



Report to the Finance Committee Review of Variable Rate Debt

**MTA Finance Department
Patrick J. McCoy, Director
April 23, 2018**



MTA's Variable Rate Debt Policy

- 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.

Notes:

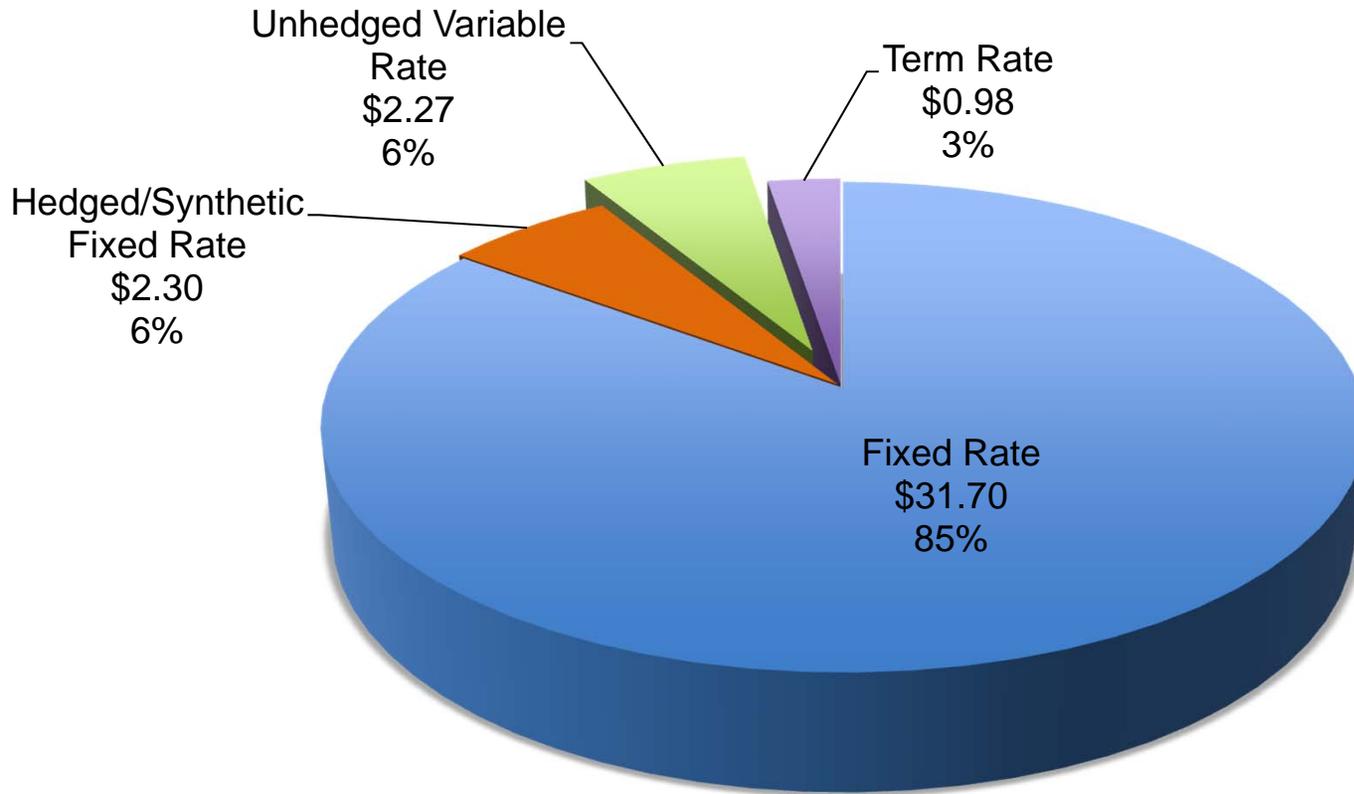
(1) MTA Board adopted the Variable Rate Policy on May 20, 2004

(2) Synthetic Fixed Rate presentation is scheduled to be presented to the Finance Committee in October 2018



