# Report to the Finance Committee
# Review of Variable Rate Debt

April 28, 2014

# MTA's Variable Rate Debt Policy[1]

- 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:

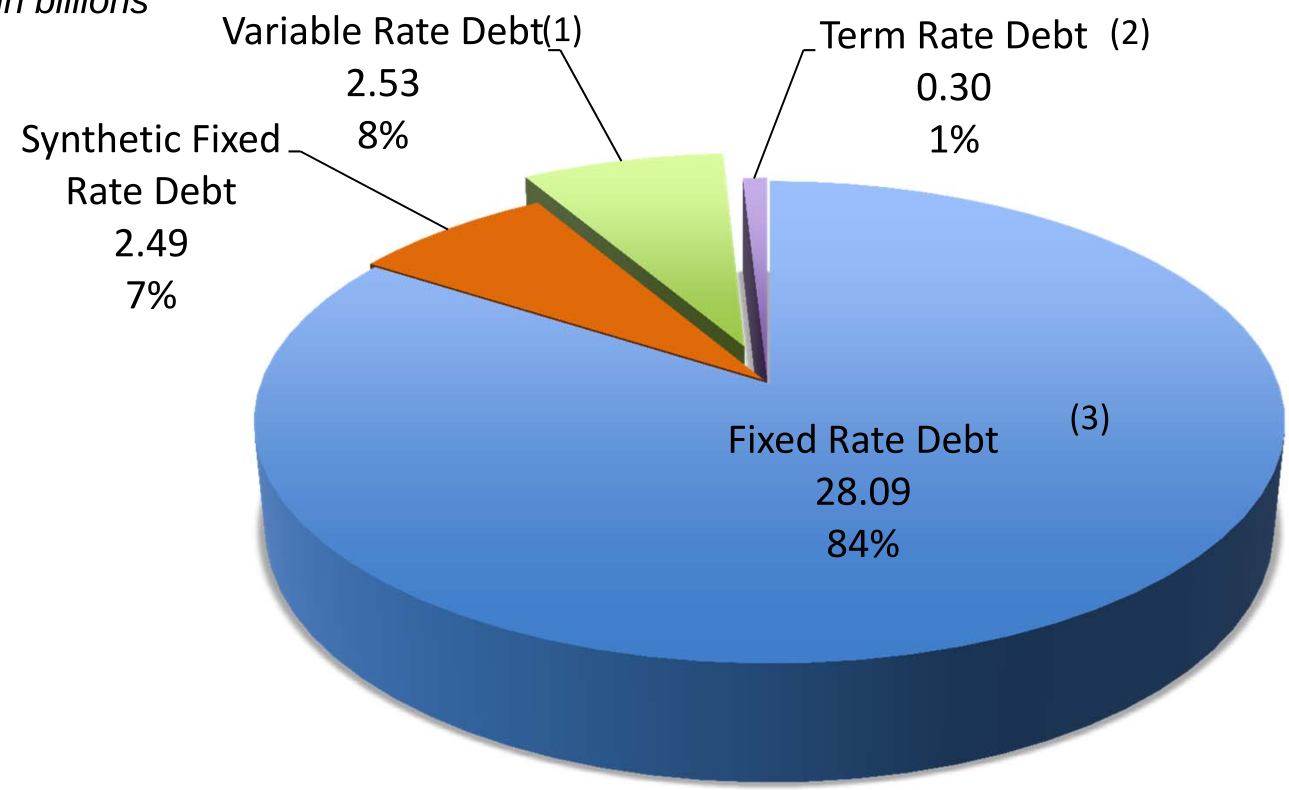
> *The Authority may issue Variable Rate Debt in such amounts as deemed necessary and/or beneficial by staff to provide funding for Approved Capital Programs or to refund existing obligations of the Authority. Upon such issuance, the principal amount of Variable Rate Debt outstanding shall not exceed 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 2014

