



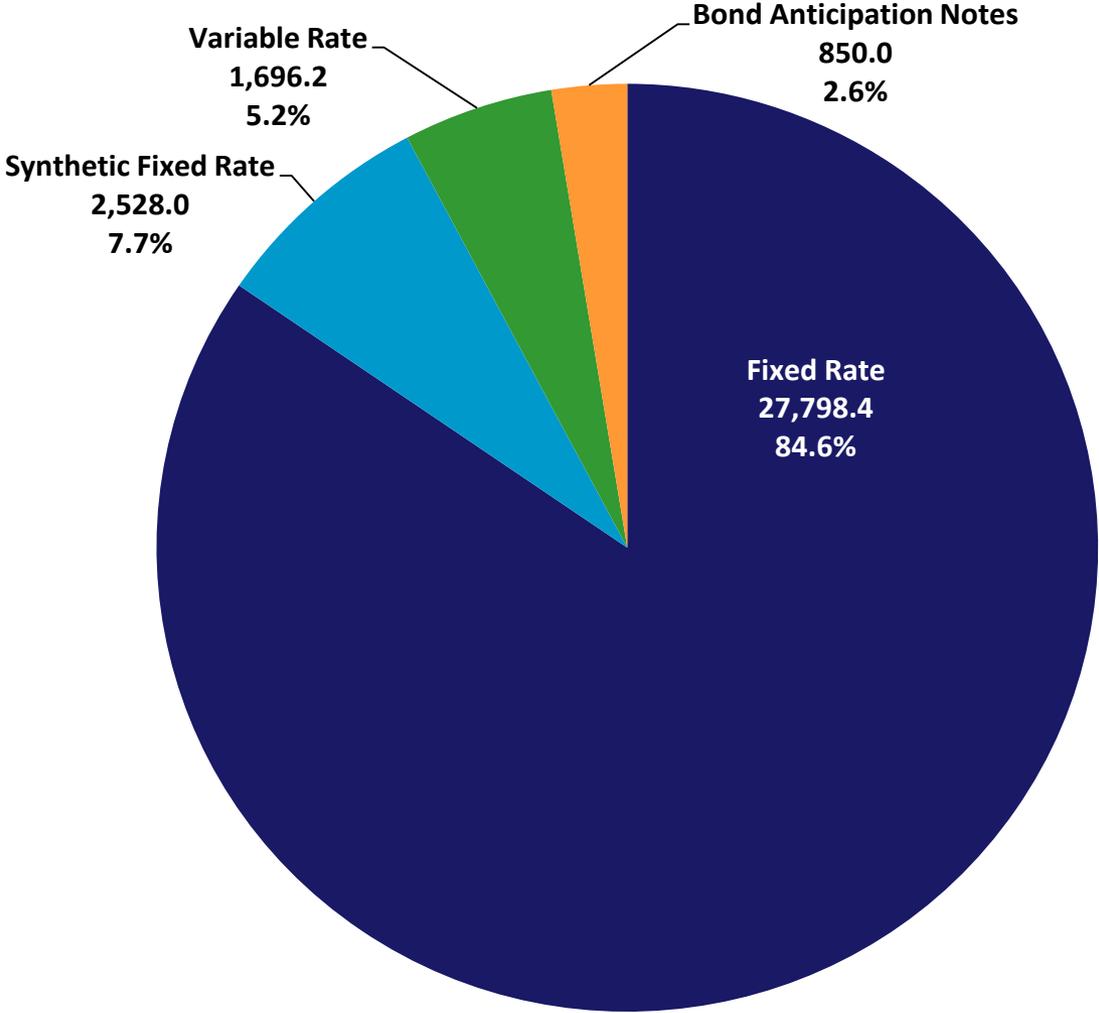
**Metropolitan Transportation Authority**