Unhedged Variable Rate Debt is 6% of Total

\$ in billions



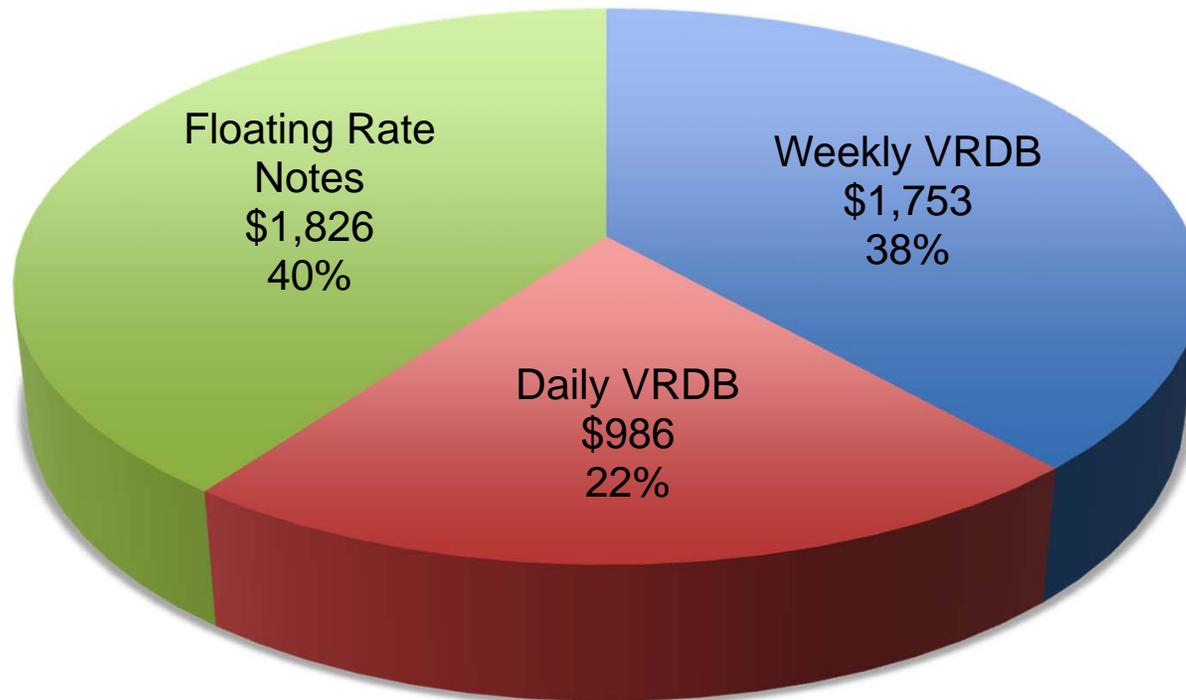
Notes:

- (1) Term Rate bonds have a fixed rate for a defined period (until the mandatory tender date) but do not have a fixed rate for the entire life of the bonds
- (2) Fixed Rate includes \$1.5 billion Bond Anticipation Notes
- (3) Excludes \$34.5 million State Service Contract Bonds, \$277.7 million Special Obligation Bonds, and \$1.057 billion Hudson Rail Yard Trust Obligations