# Variable Rate Debt Represents 8% of Total Debt*

*$ in billions*




*As of March 31, 2014

Excludes new York State supported Service Contract Bonds

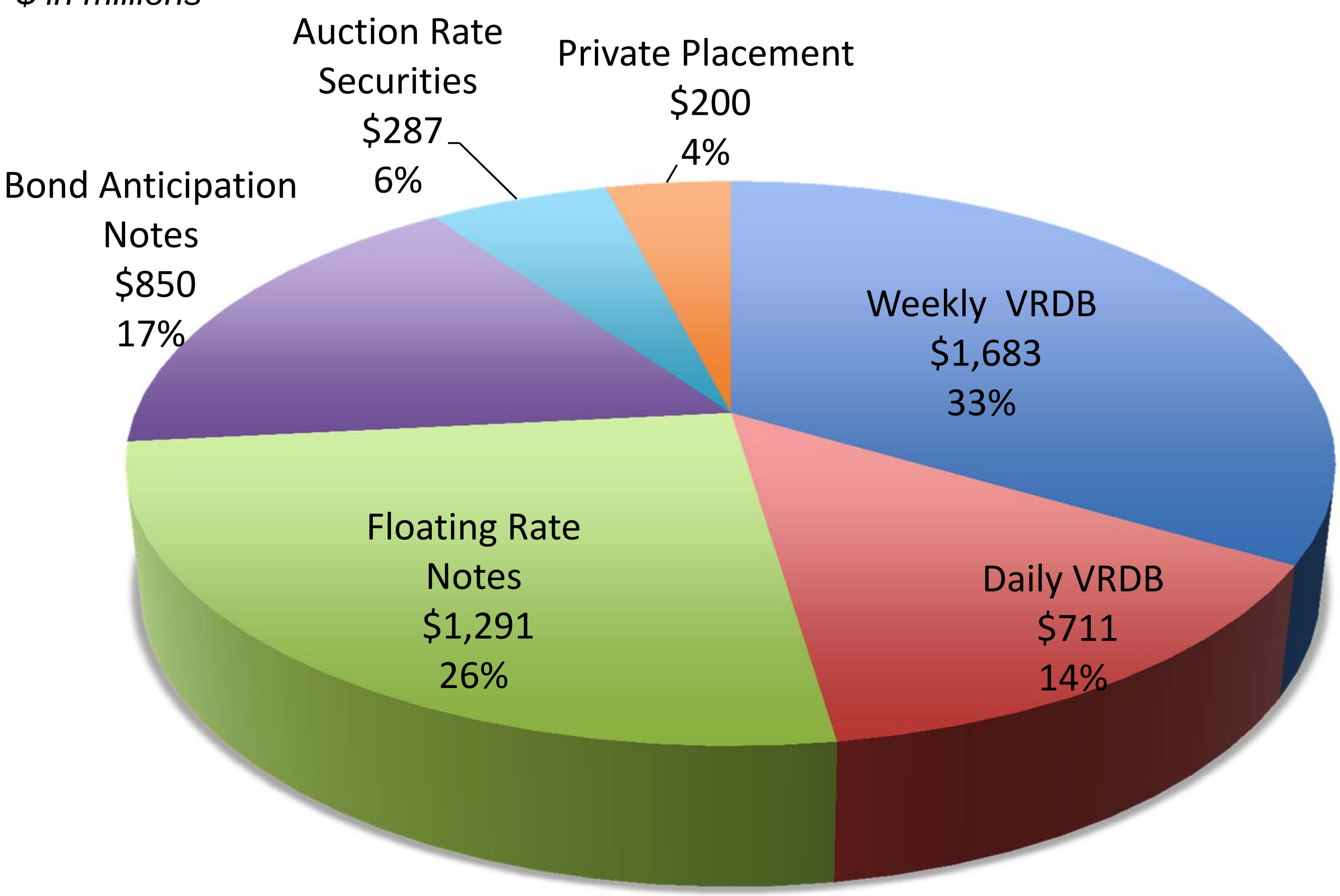
(1) Includes $850 million Transportation Revenue Bond Anticipation Notes

(2) 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.

(3) Includes $100 million Triborough Bridge and Tunnel General Revenue Bond Anticipation Notes

# Variable(1) Rate Debt Diversification*

*$ in millions*




*As of March 31, 2014.