# **Report to the Finance Committee 2013 Year End Review**

MTA Finance Department  
Patrick McCoy, Director  
January 27, 2014

# Outstanding indebtedness totals \$32.9 billion\*

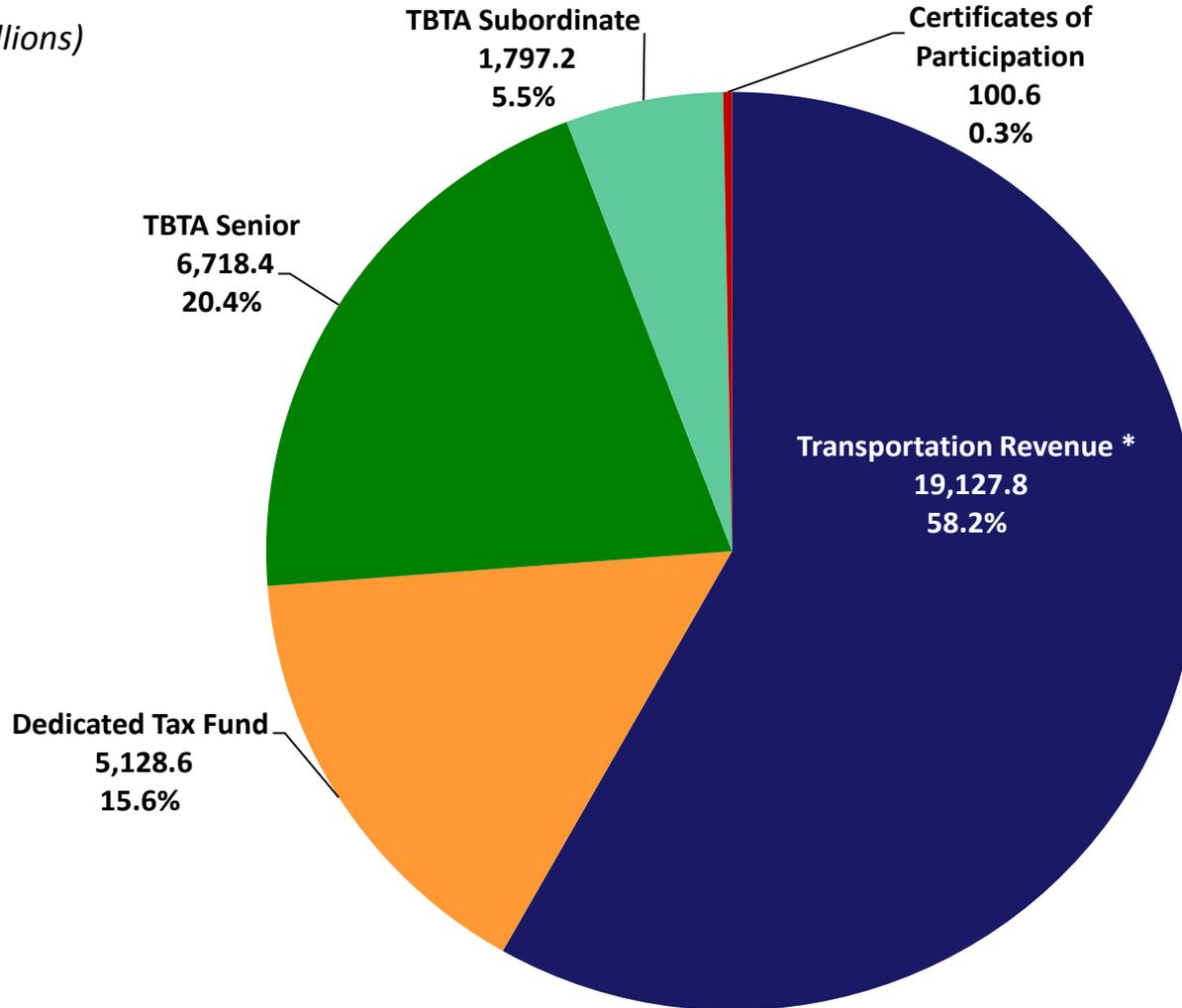
(\$ in millions)



\* Includes 2 Broadway COPs but excludes State Service Contract bonds.  
As of December 31, 2013.

# Debt By Resolution

(\$ in millions)



\* Includes \$550 million Transportation Revenue Bond Anticipation Notes, Series CP-2 and \$300 million of Transportation Revenue BANs, Series 2013A. Excludes State Service Contract Bonds debt service on which is paid by the State. As of December 31, 2013.

