



Report to the Finance Committee 2019 Year End Review

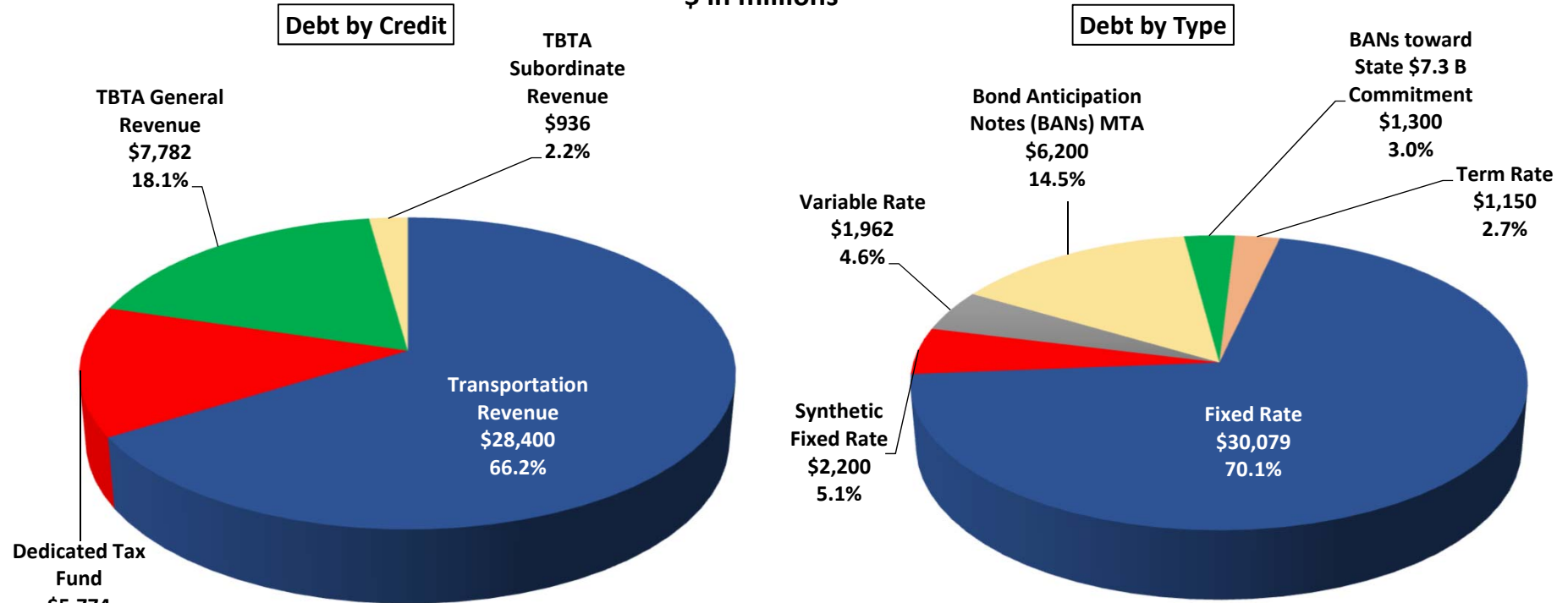
**MTA Finance Department
Patrick McCoy, Director
January 21, 2020**



MTA Debt Overview

\$42.9 billion – Debt Outstanding on Core Credits (as of 12/31/2019)