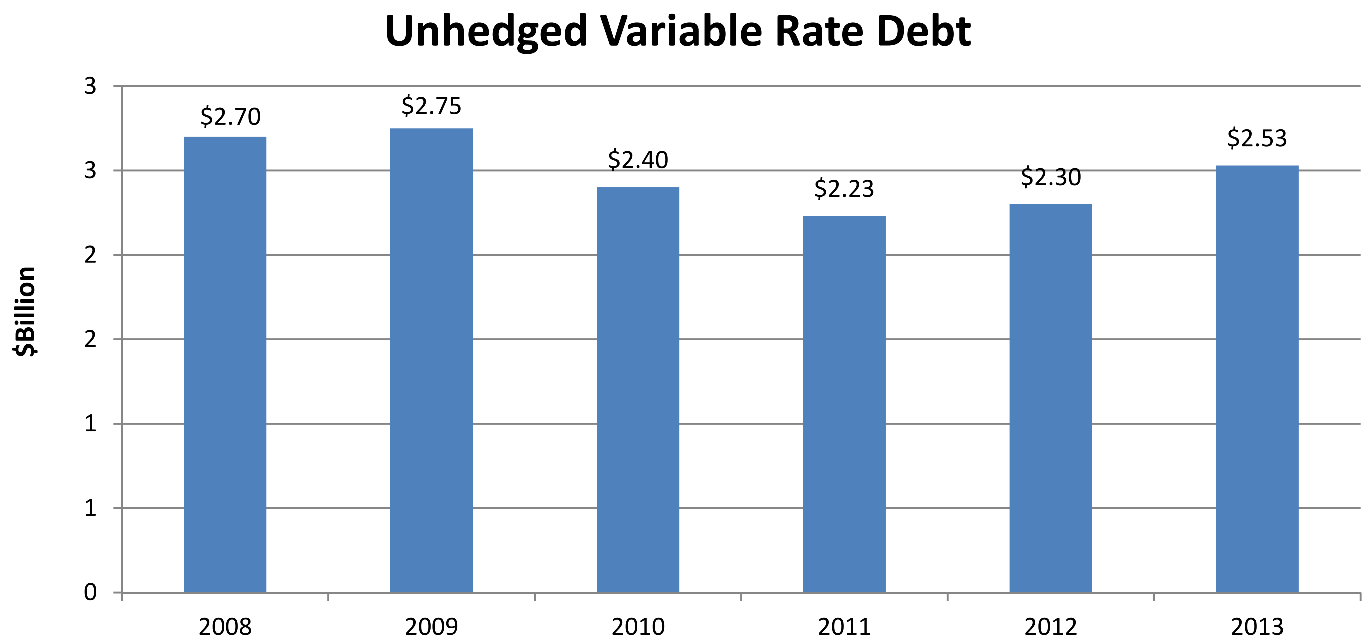
(1) Includes variable rate and synthetic fixed debt.

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

- **Variable Rate Demand Bonds ("VRDBs"), $2.4 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"), $1.3 billion outstanding**
  - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)
- **Bond Anticipation Notes ("BANs"), $850 million outstanding**
  - $550 million is in commercial paper mode with optional tenders supported by bank letters of credit and standby bond purchase agreements
  - $300 million rely on market access without third party credit or liquidity support
- **Auction Rate Securities ("ARS"), $287 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
- **Private Placement, $200 million outstanding**
  - Interest rate is determined based on a set spread to 69% 1-month LIBOR index