# 2013 Market Recap

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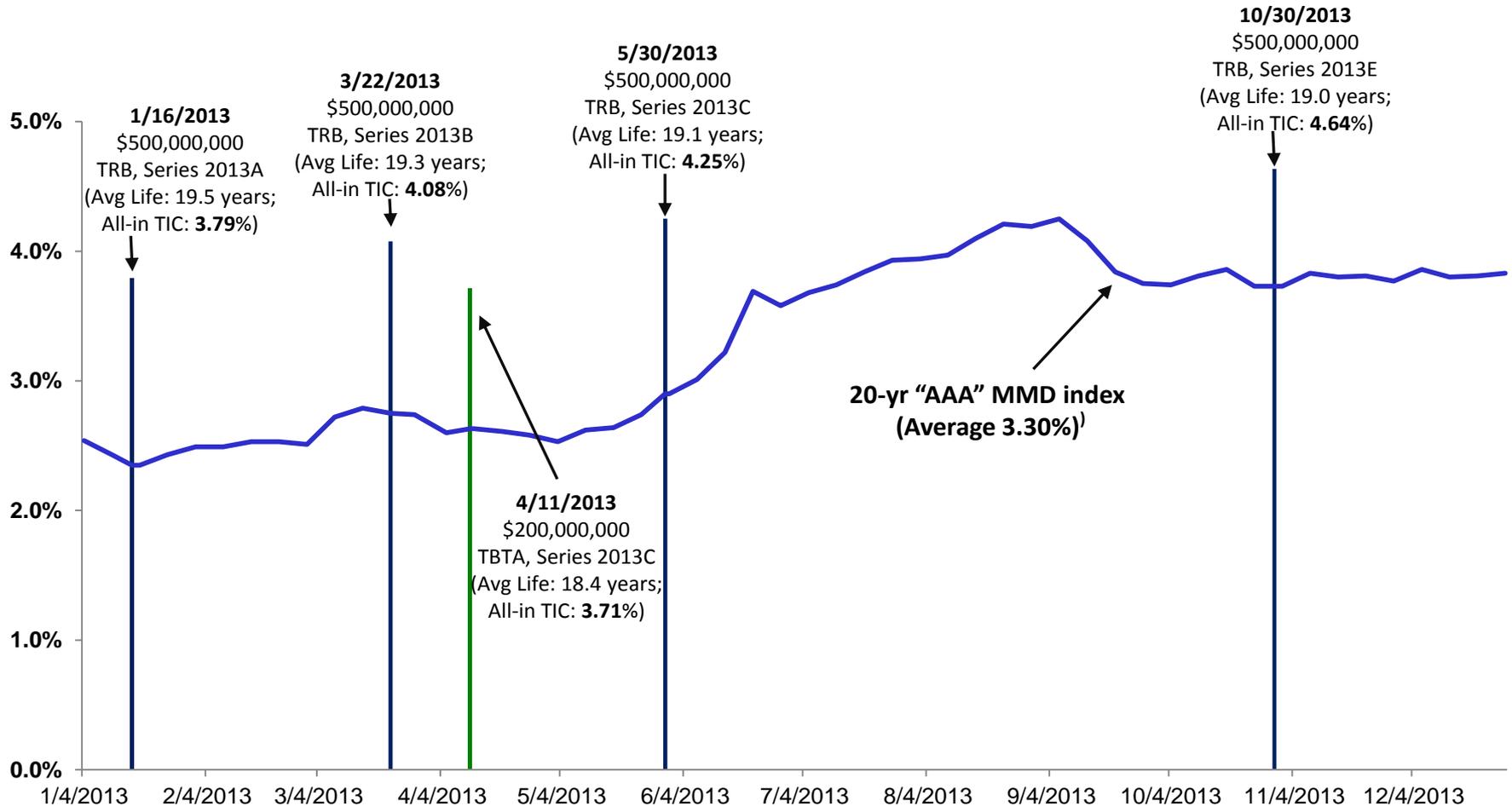
- Fed policy resulted in increased interest rates throughout 2013.
  - The 10 year Treasury yield was at 3.04% at year-end, up from 1.78% a year earlier.
  - The 30 year Treasury yield ended 2013 at 3.96%, also up significantly from 2.95% at the end of 2012.
- Mid- and long-term municipal yields rose sharply, while short-term yields remained low, resulting in a steepening of the yield curve.
  - The 10 year AAA MMD index ended 2013 at 2.77%, up from 1.72% at the end of 2012. The index reached its YTD high of 3.04% on September 5 from its YTD low of 1.65% on January 16.
  - The 30 year AAA MMD stood at 4.19% at year-end 2013, compared to 2.83% a year earlier. The index reached its YTD high of 4.51% on September 5 from its YTD low of 2.69% on January 16.
- Throughout the year, volatility was prevalent, brought on by a federal government shutdown, a greater sensitivity to economic data releases, the City of Detroit's Chapter 9 bankruptcy filing, and Puerto Rico's fiscal distress.
- The volume of long-term municipal bonds issued in 2013 was down 13% from 2012, to \$329.8 billion from \$379.6 billion in 2012. In a period of rising interest rates, refundings fell 30% while new money issuance actually increased by 7%.
- Adding to the upward pressure on fixed income yields were outflows from taxable fixed income and municipal bond funds. Municipal bond funds recorded \$61 billion of outflows in 2013.

