

# Report to the Finance Committee Review of Variable Rate Debt

MTA Finance Department  
Patrick J. McCoy, Director  
April 24, 2017



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

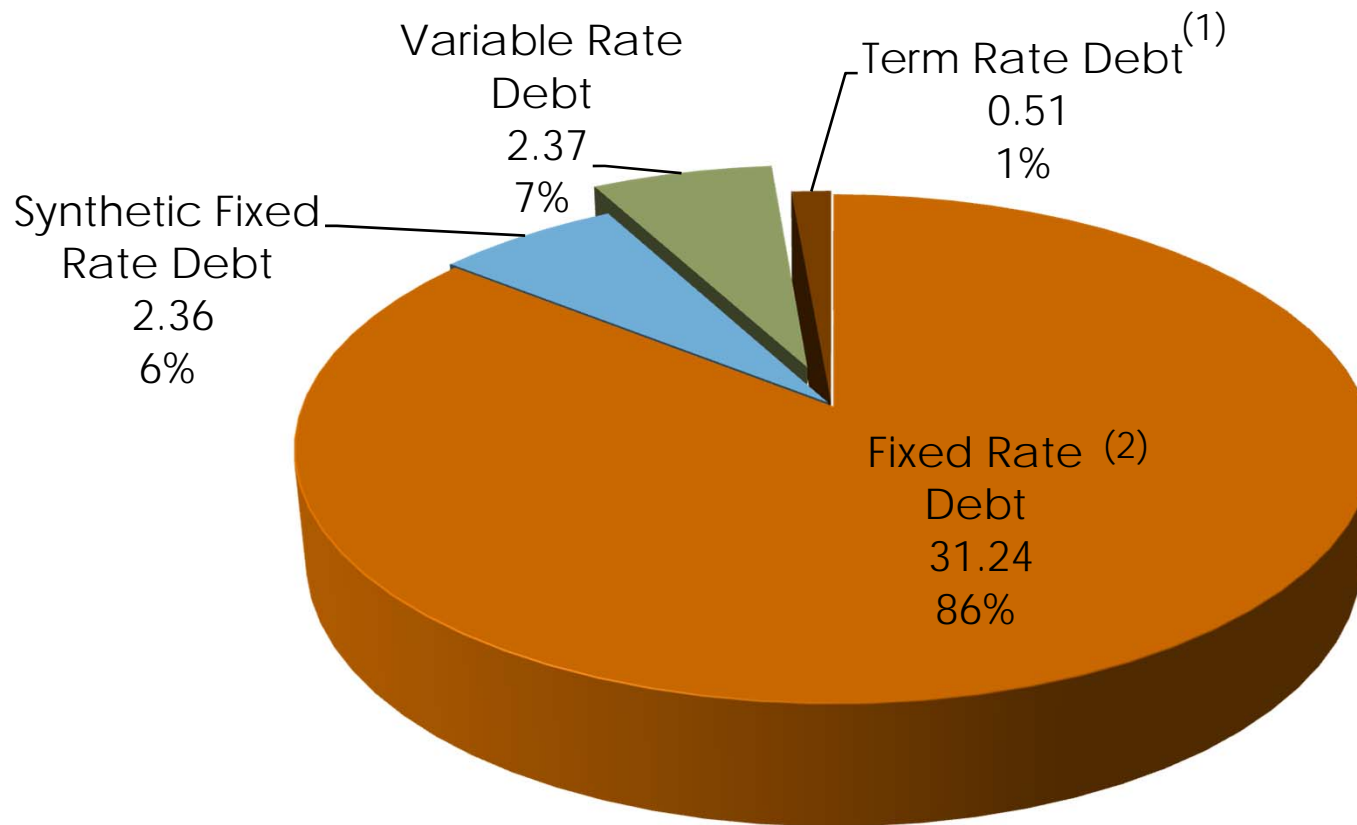
- The Authority desires to achieve the lowest possible interest cost on its debt and maintain a prudent level of interest rate risk. Therefore, the following policy shall apply:

*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.*

(1) 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 2017

# Variable Rate Debt Represents 7% of Total Debt (\$ in billions)



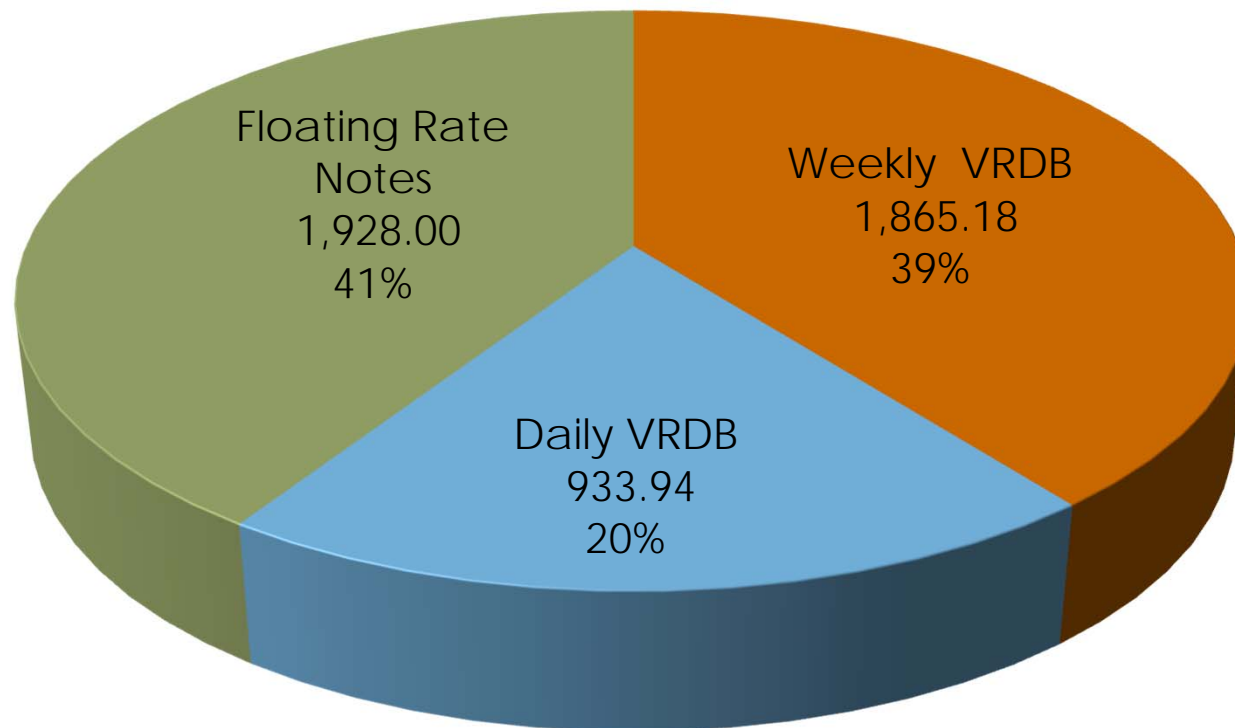
Excludes New York State supported Service Contract Bonds

- (1) 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.
- (2) Includes \$1.086 billion Bond Anticipation Notes.