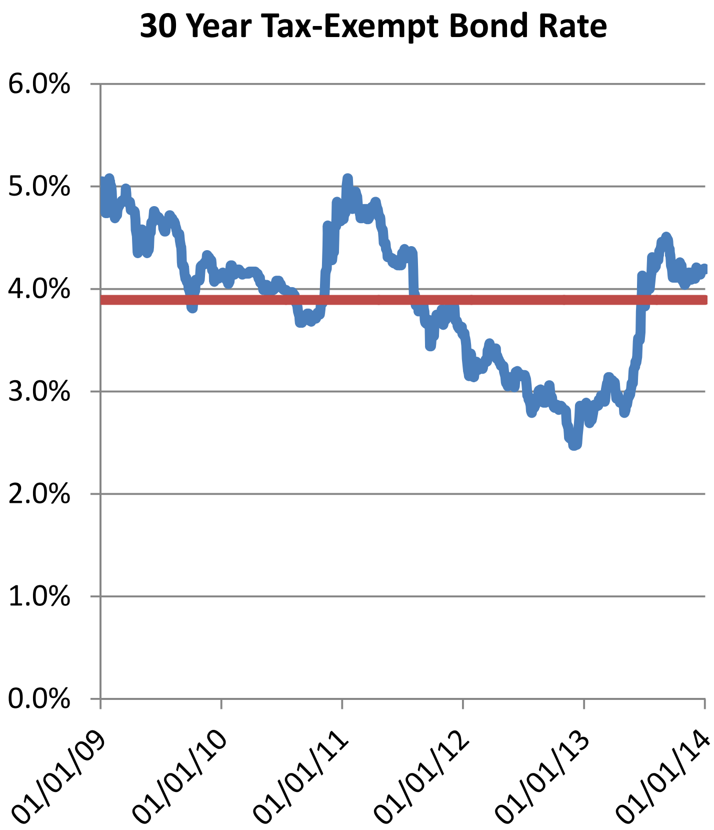
* As of March 31, 2014

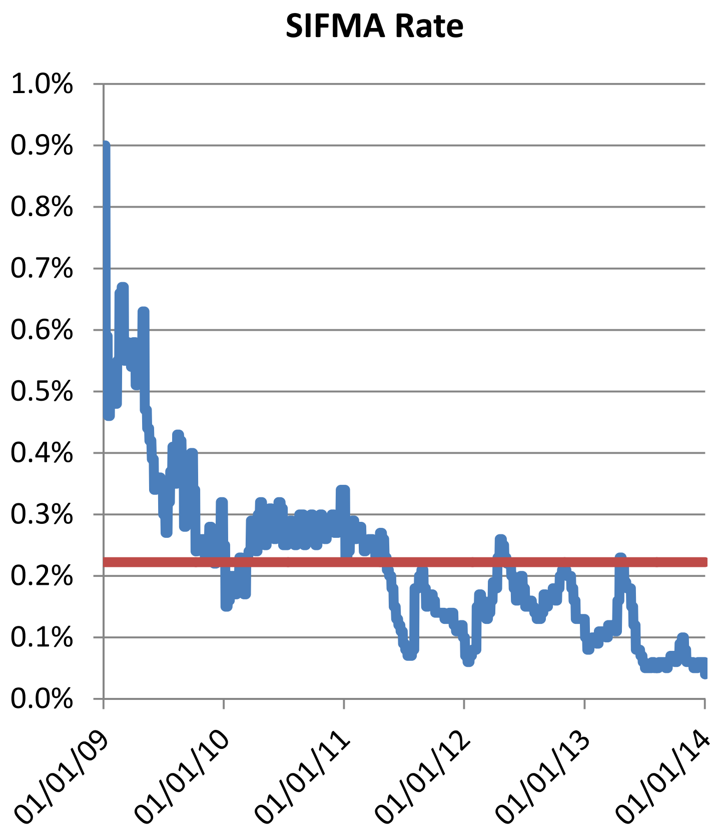
# Unhedged variable rate debt has remained constant since 2008




Note: All totals are as of March 31 of the following year.

