



Report to the Finance Committee Review of Variable Rate Debt

**MTA Finance Department
Patrick J. McCoy, Director
April 15, 2019**



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...

Notes:

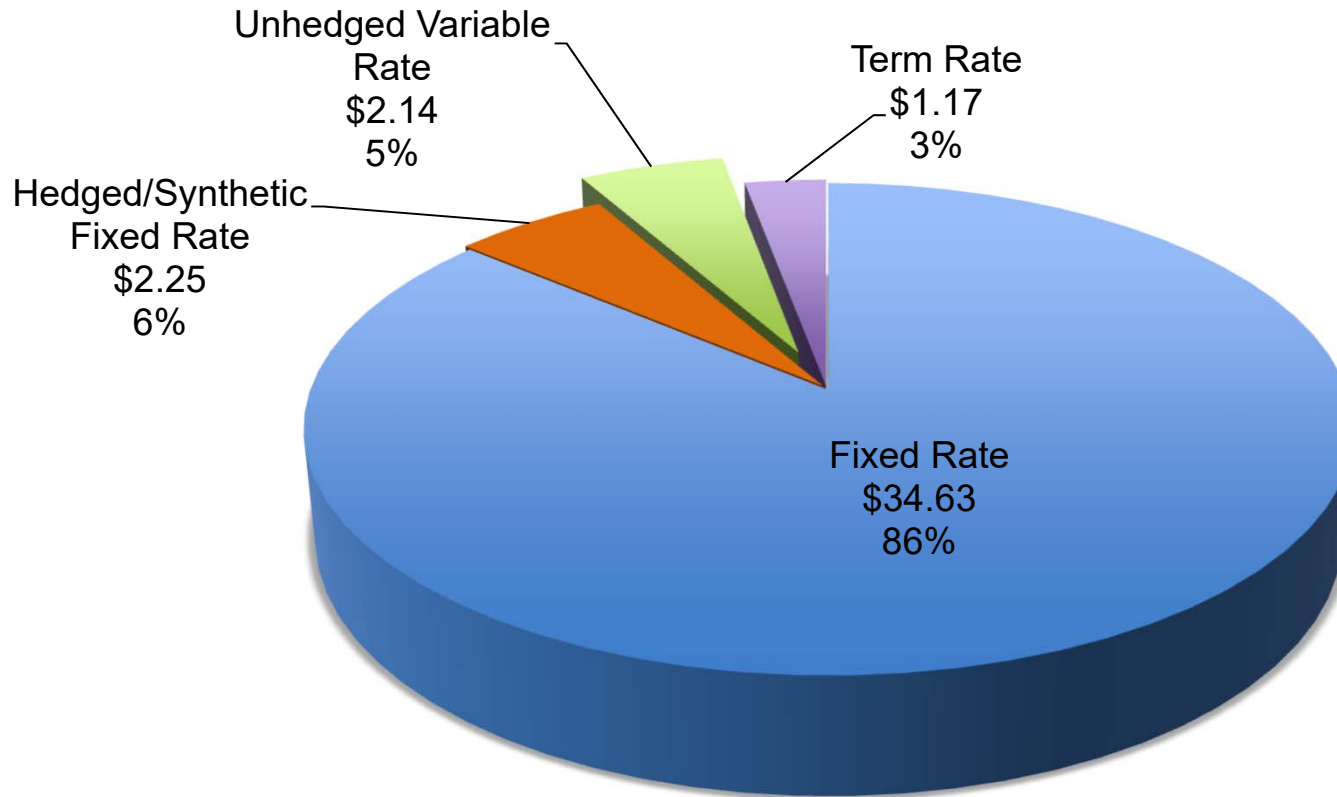
(1) MTA Board adopted the Variable Rate Policy on May 25, 2005

(2) Synthetic Fixed Rate presentation is scheduled to be presented to the Finance Committee in October 2019