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

*\$ in millions*



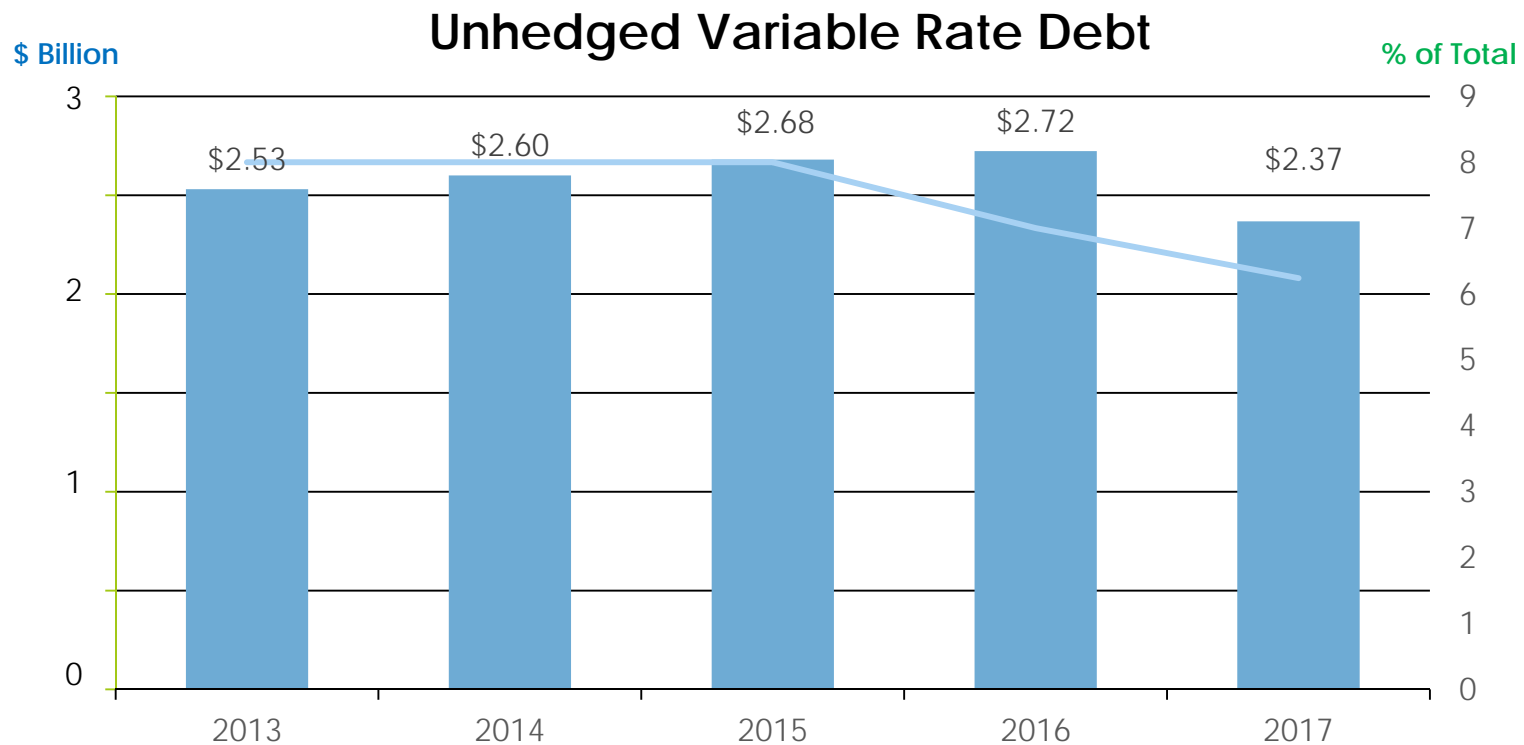
(1) Includes variable rate and synthetic fixed debt.

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

- **Variable Rate Demand Bonds (“VRDBs”), \$2.8 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 (LOC)
- **Floating Rate Notes (“FRNs”), \$1.9 billion outstanding**
  - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)



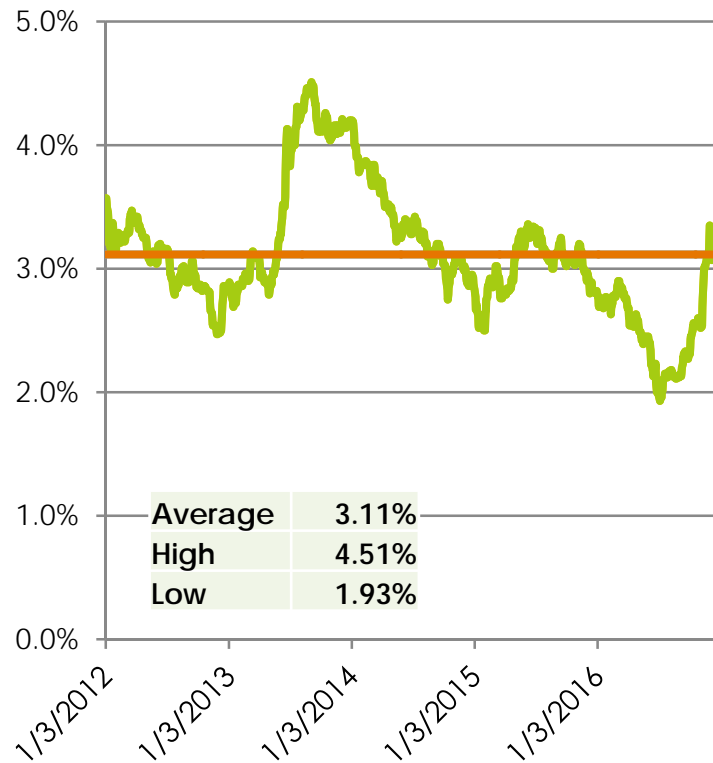
# Unhedged Variable Rate Debt Has Declined Since 2015



