

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⁽¹⁾

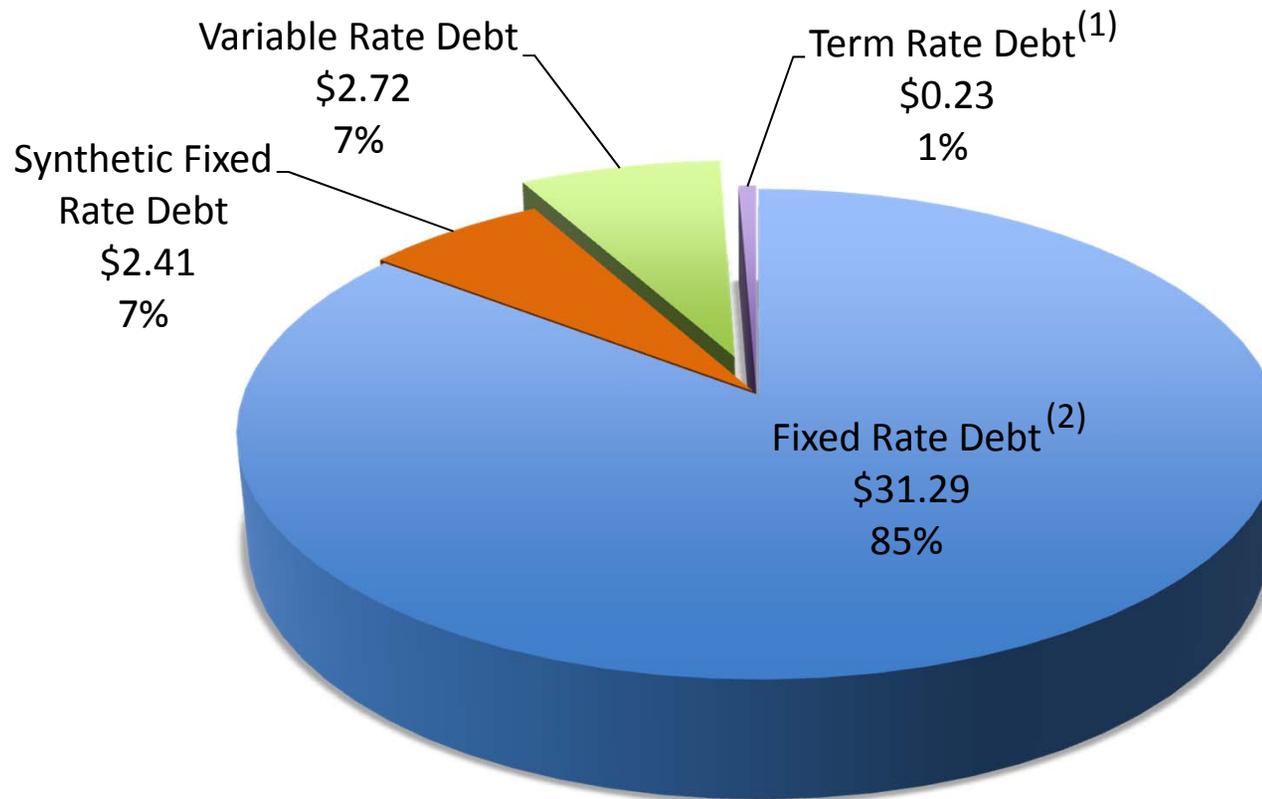
- The Authority desires to achieve the lowest possible interest cost on its debt and maintain a prudent level of interest rate risk. Therefore, the following policy shall apply:

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 2016

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



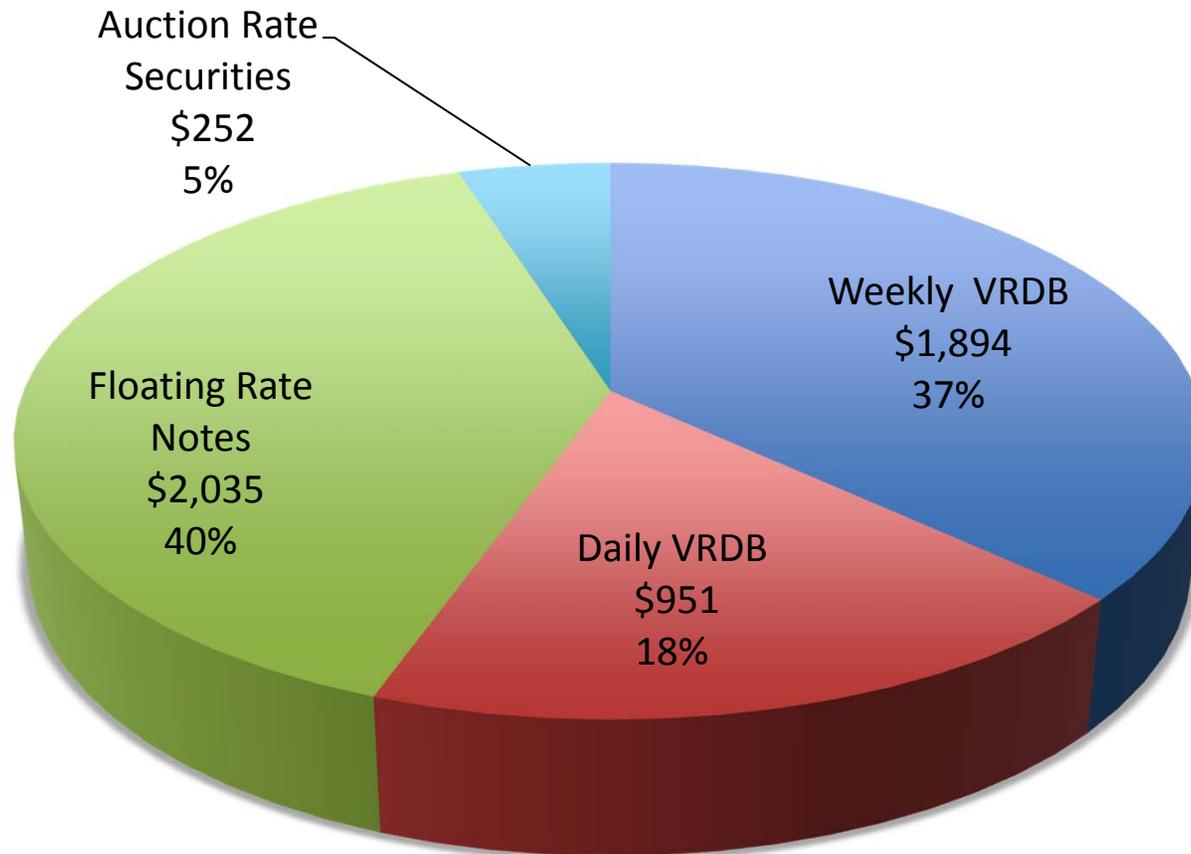
Excludes New York State supported Service Contract Bonds