Variable Rate and Synthetic Fixed Rate Debt Diversification

\$ in millions



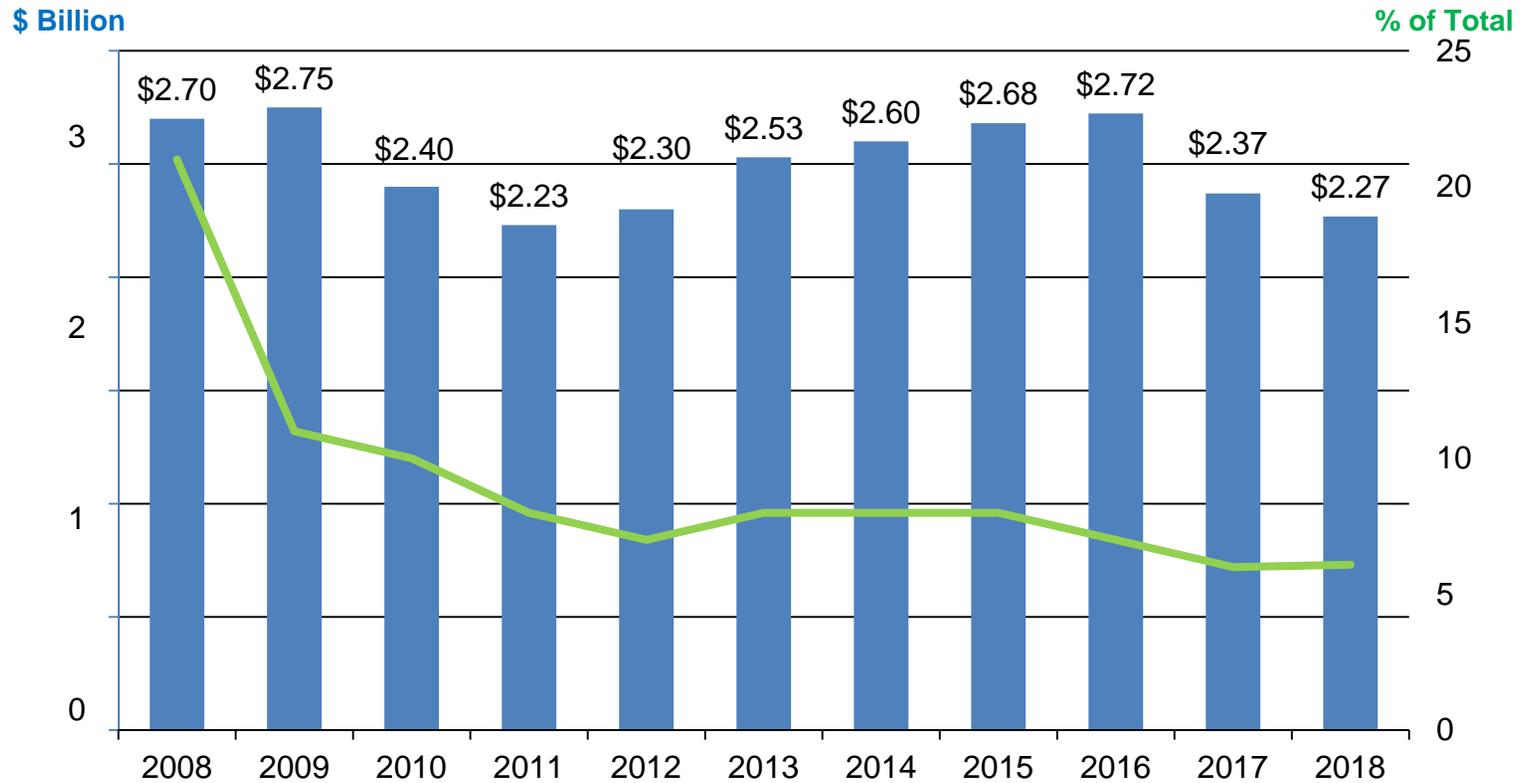


Types of Variable Rate Debt in MTA's Debt Portfolio

- **Variable Rate Demand Bonds (“VRDBs”), \$2.7 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”), \$1.8 billion outstanding**
 - Interest rate is determined based on a set spread to a floating index (SIFMA or LIBOR)



Unhedged Variable Rate Debt has Declined



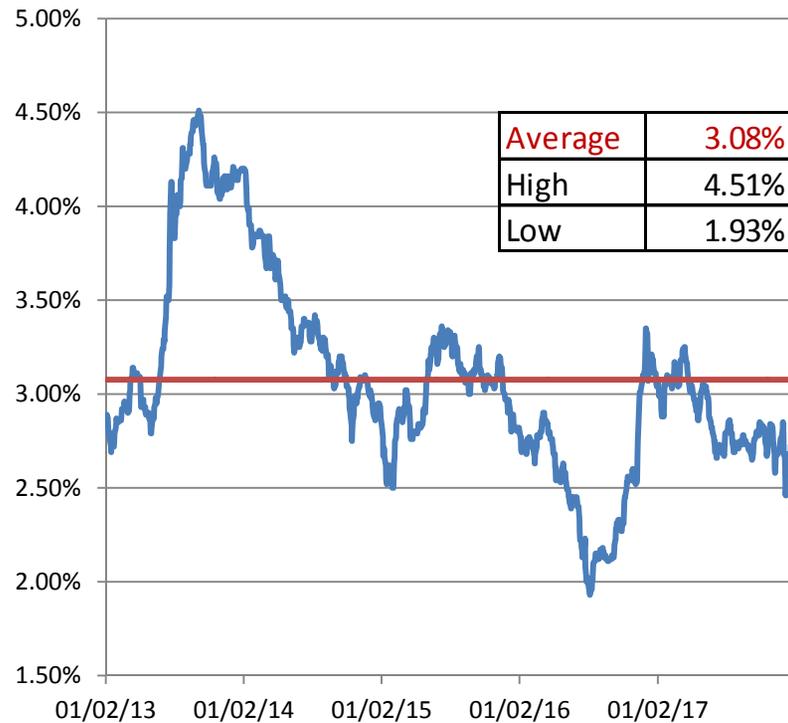
Note:

(1) All totals are as of March 31 of their respective year

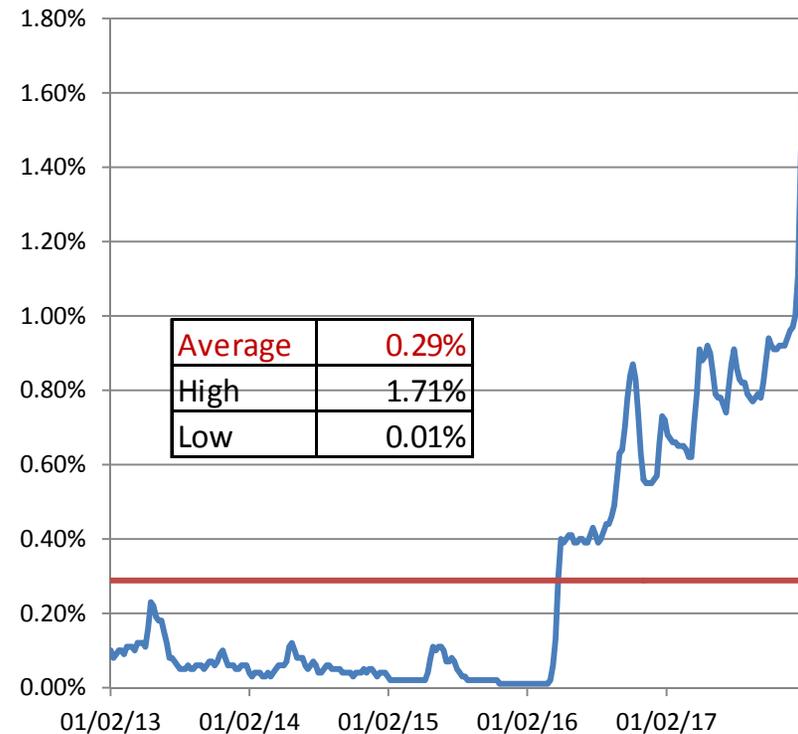


Tax-Exempt Bond Rate History

30-Year Tax-Exempt Bond Rate



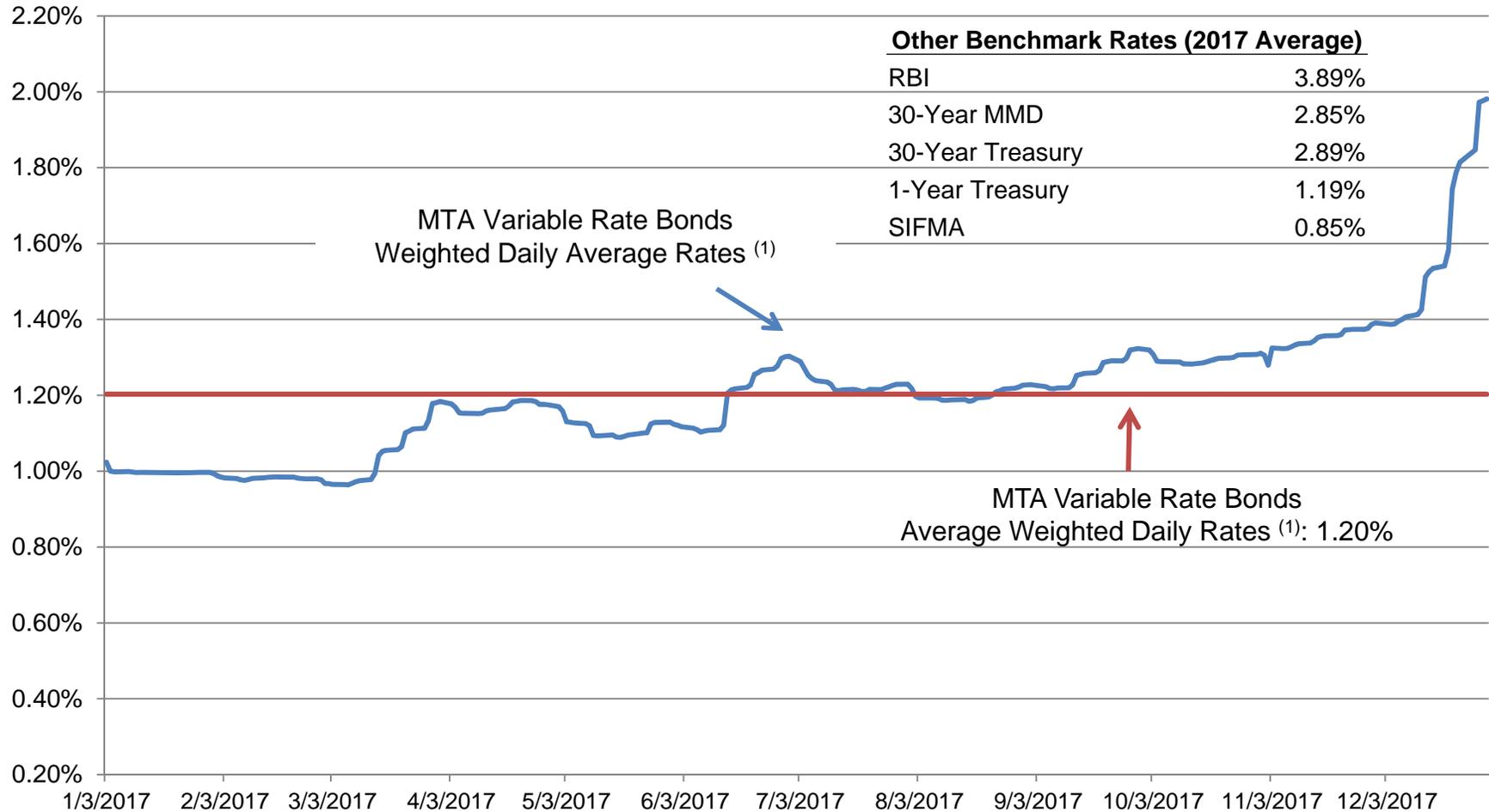
Weekly SIFMA Rate



- Long-term tax-exempt bond yields remain low ending 2017 at 2.54% (5-year average is 3.08%)
- Short-term rates have increased significantly since early 2016 ending 2017 at 1.71% (5-year average is 0.29%)