# 2013 Transactions Summary

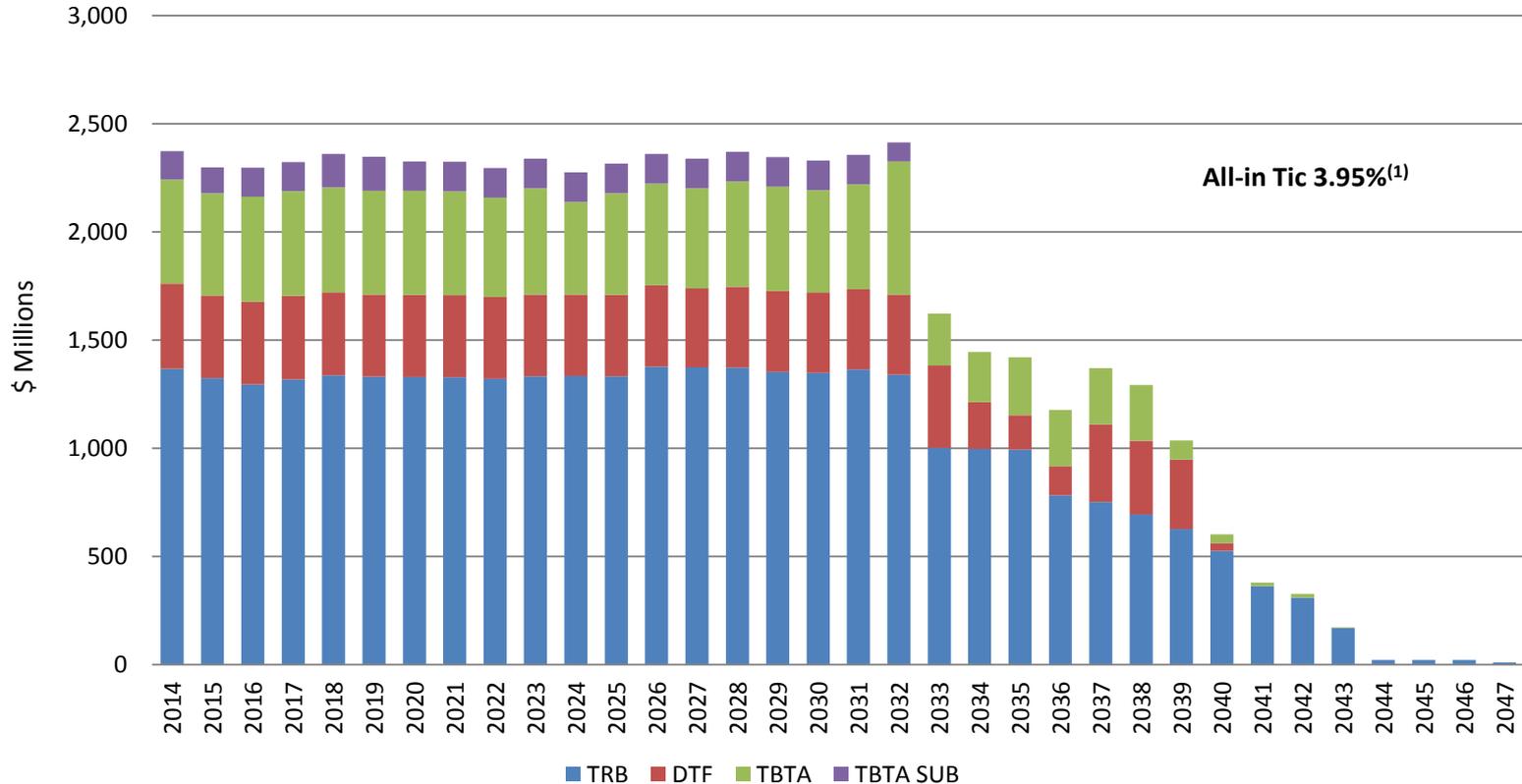
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- \$2.5 billion New Money borrowing
  - \$2.2 billion long-term fixed-rate mode
  - \$300 million Bond Anticipation Notes
    - Provide interim funding for Superstorm Sandy repair or mitigation costs or for any other approved capital program project funding
    - Initial draws on \$850 million of Note Purchase Agreements with three different banks
- \$1.7 billion Refunding Bonds
  - \$1.4 billion of fixed rate bonds called and refunded for savings and debt management
    - Present value savings of \$163 million
    - \$350 million of CP Notes taken out
- \$697 million Remarketing of Tendered Obligations
  - \$448 million remarketed as fixed-rate bonds
  - \$249 million remarketed as floating rate notes (FRNs)
- \$812 million of debt was retired through normal amortization in 2013
- Net increase in debt is \$1.7 billion
- Total bond financed investments of \$2.4 billion

# 2013 MTA Fixed Rate New Money Bond Issuances



# Outstanding Debt Service by Credit



(1) Fixed Rate TICs calculated as of issuance of Fixed Rate Bonds. Floating Rate TICs calculated from inception including fees. Any Unhedged Variable Rate Bonds that have been fixed to maturity are carried at the new Fixed Rate TIC. Synthetic Fixed Rate TICs include average swap rates plus current variable rate fees and estimated basis adjustments for life of swap. Synthetic Fixed Rate TICs do not include benefit of any upfront payments received by MTA. Variable Rate TICs include average remarketed rate plus current variable rate fees.