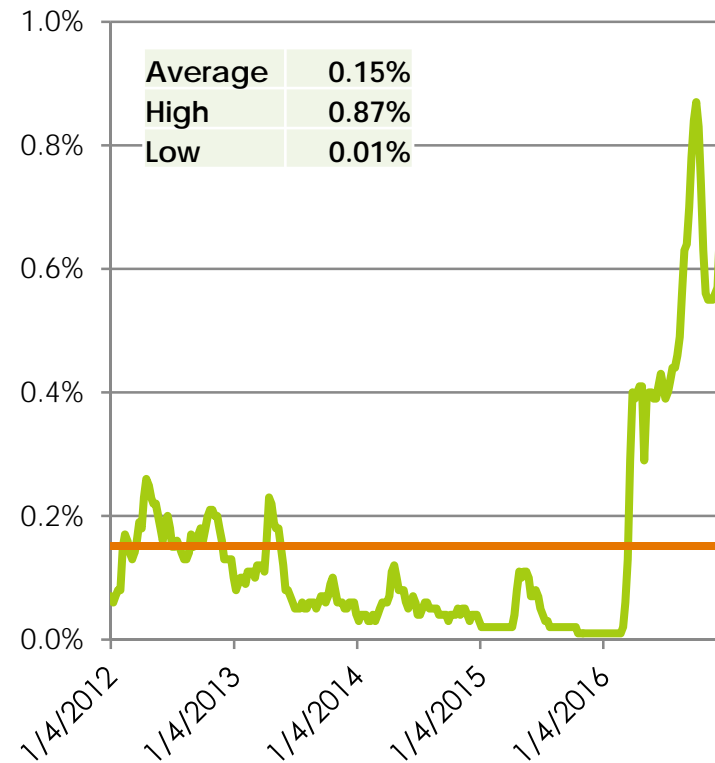
Note: All totals are as of March 31 of their respective year.