# 5-Year Tax-Exempt Bond Rate History

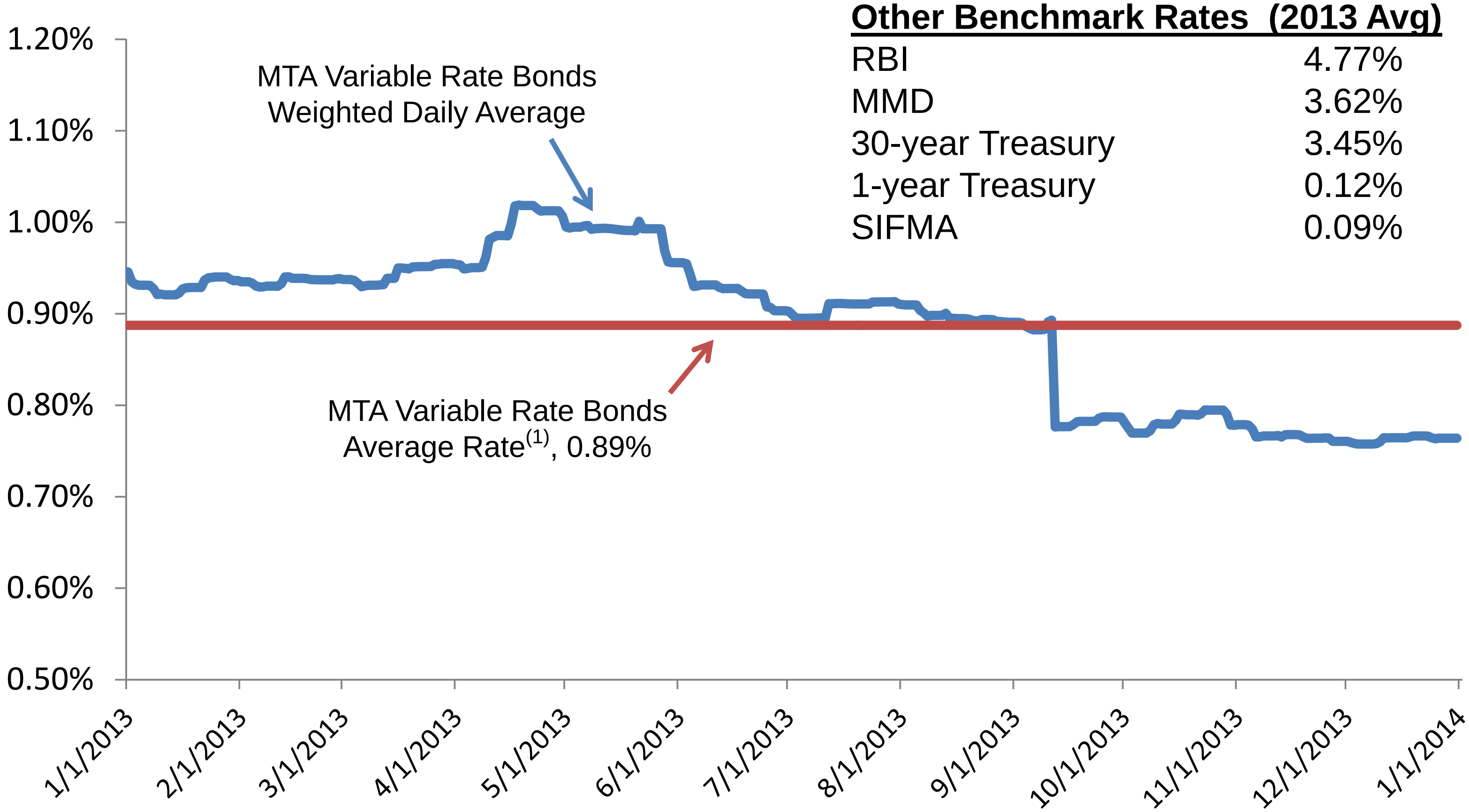



- The long-term bond yields generally trended downward in 2012 and upward in 2013, but rates continue near historic lows (5-year avg. is 3.89%)
- Short-term rates continue to remain near all-time lows since the upward spike on September 24, 2008 (5-year avg. is 0.22%)