(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

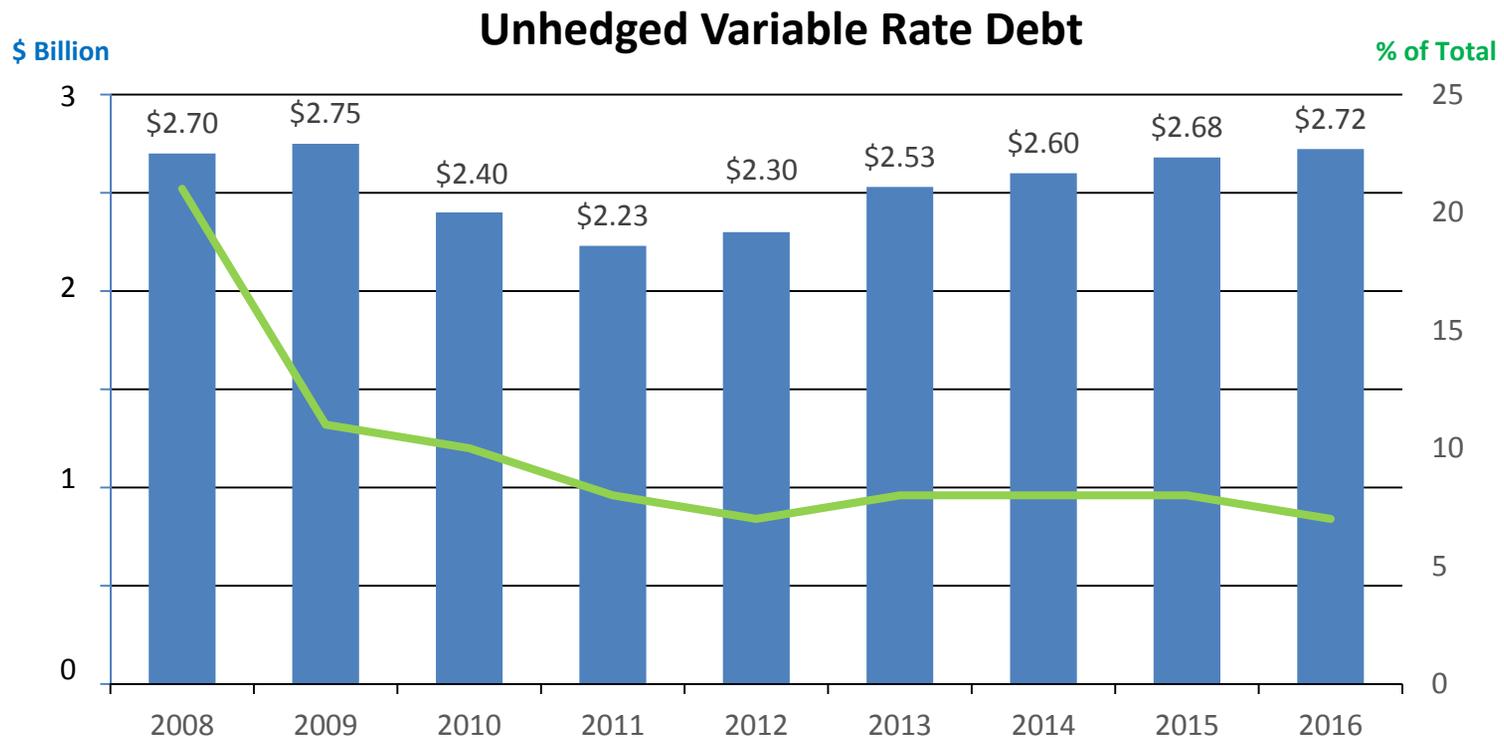


(1) Includes variable rate and synthetic fixed debt.