# 5-Year Tax-Exempt Rate History

### 30-Year Tax-Exempt Bond Rate <sup>(1)</sup> (2012-2016)



### SIFMA (2012-2016)

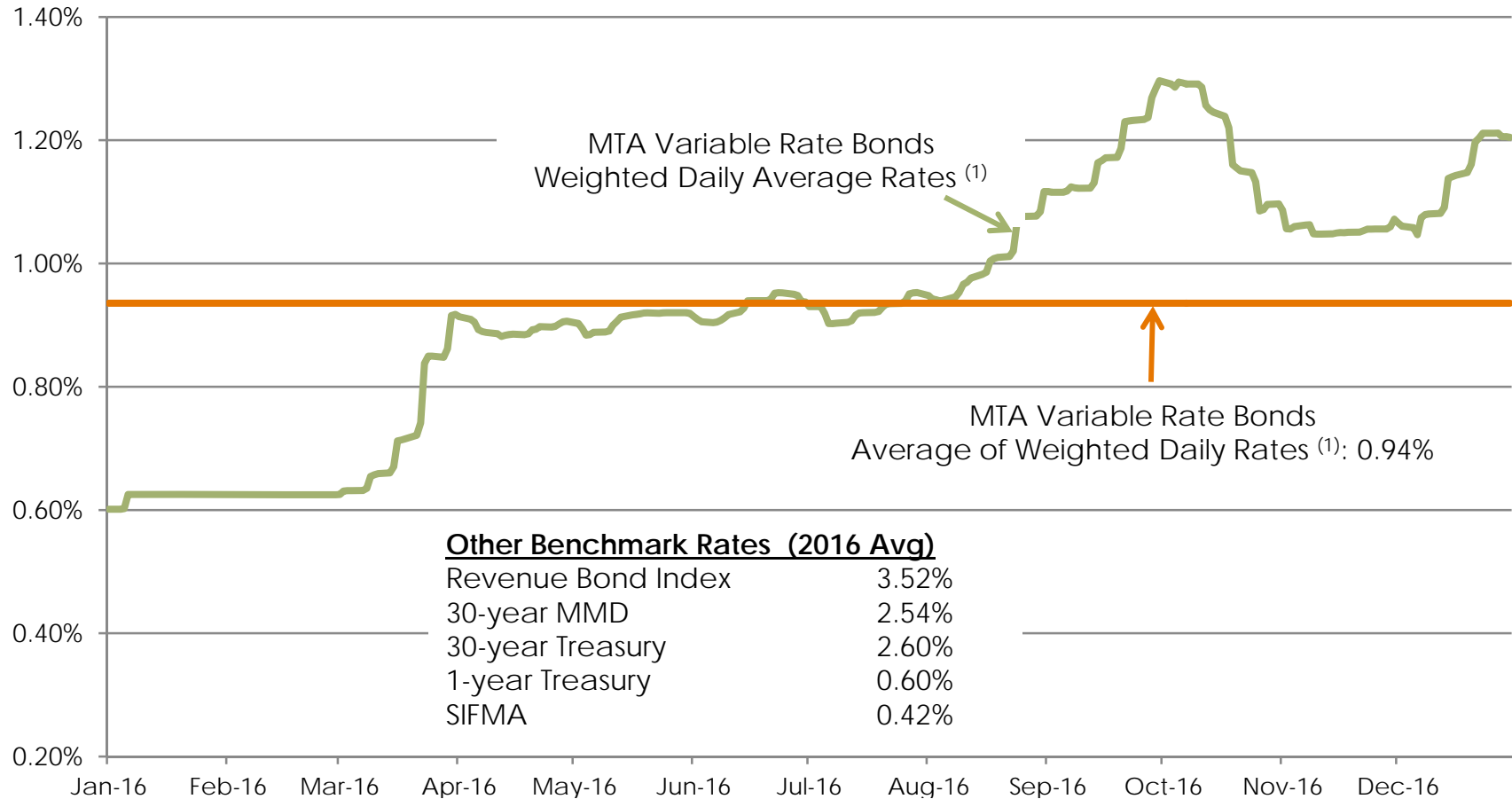


- Long-term bond yields are near the historic average (5-year avg. is 3.11%)
- Short-term rates have increased since March 2016 from its historic low of 1 basis point (5-year avg. is 0.15%)



