

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

April 27, 2015



# MTA's Variable Rate Debt Policy<sup>(1)</sup>

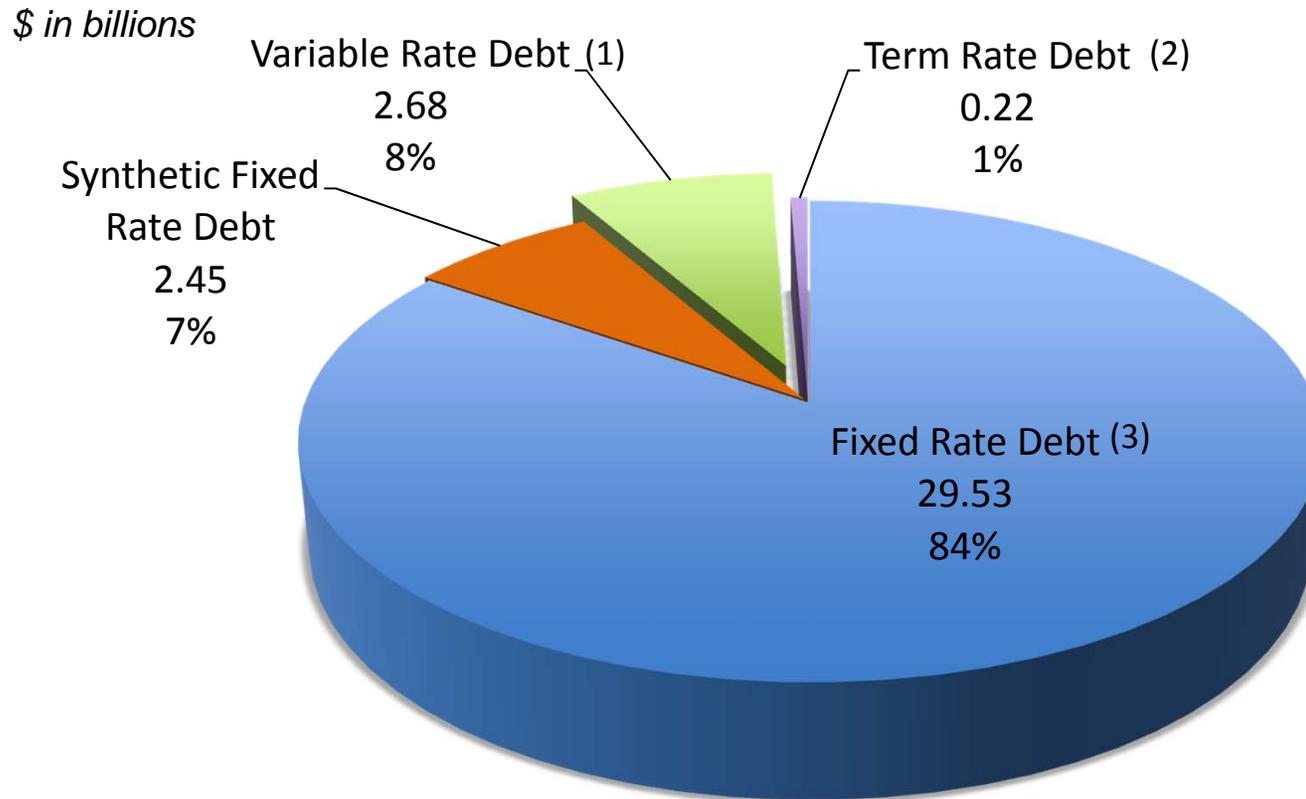
- The Authority desires to achieve the lowest possible interest cost on its debt and maintain a prudent level of interest rate risk. Therefore, the following policy shall apply:

*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.*

<sup>(1)</sup> 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 2015

# Variable Rate Debt Represents 8% of Total Debt\*



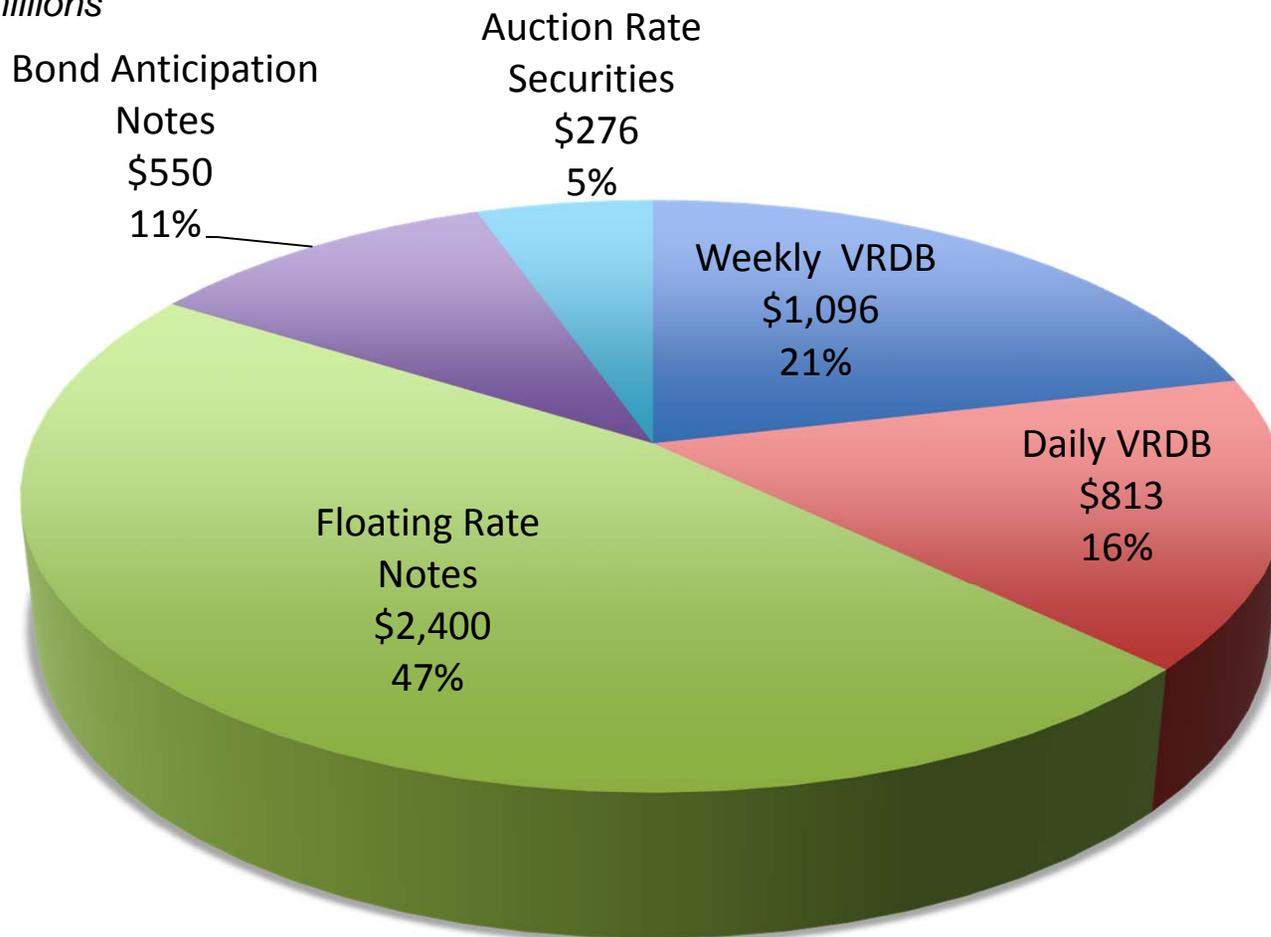
\*As of March 31, 2015

Excludes New York State supported Service Contract Bonds

- (1) Includes \$550 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<sup>(1)</sup> Rate Debt Diversification\*

*\$ in millions*



\*As of March 31, 2015.