Types of Variable Rate Debt in MTA's Debt Portfolio

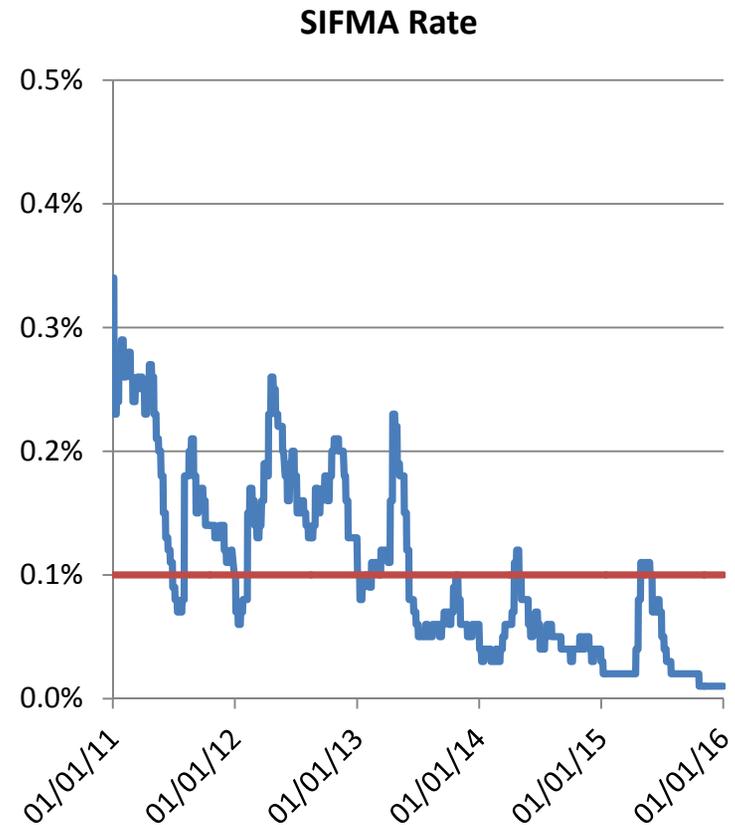
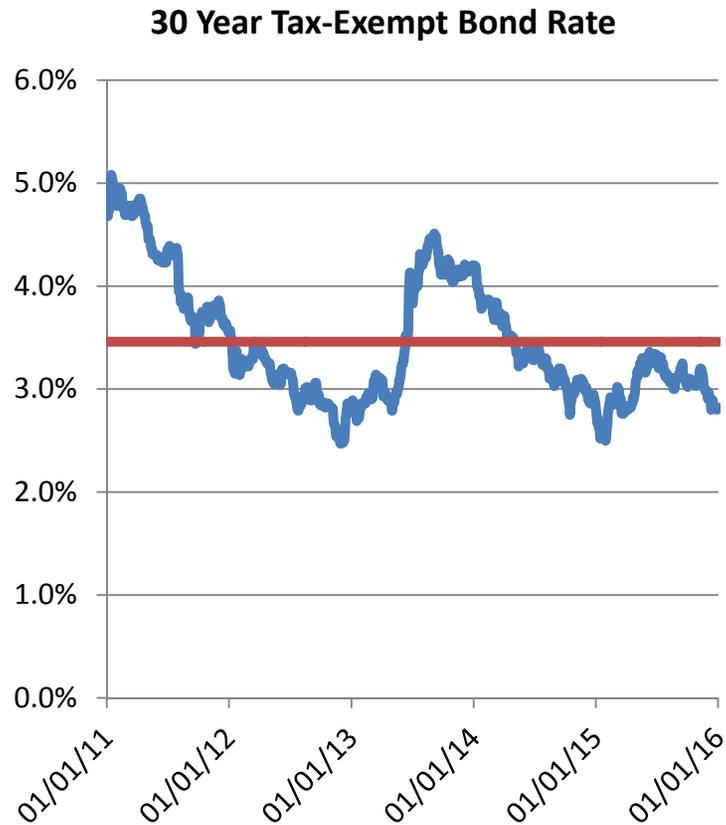
- **Variable Rate Demand Bonds (“VRDBs”), \$2.8 billion outstanding**
 - Interest rate is determined on a periodic basis depending on the interest rate mode; Remarketing Agent sets the interest rate on each reset date and markets bonds tendered
 - Optional tenders are supported by bank letters of credit 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



