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

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.**

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(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)

- **Synthetic Fixed Rate Debt**: 2.36 billion (6%)
- **Variable Rate Debt**: 2.37 billion (7%)
- **Term Rate Debt**: 0.51 billion (1%)
- **Fixed Rate Debt**: 31.24 billion (86%)

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(1) Rate Debt Diversification

$ in millions

- Floating Rate Notes: 1,928.00 (41%)
- Weekly VRDB: 1,865.18 (39%)
- Daily VRDB: 933.94 (20%)

(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.
• 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

MTA Variable Rate Bonds
Weighted Daily Average Rates (1): 0.94%

Other Benchmark Rates (2016 Avg)
- Revenue Bond Index: 3.52%
- 30-year MMD: 2.54%
- 30-year Treasury: 2.60%
- 1-year Treasury: 0.60%
- SIFMA: 0.42%

(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.
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

<table>
<thead>
<tr>
<th>Bond Series</th>
<th>Outstanding Par ($ millions)</th>
<th>Mode</th>
<th>Credit/Liquidity Support Provider</th>
<th>LOC Expiration/Tender Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTF 2008A-2a</td>
<td>82.575</td>
<td>FRN</td>
<td>NA</td>
<td>6/1/2017</td>
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<tr>
<td>TRB 2002D-2a</td>
<td>100.000</td>
<td>FRN</td>
<td>NA</td>
<td>5/15/2017</td>
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<td>TRB 2005D-2</td>
<td>98.750</td>
<td>Daily</td>
<td>Landesbank Hessen-Thüringen Girozentrale</td>
<td>11/10/2017</td>
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<td>TRB 2005E-2</td>
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<td>Royal Bank of Canada</td>
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<td>165.000</td>
<td>FRN</td>
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1 TRB 2002D-2a Bonds have been called and reoffered on April 6, 2017

Complete schedule is available at MTA.info
2017 Credit/Liquidity Facilities
Expiration, FRN and Term Bond Tender Dates Schedule

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Variable Rate Demand Bonds Letter of Credit Providers $ in millions

- The Bank of Tokyo-Mitsubishi UFJ, Ltd: $700.62, 25%
- Royal Bank of Canada: $241.49, 9%
- State Street Bank and Trust Company: $112.72, 4%
- Landesbank Hessen-Thüringen Girozentrale: $426.66, 15%
- U.S. Bank National Association: $147.75, 5%
- Bank of the West: $49.11, 2%
- Citibank, N.A.: $197.29, 7%
- Bank of America, N.A.: $148.47, 5%
- TD Bank, N.A.: $282.33, 10%
- Wells Fargo Bank, National Association: $241.48, 9%
- PNC Bank, National Association: $78.42, 3%