

Report to the Finance Committee Review of Variable Rate Debt

April 23, 2012



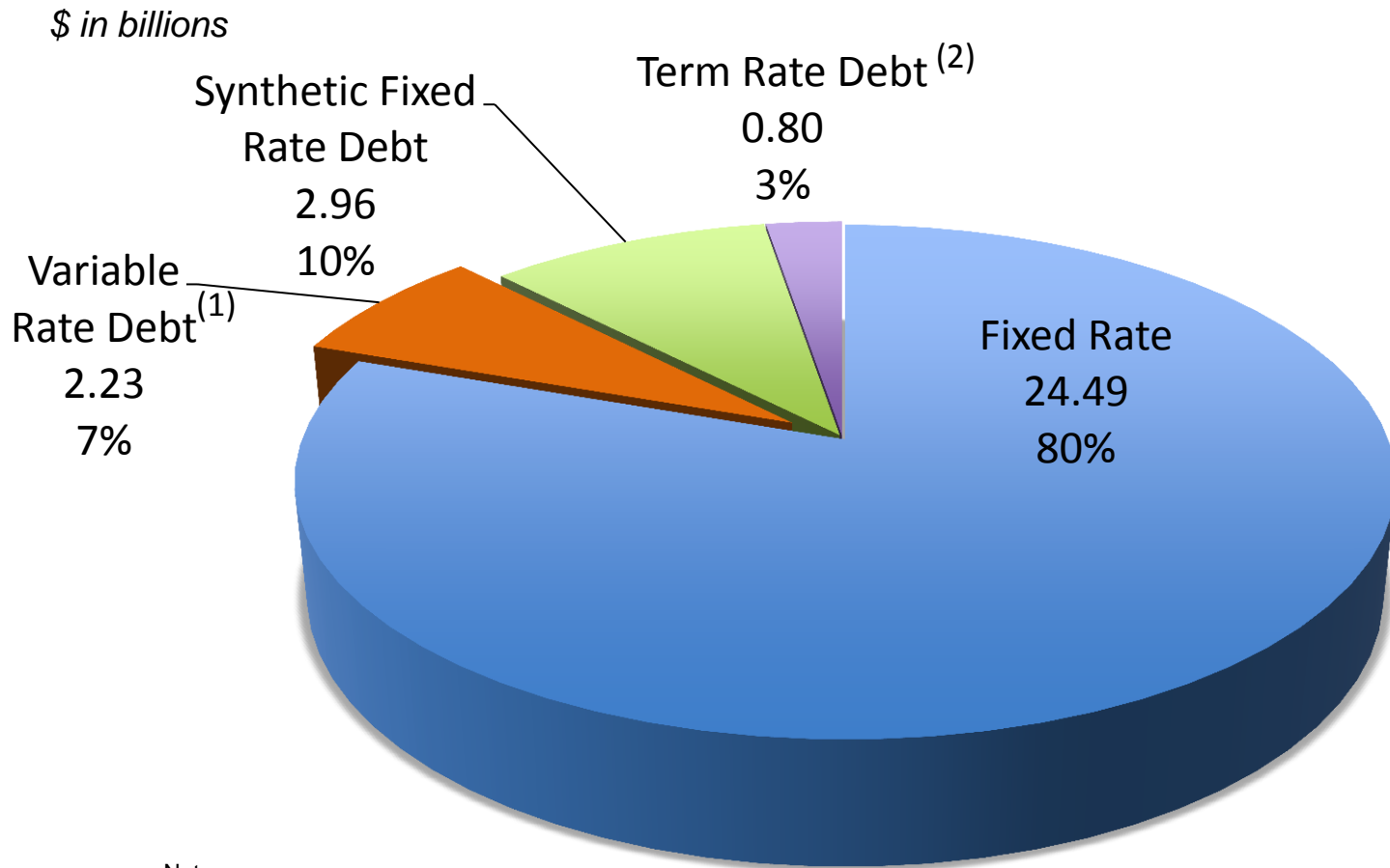
MTA's Variable Rate Debt Policy⁽¹⁾

- 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 2012

Variable Rate Debt Represents 7% of Total Debt



Notes:

As of March 31, 2012

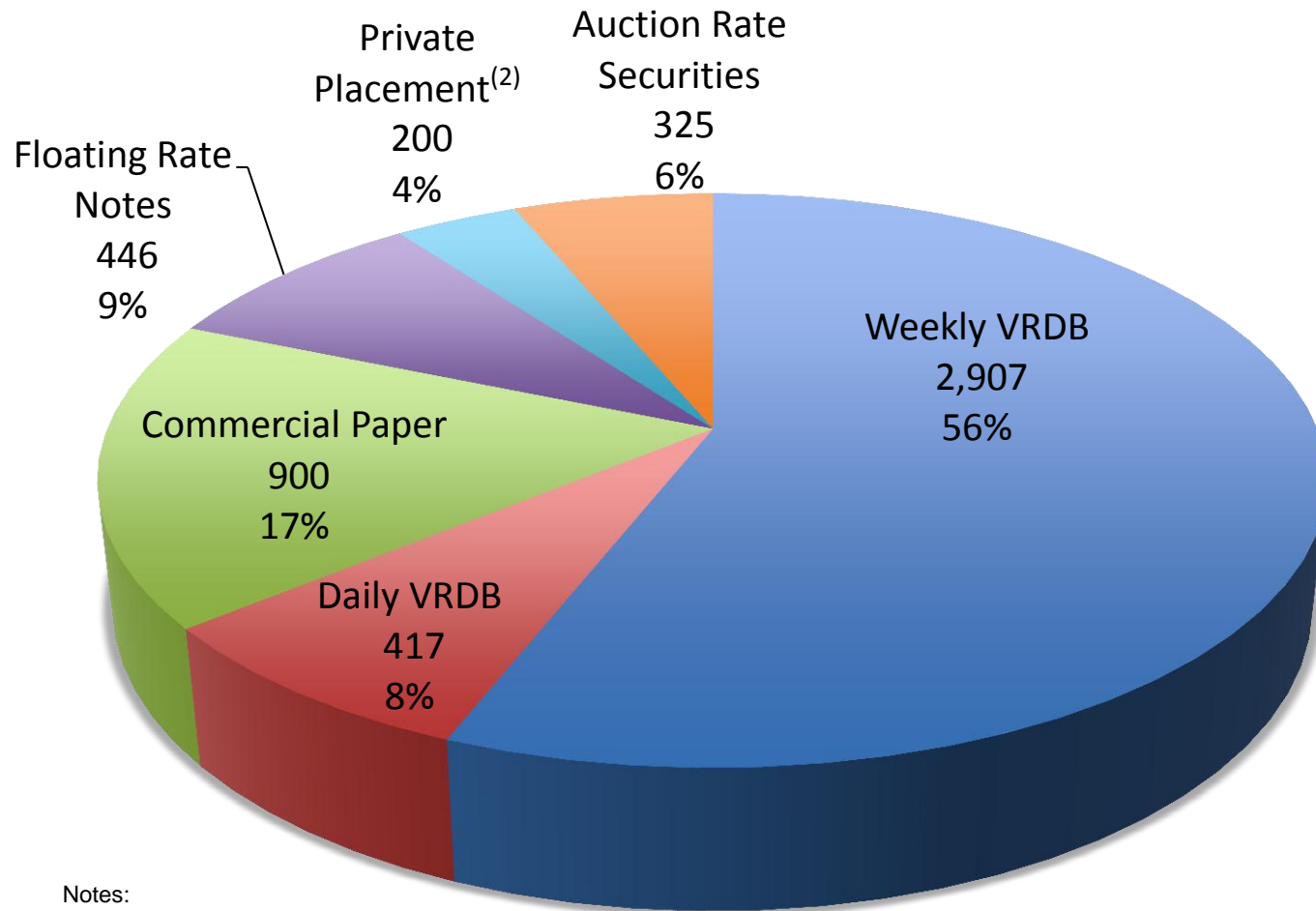
Excludes Service Contract Bonds

⁽¹⁾ Includes \$900 million Transportation Revenue Bond Anticipation Notes, Series CP-2

⁽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.

Variable Rate Debt Diversification⁽¹⁾

\$ in millions



Notes:

As of March 31, 2012

(1) Excludes Service Contract Bonds. Includes hedged and unhedged variable rate debt and \$900 million Transportation Revenue Bond Anticipation Notes, Series CP-2. Totals may not add due to rounding

(2) Variable rate determined as a set spread to 1-month LIBOR.

