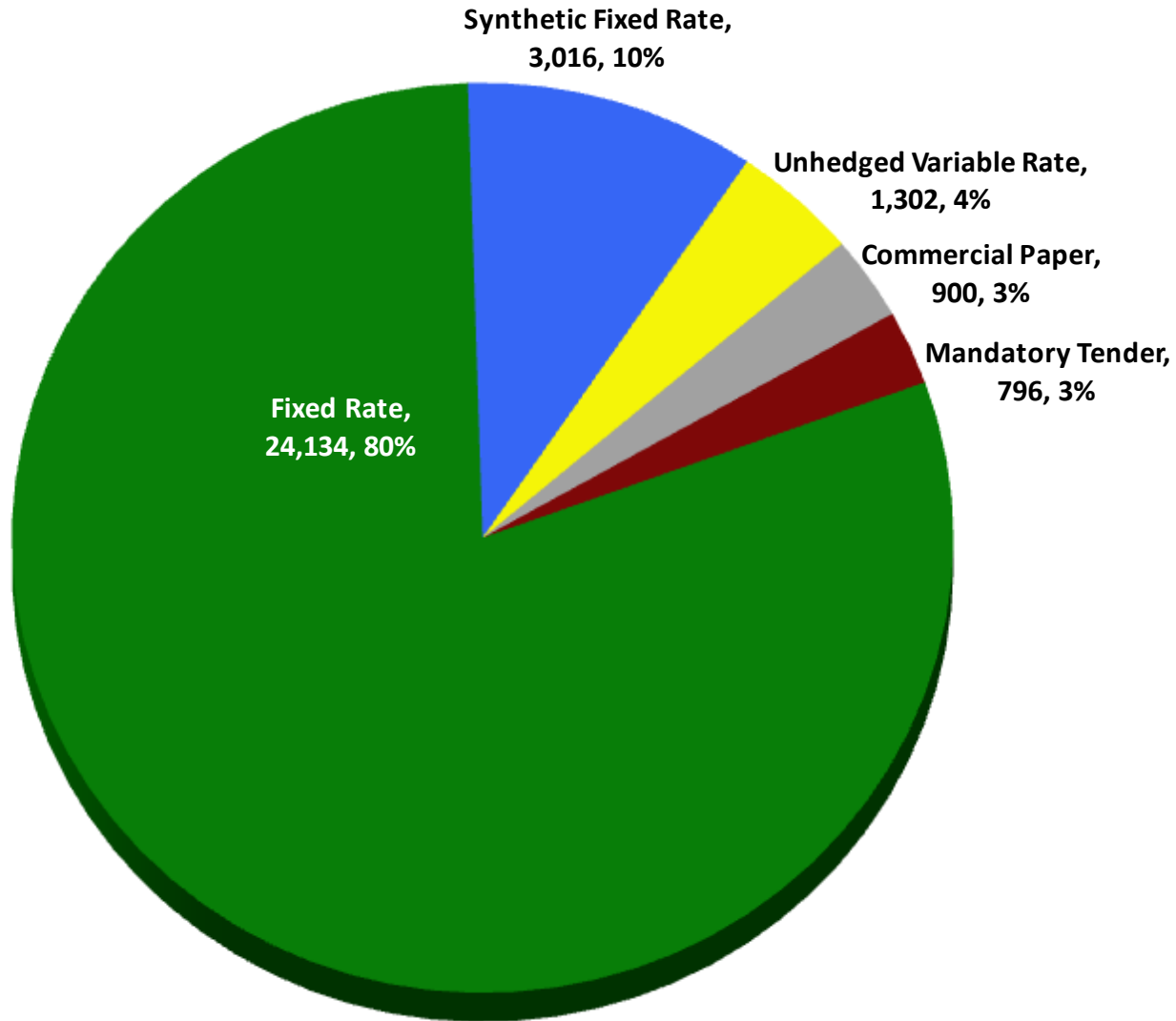
# Report to the Finance Committee 2011 Year End Review