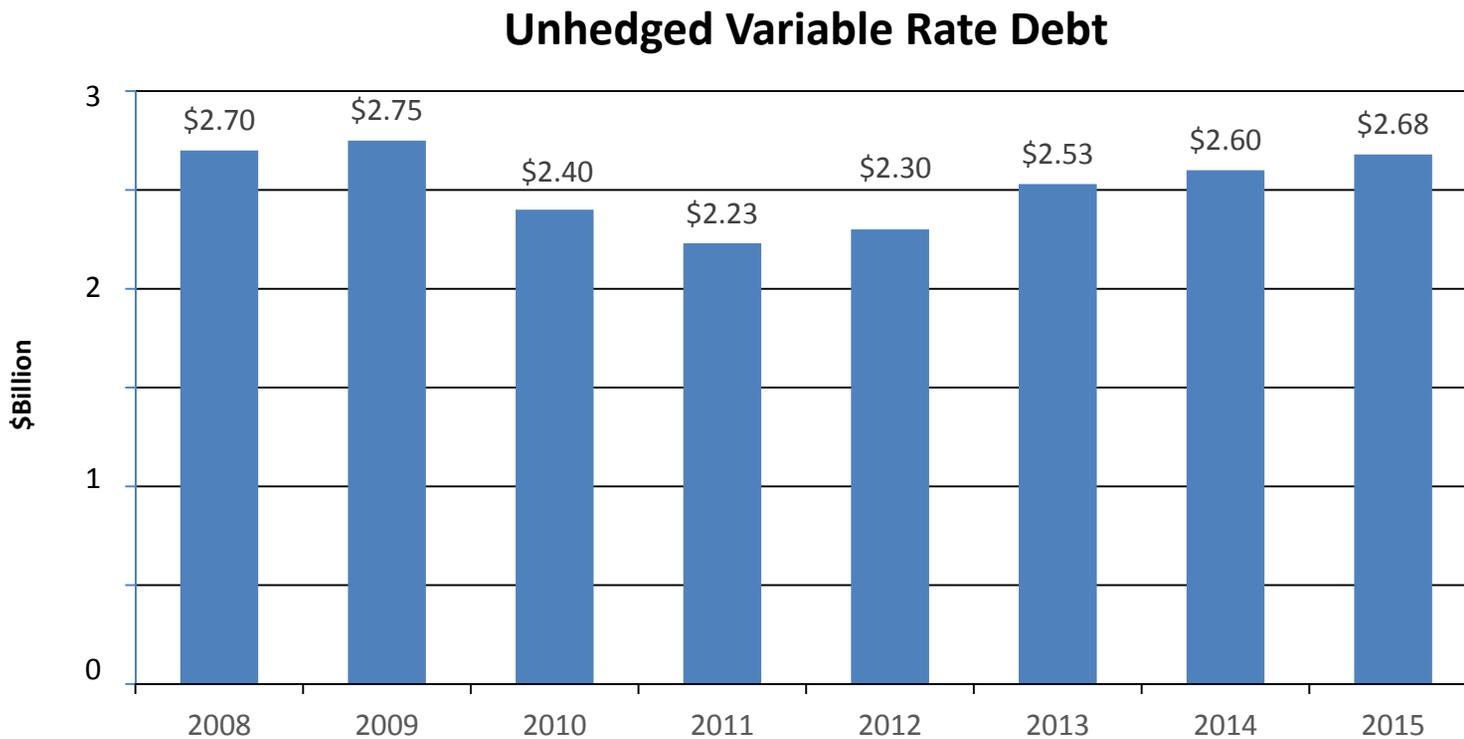
(1) Includes variable rate and synthetic fixed debt.

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

- **Variable Rate Demand Bonds (“VRDBs”), \$1.9 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”), \$2.4 billion outstanding**
  - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)
- **Bond Anticipation Notes (“BANs”), \$550 million outstanding**
  - \$550 million is in commercial paper mode with optional tenders supported by bank letters of credit and standby bond purchase agreements
- **Auction Rate Securities (“ARS”), \$276 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