Unhedged Variable Rate Debt is 5% of Total

\$ in billions



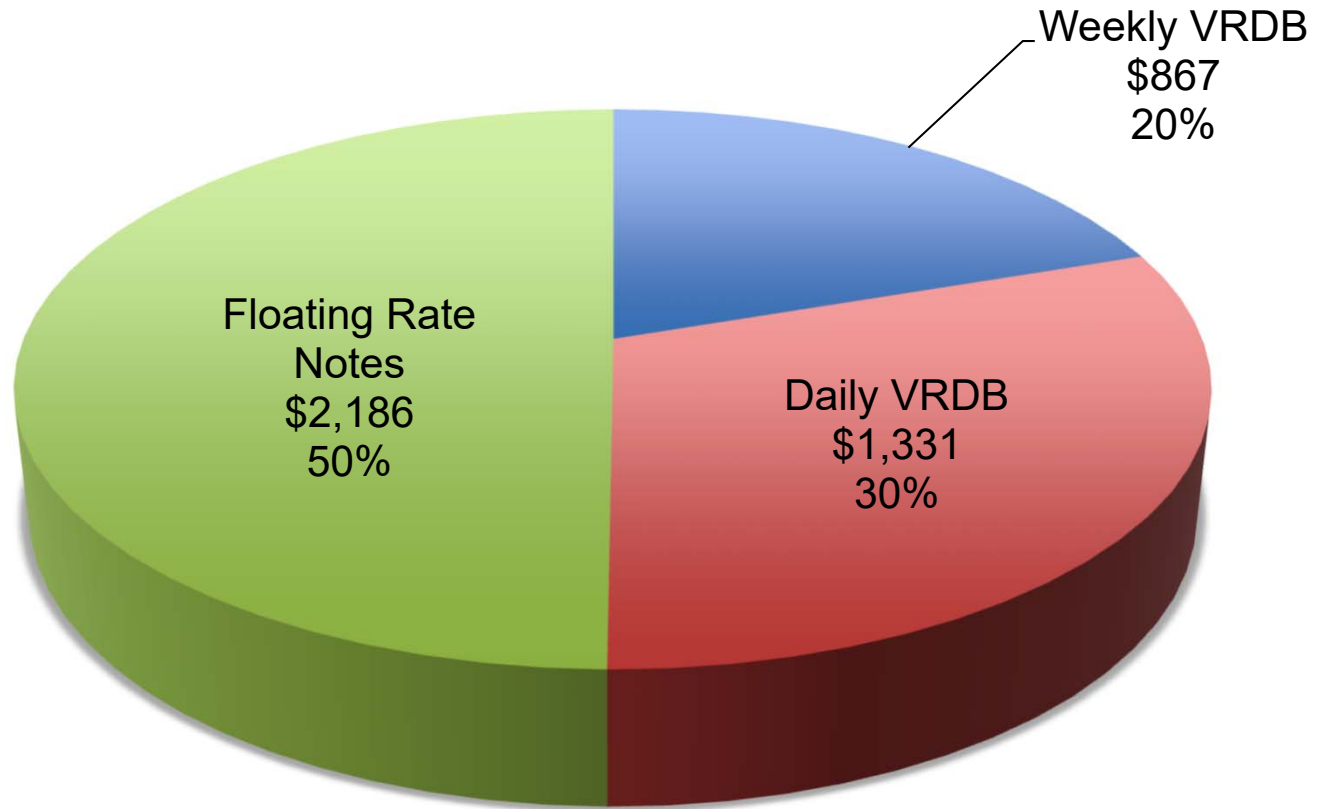
Notes:

- (1) Term Rate bonds have a fixed rate for a defined period (until the mandatory tender date) but do not have a fixed rate for the entire life of the bonds
- (2) Fixed Rate includes \$5.0 billion Bond Anticipation Notes
- (3) Excludes \$246.4 million Special Obligation Bonds and \$1.057 billion Hudson Rail Yard Trust Obligations