MTA Finance Department  
Patrick McCoy, Director  
January 23, 2012

# Outstanding indebtedness totals \$30.1 billion\*

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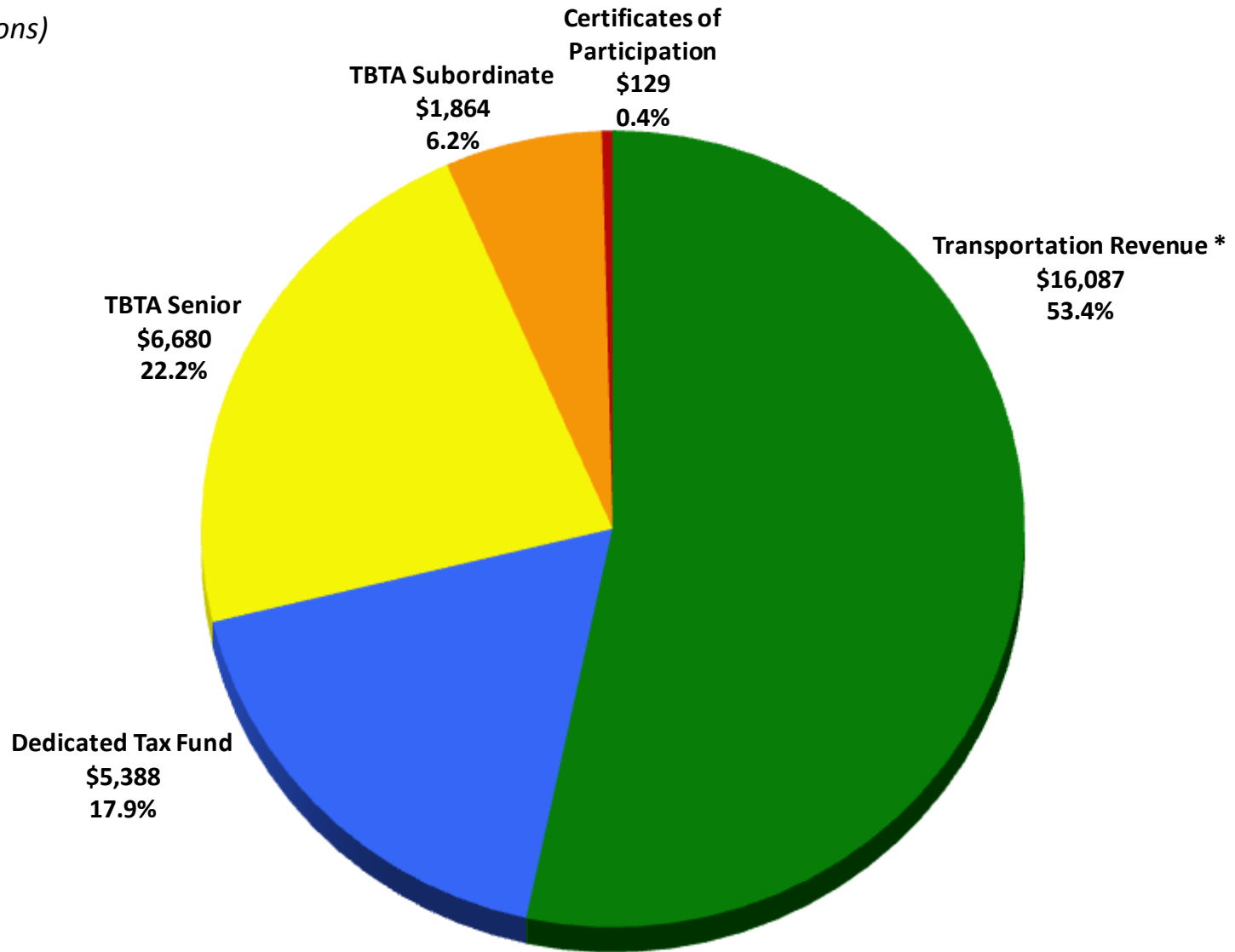
(\$ in millions)



\* Includes 2 Broadway COPs but excludes State Service Contract bonds.  
As of December 31, 2011.

# Debt By Resolution

(\$ in millions)