# 2013 Bond Anticipation Notes

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- Negotiated \$850 million of Note Purchase Agreements with three different banks
  - Key Bank \$100 million
    - Revolver
    - Term September 2015
    - \$100 million drawn
    - Available for any capital costs including Sandy
  - Merrill Lynch \$350 million
    - Drawn Facility
    - Term April 2015
    - \$200 million drawn
    - Final draw date April 2014
    - Available for any capital costs including Sandy
  - Citi \$500 million
    - Drawn Facility
    - Term December 2015
    - \$0 drawn
    - First \$260 million must be drawn for Sandy purposes only

# 2013 Refunding Results

- MTA refunded \$1.74 billion of previously issued bonds in 2013
  - \$1.3 billion refunded for present value savings of \$163 million
  - \$350 million CP takeout
- Debt Service savings targeted as a funding source for the 2015-2019 Capital Program

<u>Bond Series</u>	<u>Refunding Par Amount</u>	<u>Amount Refunded</u>	<u>PV Savings</u>	<u>Percent Savings</u>
TBTA 2013B	\$ 257,195,000	\$ 996,335,000	\$ 157,851,204	15.84%
TBTA SUB 2013A	*761,600,000			
TBTA SUB 2013D	313,975,000	296,545,000	5,414,142	1.83%
<b>Total</b>	<b>\$ 1,332,770,000</b>	<b>\$ 1,292,880,000</b>	<b>\$ 163,265,346</b>	

\* Includes FV of CABs issued

# 2013 Remarketing Results

<u>Bond Series</u>	<u>Par Amount</u>	<u>Mode</u>	<u>TIC<sup>(1)</sup></u>
DTF 2008B-1	\$ 97,415,000	FIXED	3.510%
DTF 2008B-3B	54,470,000	FRN	67% LIBOR+0.36%
DTF 2008B-4	100,000,000	FIXED	3.510%
TBTA 2005B-4A	800,000	FRN	67% LIBOR+0.25%
TBTA 2008B-1	83,500,000	FIXED	3.081%
TRB 2002G-1a	12,270,000	FRN	67% LIBOR+0.20%
TRB 2002G-1b	12,760,000	FRN	67% LIBOR+0.50%
TRB 2002G-1c	13,255,000	FRN	67% LIBOR+0.69%
TRB 2002G-1d	13,800,000	FRN	67% LIBOR+0.83%
TRB 2002G-1f	42,575,000	FRN	67% LIBOR+0.40%
TRB 2002G-1g	42,550,000	FRN	67% LIBOR+0.65%
TRB 2002G-1h	56,890,000	FRN	67% LIBOR+0.85%
TRB 2008B-3	116,765,000	FIXED	3.798%
TRB 2012A-1	50,000,000	FIXED	4.272%
<b>Total</b>	<u>\$ 697,050,000</u>		

(1) 1 month LIBOR averaged 0.189% during 2013

# Variable Rate Portfolio Management

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- Variable Rate Demand Bonds (VRDBs), \$2.4 billion.
  - Portfolio is lower by \$500 million than year end 2012.
    - \$1.7 billion weeklies;
    - \$700 million dailies
- Floating Rate Notes (FRNs), \$1.3 billion.
  - MTA expanded use of Index-based Floating Rate Notes (FRNs)
    - FRNs allow MTA to access the short term variable rate market without the credit/liquidity support of an LOC or SBPA provided by a bank
    - Indexed to SIFMA or percentage of LIBOR
  - \$398 million issued and/or remarketed in 2013
- Bond Anticipation Notes (BANs), \$850 million
  - CP mode, \$550 million
  - Bank Facilities, \$300 million
- MTA continues to monitor performance of its \$292 million in currently outstanding Auction Rate Securities (ARS)

# Fuel Hedge Results

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- MTA Fuel Hedge program provides budget certainty by reducing exposure to volatile fuel prices
- MTA is currently hedging approximately 50% of its annual ultra-low sulfur diesel (“ULSD”) expenditures
  - \$144.6 million or 50.5 million gallons hedged as of 12/31/2013
- MTA entered into 9 hedges in 2013
- Hedges are procured through a competitive bidding process with approved counterparties
- Current outstanding notional per Counterparty
  - \$ 0.0 mm Bank of America/Merrill Lynch
  - \$23.3 mm Deutsche Bank<sup>(1)</sup>
  - \$33.7 mm Goldman Sachs & Co. (via J. Aron & Company)
  - \$87.6 mm J.P. Morgan (via J.P. Morgan Ventures Energy Corporation)

(1) Deutsche Bank no longer participates.