\$ in millions



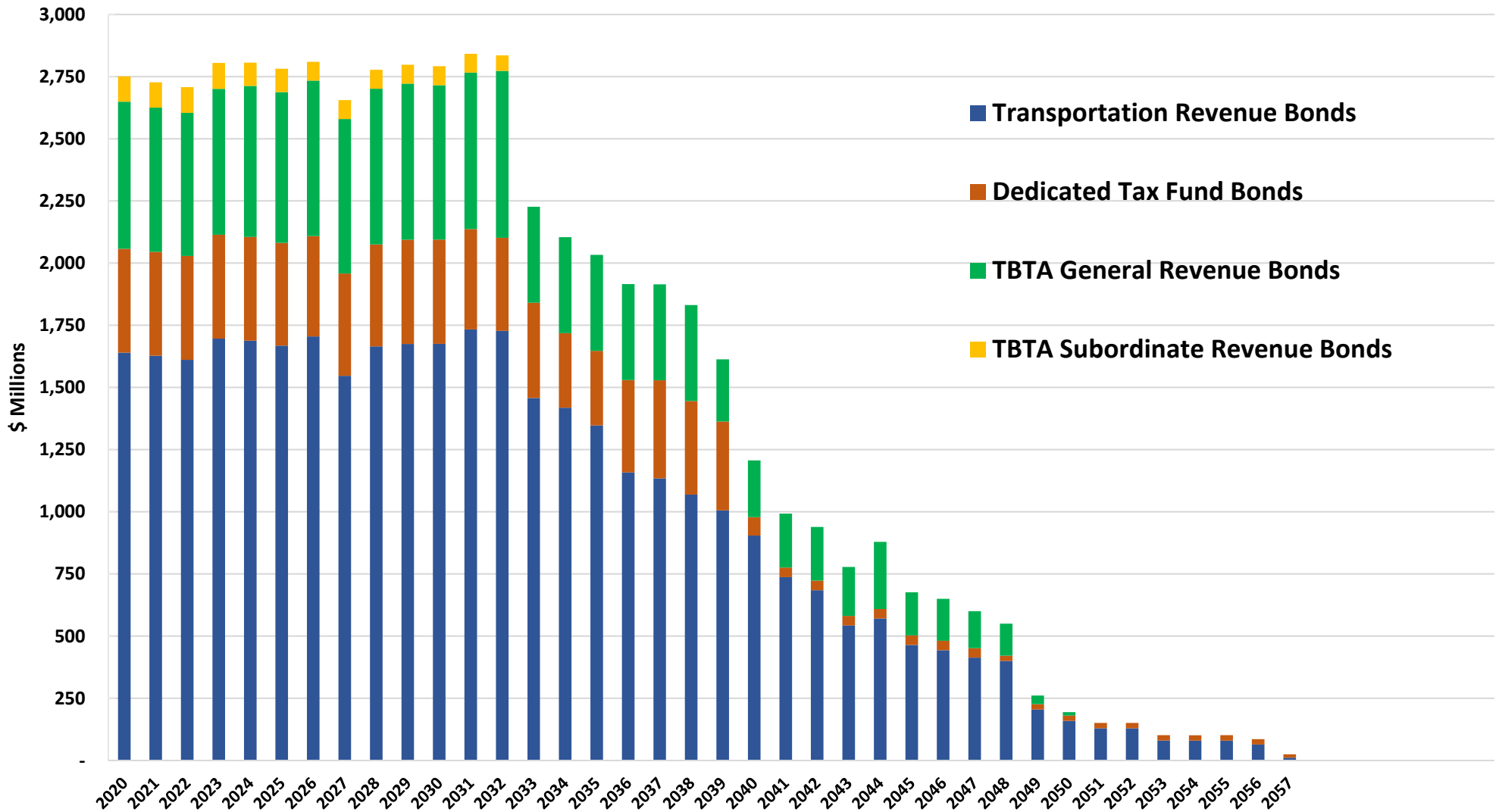
- **Approximately \$1 billion of long-term debt was retired through normal amortization in 2019**
- **Year-over-year change in outstanding debt was approximately \$4.1 billion**
 - Including \$1.3 billion of BANs toward State’s \$7.3 billion commitment for the 2015-2019 Capital Program
- **All-In True Interest Cost (TIC) 3.16%**

Notes:

- 1) Debt Outstanding reflects the draws on the Railroad Rehabilitation and Improvement Financing (RRIF) Program loan (TRB Series 2015X)
- 2) Debt by Credit chart incorporates BANs into their respective credits
- 3) Term Rate bonds have a fixed rate for a defined period (until the mandatory tender date) and do not have a fixed rate for the entire life of the bonds
- 4) BANs issued listed as toward State commitment are for the \$7.3 billion State contribution for the 2015-2019 Capital Program
- 5) Excludes \$214.6 million Special Obligation Bonds and \$871.75 million Hudson Rail Yards Trust Obligations, in each case, not secured by MTA revenues
- 6) Numbers may not total due to rounding