(1) 30-Year 'AAA' MMD

# 2016 Variable Rate Bonds Performance

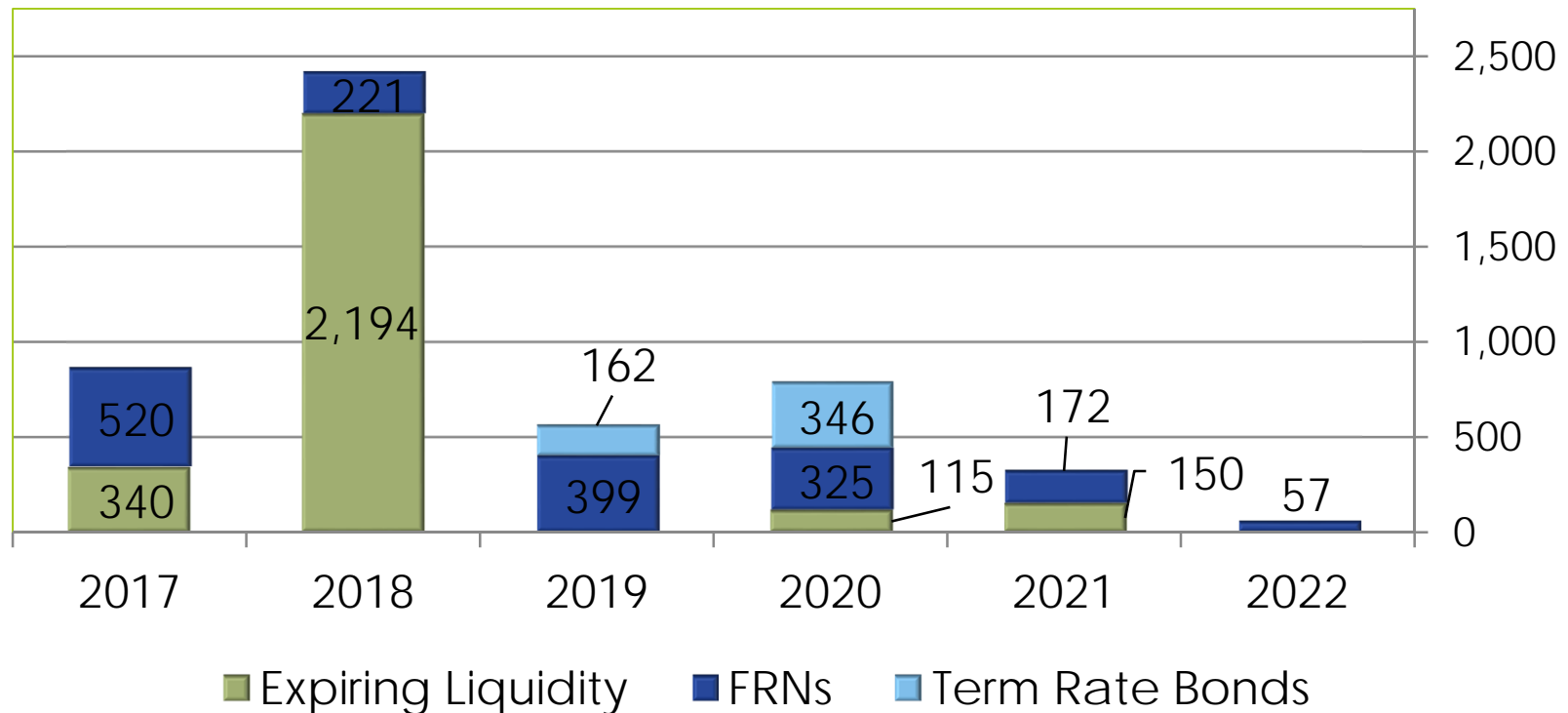


(1) Includes VRDBs and FRNs; Rates inclusive of remarketing and letter of credit fees, as applicable.



# Liquidity Expirations, FRN and Term Rate Bond Tender Dates by Year, 2017-2022

\$ in millions



- **2017 Outlook:** \$520 million of FRNs and \$340 million of VRDBs have tender dates/letter of credit expirations in 2017.



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# Appendix

- ▣ 2017 Liquidity Expiration, FRN and Term Bond Tender Dates Schedule
- ▣ Remarketing Agents
- ▣ Letter of Credit Providers

# 2017 Credit/Liquidity Facilities Expiration and FRN and Term Bond Reset Dates Schedule

Bond Series	Outstanding Par (\$ millions)	Mode	Credit/Liquidity Support Provider	LOC Expiration/ Tender Date
DTF 2008A-1	167.435	Daily	Royal Bank of Canada	6/16/2017
DTF 2008A-2a	82.575	FRN	NA	6/1/2017
TRB 2002D-2a <sup>1</sup>	100.000	FRN	NA	5/15/2017
TRB 2005D-2	98.750	Daily	Landesbank Hessen- Thüringen Girozentrale	11/10/2017
TRB 2005E-2	74.055	Weekly	Royal Bank of Canada	12/15/2017
TRB 2011B	99.560	FRN	NA	11/1/2017
TRB 2012G-4	73.050	FRN	NA	11/1/2017
TRB 2014D-2	165.000	FRN	NA	11/15/2017

<sup>1</sup> TRB 2002D-2a Bonds have been called and reoffered on April 6, 2017



Complete schedule is available at [MTA.info](http://MTA.info)