# 2013 Investor Outreach

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- March 13, 2013 Investor Presentation at Barclays Bank Investor Conference
- May 17, 2013 Investor Presentation at Bank of America Merrill Lynch New York Municipal Investor Conference
- September 12, 2013 MTA Investor Tour of East Side Access

# 2014 Financing Quarterly Calendar

*(\$ in millions)*

<b>Purpose</b>	<b><u>Q1</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Total</u></b>
New Money <sup>(1)</sup>	750	500	500	450	2,200
Sandy BANs	100	0	0	0	100
Remarketing <sup>(2)(3)</sup>	216	592	222	723	1,753
Refunding	<u>130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>130</u>
<b>Total</b>	<b>1,196</b>	<b>1,092</b>	<b>722</b>	<b>1,173</b>	<b>4,183</b>

1. Bond issuance for approved Capital Programs. Excludes proposed financing related to Tropical Storm Sandy.
2. Mandatory Tender bonds, FRNs, and VRDBs for which MTA will seek replacement liquidity facilities or remarket to alternate modes.
3. Includes TBTA 2005B-4a and 2005B-4b Bonds which priced on December 17, 2013 and closed on January 2, 2014.

# 2014 Remarketing Outlook

Credit	Subseries	CUSIP	Par Outstanding (\$ in millions)	Mode	Liquidity Type	Liquidity Provider	Liquidity Exp./Put Date
	2005B-						
TBTA Gen	4a&b	89602NYT5	66.30	FRN			1/1/2014
Trans Rev	2005D-1	59259YAG4	150.00	Weekly VRDB	LOC	Helaba	2/5/2014
Trans Rev	2012A-2	59259YLZ0	50.00	SIFMA FRN Direct			5/15/2014
Trans Rev	2002D-2	59259YGQ6	200.00	Placement		Wells Fargo*	5/27/2014
DTF	2008A-1	59259NH97	170.81	Weekly VRDB	LOC	Morgan Stanley Bank of Tokyo-	6/20/2014
DTF	2008A-2	59259NH89	170.80	Weekly VRDB	LOC	Mitsubishi	6/20/2014
Trans Rev	2011B	59259YHZ5	99.56	Weekly VRDB	LOC	Bank of America ML	9/12/2014
TBTA Gen	2001B	89602NSP0	122.57	Weekly VRDB	LOC	State Street	9/30/2014
TBTA Sub	2000AB	89602NJY1	95.30	Weekly VRDB	SBPA	JPMorgan	10/7/2014
TBTA Sub	2000CD	89602NJZ8	52.55	Weekly VRDB	SBPA	Lloyds TSB Bank*	10/7/2014
DTF	2008B-3a	59259NM75	35.00	SIFMA FRN			11/1/2014
DTF	2008B-3c	59259NM91	44.74	SIFMA FRN 67% LIBOR			11/1/2014
Trans Rev	2002G-1f	59259YJ59	42.58	FRN			11/1/2014
Trans Rev	2012G-1	59259YVE6	84.45	67% LIBOR FRN			11/1/2014
Trans Rev	2005D-2	59259YAE9	100.00	Daily VRDB	LOC	Helaba	11/10/2014
TBTA Gen	2008B-2	89602NMW1	63.65	Put Bond			11/15/2014
Trans Rev	2008B-4	59259R5Q3	130.00	Put Bond			11/15/2014
Trans Rev	2005E-2	59259YUA5	75.00	Weekly VRDB	LOC	JP Morgan	12/31/2014

\* Providers not expected to extend the current liquidity facility. MTA will be seeking replacement liquidity provider(s) or will remarket in alternate modes.

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## Appendix:

1. Bond Financed Capital Investments in 2013
2. 2013 Debt Issuance and Remarketing Activity
3. 2013 Cost of Issuance Summary
4. Fuel Hedge Summary

# Bond Financed Capital Investments in 2013

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- **MTA financed \$2.41 billion in capital expenditures from bond proceeds in 2013**
- **Capital Construction (\$847.2 million)\***
  - East Side Access (\$413.1 million)
    - \$72 million for Harold Structure and Interlocking
    - \$61 million for Grand Central Terminal Concourse
  - Second Avenue Subway (\$385.5 million)
    - \$119 million for construction of 96<sup>th</sup> St Station.
    - \$71 million for construction of 72<sup>nd</sup> St Station
- **New York City Transit/MTA Bus (\$955.3 million)**
  - \$193 million for mainline track and switch replacement
  - \$186 million for signals and communications
  - \$85 million for new express, articulated, standard and CNG buses
  - \$75 million for purchase of A and B Division Cars
- **Commuter Railroads (\$315.5 million)**
  - LIRR (\$165.3 million)
    - \$62 million for annual track programs
    - \$24 million for M-9 Rolling Stock Procurement
  - MNR (\$150.2 million)
    - \$45 million for purchase of new M-8 rolling stock for New Haven Line
    - \$20 million for substation bridge 23 construction in Mt. Vernon
- **Bridges and Tunnels (\$281.9 million)**
  - \$50 million for Verrazano-Narrows Bridge Roadways, Decking and Structural Painting
  - \$50 million for RFK Bridge Roadways and Decks
  - \$35 million for Bronx Whitestone Deck Replacement

\* Includes Lower Manhattan Projects, Security and Administration.