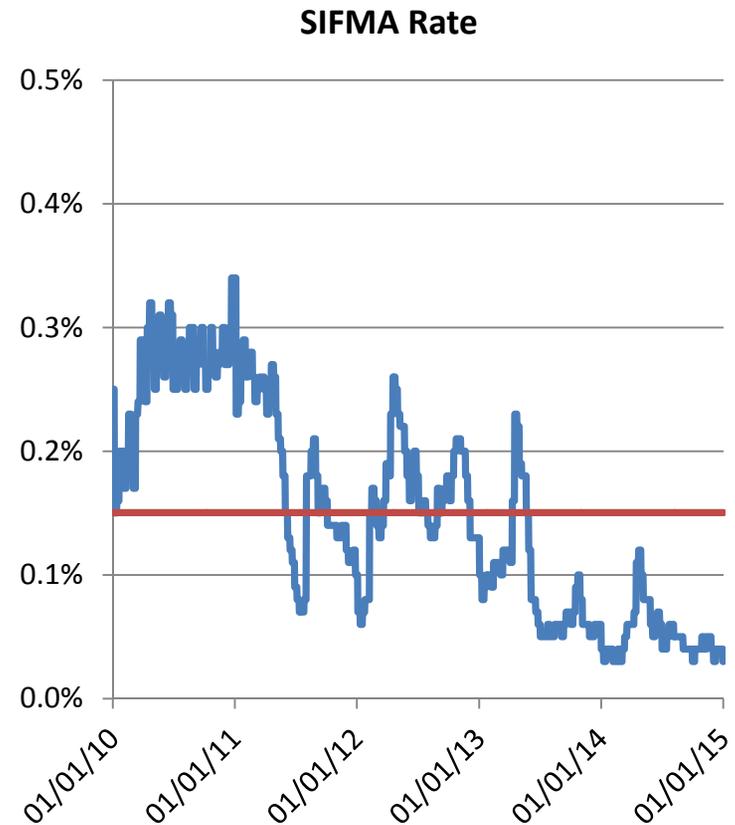
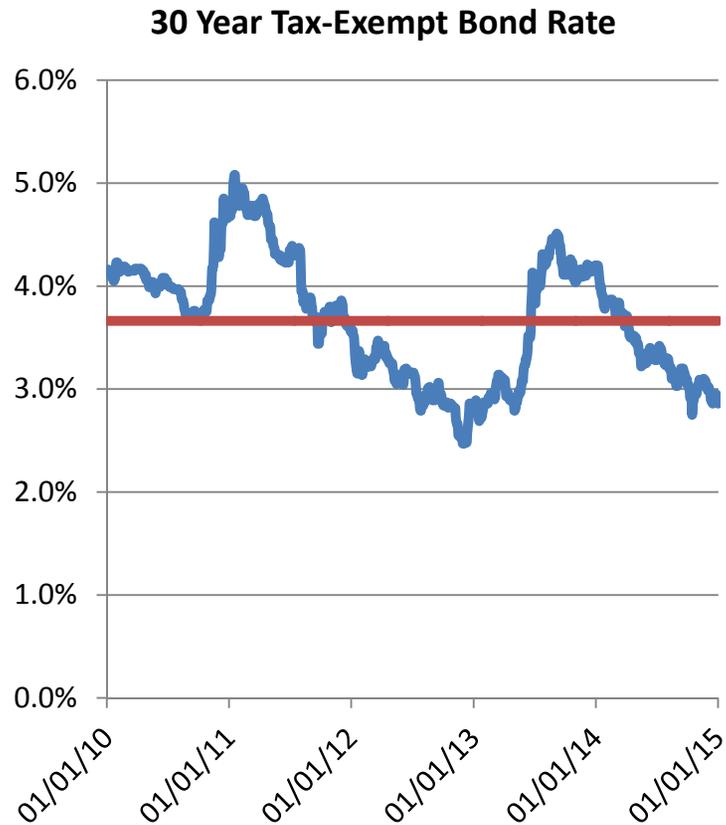
\* As of March 31, 2015