Variable Rate and Synthetic Fixed Rate Debt Diversification

\$ in millions



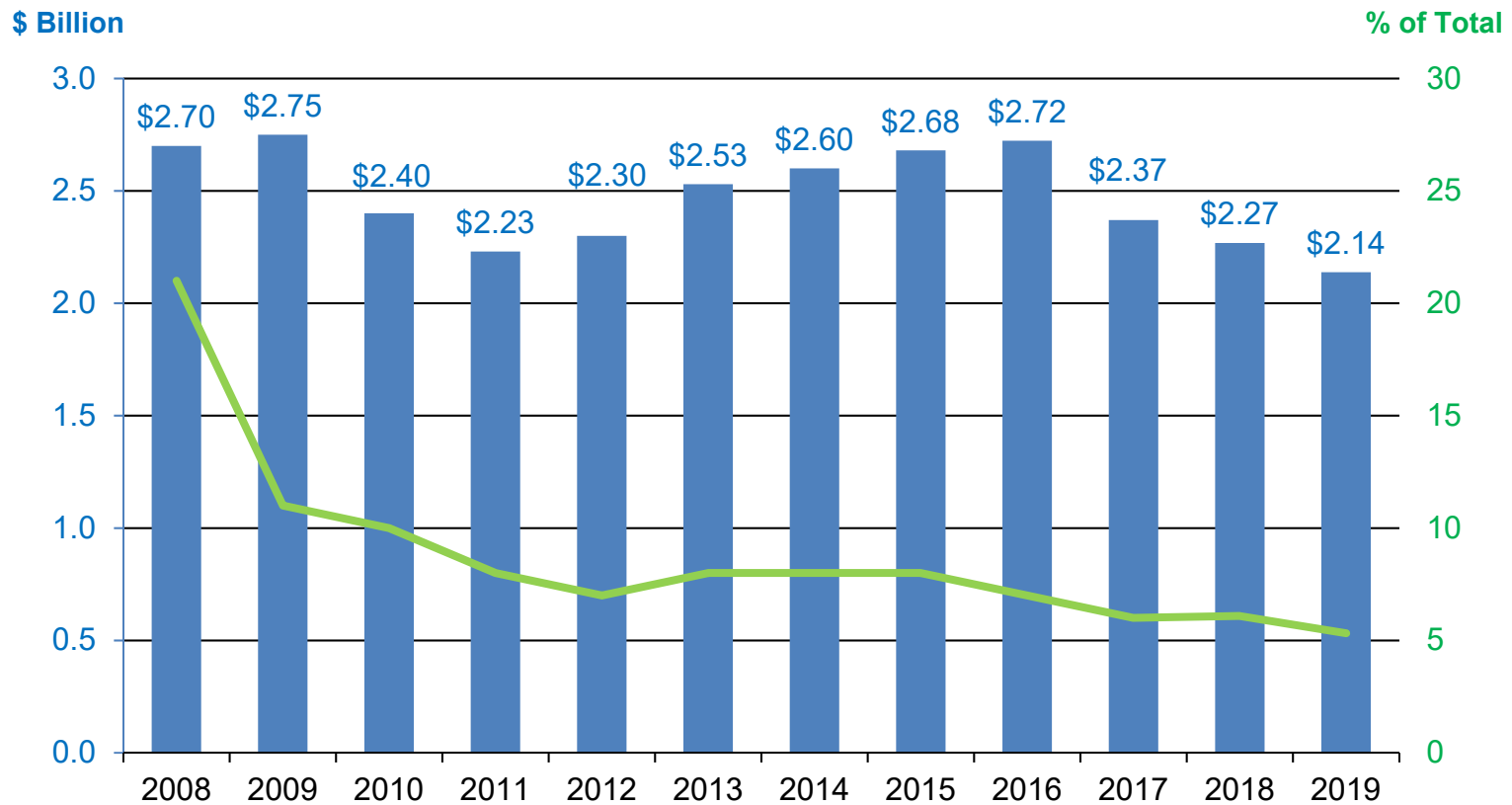


Types of Variable Rate Debt in MTA's Debt Portfolio

- **Variable Rate Demand Bonds (“VRDBs”), \$2.2 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”), \$2.2 billion outstanding**
 - Interest rate is determined based on a set spread to a floating index (SIFMA, LIBOR, or SOFR)