# 2013 Debt Issuance and Remarketing Activity

Settlement Date	Series	Amount	Structure	Senior/Co-Senior Manager	Purpose	Assignment Basis	All-in Tic	Average Life
1/2/2013	TBTA 2005B-4A	\$ 800,000	FRN	Barclays	Remarketing	Existing Assignment	-	-
1/24/2013	TRB 2013A	500,000,000	Fixed	Citigroup/Beal	New Money	Rotation	3.7922	19.5
1/29/2013	TBTA 2013B	257,195,000	Fixed	Jefferies/Loop/GS	Refunding	Merit	2.2480	13.9
1/29/2013	TBTA SUB 2013A	761,600,000	Fixed	Jefferies/Loop/GS	Refunding	Merit	3.1315	10.5
4/2/2013	TRB 2013B	500,000,000	Fixed	Barclays/Rice	New Money	Rotation	4.0769	19.3
4/18/2013	TBTA 2013C	200,000,000	Fixed	Ramirez	New Money	Merit	3.7125	18.4
5/15/2013	TRB 2012A-1	50,000,000	Fixed	JP Morgan	Remarketing	Competitive Bid	4.2894	27.5
6/11/2013	TRB 2013C	500,000,000	Fixed	JP Morgan/Loop	New Money	Rotation	4.2507	19.1
7/11/2013	TRB 2013D	333,790,000	Fixed	RBC/Beal	CP Takeout	Merit	4.6319	19.3
8/13/2013	DTF 2008B-1	97,415,000	Fixed	Citi	Remarketing	Competitive Bid	* 3.5097	*10.8
8/13/2013	DTF 2008B-4	100,000,000	Fixed	Citi	Remarketing	Competitive Bid	* 3.5097	*10.8
9/19/2013	SANDY BANS 2013A Key Bank Series	100,000,000	BANS	Key Bank	New Money	Merit	-	-
10/3/2013	SANDY BANS 2013A ML Series	200,000,000	BANS	BoA Merrill	New Money	Merit	-	-
10/7/2013	TRB 2002G-1a	12,270,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1b	12,760,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1c	13,255,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1d	13,800,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1f	42,575,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1g	42,550,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
10/7/2013	TRB 2002G-1h	56,890,000	FRN	BoA Merrill	Remarketing	Existing Assignment	-	-
11/1/2013	DTF 2008B-3B	54,470,000	FRN	Competitive	Remarketing	Competitive Bid	-	-
11/15/2013	TRB 2013E	500,000,000	Fixed	Goldman Sachs	New Money	Rotation	4.6350	19.0
11/15/2013	TBTA 2008B-1	83,500,000	Fixed	JPMorgan	Remarketing	Competitive Bid	3.0809	10.6
11/15/2013	TRB 2008B-3	116,765,000	Fixed	Goldman Sachs/Beal	Remarketing	Rotation	3.7982	11.8
12/19/2013	TBTA SUB 2013D-1	165,505,000	Fixed	Jefferies	Refunding	Merit	3.8889	8.4
12/19/2013	TBTA SUB 2013D-2a	58,020,000	FRN	Jefferies	Refunding	Merit	-	-
12/19/2013	TBTA SUB 2013D-2b	<u>90,450,000</u>	FRN	Jefferies	Refunding	Merit	-	-
<b>Total</b>		<b>\$4,863,610,000</b>						

\* Combined average for both sub-series

- M/WBE fees earned = \$2,891,005 or 21.11% of underwriters discount.<sup>(1)</sup>

(1) Information includes all transactions through August 2013.

# 2013 Cost of Issuance Summary

	New Money	Refunding	Remarketing	Total
NYS Bond Issuance Fee <sup>(1)</sup>	\$18,326,061	\$2,780,480	N/A	\$21,106,541
Underwriter's Discount <sup>(2)</sup>	10,776,700	6,497,542	2,083,084	19,357,326
Bond Counsel	693,067	790,707	688,973	2,172,748
Financial Advisor Fee	418,745	130,019	N/A	548,764
Swap Advisor Fee	-	-	-	-
Rating Agency Fees	1,026,900	574,495	46,750	1,648,145
LOC Counsel	39,229	-	-	39,229
Bond Insurance	-	-	-	-
Accounting Fees	102,450	68,750	122,325	293,525
Trustee	18,008	5,000	6,004	29,012
Printing and Distribution	14,212	11,593	23,483	49,289
Miscellaneous <sup>(3)</sup>	13,374	83,918	6,831	104,123
<b>Total</b>	<b>\$31,428,746</b>	<b>\$10,942,504</b>	<b>\$2,977,451</b>	<b>\$45,348,701</b>

(1) NYS Bond issuance fee of \$8.40 per \$1,000 issued is charged for new money and refunding transactions, not on remarketing transactions. BIC fees in 2013 were waived by NYS DOB on all refunding transactions except for TRB 2013D, which was a commercial paper takeout.