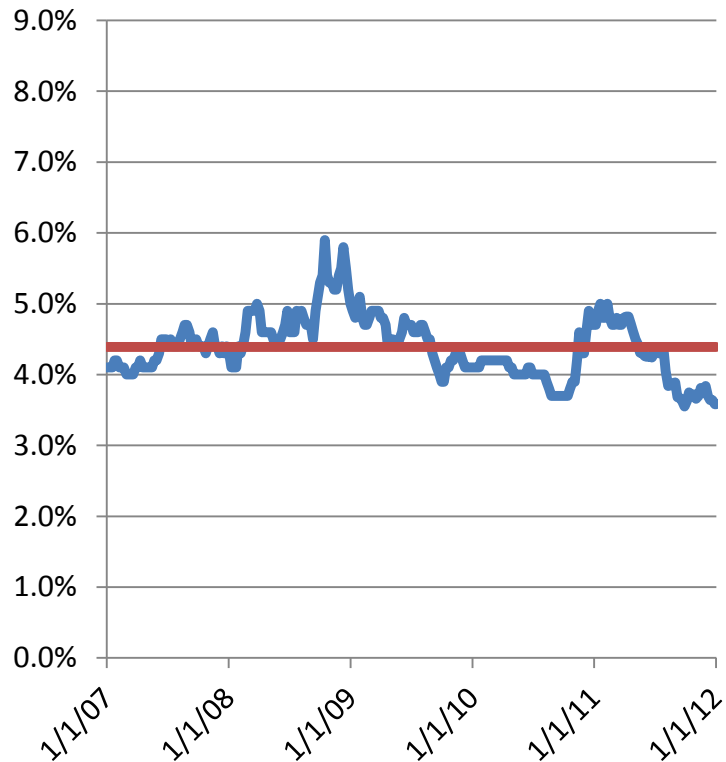
Types of Variable Rate Debt in MTA's Debt Portfolio*

- **Variable Rate Demand Bonds (“VRDBs”), \$3.3 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
- **Auction Rate Securities (“ARS”), \$325 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
 - \$2.1 billion of MTA Auction Rate Securities have been restructured since 2008
- **Commercial Paper (“CP”), \$900 million outstanding**
- **Floating Rate Notes (FRNs), \$446 million outstanding**
 - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)
- **Private Placement, \$200 million outstanding**
 - Interest rate is determined based on a set spread to 69% 1-month LIBOR index