Stated Debt Service on Outstanding Bonds by Credit

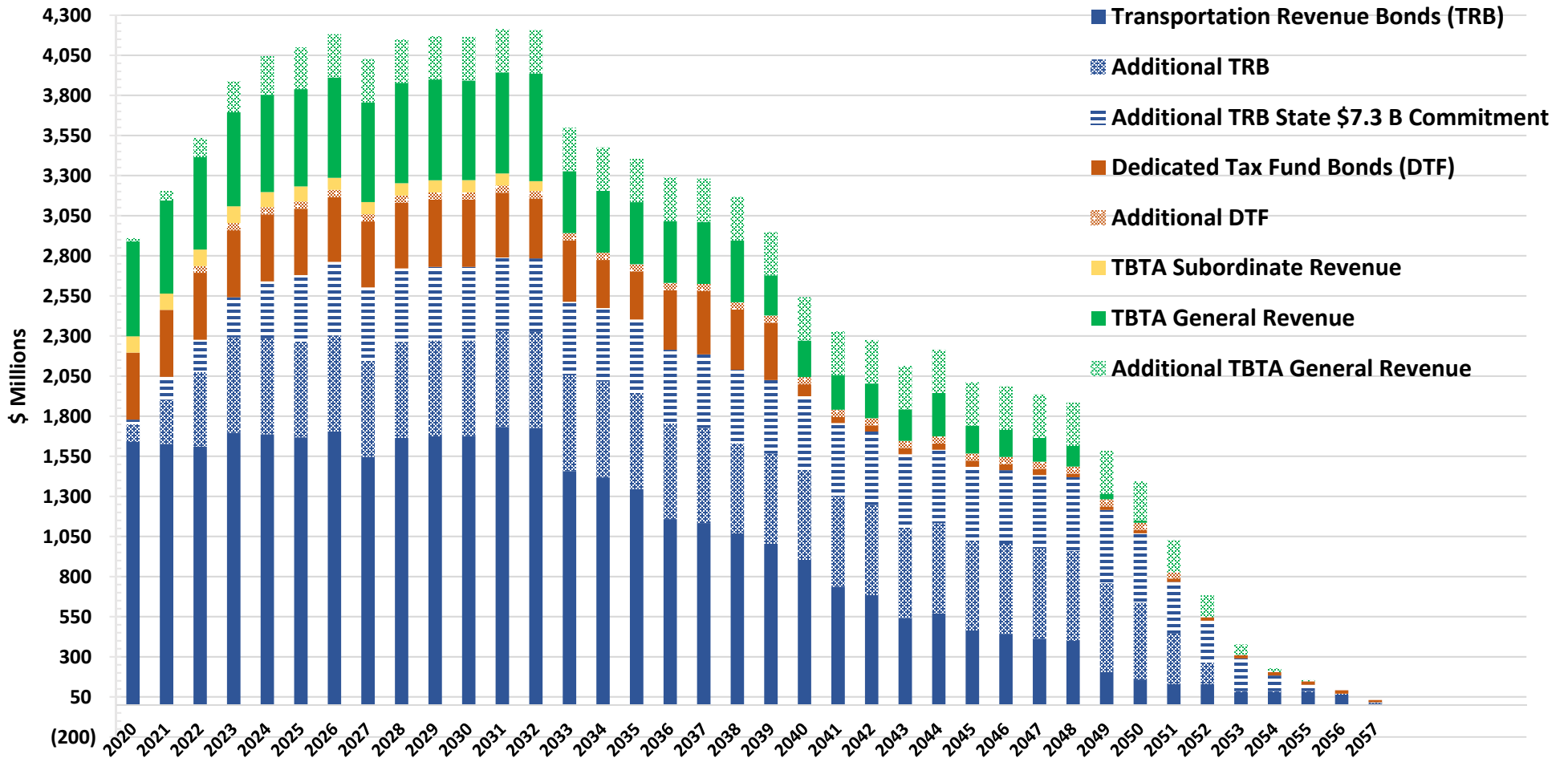


Note:

1) Stated debt service as of 12/31/2019



Stated Debt Service on Outstanding Bonds and Additional Debt Service Budgeted in November Financial Plan

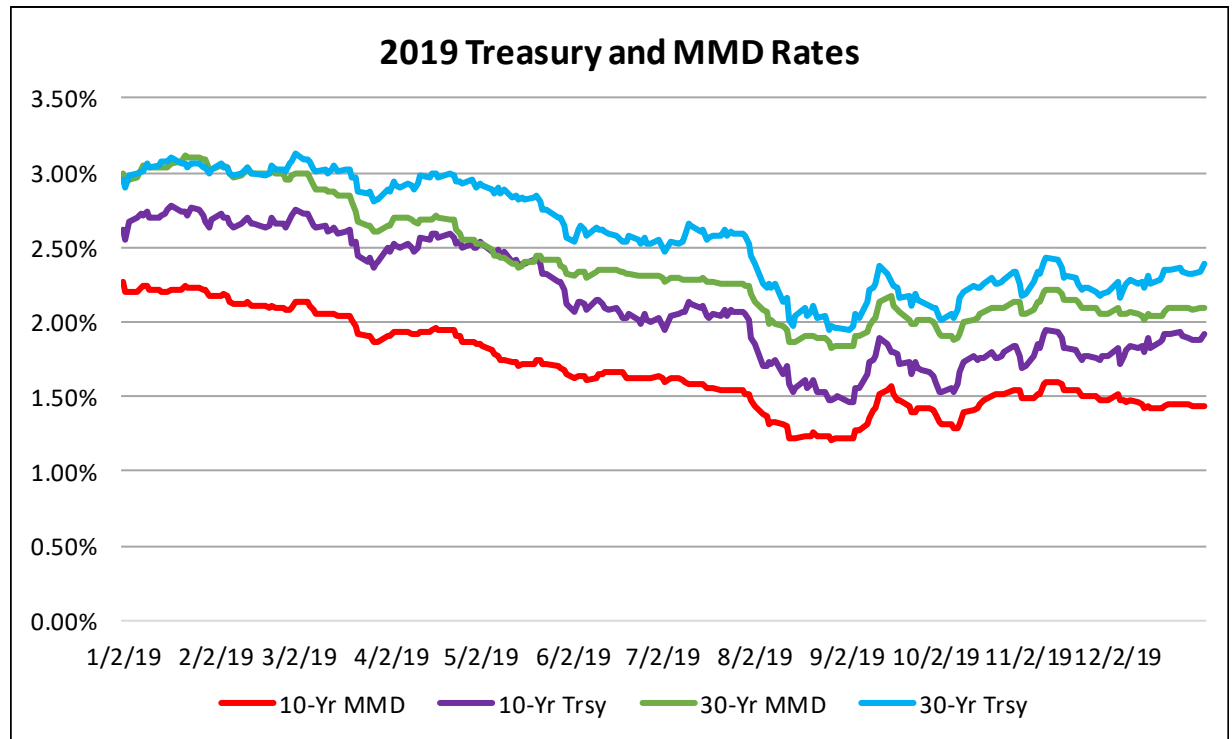


- Notes:
- 1) Debt outstanding is stated debt service as of 12/31/2019
 - 2) Additional Debt Service is as budgeted in the MTA 2020 Final Proposed Budget and November Financial Plan 2020-2023
 - 3) Additional TRB debt for State commitment are obligations issued toward the \$7.3 billion State contribution for the 2015-2019 Capital Program