2017 Variable Rate Bonds Performance



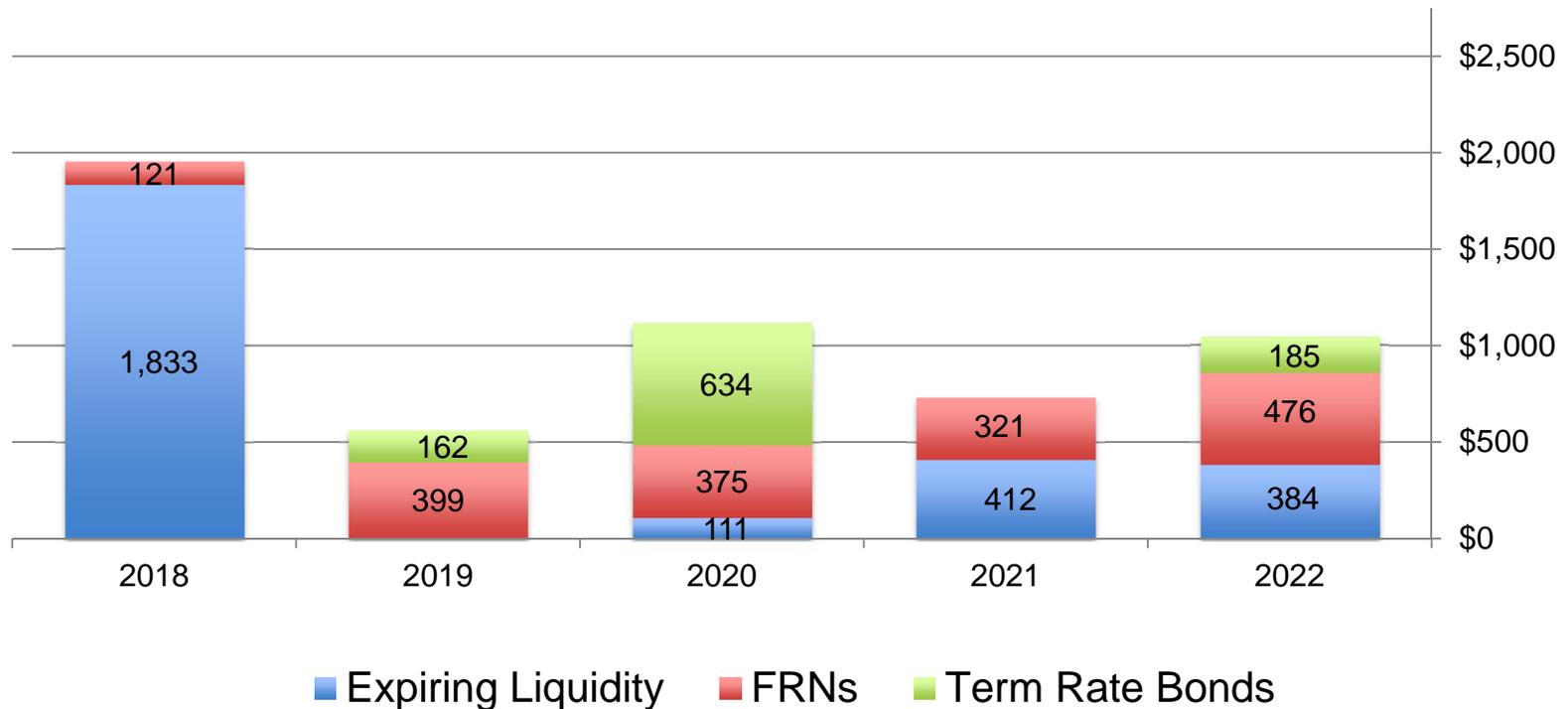
Note:

(1) Average rate is inclusive of remarketing and liquidity fees



Liquidity Expirations, FRN and Term Rate Bond Reset Dates by Year

\$ in millions



- **2018 Outlook:** \$1.8 billion of VRDBs and \$121 million of FRNs have letter of credit expirations/tender dates remaining in 2018



Appendix

- 2018 Liquidity Expiration and FRN Tender Dates Schedule
- Remarketing Agents
- Credit/Liquidity Support Providers