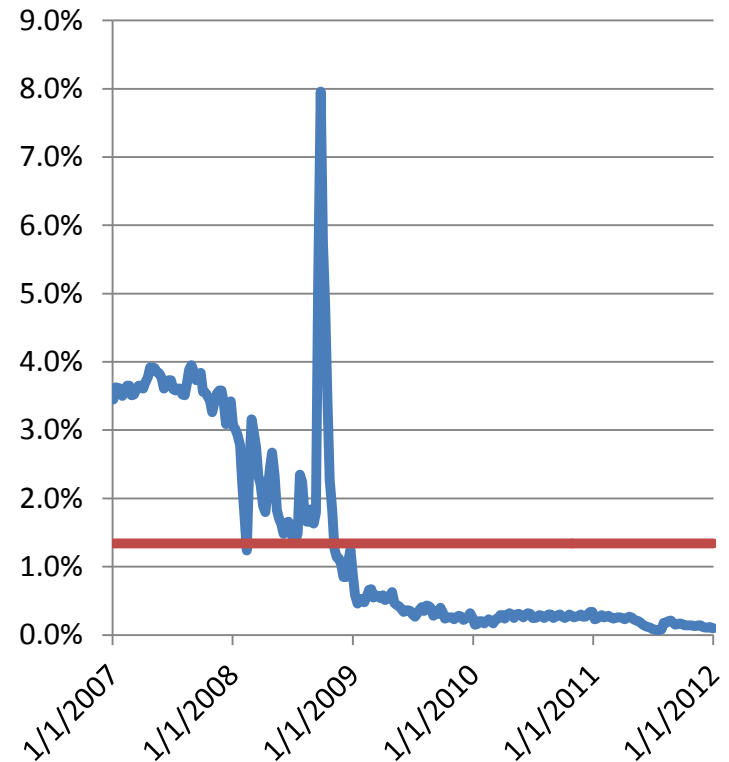
* As of March 31, 2012

5-Year Tax-Exempt Bond Rate History

30 Year Tax-Exempt Bond Rate

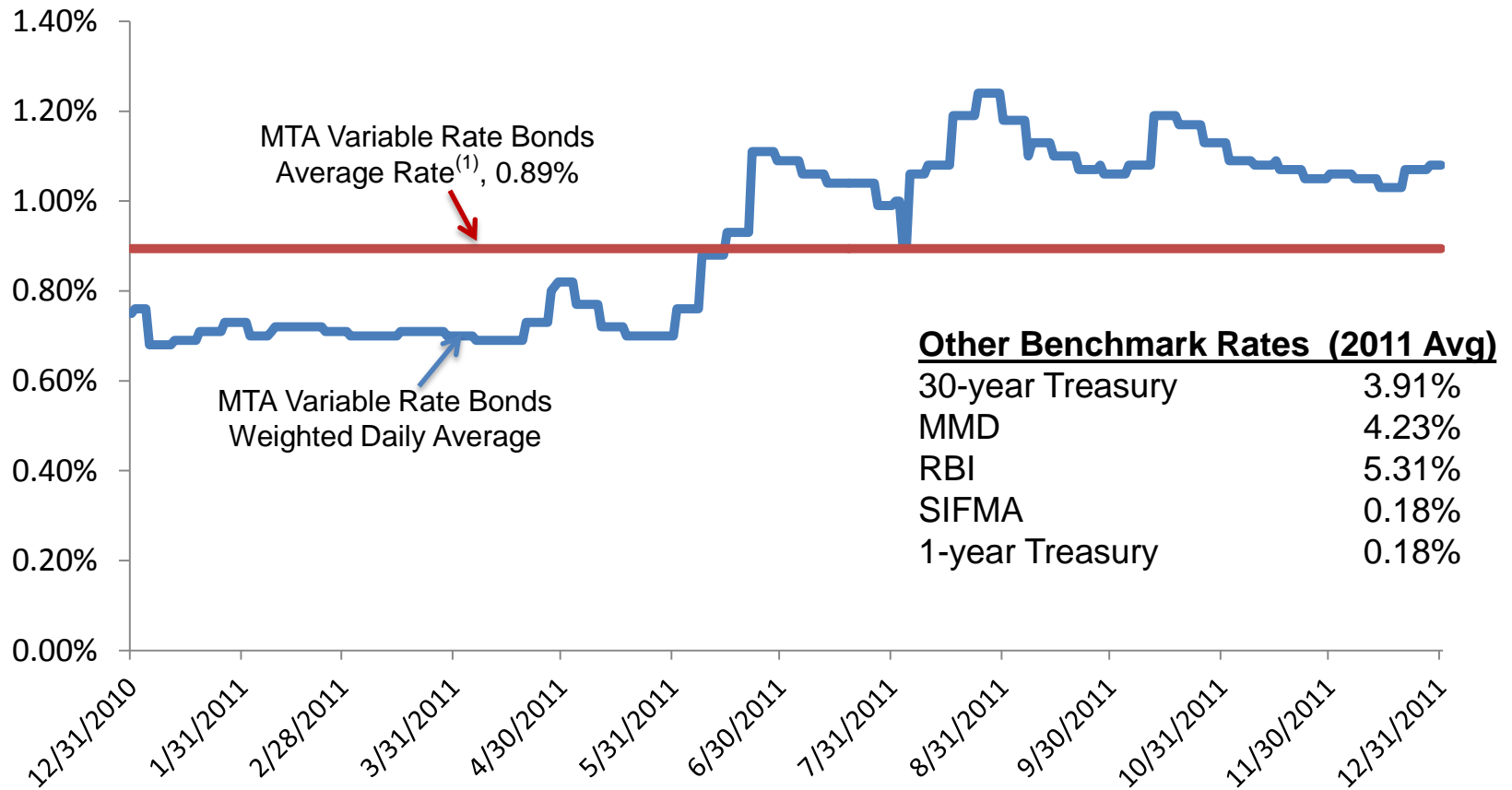


SIFMA Rate



- The long-term bond yields trended up for the first four months of 2011, then fell for five months and rates continue near historic lows (5-year avg. is 4.39%).
- Short-term rates continue to remain near all-time lows. (5-year avg. is 1.34%)