Unhedged Variable Rate Debt has Declined

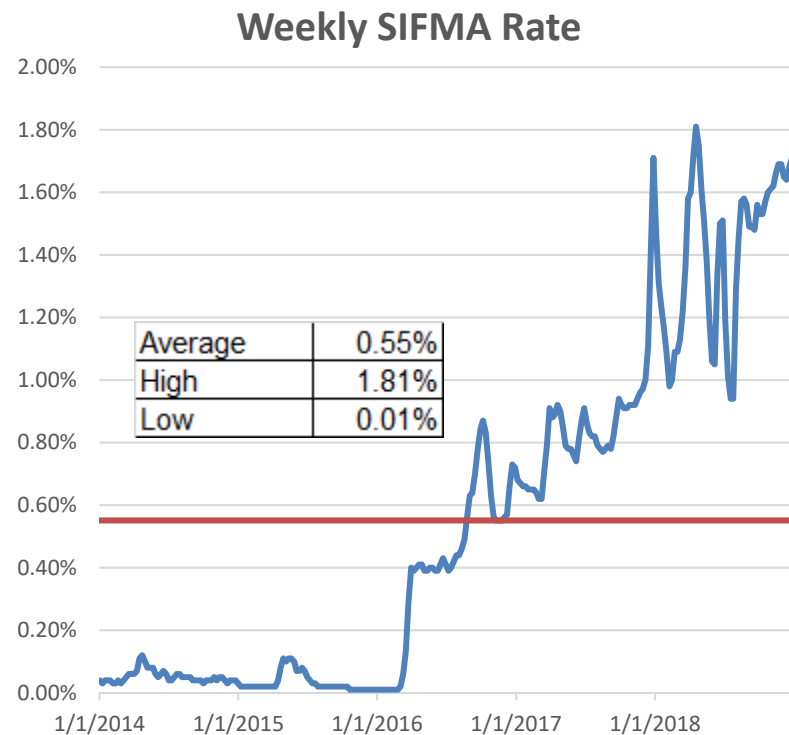
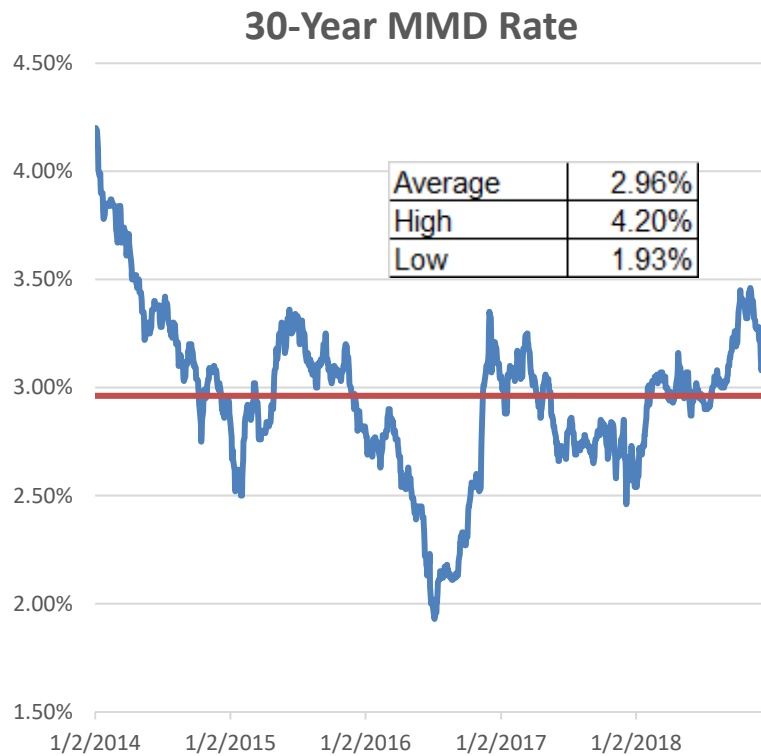


Note:

(1) All totals are as of March 31 of their respective year



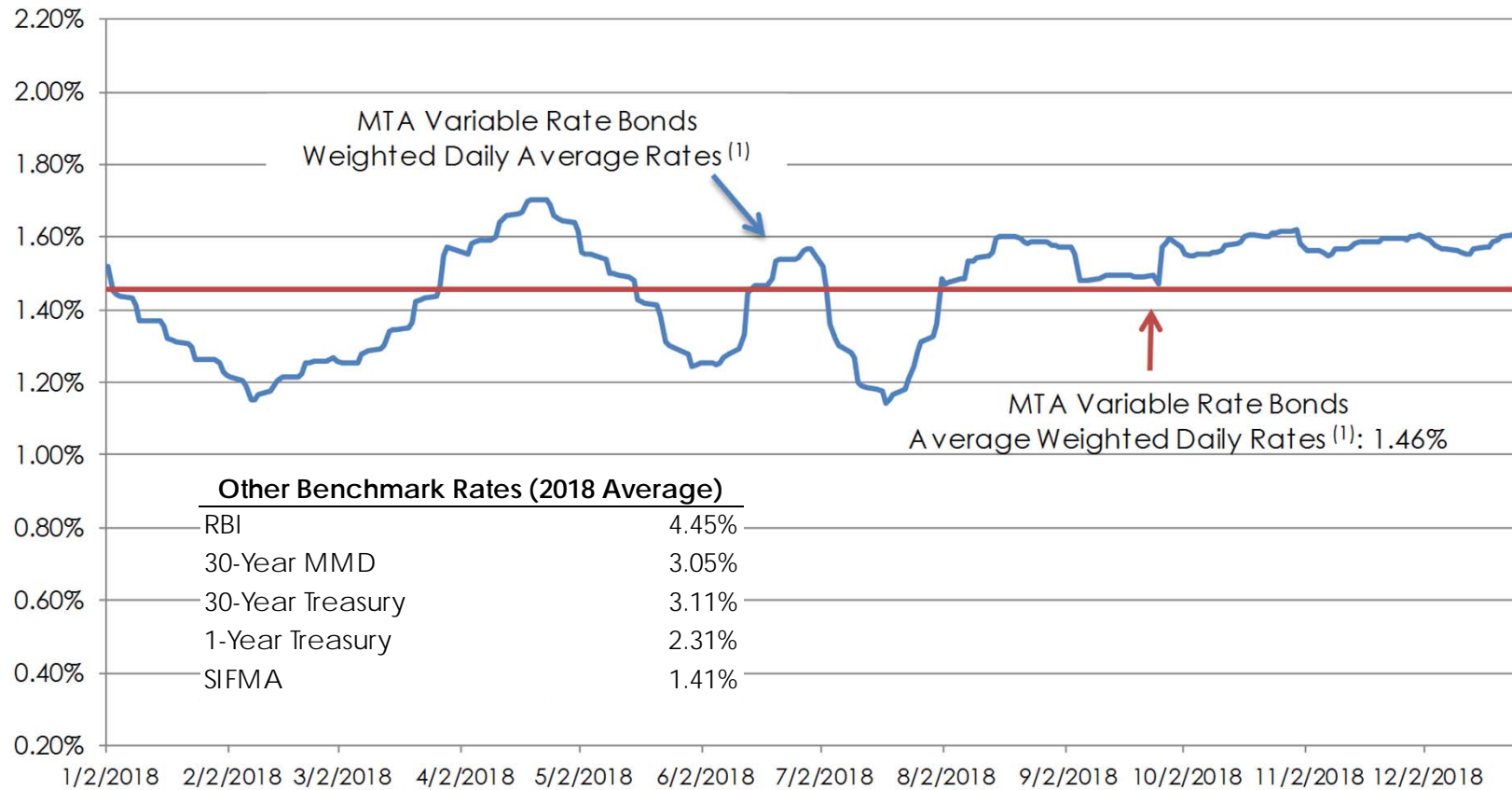
Tax-Exempt Bond Rate History



- Long-term tax-exempt bond yields increased significantly starting in October 2018 and then declined sharply at the end of the year (5-year average is 2.96%)
- Short-term rates have increased significantly since early 2016 ending 2018 at 1.71% (5-year average is 0.55%)