# 2013 Variable Rate Bonds Performance

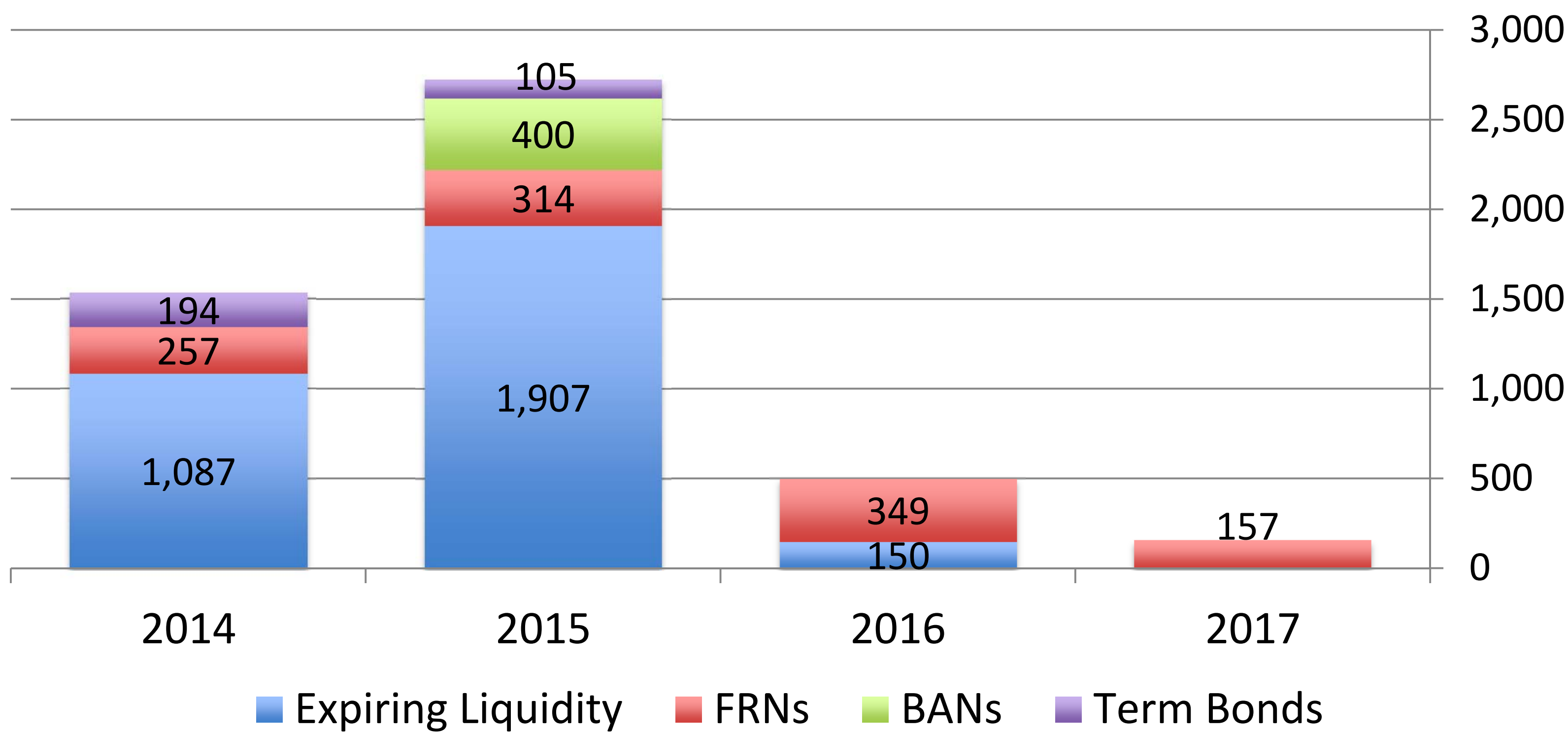
| Other Benchmark Rates (2013 Avg) | |
|---|---|
| RBI | 4.77% |
| MMD | 3.62% |
| 30-year Treasury | 3.45% |
| 1-year Treasury | 0.12% |
| SIFMA | 0.09% |




(1) Average rate is inclusive of remarketing and liquidity fees from January 1, 2013 through December 31, 2013.

# Liquidity Expirations and FRN and Term Bond Reset Dates by Year, 2014-2017

*$ in millions*




- **<u>2014 Outlook</u>**: $492 million expected to renew and $594 million are expected need replacement facilities, $193 million in Term bonds and $257 million in FRNs will reset in 2014.

# Appendix

- Variable Rate Debt Issuance Options
- 2014 Liquidity Expiration FRN and Term Bond Reset Dates Schedule
- Remarketing Agents
- Credit/Liquidity Support Providers