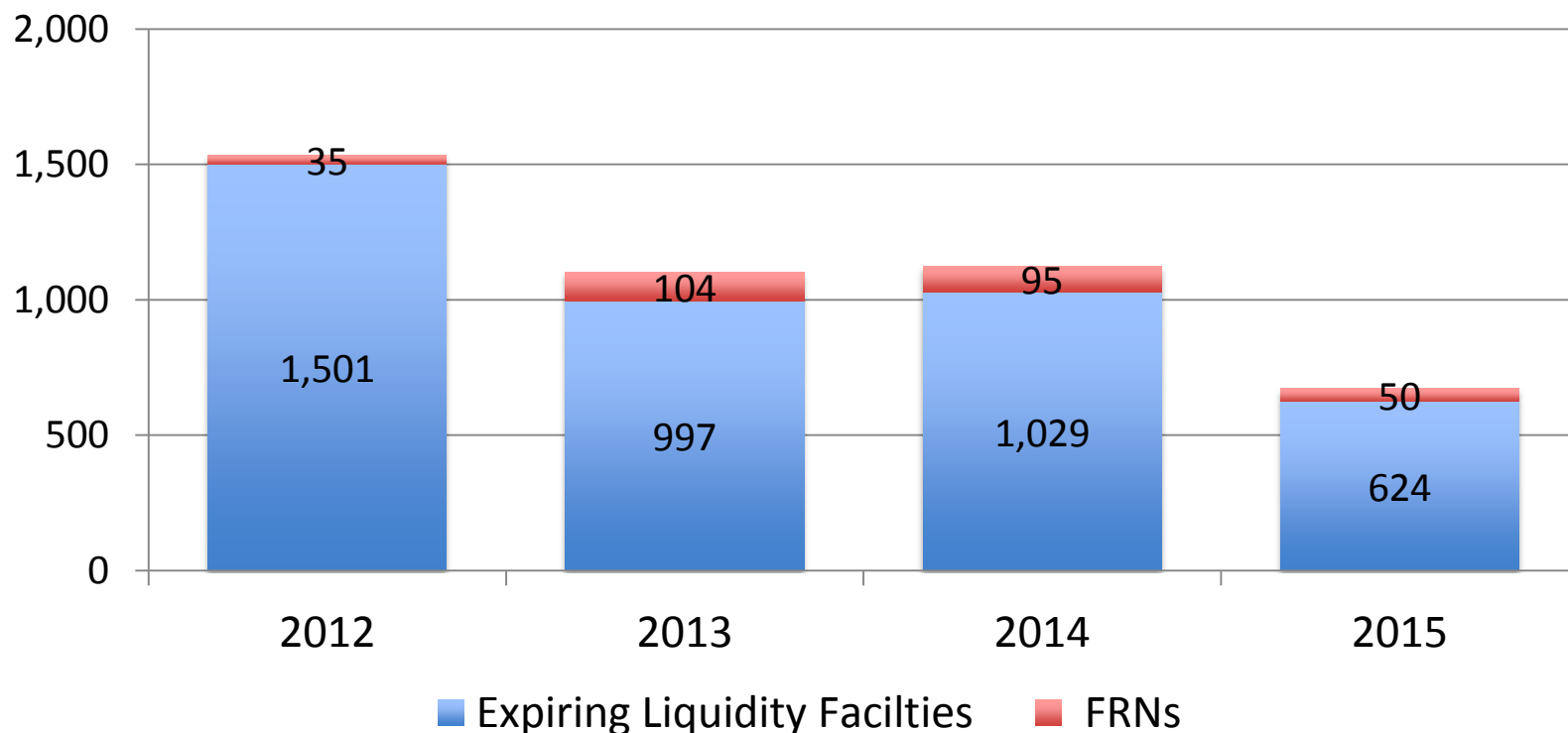
2011 Variable Rate Performance



(1) Average rate is inclusive of fees from January 1, 2011 through December 31, 2011. Excludes CP.