Remaining 2018 Credit/Liquidity Expirations and FRN Tender Dates Schedule

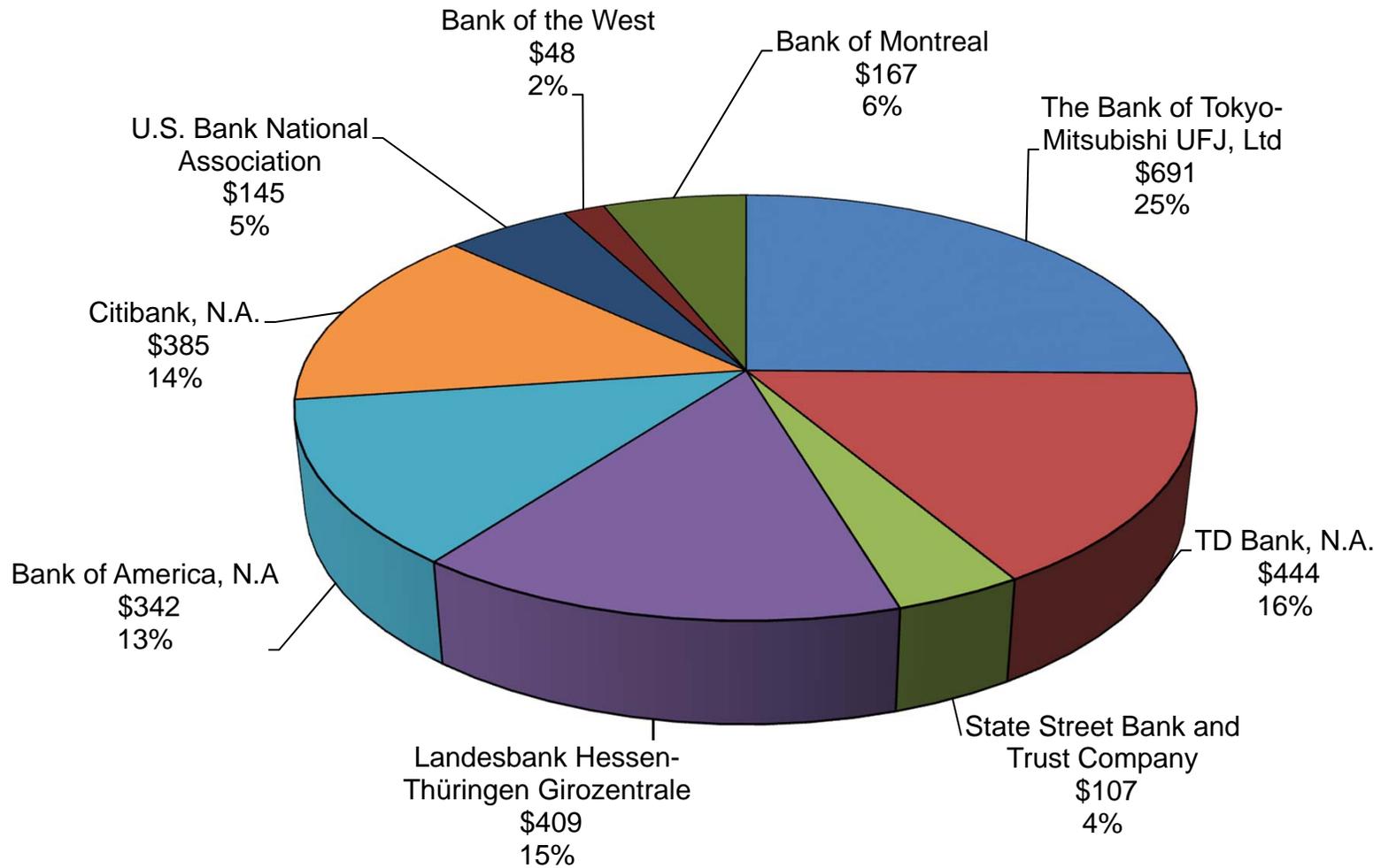
Bond Series	Outstanding Par (\$ millions)	Mode	Credit/Liquidity Support Provider	Exp/Tender Date
TBTA 2005B-3	190.300	Weekly	The Bank of Tokyo-Mitsubishi UFJ, Ltd	6/29/2018
TBTA 2001C	107.275	Weekly	The Bank of Tokyo-Mitsubishi UFJ, Ltd	8/17/2018
TRB 2005E-3	71.385	Weekly	Bank of Montreal	8/24/2018
TRB 2005E-1	95.180	Daily	Bank of Montreal	8/24/2018
TRB 2015E-5	48.185	Daily	U.S. Bank National Association	9/7/2018
TRB 2015E-4	48.185	Weekly	Bank of the West	9/7/2018
TRB 2015E-3	194.460	Weekly	Citibank, N.A.	9/7/2018
TRB 2015E-2	243.075	Weekly	The Bank of Tokyo-Mitsubishi UFJ, Ltd	9/7/2018
TRB 2015E-1	97.230	Daily	U.S. Bank National Association	9/7/2018
TBTA 2001B	107.280	Weekly	State Street Bank and Trust Company	9/28/2018
TRB 2002G-1f	42.575	FRN	NA	11/1/2018
TRB 2002G-1g	42.550	Weekly	TD Bank, N.A.	11/1/2018
TRB 2012G-2	125.000	Weekly	TD Bank, N.A.	11/1/2018
TBTA 2002F	171.555	Daily	Landesbank Hessen-Thüringen Girozentrale	11/1/2018
DTF 2008B-3a	35.000	FRN	NA	11/1/2018
TRB 2005D-1	142.750	Weekly	Landesbank Hessen-Thüringen Girozentrale	11/7/2018
TBTA 2005B-4d	43.800	FRN	NA	12/1/2018
TBTA SUB 2013D-2a Taxable	58.020	Weekly	Bank of America, N.A	12/14/2018
TBTA SUB 2013D-2b Taxable	90.450	Weekly	Bank of America, N.A	12/14/2018

Complete schedule is available at <http://web.mta.info/mta/investor/>



Variable Rate Demand Bonds Liquidity Providers

\$ in millions





Variable Rate Demand Bonds Remarketing Agents

\$ in millions

