Report to the Finance Committee
Review of Variable Rate Debt

April 18, 2016

All Information as of March 31, 2016 Unless Noted
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.

(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 2016
Variable Rate Debt Represents 7% of Total Debt ($ in billions)

- **Fixed Rate Debt**: $31.29 (85%)
- **Synthetic Fixed Rate Debt**: $2.41 (7%)
- **Variable Rate Debt**: $2.72 (7%)
- **Term Rate Debt**: $0.23 (1%)

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 $1.9 billion Bond Anticipation Notes.
Variable(1) Rate Debt Diversification

$ in millions

- Auction Rate Securities: $252 (5%)
- Floating Rate Notes: $2,035 (40%)
- Daily VRDB: $951 (18%)
- Weekly VRDB: $1,894 (37%)

(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 and standby bond purchase agreements

• **Floating Rate Notes (“FRNs”), $2.0 billion outstanding**
  - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)

• **Auction Rate Securities (“ARS”), $252 million outstanding**
  - Interest rates are reset through a Dutch auction process which was designed to result in market-provided liquidity
  - ARSs have been failing since beginning of credit crunch in late 2008
Unhedged variable rate debt has remained constant since 2008.

Note: All totals are as of March 31 of their respective year.
The long-term bond yields remains near historic lows (5-year avg. is 3.46%)
Short-term rates continue to remain near all-time lows (5-year avg. is 0.10%)
2015 Variable Rate Bonds Performance

Other Benchmark Rates (2015 Avg)
- RBI: 4.18%
- MMD: 3.01%
- 30-year Treasury: 2.84%
- 1-year Treasury: 0.32%
- SIFMA: 0.03%

MTA Variable Rate Bonds
Weighted Daily Average

MTA Variable Rate Bonds Average Rate\(^{(1)}\), 0.72%

(1) Average rate is inclusive of remarketing and liquidity fees from January 1, 2015 through December 31, 2015
Liquidity Expirations, FRN and Term Rate Bond Reset Dates by Year, 2016-2021

$ in millions

- **2016 Outlook**: $263 million in FRNs will reset in 2016.
Appendix

• 2016 Liquidity Expiration FRN and Term Bond Reset Dates Schedule
• Remarketing Agents
• Credit/Liquidity Support Providers
# 2016 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>Exp./Reset Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DTF 2008B-3b</td>
<td>54.470</td>
<td>FRN</td>
<td>NA</td>
<td>11/1/2016</td>
</tr>
<tr>
<td>TBTA 2005B-4a</td>
<td>27.000</td>
<td>FRN</td>
<td>NA</td>
<td>11/1/2016</td>
</tr>
<tr>
<td>TRB 2002G-1h</td>
<td>56.890</td>
<td>FRN</td>
<td>NA</td>
<td>11/1/2016</td>
</tr>
<tr>
<td>TRB 2012A-2</td>
<td>50.000</td>
<td>FRN</td>
<td>NA</td>
<td>5/15/2016</td>
</tr>
<tr>
<td>TRB 2012G-3</td>
<td>75.000</td>
<td>FRN</td>
<td>NA</td>
<td>11/1/2016</td>
</tr>
</tbody>
</table>

Complete schedule is available at MTA.info
Variable Rate Demand Bonds Remarketing Agents

in millions

- Goldman Sachs & Co.: $42.6, 2%
- Merrill Lynch, Pierce, Fenner & Smith Incorporated: $298.5, 10%
- TD Securities: $243.7, 9%
- Wells Fargo Securities: $244.6, 9%
- PNC Capital Markets LLC: $81.9, 3%
- JP Morgan Securities LLC: $262.7, 9%
- Loop Capital Markets: $125.0, 4%
- Mitsubishi UFJ Securities (USA), Inc.: $150.0, 5%
- RBC Capital Markets, LLC: $168.6, 6%
- Citigroup: $567.8, 20%
- Morgan Stanley & Co. LLC: $410.0, 14%
Variable Rate Demand Bonds Liquidity Providers

<table>
<thead>
<tr>
<th>Provider</th>
<th>Amount (in millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd</td>
<td>$697.1</td>
<td>25%</td>
</tr>
<tr>
<td>Landesbank Hessen-Thüringen Girozentrale</td>
<td>$437.7</td>
<td>15%</td>
</tr>
<tr>
<td>TD Bank, N.A.</td>
<td>$286.2</td>
<td>10%</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>$243.6</td>
<td>9%</td>
</tr>
<tr>
<td>State Street Bank and Trust Company</td>
<td>$117.8</td>
<td>4%</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>$244.6</td>
<td>9%</td>
</tr>
<tr>
<td>U.S. Bank National Association</td>
<td>$150.0</td>
<td>5%</td>
</tr>
<tr>
<td>Bank of America, N.A.</td>
<td>$148.5</td>
<td>5%</td>
</tr>
<tr>
<td>Bank of the West</td>
<td>$50.0</td>
<td>2%</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>$175.0</td>
<td>6%</td>
</tr>
<tr>
<td>Citibank, N.A.</td>
<td>$212.9</td>
<td>7%</td>
</tr>
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