Liquidity Expirations and FRN Purchase Dates by Year, 2012-2015

\$ in millions



- **2011 Remarketings:** \$448 million successfully remarketed with new credit facilities; \$305 million converted to fixed-rate mode; \$200 million remarketed as a private placement; \$134 million remarketed as floating rate notes (FRNs).
- **2012 Remarketings (YTD):** \$975 million of variable rate debt with weakened liquidity provider (Dexia) has been successfully remarketed -- \$685 million remarketed with replacement liquidity facilities; \$162 million converted to FRNs; and \$128 million converted to fixed rate.
- **2012 Outlook:** \$645 million expected to renew and \$855 million are expected need replacement facilities or other alternatives.

Appendix

- Liquidity Expiration Schedule
- Variable Rate Remarketing Assignments

2012 Liquidity Expiration Schedule

Resolution	Series	Type of Facility	Par Amount (\$ millions)⁽¹⁾	Provider (Insurer)	Liquidity Exp. Date	Final Maturity
Trans Rev	2002D-1 ⁽²⁾	SBPA	200.00	West LB (Assured)	5/9/2012	11/1/2032
TBTA Gen	2005B-3	SBPA	195.60	Bank of America	7/6/2012	1/1/2032
TBTA Gen	2005B-4	SBPA	195.60	LBBW	7/6/2012	1/1/2032
Trans Rev	CP-2 Subseries C	LOC	350.00	RBC	9/14/2012	9/16/2016
Trans Rev	2005E	LOC	250.00	BNP Paribas	10/9/2012	11/1/2035
TBTA Gen	2002F	SBPA	209.64	ABN AMRO	11/8/2012	11/1/2032
Trans Rev	2005D-2	LOC	100.00	Helaba	11/10/2012	11/1/2032

1) Par Amount Outstanding on expiration date.

2) MTA is in the process of remarketing the Transportation Revenue Bonds, Series 2002D-1 from a Weekly Rate Mode to a Fixed Rate Mode. This transaction is scheduled to close on May 9, 2012

2013-15 Liquidity Expiration Schedule

Resolution	Series	Type of Facility	Par Amount (\$ millions) ¹	Bank Provider (Insurer)	Liquidity Exp. Date	Final Maturity
DTF	2008B-1	LOC	97.415	Bank of Nova Scotia	8/15/2013	11/1/2034
Trans Rev	CP-2 Subseries A	LOC	100.000	TD Bank	9/12/2013	9/16/2016
Trans Rev	CP-2 Subseries B	LOC	250.000	Barclays	9/12/2013	9/16/2016
Trans Rev	CP-2 Subseries D	LOC	200.000	Citi	9/12/2013	9/16/2016
Trans Rev	2002G-1	LOC	200.000	Bank of Nova Scotia	10/7/2013	1/1/2026
Trans Rev	2005D-1	LOC	150.000	Helaba	11/7/2013	1/1/2035
Trans Rev	2002D-2	PP ²	200.000	Wells Fargo (Assured)	5/27/2014	11/1/2032
DTF	2008A-1	LOC	170.805	Morgan Stanley	6/20/2014	11/1/2031
DTF	2008A-2	LOC	170.795	Bank of Tokyo-Mitsubishi	6/20/2014	11/1/2031
DTF	2008B-4	LOC	100.000	KBC Bank N.V.	8/15/2014	11/1/2025
Trans Rev	2011B	LOC	99.560	Bank of America ML	9/12/2014	11/1/2041
TBTA Gen	2001B	LOC	127.030	State Street	9/30/2014	1/1/2032
TBTA Sub	2000AB	SBPA	95.300	JPMorgan (Assured)	10/7/2014	1/1/2019
TBTA Sub	2000CD	SBPA	65.750	Lloyds TSB Bank (Assured)	10/7/2014	1/1/2019
TBTA Gen	2003B-1	LOC	85.270	CALPERs	1/31/2015	1/1/2033
TBTA Gen	2003B-2	LOC	46.050	CALSTRs	1/31/2015	1/1/2033
TBTA Gen	2003B-3	LOC	54.555	US Bank	1/31/2015	1/1/2033
TBTA Gen	2005A-1	LOC	56.150	CALPERs	1/31/2015	11/1/2035
TBTA Gen	2005A-2	LOC	30.340	CALSTRs	1/31/2015	11/1/2035
TBTA Gen	2005A-3	LOC	35.930	US Bank	1/31/2015	11/1/2035
TBTA Gen	2005B-2a	LOC	88.570	CALPERs	1/31/2015	1/1/2032
TBTA Gen	2005B-2b	LOC	47.880	CALSTRs	1/31/2015	1/1/2032
TBTA Gen	2005B-2c	LOC	56.650	US Bank	1/31/2015	1/1/2032
TBTA Gen	2001C	SBPA	122.565	JPMorgan	9/29/2015	1/1/2032

1) Par Amount Outstanding at expiration date.