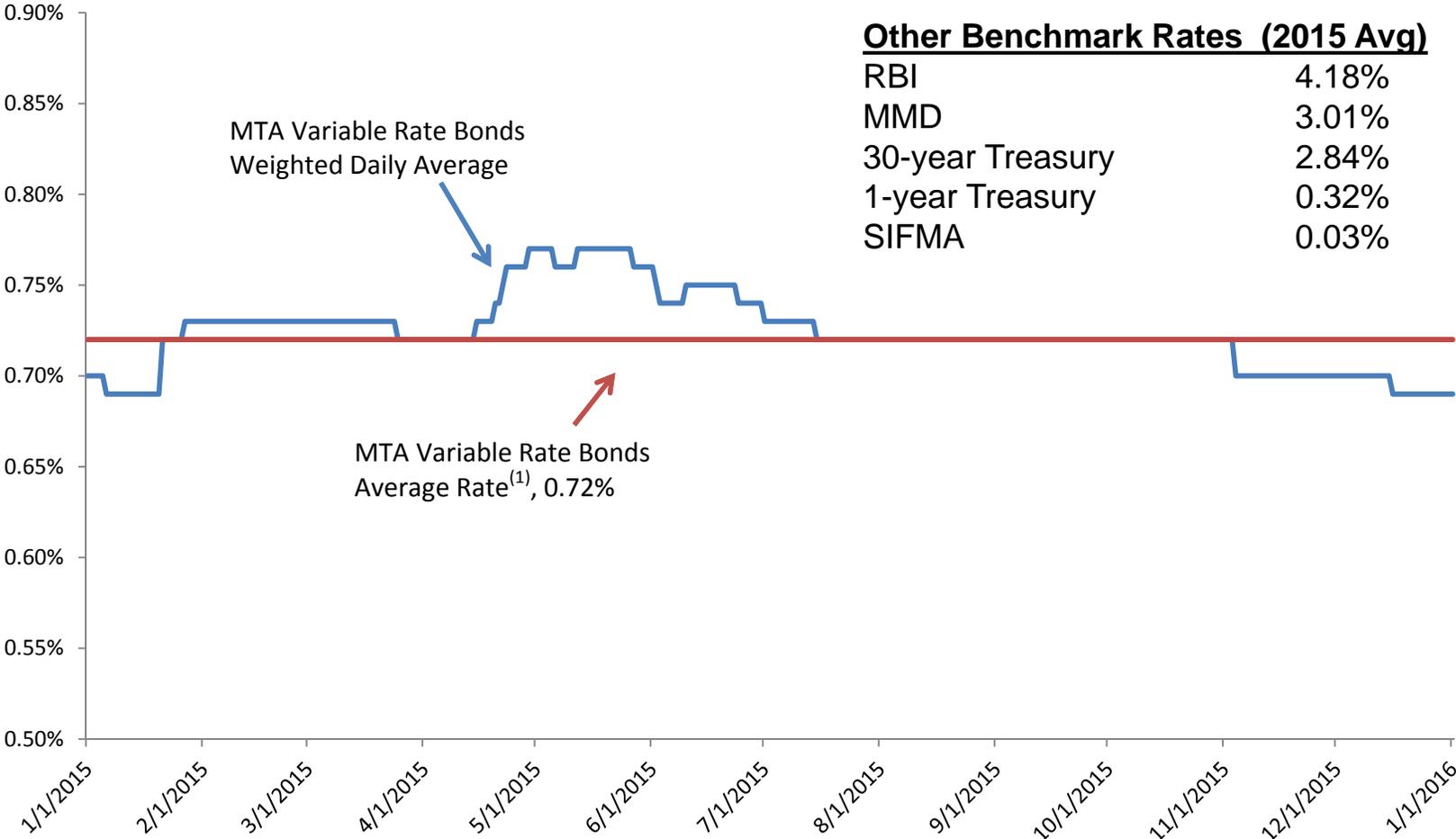
Note: All totals are as of March 31 of their respective year.