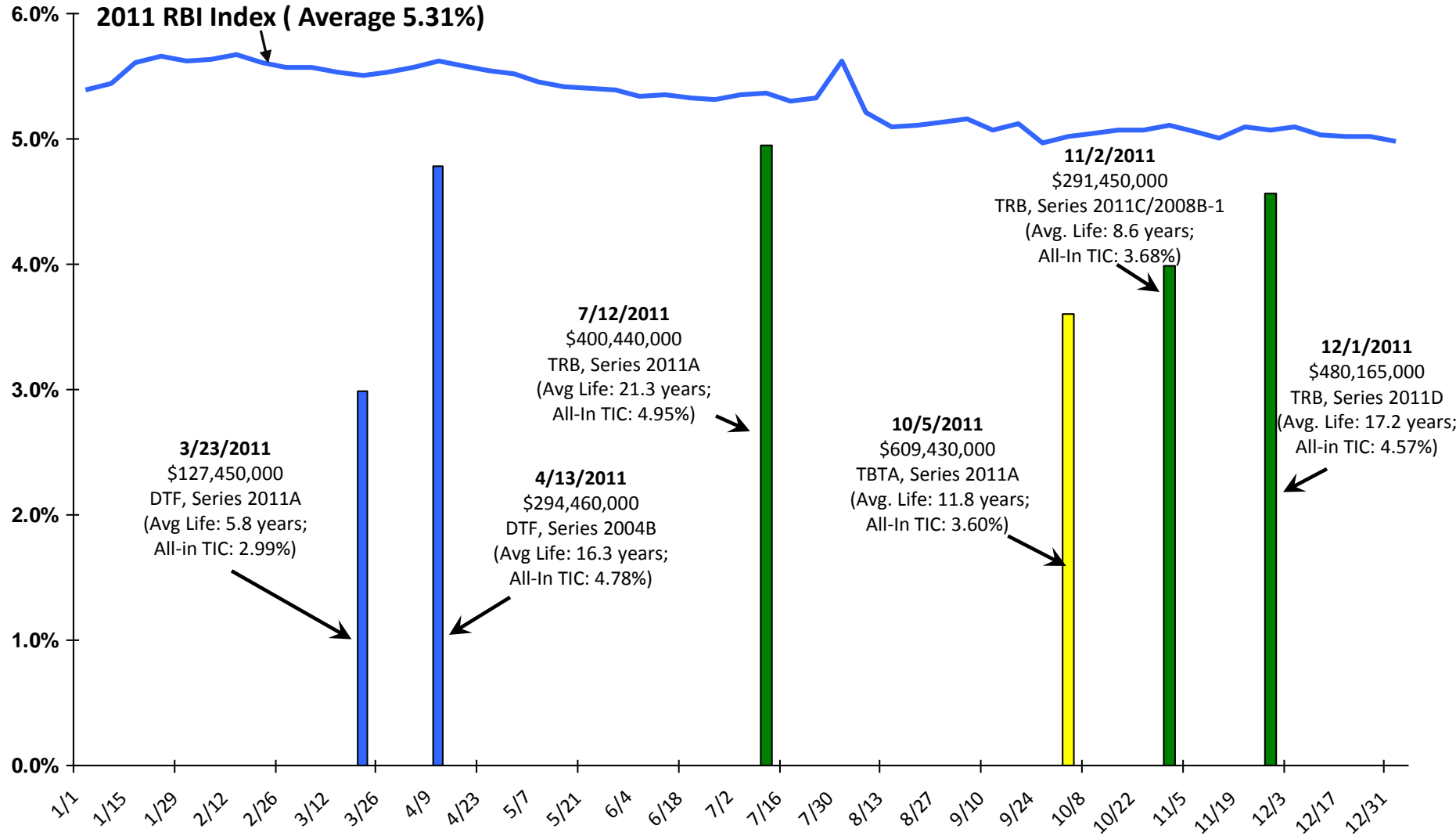
\* Includes \$900,000,000 Transportation Revenue Bond Anticipation Notes, Series CP-2.  
As of December 31, 2011.

# 2011 Market Recap

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- 2011 was an eventful year in the financial markets, with the debt ceiling debate, the S&P downgrade of the United States, and distress in the Eurozone leading to high volatility across all sectors of the market.
- Fed policy, a flight to quality, and persistent sub-par economic growth resulted in falling interest rates.
  - The 10 year Treasury yield was at 1.94% at year-end, down from 3.38% a year earlier.
  - The 30 year Treasury yield ended 2011 at 2.94%, down from 4.43% at the end of 2010.
- Municipal yields followed suit, with yields in each part of the yield curve reaching historically low levels in 2011.
  - The 10 year AAA MMD index ended 2011 at 1.83%, down from 3.16% at the end of 2010. This 1.83% level was the historic low point for the 10-year AAA MMD index since its inception in 1981.
  - The 30 year AAA MMD index stood at 3.55% at year-end 2011, compared to 4.68% a year earlier. The 30-year AAA MMD index reached its historic low level of 3.44% on September 23, 2011.
- The volume of municipal bonds issued was down almost 32% from 2010, reflecting the acceleration of bonding into 2010 to take advantage of Federal stimulus provisions that expired at the end of 2010, as well as cautious fiscal planning on the part of issuers. Volume was at the lowest annual level seen since 2001.
- Moody's and S&P lowered ratings across the bank sector, including a number of U.S. and European banks active in the municipal credit enhancement market.
- Although predictions of wide-scale municipal defaults proved to be overblown, a handful of highly visible municipal bankruptcies and distressed situations continued to produce a wide gap between borrowing costs for high and low quality borrowers. At year-end, yields for 20 year municipal bonds rated BBB were 176 basis points higher than bonds rated AAA.

# MTA Fixed Rate Bond Issuances in 2011



\*Revenue Bond Index ("RBI") Revenue bonds maturing in 30 years are used in compiling this index. It has an average rating equivalent to Moody's A1 and S&P's A-plus.