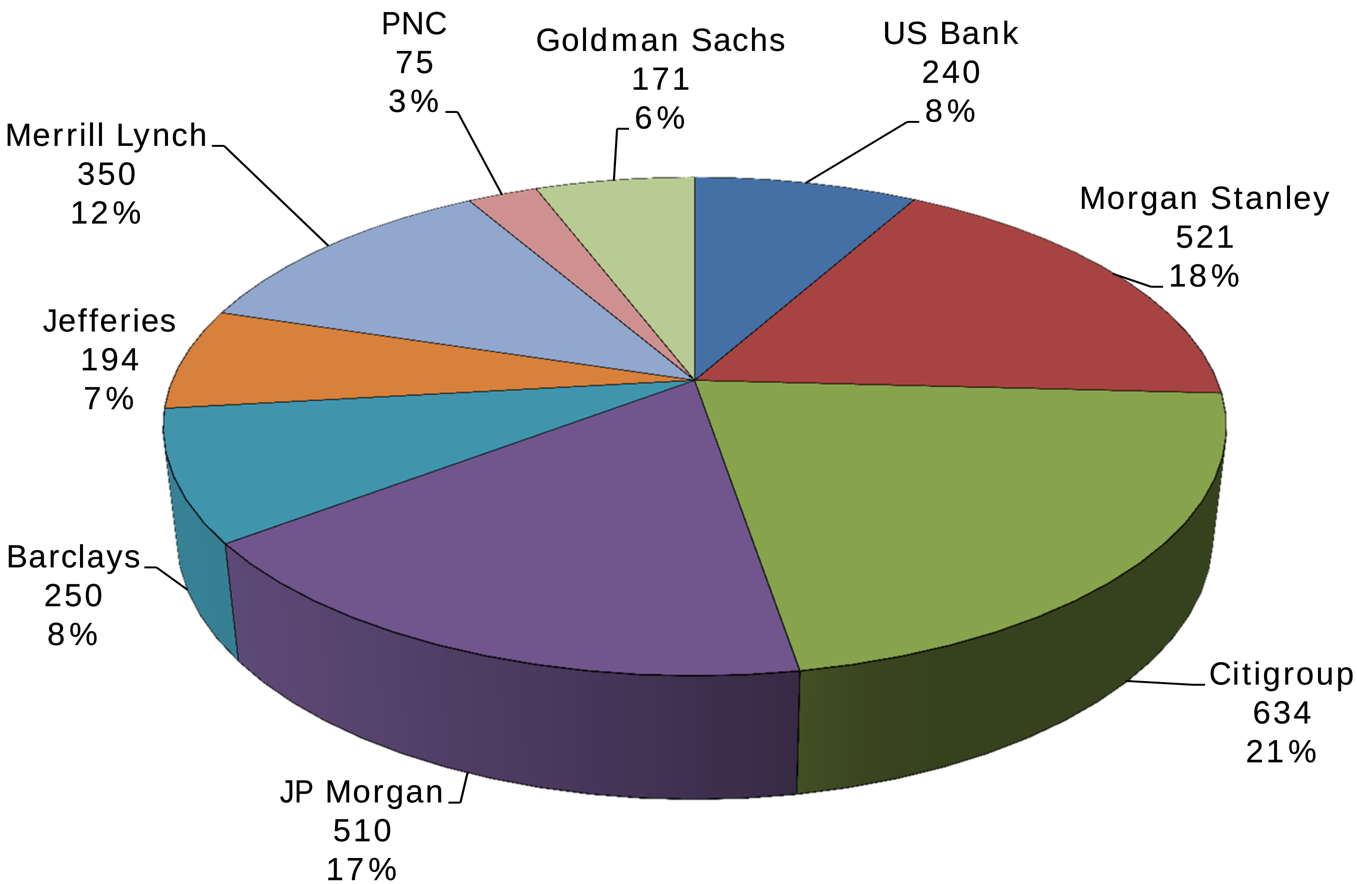
# 2014 Credit/Liquidity Facilities Expiration and FRN and Term Bond Reset Dates Schedule

| Credit | Subseries | Type | Outstanding Par ($ millions) | Credit/Liquidity Support Provider | Exp./Reset Date |
|---|---|---|---|---|---|
| Trans Rev | 2012A-2 | SIFMA FRN | 50.0 | N/A | 5/15/2014 |
| Trans Rev | 2002D-2 | Direct Placement | 200.0 | Wells Fargo | 5/27/2014 |
| DTF | 2008A-1 | LOC | 170.8 | Morgan Stanley | 6/20/2014 |
| DTF | 2008A-2 | LOC | 170.8 | Bank of Tokyo-Mitsubishi | 6/20/2014 |
| Trans Rev | 2011B | LOC | 99.6 | Bank of America ML | 9/12/2014 |
| TBTA Gen | 2001B | LOC | 122.6 | State Street | 9/30/2014 |
| TBTA Sub | 2000AB | SBPA | 95.3 | JP Morgan | 10/7/2014 |
| TBTA Sub | 2000CD | SBPA | 52.6 | Lloyds TSB Bank | 10/7/2014 |
| Trans Rev | 2012G-1 | 67% LIBOR FRN | 84.5 | N/A | 11/1/2014 |
| Trans Rev | 2002G-1f | 67% LIBOR FRN | 42.6 | N/A | 11/1/2014 |
| DTF | 2008B-3a | SIFMA FRN | 35.0 | N/A | 11/1/2014 |
| DTF | 2008B-3c | SIFMA FRN | 44.7 | N/A | 11/1/2014 |
| Trans Rev | 2005D-2 | LOC | 100.0 | Helaba | 11/10/2014 |
| TBTA Gen | 2008B-2 | Term Bond | 63.7 | N/A | 11/15/2014 |
| Trans Rev | 2008B-4 | Term Bond | 130.0 | N/A | 11/15/2014 |
| Trans Rev | 2005E-2 | LOC | 75.0 | JP Morgan | 12/31/2014 |