2) Private Placement -- Interest rate is determined based on a set spread to 69% 1-month LIBOR index

Variable Rate Debt Remarketing Assignments as of December 31, 2011

Series	Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
Transportation 2002B-1	7-Day Auction	\$105,250,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
Transportation 2002B-2	28-Day Auction	105,250,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
Transportation 2002D-1	Weekly VRDB	200,000,000	J.P. Morgan
Transportation 2002D-2	Private Placement ⁽²⁾	200,000,000	Wells Fargo
Transportation 2002G-1	Weekly VRDB	200,000,000	Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
Transportation 2005D-1	Weekly VRDB	150,000,000	Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
Transportation 2005D-2	Daily VRDB	100,000,000	Morgan Stanley
Transportation 2005E-1	Weekly VRDB	125,000,000	Jefferies & Co.
Transportation 2005E-2	Weekly VRDB	125,000,000	Barclays Capital
Transportation Commercial Paper	Commercial Paper	900,000,000	RBC/Citi/TD Bank/Barclays
Dedicated Tax Fund 2002B	Weekly VRDB	440,000,000	Morgan Stanley
Dedicated Tax Fund 2008A-1	Weekly VRDB	172,860,000	Morgan Stanley
Dedicated Tax Fund 2008A-2	Weekly VRDB	172,855,000	Goldman Sachs
Dedicated Tax Fund 2008B-1	Weekly VRDB	98,140,000	Barclays Capital
Dedicated Tax Fund 2008B-3a	Floating Rate Notes	35,000,000	Goldman Sachs
Dedicated Tax Fund 2008B-3b	Floating Rate Notes	54,470,000	Goldman Sachs
Dedicated Tax Fund 2008B-3c	Floating Rate Notes	44,740,000	Goldman Sachs
Dedicated Tax Fund 2008B-4	Weekly VRDB	100,000,000	Barclays Capital

(1) Merrill Lynch Pierce Fenner and Smith is the broker dealer and remarketing agent of BofA Merrill Lynch

(2) Private Placement – Interest rate is determined based on a set spread to 69% 1-month LIBOR.

Variable Rate Remarketing Assignments as of December 31, 2011

Series	Type of Variable Rate Debt	Par Outstanding	Remarketing Agent/Broker Dealer
TBTA General Revenue 2001B	Weekly VRDB	\$ 137,170,000	Citigroup Global Markets Inc.
TBTA General Revenue 2001C	Weekly VRDB	137,170,000	Citigroup Global Markets Inc.
TBTA General Revenue 2002F	Weekly VRDB	216,400,000	J.P. Morgan
TBTA General Revenue 2003B	Weekly VRDB	212,445,000	Citigroup Global Markets Inc.
TBTA General Revenue 2005A	Weekly VRDB	132,770,000	Morgan Stanley
TBTA General 2005B-2	Weekly VRDB	196,400,000	J.P. Morgan
TBTA General 2005B-3	Weekly VRDB	196,400,000	Jefferies & Co.
TBTA General 2005B-4	Weekly VRDB	196,400,000	Jefferies & Co.
TBTA Sub. 2000AB	Weekly VRDB	146,200,000	J.P. Morgan
TBTA Sub. 2000CD	Weekly VRDB	100,850,000	Citigroup Global Markets Inc.
2 Broadway COPs, 2004A-1	7-day Auction	\$ 17,000,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
2 Broadway COPs, 2004A-2	7-day Auction	12,075,000	J.P. Morgan
2 Broadway COPs, 2004A-3	7-day Auction	43,375,000	J.P. Morgan and Merrill Lynch Pierce Fenner and Smith ⁽¹⁾
2 Broadway COPs, 2004A-4	35-day Auction	39,950,000	J.P. Morgan
2 Broadway COPs, 2004A-5	35-day Auction	4,725,000	J.P. Morgan

Note: VRDB stands for Variable Rate Demand Bond.