5-Year Tax-Exempt Bond Rate History



- 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%)

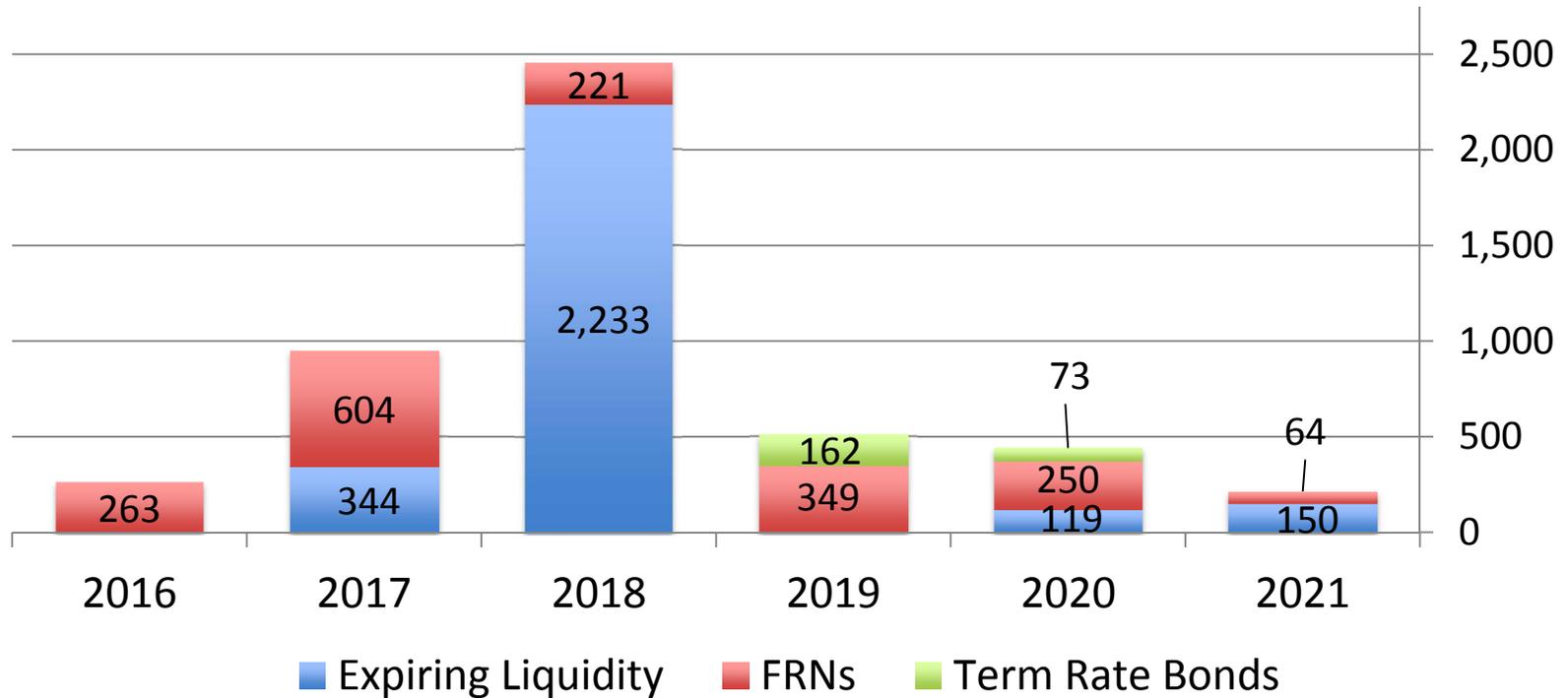
2015 Variable Rate Bonds Performance



(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

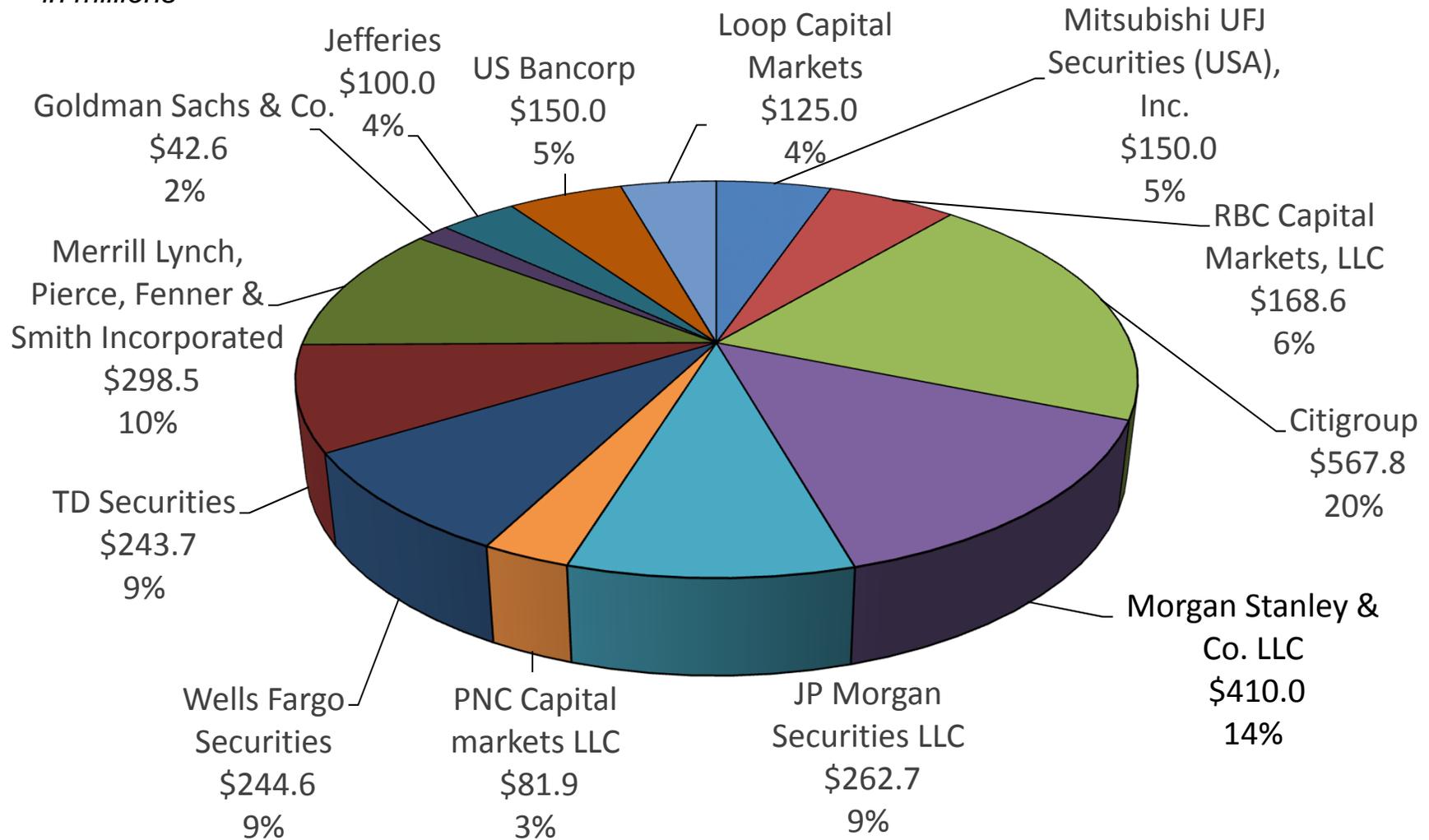
2016 Credit/Liquidity Facilities Expiration and FRN and Term Bond Reset Dates Schedule

Bond Series	Outstanding Par (\$ millions)	Mode	Credit/Liquidity Support Provider	Exp./Reset Date
DTF 2008B-3b	54.470	FRN	NA	11/1/2016
TBTA 2005B-4a	27.000	FRN	NA	11/1/2016
TRB 2002G-1h	56.890	FRN	NA	11/1/2016
TRB 2012A-2	50.000	FRN	NA	5/15/2016
TRB 2012G-3	75.000	FRN	NA	11/1/2016

Complete schedule is available at MTA.info

Variable Rate Demand Bonds Remarketing Agents

in millions



Variable Rate Demand Bonds Liquidity Providers