Complete schedule is available at MTA.info

# Variable Rate Demand Bonds and Commercial Paper Remarketing Agents*

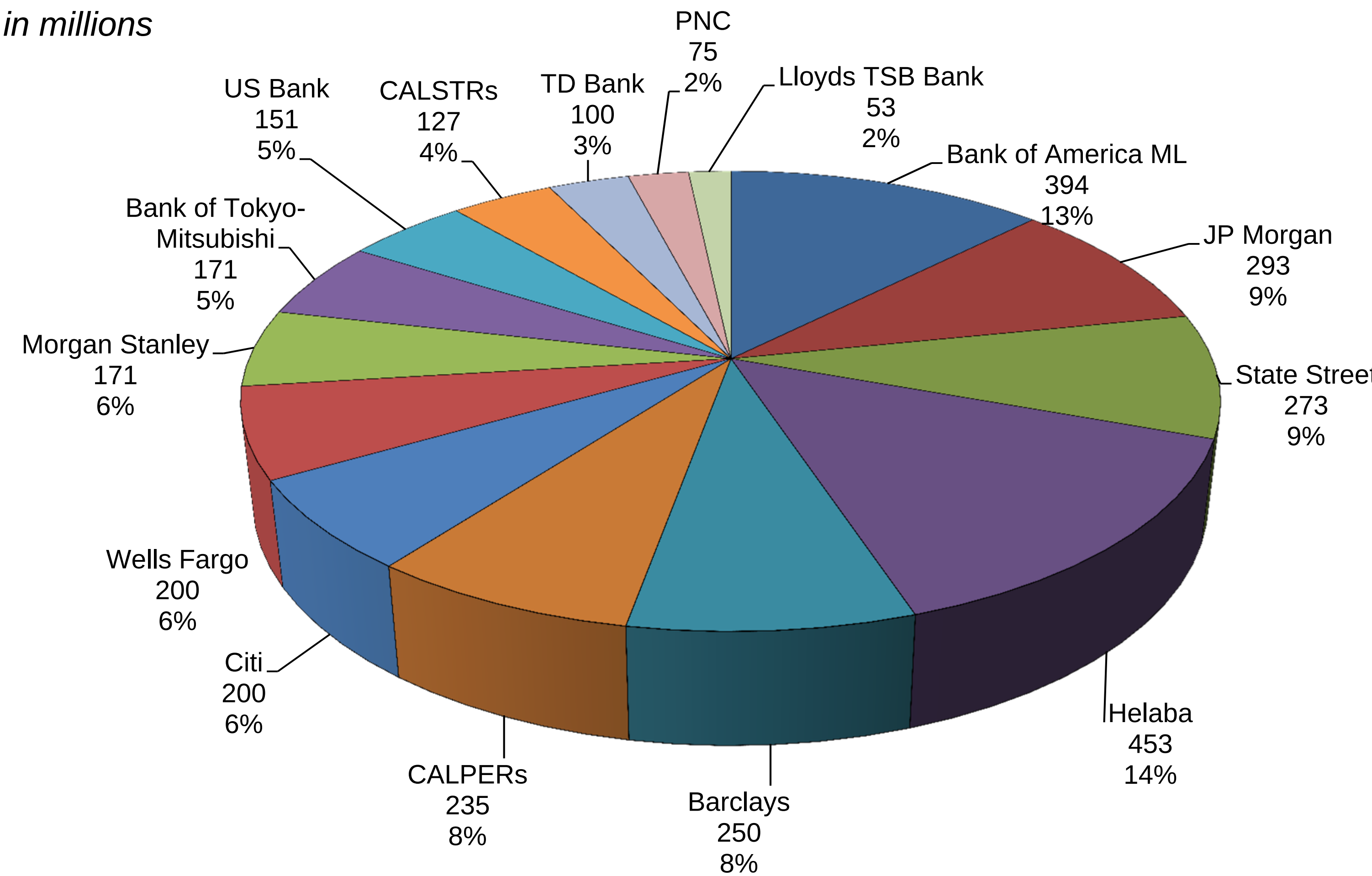
*$ in millions*




*As of March 31, 2014

# Variable Rate Demand Bonds and Commercial Paper Credit and Liquidity Providers*

*$ in millions*




*As of March 31, 2014