# Unhedged variable rate debt has remained constant since 2008



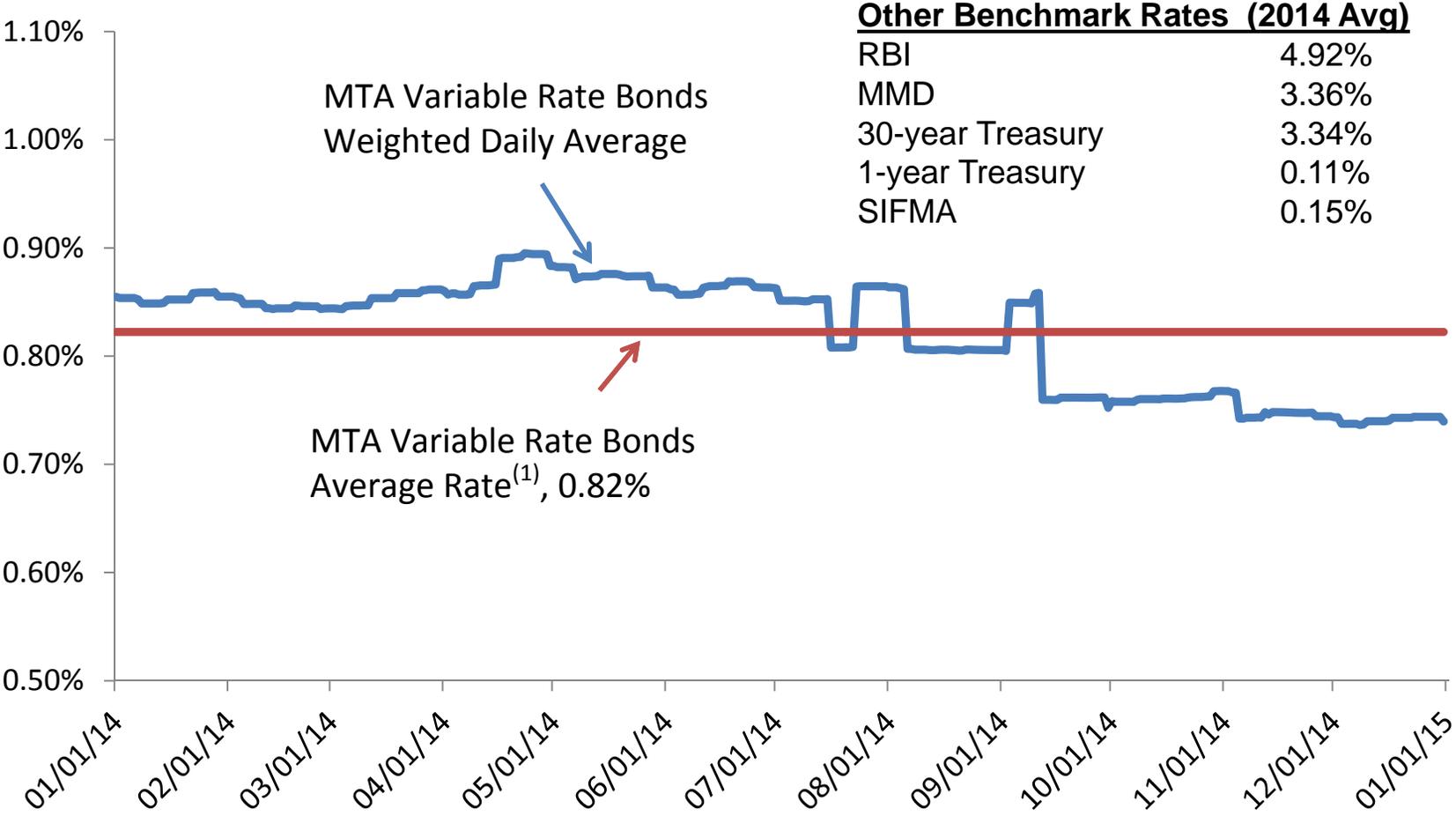
Note: All totals are as of March 31 of their respective year.

# 5-Year Tax-Exempt Bond Rate History



- The long-term bond yields generally trended upward in 2013 but trend downward in 2014, keeping rates near historic lows (5-year avg. is 3.66%)
- Short-term rates continue to remain near all-time lows since the upward spike on September 24, 2008 (5-year avg. is 0.15%)