# 2011 Transactions Summary

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- \$1.2 billion New Money Borrowing\*
  - \$980 million new money bonds
    - \$881 million fixed rate
    - \$100 million in weekly variable rate demand (VRDBs)
  - \$247 million commercial paper
- \$2.1 billion Refunding/Remarketing
  - \$935 million fixed rate refunding bonds
    - Estimated PV cumulative savings of \$170 million
      - DTF 2011A \$10.5 million PV savings
      - TBTA 2011C \$86.8 million PV savings
      - TRB 2011C/2 Broadway COPs \$73.0 million PV savings
  - \$1.2 billion remarketing of tendered obligations with new facilities
    - \$448 million weekly VRDBs
    - \$200 million variable rate private placement with Wells Fargo
    - \$134 million floating rate notes (FRNs)
- \$ 588 million of debt was retired through normal amortization in 2011

\* MTA issued \$750 million of Transportation Revenue Build America Bonds on December 29, 2010 which provided new money bond proceeds for Transit and Commuter Projects in 2011.

# Variable Rate Portfolio Management

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- Variable Rate Demand Bonds (VRDBs)
  - VRDB portfolio is down \$1.3 billion to \$3.7 billion since 2008
    - \$3.6 billion weeklies; \$100 million dailies
  - Actively increased diversity in liquidity providers while reducing overall risk:
    - Entered into agreements with 3 new liquidity providers, increasing number of banks supporting variable rate bonds to 19 from 16
    - Reduced exposure to Dexia by \$558 million
    - Diversified into alternative variable rate products:
      - \$200 million private placement with Wells Fargo
      - \$134 million floating rate notes
- MTA continues to address Auction Rate Securities (ARS)
  - In 2008, before the market dislocation, MTA had \$2.4 billion in ARS in 8 Series
  - Today, MTA has \$328 million in 2 Series
    - \$545 million in ARS restructured in 2011
  - \$210 million Transportation Revenue Bonds, Series 2002B is tentatively scheduled for tender and refunding; approval of which is before the Board this month
- Replacement of \$975 million of VRDBs supported by Dexia Bank with a combination of new liquidity providers and Floating Rate Notes (FRNs) will be completed by mid February

# 2012 Financing Quarterly Calendar

(\$ in millions)

<b>Purpose</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
New Money <sup>(1)</sup>	\$ 1,000	\$ 660	\$ 519	-	\$ 2,179
Remarketing <sup>(2)</sup>	975	396	250	529	2,149
Refunding	<u>-</u>	<u>1,308</u>	<u>2,380</u>	<u>3,022</u>	<u>6,709</u>
<b>Total</b>	<b>\$ 1,975</b>	<b>\$ 2,363</b>	<b>\$ 3,149</b>	<b>\$ 3,551</b>	<b>\$ 11,037</b>

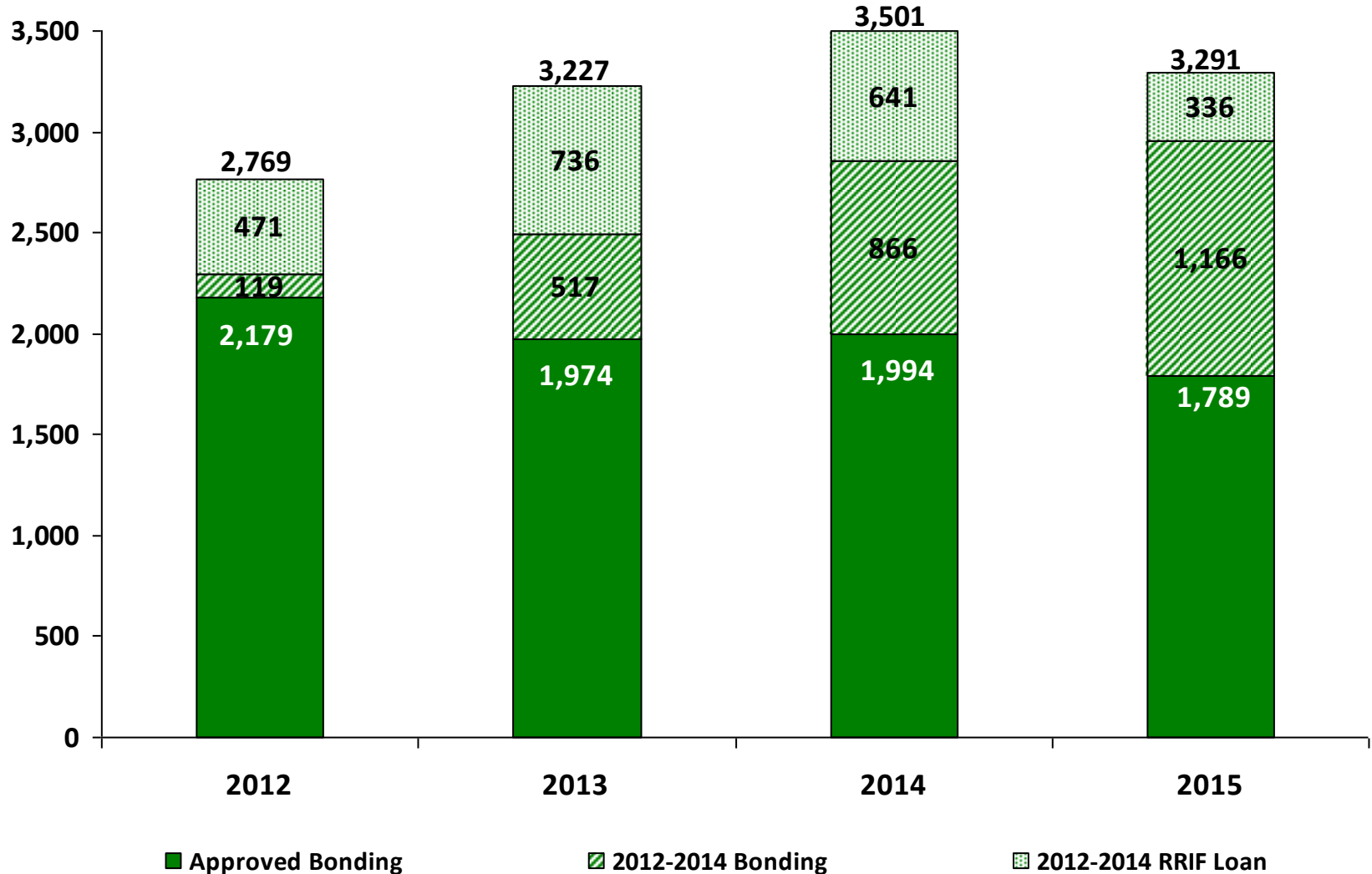
1. Includes only bond issuance for approved Capital Programs. Excludes proposed new money bond issuance and RRIF loan for 2012-2014 in the 2010-2014 Capital Program amendment.