2018 Variable Rate Bonds Performance



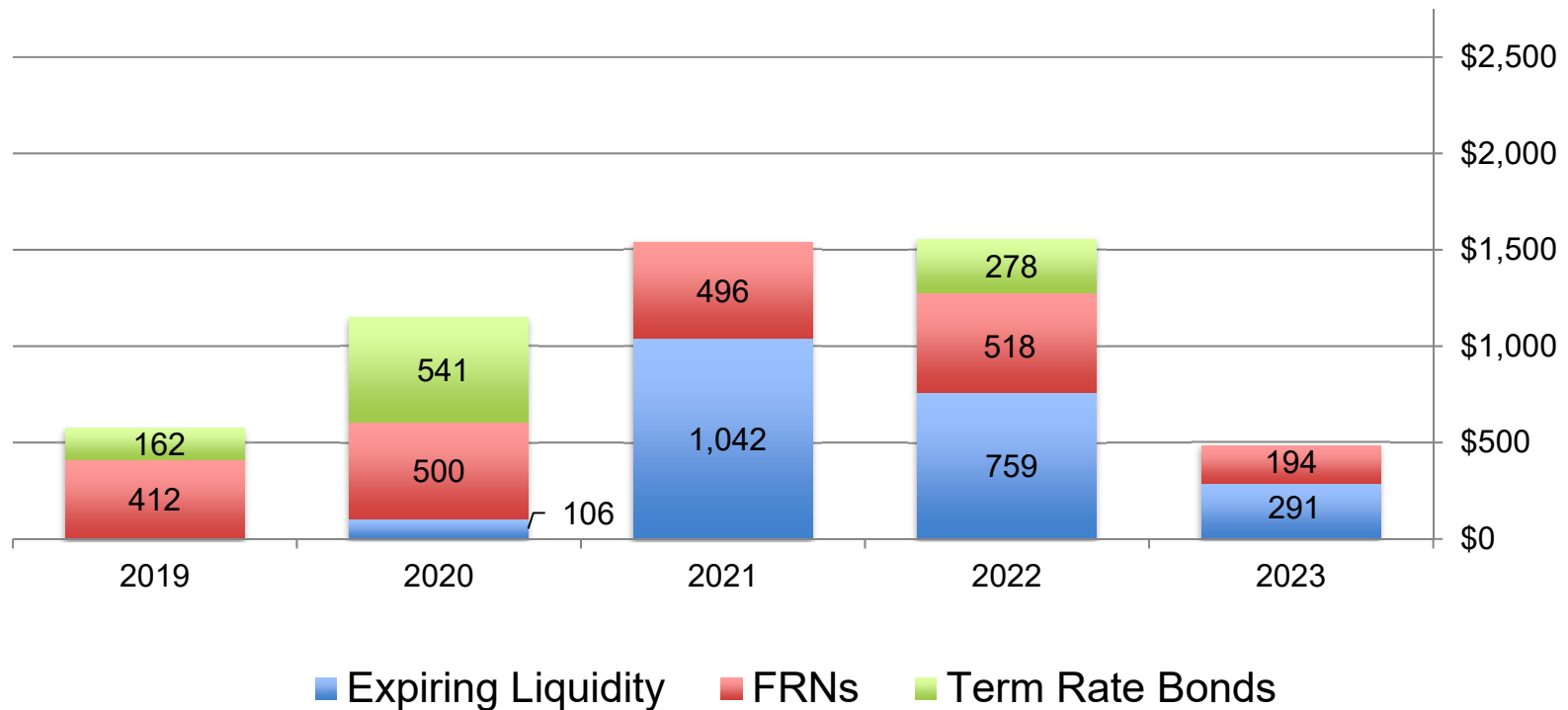
Note:

(1) Average rate is inclusive of remarketing and LOC fees



Liquidity Expirations, FRN and Term Rate Bond Reset Dates by Year

\$ in millions



- **2019 Outlook:** \$412 million of FRNs and \$162 million of term rate bonds have tender dates remaining in 2019



Appendix

- 2019 FRN / Term Rate Bonds Tender Dates Schedule
- Remarketing Agents
- Credit/Liquidity Support Providers