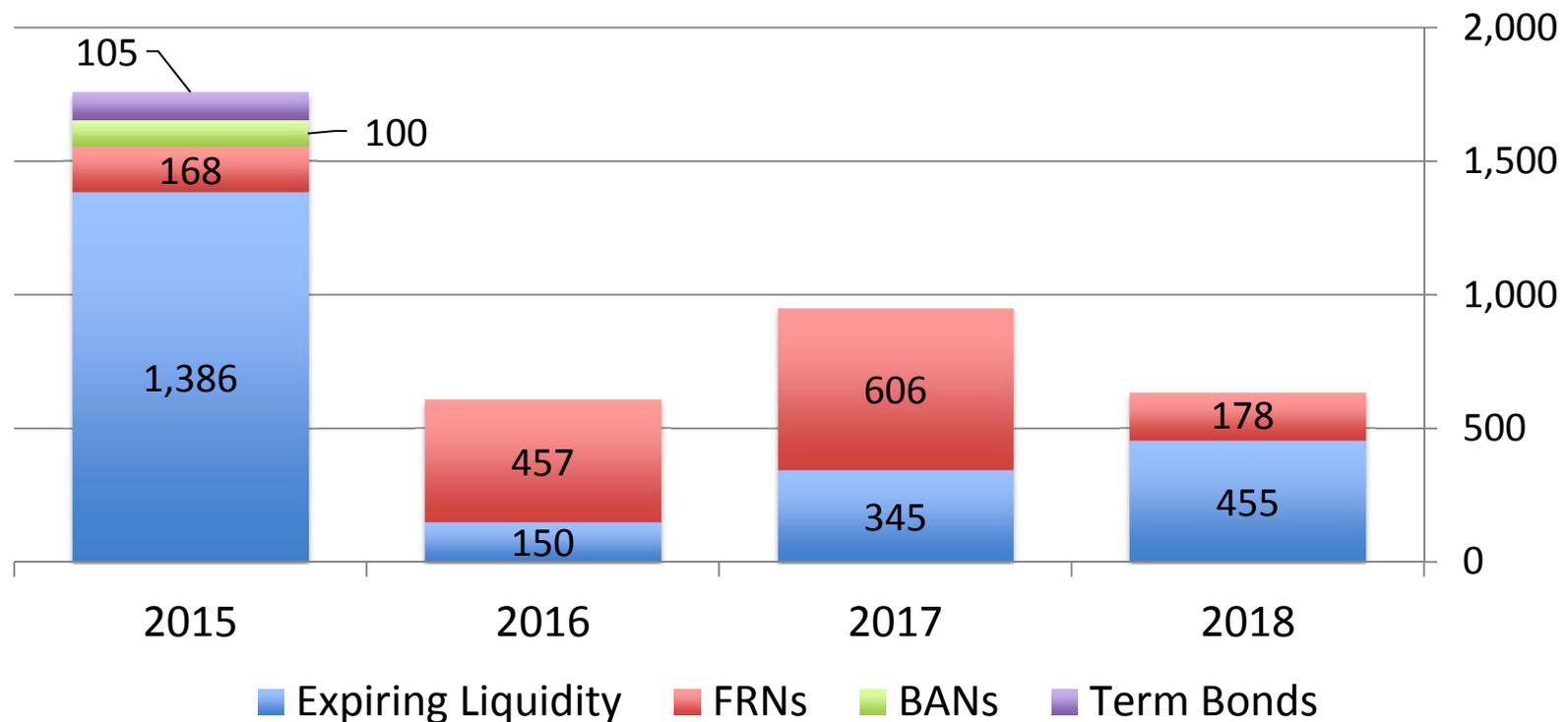
# 2014 Variable Rate Bonds Performance



(1) Average rate is inclusive of remarketing and liquidity fees from January 1, 2014 through December 31, 2014

# Liquidity Expirations and FRN and Term Bond Reset Dates by Year, 2015-2018

*\$ in millions*



- 2015 Outlook:** \$836 million expected to renew and \$550 million are expected need replacement facilities, \$105 million in Term bonds and \$168 million in FRNs will reset in 2015.