2. Mandatory Tender bonds, FRNs, and VRDBs for which MTA will seek replacement liquidity facilities or remarket to alternate modes.



# Forecasted Debt Issuance for Existing Approved Capital Programs and Proposed 2012-2014 Capital Plan

(\$ in millions)



# 2012 Remarketing Outlook

## Bonds with Expiring Bank Facilities

Bond	Par Amount	Type	Provider	Expiration Date	Final Maturity
Trans Rev 2002D-1	\$200	SBPA	West LB*	5/9/2012	11/1/2032
TBTA Gen 2005A	133	SBPA	Dexia**	5/9/2012	11/1/2035
TBTA Gen 2005B-2	196	SBPA	Dexia**	7/6/2012	1/1/2032
TBTA Gen 2005B-3	196	SBPA	Bank of America	7/6/2012	1/1/2032
TBTA Gen 2005B-4	196	SBPA	LBBW*	7/6/2012	1/1/2032
TBTA Gen 2003B	206	SBPA	Dexia**	7/7/2012	1/1/2033
Trans Rev CP-2 Subseries C	350	LOC	RBC	9/14/2012	9/14/2012
Trans Rev 2005E	250	LOC	BNP Paribas *	10/9/2012	11/1/2035
TBTA Gen 2002F	210	SBPA	ABN AMRO*	11/8/2012	11/1/2032
Trans Rev 2005D-2	100	LOC	Helaba	11/10/2012	11/1/2032
DTF 2002B	440	SBPA	Dexia**	5/7/2014	11/1/2022

## Bonds with Mandatory Tender Reset Dates Requiring Remarketing

Bond	Par Amount	Reset Date	Final Maturity
DTF 2008B-3a	\$35	11/1/2012	11/1/2028
TBTA Gen 2009A-1	150	11/15/2012	11/15/2034
Trans Rev 2008B-2	134	11/15/2012	11/15/2023

\* Providers not expected to extend the current liquidity facility. MTA will be seeking replacement liquidity provider(s) or will remarket in alternate modes.

\*\* Transaction in progress.

# 2012 Refunding Outlook

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- \$6.7 billion in non-advance refundable bonds will become currently callable 90 days prior to the call date
- In the current market, all such bonds meet the savings criteria in the MTA Refunding Policy

<u>Bond (\$ millions)</u>	<u>Par (\$ millions)</u>	<u>Call Date</u>
State Service Contract, Series 2002A	\$1,308	7/1/2012
Transportation Revenue, Series 2002A *	2,380	11/15/2012
Transportation Revenue, Series 2002E	240	11/15/2012
Dedicated Tax Fund, Series 2002A	917	11/15/2012
TBTA, General Revenue, Series 2002B	1,318	11/15/2012
TBTA Subordinate Revenue, Series 2002E	547	11/15/2012

- Approximately \$484 million of advance refundable bonds could be refunded for savings
  - In the current market, much of the expected savings would be offset by negative arbitrage.
  - To maximize savings, waiting for bonds to become currently callable, most of the negative arbitrage can be avoided

\* On December 12, 2007, MTA entered into a percentage of LIBOR fixed-payor swap associated with the anticipated refunding of \$359.45 million of Transportation Revenue Bonds on a forward starting basis.