2019 Market Recap and 2020 Outlook

- The municipal market has performed very well in 2019, with 30-year MMD declining 90 bps to 2.09% since the beginning of the year
- The Fed cut the Fed Funds rate three times in 2019 due to concerns over the trade war between U.S. and China and lagging global economic growth
- Market participants are currently projecting another rate cut, but not until end of 2020
- MMD rates are approximately 25 bps over September lows due to progress with the U.S. and China trade agreement, healthy U.S. economy with strong consumer spending, and the Fed's projection of stable rate policy in the near term
- Equities experienced robust returns in 2019, with Dow and S&P indexes increasing 22% and 29%, respectively
- Tax-exempt issuance volume in 2019 increased 22% to \$422 billion from \$346 billion in 2018, with taxable volume more than doubled to over \$70 billion from \$33 billion in 2018
- Municipal bond funds experienced 51 consecutive weeks of inflows from mid-January to December 2019, totaling over \$65 billion



2019 Rates	Average	Low	High	1/2/2019	12/31/2019	Diff. (bps)
10-Yr MMD	1.69%	1.21%	2.27%	2.27%	1.44%	(83)
10-Yr Trsy	2.14%	1.46%	2.79%	2.62%	1.92%	(70)
30-Yr MMD	2.39%	1.83%	3.11%	2.99%	2.09%	(90)
30-Yr Trsy	2.58%	1.95%	3.12%	2.95%	2.39%	(56)

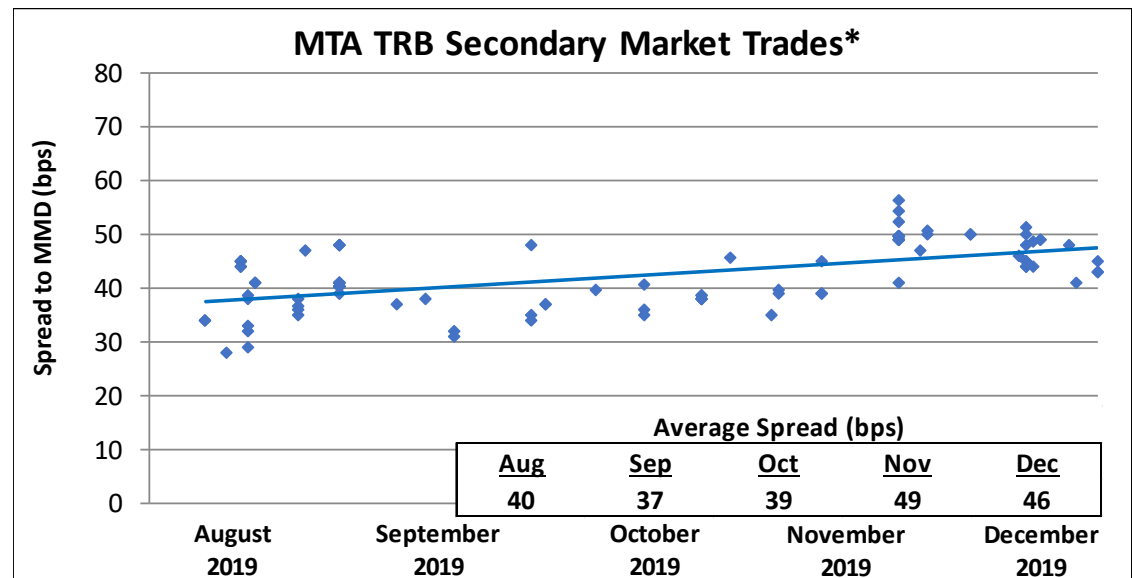
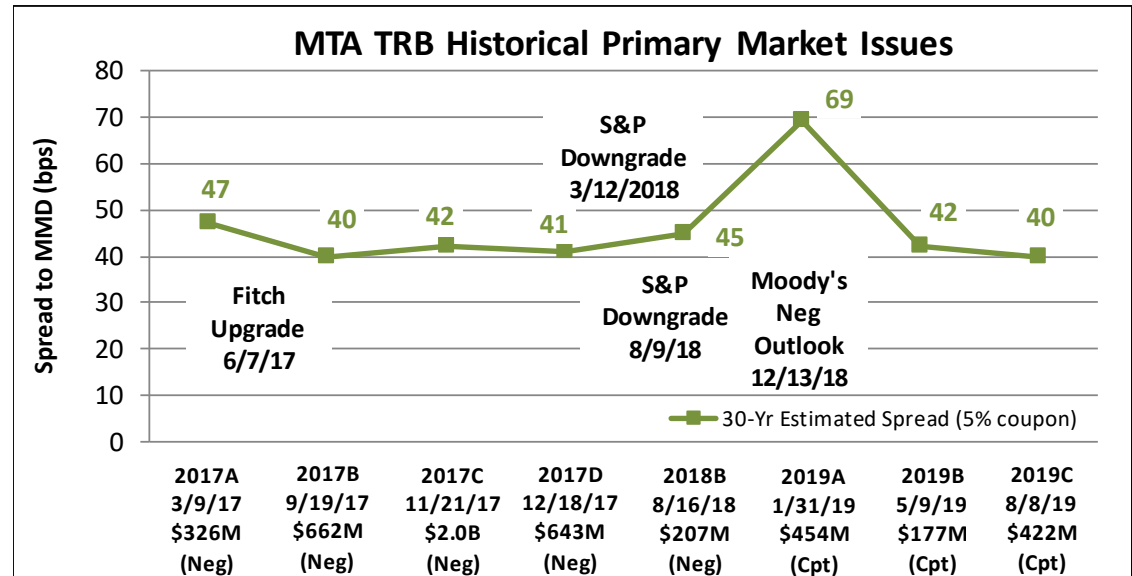
Note: MMD = Municipal Market Data