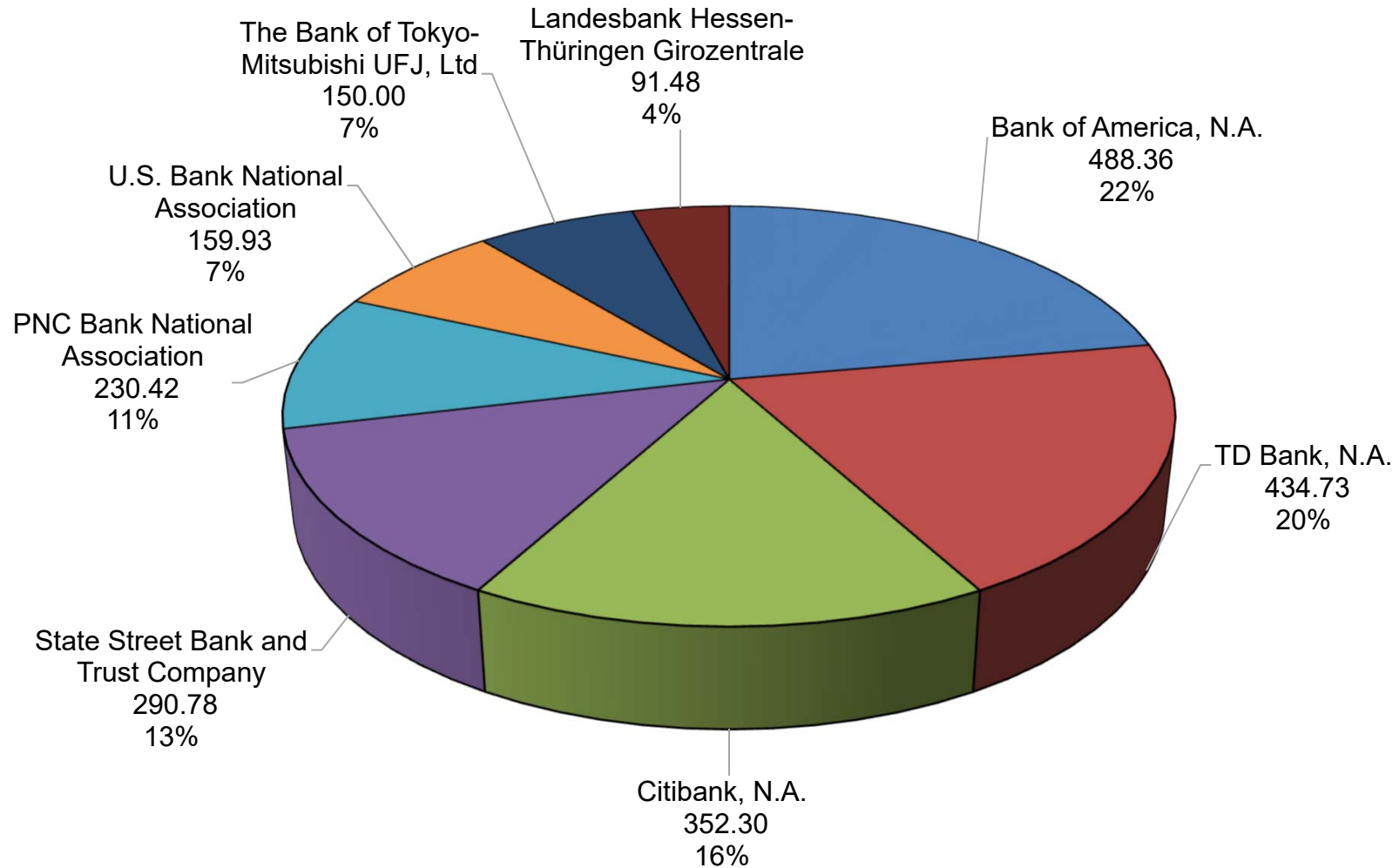
Remaining 2019 FRN / Term Rate Bonds Tender Dates Schedule

Bond Series	Outstanding Par (\$ millions)	Mode	Credit/Liquidity Support Provider	Exp./Reset Date
TRB 2012A-2	50.000	FRN	NA	6/1/2019
TBTA 2001B	101.475	FRN	NA	9/26/2019
TRB 2012G-1	84.450	FRN	NA	11/1/2019
DTF 2008A-2b	84.855	FRN	NA	11/1/2019
DTF 2008B-3c	44.740	FRN	NA	11/1/2019
TRB 2008B-4	111.220	Term Rate	NA	11/15/2019
TRB 2015D-2	50.665	Term Rate	NA	11/15/2019
TBTA 2003B-2	46.050	FRN	NA	12/3/2019



Variable Rate Demand Bonds Liquidity Providers

\$ in millions





Variable Rate Demand Bonds Remarketing Agents

\$ in millions