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## Appendix:

1. Bond Financed Capital Investments in 2011
2. 2011 Debt Issuance and Remarketing Activity
3. 2011 Cost of Issuance Summary
4. Liquidity Facilities Expiration and Put Obligation Schedule

# Bond Financed Capital Investments in 2011

- **MTA financed \$1.85 billion in capital expenditures from bond proceeds in 2011**
- **Capital Construction (\$550.4 million)\***
  - East Side Access (\$322.8 million)
    - \$105 million for Construction of new Grand Central Concourse
    - \$54 million for Queens Bored Infrastructure
  - Second Avenue Subway (\$203.7 million)
    - \$102 million for construction of 96<sup>th</sup> St, 86<sup>th</sup> St and 72<sup>nd</sup> St. Stations and rehabilitation of 63<sup>rd</sup> St. Station.
    - \$46 million for tunneling between 92<sup>nd</sup> and 62<sup>nd</sup> Streets
- **New York City Transit/MTA Bus (\$915.7 million)**
  - \$219 million on Station Maintenance and Rehabilitation
    - \$65 million for rehabilitations along Brighton Line (B/Q); \$43 million for rehabilitations along Rockaway Line (A Line)
  - \$210 million on signals and communication
    - \$58 million for Computer Based Train Control (CBTC) along Flushing Line (7 Line)
  - \$138 million on new buses for NYCT
  - \$16 million for new CNG buses for MTA Bus
- **Commuter Railroad (\$168.9 million)**
  - LIRR (\$100.8 million)
    - \$33 million on track repair and maintenance (largest expense: \$26 million for Annual Track Repair Program)
    - \$24 million on line structures (largest expenses: \$11 million for Junction Blvd/PW and \$5.2 million East River Tunnel)
  - MNR (\$68.1 million)
    - \$25 million for purchase of new M-8 rolling stock for New Haven Line
    - \$10 million for station Maintenance and Rehabilitation (largest expenses: \$3.2 million for Grand Central Terminal and \$1.1 million for Poughkeepsie)
- **Bridges and Tunnels (\$156.5 million total)**
  - \$59 million for Bronx Whitestone Bridge (largest expense: \$53 million for Roadways and Decking)
  - \$24 million for RFK Bridge (largest expense: \$18 million for Roadways and Decking)

\* Includes Lower Manhattan Projects, Security and Administration.

• Total capital expenditures includes \$24.4 million for MTA Police capital projects.

# 2011 Debt Issuance and Remarketing Activity

Sale Date	Amount	Series	Structure	Senior Manager(s) (Co-Senior Manager)	Purpose	Assignment Basis	All-in TIC <sup>(1)</sup>	Average Life (Years)
3/23/2011	\$127,450,000	DTF 2011A	Fixed	Jefferies (Jackson Securities)	Refunding	Merit	2.99%	5.79
4/13/2011	294,460,000	DTF 2004B	Fixed	Jefferies (Jackson Securities)	Remarketing	Merit	4.78%	16.30
5/25/2011	200,000,000	TRB 2002D-2	FRN <sup>(4)</sup> (Private Placement)	Wells Fargo	Remarketing	Merit	0.89%	20.62
6/20/2011	347,665,000	DTF 2008A	VRDB <sup>(5)</sup> (weekly)	Morgan Stanley, Goldman Sachs	Remarketing	Merit	3.90% <sup>(2)</sup>	14.70
7/12/2011	400,440,000	TRB 2011A	Fixed	BoA Merrill (Loop Capital)	New Money	Rotation	4.95%	24.28
9/8/2011	99,560,000	TRB 2011B	VRDB <sup>(5)</sup> (weekly)	BoA Merrill	New Money	Rotation	1.14% <sup>(2)</sup>	28.21
7/28/2011	100,000,000	DTF 2008B-4	VRDB <sup>(5)</sup> (weekly)	Barclays	Remarketing	Existing Assignment	1.11% <sup>(3)</sup>	14.62 <sup>(3)</sup>
8/1/2011	10,965,000	DTF 2008B-2	Fixed	Goldman Sachs (M.R. Beal)	Remarketing	Rotation	1.11% <sup>(3)</sup>	14.62 <sup>(3)</sup>
8/1/2011	134,210,000	DTF 2008B-3	FRN <sup>(4)</sup>	Goldman Sachs (M.R. Beal)	Remarketing	Rotation	1.11% <sup>(3)</sup>	14.62 <sup>(3)</sup>
10/5/2011	609,430,000	TBTA2011A	Fixed	Morgan Stanley (Rice Financial)	Refunding	Rotation	3.60%	11.81
11/2/2011	93,500,000	TRB 2008B-1	Fixed	Goldman Sachs (Jackson Securities)	Remarketing	Merit	1.78%	2.99
11/2/2011	197,950,000	TRB 2011C	Fixed	Goldman Sachs (Jackson Securities)	Refunding	Merit	3.99%	11.23
12/1/2011	480,165,000	TRB 2011D	Fixed	Ramirez & Co. (Loop Capital)	New Money	Rotation	4.57%	17.16
<b>Debt Total</b>	<b>\$3,095,795,000</b>							
<b>CP</b>	<b>\$246,500,000</b>	CP-2	Commercial Paper	Barclays, Citi, RBC, Morgan Stanley	New Money	Existing Assignment		
<b>2011 Total</b>	<b>\$3,342,295,000</b>							