Sources: Bloomberg, The Bond Buyer, and Thompson Reuters as of December 31, 2019



TRB Credit Spreads

- In the January 2019 transaction, MTA's TRB credit spreads were as high as 69 bps to MMD for long 5% coupon bonds
- The widening of TRB credit spreads during 4Q 2018 through the beginning of 2019 could be attributed to a combination of the following:
 - General market conditions
 - Negative headline risk associated with MTA
 - KBRA negative outlook in January 2019 and Moody's negative outlook in December 2018, after rating downgrades by S&P in March and August 2018
 - Saturation of the TRB credit, with \$28 billion principal amount outstanding
- TRB credit spreads have stabilized after 1Q 2019, at 40-45 bps spread to MMD in the long end primarily due to general market tightening of credit spreads and new revenue sources for MTA
- Secondary market trades for long TRBs show spreads at 40-50 bps from August to December 2019
 - Trades were on average at spreads to MMD of 40 bps in August, increased to 49 bps in November, and tightened to 46 bps in December



- Trades for 5% coupon bonds with maturities in 15 years or longer and trade size of \$500K or greater
- Neg= Negotiated, Cpt = Competitive

Source: MSRB



2019 Transactions Summary - \$7.4 billion

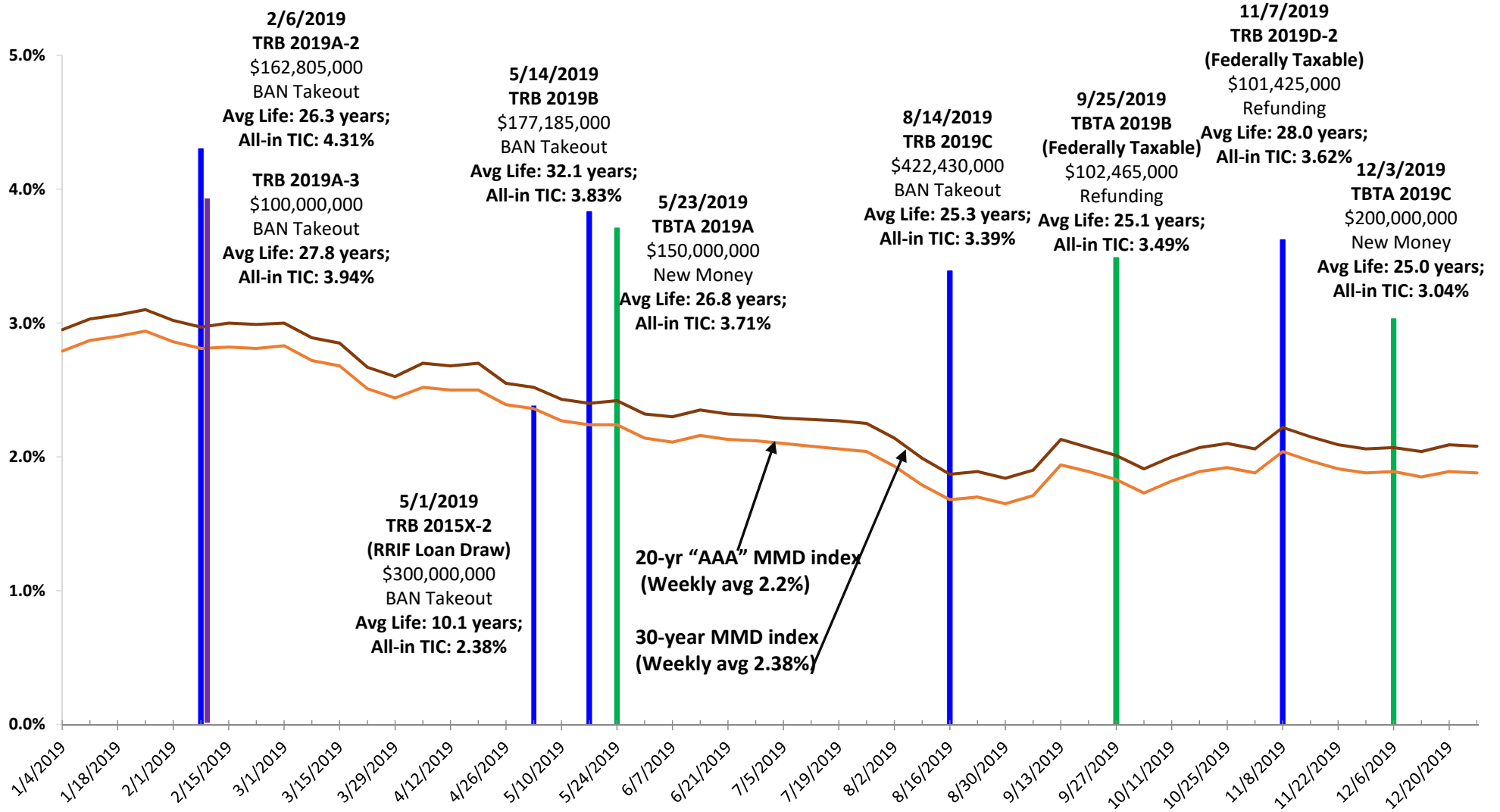
- **\$5.4 billion New Money borrowing**
 - \$350 million fixed rate bonds