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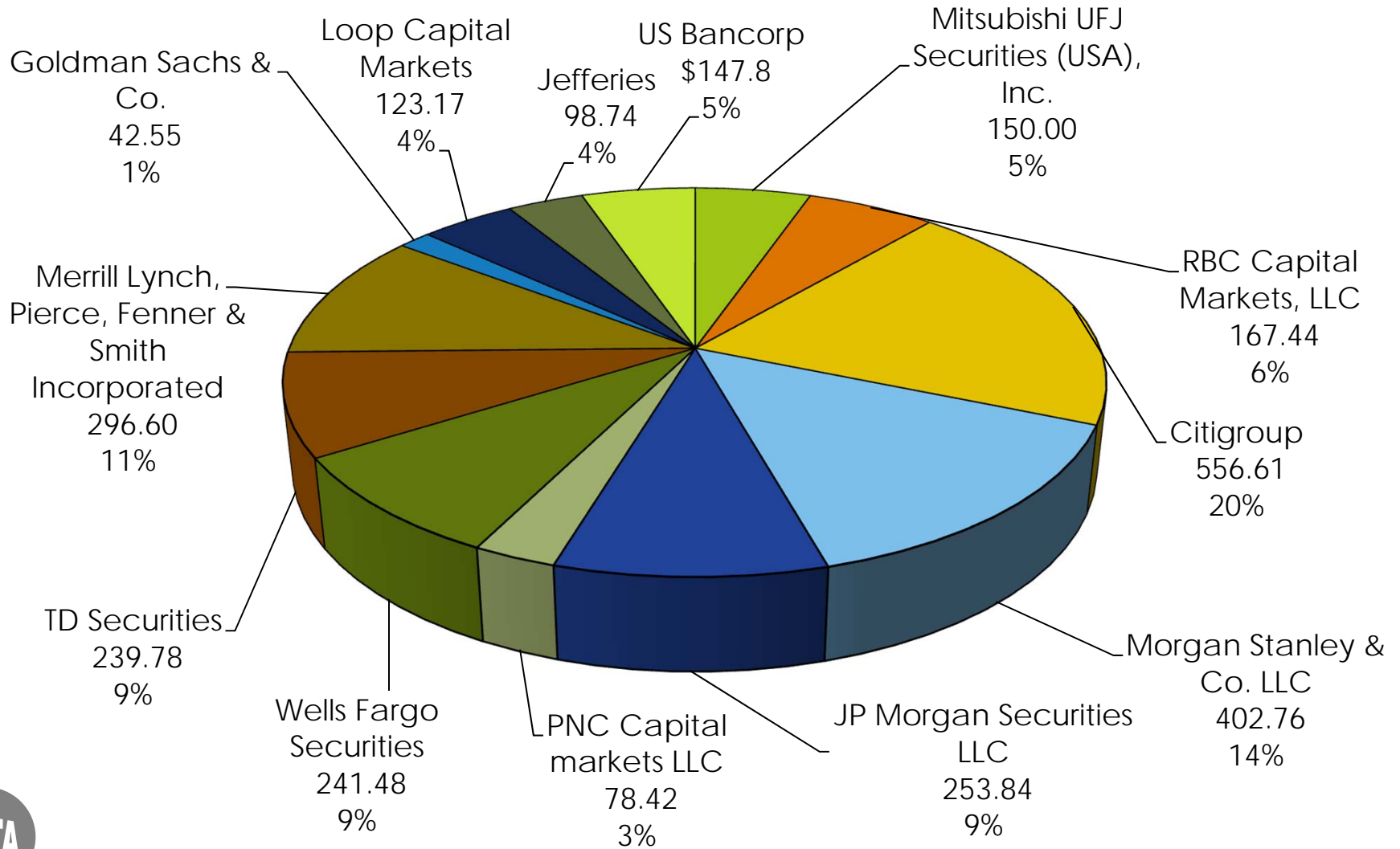
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# Variable Rate Demand Bonds Remarketing Agents *\$ in millions*



# Variable Rate Demand Bonds Letter of Credit Providers *\$ in millions*