(1) Since inception, inclusive of liquidity and remarketing fees.

(2) Variable rate bonds are swapped to a fixed rate. All-in TIC is based on swap rate plus support costs of the variable rate bonds.

(3) Since inception, based on the entire DTF 2008B transaction, inclusive of liquidity and remarketing fees.

(4) FRN stands for Floating Rate Notes.

(5) VRDB stands for Variable Rate Demand Bonds.

# 2011 Cost of Issuance Summary

	DTF 2011A	DTF 2004B	TRB 2002D-2	DTF 2008A	TRB 2011A	DTF 2008B	TRB 2011B	TBTA 2011A	TRB 2008B-1	TRB 2011C	TRB 2011D	Total <sup>(4)</sup>
Issue Amount	\$127,450,000	\$294,460,000	\$200,000,000	\$347,665,000	\$400,440,000	\$245,175,000	\$99,560,000	\$609,430,000	\$93,500,000	\$197,950,000	\$480,165,000	\$3,095,795,000
NYS Bond Issuance Fee <sup>(1)</sup>	1,061,662	n.a.	n.a.	n.a.	3,335,676	n.a.	829,338	5,076,569	n.a.	1,648,924	3,999,788	15,951,957
Underwriter's Discount <sup>(2)</sup>	594,380	1,548,638	0	65,000	2,062,376	527,487	200,354	3,038,134	300,653	974,507	2,356,459	11,667,988
Bond Counsel	128,743	130,691	127,089	135,022	252,128	300,000	175,000	225,000	150,000	300,000	175,000	2,098,673
Financial Advisor Fee	0	0	0	39,737	109,025	0	27,151	164,546	25,245	53,447	129,645	548,796
Swap Advisor Fee	0	0	30,550	50,000	0	0	0	0	0	0	0	80,550
Rating Agency Fees	42,745	10,000	0	47,500	178,500	15,000	89,855	303,300	110,000	102,295	204,500	1,103,695
LOC Counsel	0	0	45,000	55,700	0	14,250	45,000	0	0	0	0	159,950
Bond Insurance <sup>(3)</sup>	0	20,000	0	5,000	333,127	0	0	0	0	127,604	0	485,731
Accounting Fees	20,850	16,625	10,875	11,800	15,850	29,925	10,275	20,650	10,000	15,525	20,100	182,475
Trustee	5,000	12,417	9,000	5,000	5,000	5,000	5,000	15,000	15,000	15,000	10,000	101,417
Printing and Distribution	3,809	3,906	0	1,367	3,439	4,284	1,450	3,547	3,453	3,708	3,632	32,595
Miscellaneous <sup>(4)</sup>	3,250	0	0	0	2,000	5,400	2,000	16,300	2,000	8,959	6,593	46,502
<b>Total</b>	<b>\$1,860,439</b>	<b>\$1,742,277</b>	<b>\$222,514</b>	<b>\$416,126</b>	<b>\$6,297,121</b>	<b>\$901,346</b>	<b>\$1,385,423</b>	<b>\$8,863,046</b>	<b>\$616,351</b>	<b>\$3,249,969</b>	<b>\$6,905,717</b>	<b>\$32,460,329</b>

(1) NYS Bond Insurance fee is not charged for remarketing transactions. NYS Bond issuance fee of \$8.40 per \$1,000 issued is charged for new money and refunding transactions.

(2) Underwriter's Discount includes fees paid to Underwriters, Underwriter's Counsel, and other expenses. W/MBE-owned firms earned \$2.4 million or 15.2% in 2011.

(3) Includes Bond Insurance Cancellation fees of \$20,000 for DTF 2004B bonds and \$5,000 for DTF 2008A bonds.

(4) Miscellaneous includes: \$24,000 for contingency expenses (various deals), \$12,350 for Independent Engineer (TBTA 2011A), \$6,150 for verification agent (various deals), and \$3,284 for TM3 Wire (DTF 2008B and TRB 2011C).

(5) Issuance Costs for MTA Transportation Revenue Bond Anticipation Notes, Series CP-2 (Commercial Paper) were paid in 2010. \$246.5 million of Commercial Paper was issued in 2011.

