Report to the Finance Committee
Review of Variable Rate Debt

MTA Finance Department
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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

- Unhedged Variable Rate
  - $2.14
  - 5%

- Fixed Rate
  - $34.63
  - 86%

- Hedged/Synthetic Fixed Rate
  - $2.25
  - 6%

- Term Rate
  - $1.17
  - 3%

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

Weekly VRDB
$867
20%

Daily VRDB
$1,331
30%

Floating Rate Notes
$2,186
50%
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
• 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

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

Complete schedule is available at [http://web.mta.info/mta/investor/](http://web.mta.info/mta/investor/)
Variable Rate Demand Bonds Liquidity Providers

$ in millions

- The Bank of Tokyo-Mitsubishi UFJ, Ltd: 150.00 (7%)
- Landesbank Hessen-Thüringen Girozentrale: 91.48 (4%)
- U.S. Bank National Association: 159.93 (7%)
- PNC Bank National Association: 230.42 (11%)
- State Street Bank and Trust Company: 290.78 (13%)
- Citibank, N.A.: 352.30 (16%)
- Bank of America, N.A.: 488.36 (22%)
- TD Bank, N.A.: 434.73 (20%)
Variable Rate Demand Bonds Remarketing Agents

$ in millions

- Merrill Lynch, Pierce, Fenner & Smith Incorporated: 488.36 (22%)
- TD Securities: 396.48 (18%)
- Citigroup: 352.30 (16%)
- PNC Capital Markets LLC: 230.42 (11%)
- US Bancorp: 309.93 (14%)
- Goldman Sachs & Co.: 139.73 (6%)
- Jefferies: 189.30 (9%)
- Morgan Stanley & Co. LLC: 91.48 (4%)