 - \$5.0 billion BANs (including \$1.3 billion toward State's \$7.3 billion commitment for 2015-2019 Capital Program)
- **\$1,353.8 million long-term fixed rate bonds to retire BANs**
 - Includes \$300 million TRB 2015X-2 issued for draw on MTA's Railroad Rehabilitation and Improvement Financing (RRIF) Program loan
- **\$344.2 million Refunding bonds**
 - Refunded approximately \$263.4 million outstanding Floating Rate Tender Notes (FRNs) and Mandatory Put (Term Rate) bonds, as well as \$100 million current refunding for certain bonds callable in November 2019
- **\$360.1 million Remarketing of Tendered Obligations**
 - \$96.1 million remarketed as SIFMA FRNs
 - \$84.5 remarketed as variable rate debt with bank support in daily mode
 - \$179.6 million remarketed as variable rate debt with bank support in weekly mode

Notes:

1) Numbers may not total due to rounding



2019 MTA Fixed Rate Bond Issuances



Note:

1) Fixed Rate TICs calculated as of issuance of Fixed Rate bonds



2019 Remarketing Transactions

<u>Bond Series</u>	<u>Par</u> <u>Remarketed</u>	<u>Mode</u>	<u>FRN Rate/Index</u>	<u>Letter of Credit Expiration/</u> <u>Put Date</u>
TRB 2012A-3	\$ 50,000,000	SIFMA FRN	SIFMA + 50 basis points	3/1/2022
TRB 2012A-2	50,000,000	Weekly	N/A	6/2/2022
DTF 2008A-2b	84,855,000	Weekly	N/A	10/31/2022
DTF 2008B-3c	44,740,000	Weekly	N/A	10/31/2022
TRB 2012G-1	84,450,000	Daily	N/A	10/31/2023
TBTA 2003B-2	46,050,000	SIFMA FRN	SIFMA + 25 basis points	11/15/2024
	<u>\$ 360,095,000</u>			