# Appendix

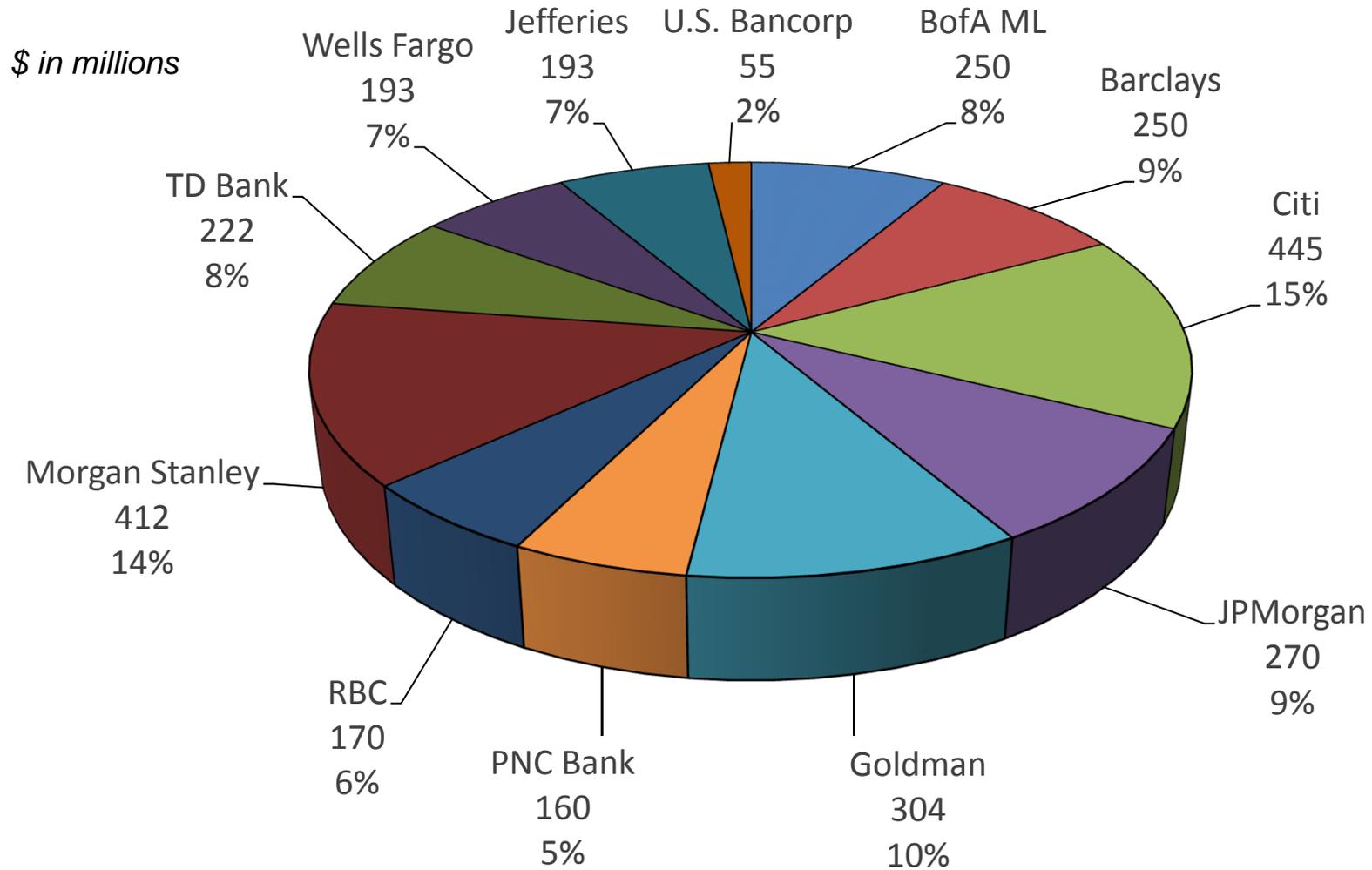
- 2015 Liquidity Expiration FRN and Term Bond Reset Dates Schedule
- Remarketing Agents
- Credit/Liquidity Support Providers

# 2015 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
TBTA Gen	2014A	BAN	100.0	N/A	5/15/2015
TBTA Gen	2005B-3	SBPA	199.1	Bank of America ML	7/3/2015
Trans Rev	CP2-A	LOC	100.0	TD Bank	9/16/2015
Trans Rev	CP2-B	LOC	250.0	Barclays	9/16/2015
Trans Rev	CP2-D	LOC	200.0	Citi	9/16/2015
TBTA Gen	2001C	SBPA	122.6	JPMorgan	9/29/2015
Trans Rev	2005E-3	LOC	75.0	PNC	10/2/2015
Trans Rev	2005E-1	LOC	100.0	Bank of America ML	10/2/2015
TBTA Gen	2002F	SBPA	195.3	Helaba	11/1/2015
Trans Rev	2002G-1f	67% LIBOR FRN	42.6	N/A	11/1/2015
Trans Rev	2012G-2	67% LIBOR FRN	125.0	N/A	11/1/2015
Trans Rev	2005D-1	LOC	150.0	Helaba	11/7/2015
TBTA Gen	2008B-3	Term Bond	105.1	N/A	11/15/2015