# MTA LOC and SBPA Expirations and Put Obligations

Credit	Series	CUSIP	Par Outstanding	Mode	Liquidity Type	Liquidity Provider	Insurer	Liquidity Expiration Date
TBTA Gen	2005A	89602NGU2	\$132,770,000	VRDB	SBPA	Dexia		5/9/2012
Trans Rev	2002D-1	59259REC4	200,000,000	VRDB	SBPA	WestLB	Assured	5/9/2012
TBTA Gen	2005B-2	89602NGW8	\$195,600,000	VRDB	SBPA	Dexia		7/6/2012
TBTA Gen	2005B-3	89602NGX6	195,600,000	VRDB	SBPA	BoAML		7/6/2012
TBTA Gen	2005B-4	89602NGY4	\$195,600,000	VRDB	SBPA	LBBW		7/6/2012
TBTA Gen	2003B	89602NFZ2	206,190,000	VRDB	SBPA	Dexia		7/7/2012
Trans Rev	CP2-C	59260U	\$350,000,000	CP	LOC	RBC		9/14/2012
Trans Rev	2005E-1	59259YCZ0	125,000,000	VRDB	LOC	BNP Paribas		10/9/2012
Trans Rev	2005E-2	59259YCX5	\$125,000,000	VRDB	LOC	BNP Paribas		10/9/2012
DTF	2008B-3a	59259NM75	35,000,000	FRN				11/1/2012
TBTA Gen	2002F	89602NCG7	\$216,400,000	VRDB	SBPA	ABN Amro		11/8/2012
Trans Rev	2005D-2	59259YAE9	100,000,000	VRDB	LOC	Helaba		11/10/2012
TBTA Gen	2009A-1	89602NUQ5	\$150,000,000	Mandatory Tender				11/15/2012
Trans Rev	2008B-2	59259R5N0	134,030,000	Mandatory Tender				11/15/2012
DTF	2008B-1	59259NWB5	\$98,140,000	VRDB	LOC	Scotia		8/15/2013
Trans Rev	CP2-A	59260N	100,000,000	CP	LOC	TD Bank		9/12/2013
Trans Rev	CP2-B	59260M	\$250,000,000	CP	LOC	Barclays		9/12/2013
Trans Rev	CP2-D	59260Q	200,000,000	CP	LOC	Citi		9/12/2013
Trans Rev	2002G-1	59259R7S7	\$200,000,000	VRDB	LOC	Scotia		10/7/2013
DTF	2008B-3b	59259NM83	54,470,000	FRN				11/1/2013
Trans Rev	2005D-1	59259YAG4	\$150,000,000	VRDB	LOC	Helaba		11/7/2013
TBTA Gen	2008B-1	89602NMV3	83,500,000	Mandatory Tender				11/15/2013
Trans Rev	2008B-3	59259R5P5	\$130,000,000	Mandatory Tender				11/15/2013

All Information is current as of January 12, 2012



# MTA LOC and SBPA Expirations and Put Obligations

Credit	Series	CUSIP	Par Outstanding	Mode	Liquidity Type	Liquidity Provider	Insurer	Liquidity Expiration Date
DTF	2002B	59259NML4	440,000,000	VRDB	SBPA	Dexia	Assured	5/7/2014
Trans Rev	2002D-2	59259YGQ6	\$200,000,000	PP*		Wells Fargo	Assured	5/27/2014
DTF	2008A-1	59259NH97	172,860,000	VRDB	LOC	Morgan Stanley		6/20/2014
DTF	2008A-2	59259NH89	\$172,855,000	VRDB	LOC	Bank of Tokyo		6/20/2014
DTF	2008B-4	59259NL76	100,000,000	VRDB	LOC	KBC		8/15/2014
Trans Rev	2011B	59259YHZ5	\$99,560,000	VRDB	LOC	BoAML		9/12/2014
TBTA Gen	2001B	89602NSP0	134,070,000	VRDB	LOC	State Street Bank		9/30/2014
TBTA Sub	2000AB	89602NJY1	\$130,250,000	VRDB	SBPA	JP Morgan	Assured	10/7/2014
TBTA Sub	2000CD	89602NJZ8	89,850,000	VRDB	SBPA	Lloyds TSB	Assured	10/7/2014
DTF	2008B-3c	59259NM91	\$44,740,000	FRN				11/1/2014
TBTA Gen	2008B-2	89602NMW1	63,650,000	Term Bond				11/15/2014
Trans Rev	2008B-4	59259R5Q3	\$130,000,000	Term Bond				11/15/2014
TBTA Gen	2001C	89602NSQ8	134,070,000	VRDB	SBPA	JP Morgan		9/29/2015
TBTA Gen	2008B-3	89602NMX9	\$105,080,000	Term Bond				11/15/2015

All Information is current as of January 12, 2012

\* Private Placement – 69% 1-month LIBOR + fixed spread