(2) Underwriter's Discount includes fees paid to Underwriters, Underwriter's Counsel, and other expenses.

(3) Miscellaneous includes: Independent Engineer, Verification Agent and TM3 wire fees.

# 2013 Fuel Hedge Statement of Cashflows

Date	Gallons Hedged (Millions)	Hedge Notional Dollars (Millions)	Average Hedge Price	Net Hedge Settlement (Millions)	Gallons Purchased (Millions)	Projected Gallons Purchased (Millions)	Gross Gallons (Millions)	Gallons Hedged Ratio	Average Unhedged Fuel Cost Dollars	Average Hedged Fuel Cost Dollars	Hedge \$ Affect on Fuel Cost per Gallon
Jan-13	2.71	8.03	2.96	0.24	5.55	-	5.55	49%	3.34	3.29	(0.04)
Feb-13	2.66	7.88	2.96	0.66	5.07	-	5.07	53%	3.48	3.35	(0.13)
Mar-13	2.96	8.73	2.95	0.17	5.19	-	5.19	57%	3.38	3.34	(0.03)
Apr-13	2.77	8.20	2.96	(0.23)	5.68	-	5.68	49%	3.26	3.30	0.04
May-13	2.92	8.62	2.95	(0.33)	5.80	-	5.80	50%	3.15	3.21	0.06
Jun-13	3.04	8.97	2.95	(0.28)	6.00	-	6.00	51%	3.14	3.19	0.05
Jul-13	3.04	9.02	2.97	0.01	6.55	-	6.55	46%	3.23	3.22	(0.00)
Aug-13	3.12	9.25	2.97	0.14	6.26	-	6.26	50%	3.25	3.23	(0.02)
Sep-13	2.89	8.51	2.94	0.15	5.81	-	5.81	50%	3.33	3.31	(0.03)
Oct-13	2.87	8.38	2.92	0.04	-	5.74	5.74	50%	-	-	-
Nov-13	2.88	8.32	2.89	(0.05)	-	5.75	5.75	50%	-	-	-
Dec-13	2.83	8.21	2.90	0.08	-	5.66	5.66	50%	-	-	-
Jan-14	2.70	7.83	2.90	-	-	5.55	5.55	49%	-	-	-
Feb-14	2.67	7.79	2.92	-	-	5.07	5.07	53%	-	-	-
Mar-14	2.95	8.58	2.91	-	-	5.19	5.19	57%	-	-	-
Apr-14	2.75	7.95	2.89	-	-	5.68	5.68	48%	-	-	-
May-14	2.91	8.39	2.89	-	-	5.80	5.80	50%	-	-	-
Jun-14	3.01	8.68	2.88	-	-	6.00	6.00	50%	-	-	-
Jul-14	3.07	8.83	2.87	-	-	6.55	6.55	47%	-	-	-
Aug-14	3.12	8.94	2.87	-	-	6.26	6.26	50%	-	-	-
Sep-14	2.90	8.30	2.86	-	-	5.81	5.81	50%	-	-	-
Oct-14	2.87	8.19	2.85	-	-	5.74	5.74	50%	-	-	-
Nov-14	2.87	8.15	2.84	-	-	5.75	5.75	50%	-	-	-
Dec-14	2.58	7.33	2.84	-	-	5.66	5.66	46%	-	-	-
Jan-15	2.34	6.63	2.83	-	-	5.55	5.55	42%	-	-	-
Feb-15	1.91	5.40	2.82	-	-	5.07	5.07	38%	-	-	-
Mar-15	1.75	4.92	2.81	-	-	5.19	5.19	34%	-	-	-
Apr-15	1.70	4.78	2.82	-	-	5.68	5.68	30%	-	-	-
May-15	1.51	4.25	2.82	-	-	5.80	5.80	26%	-	-	-
Jun-15	1.32	3.72	2.82	-	-	6.00	6.00	22%	-	-	-
Jul-15	1.10	3.08	2.81	-	-	6.55	6.55	17%	-	-	-
Aug-15	0.87	2.44	2.81	-	-	6.26	6.26	14%	-	-	-
Sep-15	0.58	1.62	2.81	-	-	5.81	5.81	10%	-	-	-
Oct-15	0.23	0.64	2.79	-	-	5.74	5.74	4%	-	-	-