Complete schedule is available at [MTA.info](http://MTA.info)

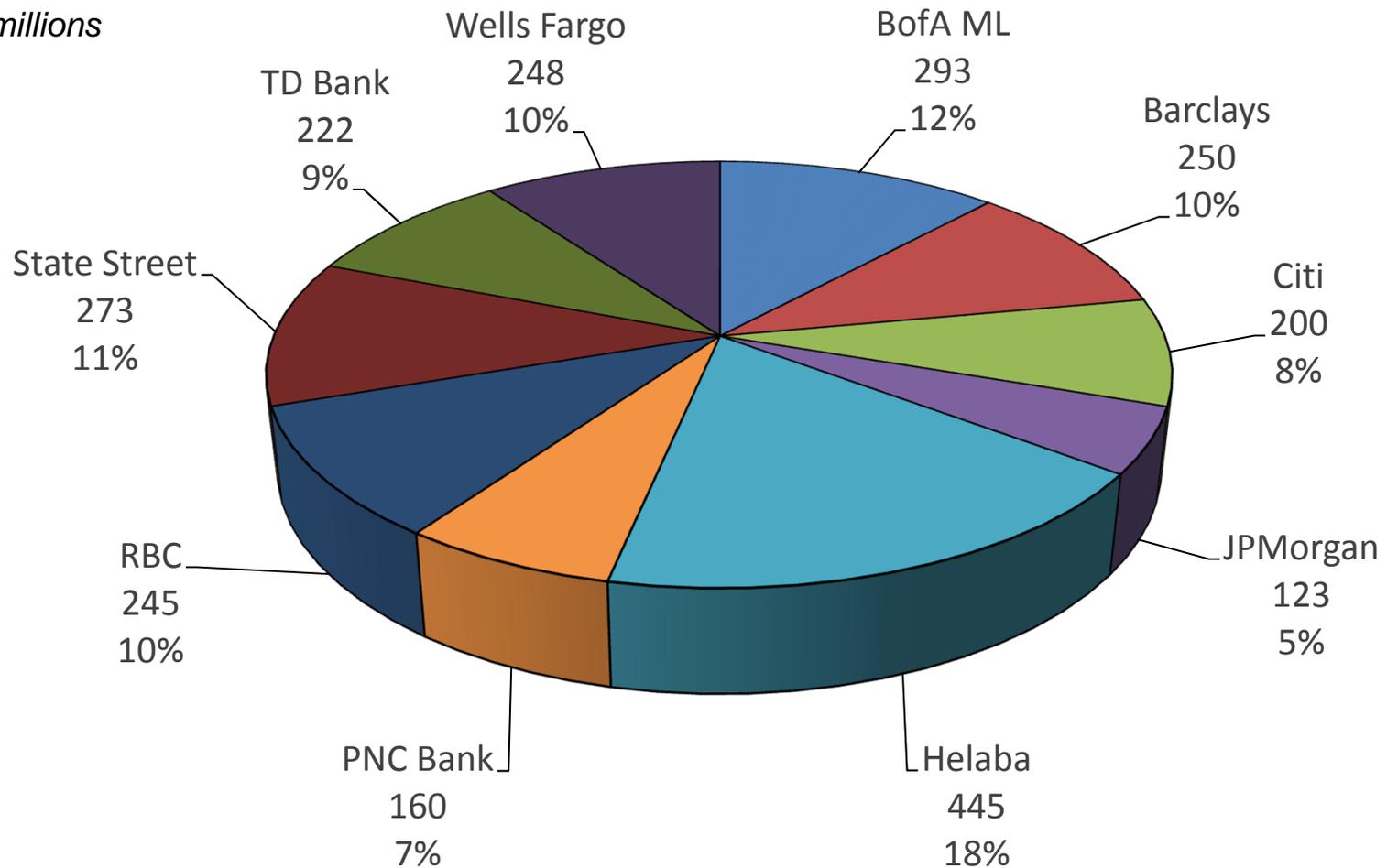
# Variable Rate Demand Bonds and Commercial Paper Remarketing Agents\*



\*As of March 31, 2015

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

*\$ in millions*



\*As of March 31, 2015