Note:

1) During 2019, SIFMA averaged 1.46%



2019 Rating Agency Ratings and Outlooks

- **Rating Agency actions in 2019 reflected concerns over the need for sustainable revenues, debt service coverage on a net basis, and upcoming capital program needs and anticipated leverage levels**
 - KBRA put the Transportation Revenue Bonds on negative outlook on January 24, 2019
 - Moody's and S&P maintained the negative outlooks placed in 2018
- **In person meetings and conference calls with all four rating agencies in 2019**
- **Year-round regular communications and updates**

Credit	Moody's	S&P	Fitch	Kroll
Transportation Revenue	A1 Negative	A Negative	AA- Stable	AA+ Negative
Dedicated Tax Fund	NAF*	AA Stable	AA Stable	NAF*
TBTA – General Resolution	Aa3 Stable	AA- Stable	AA- Stable	AA Stable
TBTA – Subordinate Resolution	A1 Stable	A+ Stable	A+ Stable	AA- Stable

* NAF – Not applied for



2019 Investor and Green Market Outreach



- **Year-Round:** Investors may reach MTA Finance staff directly via email and phone
- **March 2019:** MTA Finance met for 1:1 meeting with institutional investors visiting NYC
- **March 2019:** MTA Finance participated in green bond research and interview process for academia (graduate research)
- **April 2019:** MTA Finance team met for 1:1 meeting with institutional investors in PA
- **July 2019:** MTA Finance presented at the annual J.P. Morgan Public Finance Transportation & Utility Conference and hosted numerous 1:1 meetings with institutional investors
- **July 2019:** MTA Finance participated in Morgan Stanley's Sustainability Summit and hosted 1:1 meetings with several investors interested in green bonds
- **July 2019:** MTA hosted an Investor Tour and Conference with tours of East Side Access and presentations by Janno Lieber, Cathy Rinaldi, and Tim Mulligan
 - Participants traveled to the event from NY, CT, MA, DE, PA, NJ, FL, IL, and CA
 - Attendees included some of MTA's largest institutional investors, professional retail investors, and liquidity providers



2020 Financing Quarterly Calendar

(\$ in millions)

Purpose	Q1	Q2	Q3	Q4	Total
New Money	\$800	\$430	\$430	\$430	\$2,090
BAN Takeout	750	800	450	-	2,000
New Money BANs (State \$7.3 B Commitment)	700	-	700	-	1,400
BAN Takeout (State \$7.3 B Commitment)	-	200	1,100	-	1,300
Remarketings	451	300	-	392	1,143
Current Refunding	-	-	286	-	286
Total	\$2,701	\$1,730	\$2,966	\$822	\$8,219

All information in the 2020 Financing Quarterly Calendar is preliminary and subject to change

Notes:

- 1) New money obligations may be issued as bonds or BANs, new money and BAN takeout projections are based on forecasted debt in MTA 2020 Final Proposed Budget and November Financial Plan 2020-2023, as adopted by MTA Board in December 2019
- 2) BAN takeout projections reflect the par outstanding for the BANs for that quarter
- 3) Additional debt for State commitment are obligations issued toward the \$7.3 billion State contribution for the 2015-2019 Capital Program
- 4) Remarketings reflect FRNs and Put Bonds (Term Rate) with mandatory put dates and VRDBS with liquidity facility expiration dates in 2020
- 5) Current refundings reflect Fixed rate TRB bonds callable in November 2020



Appendix

- 1) Bond Financed Capital Investments in 2019
- 2) 2019 Cost of Issuance Summary



Bond Financed Capital Investments in 2019

MTA financed \$3.1 billion in capital expenditures from bond proceeds in 2019⁽¹⁾

- **New York City Transit/SIR/MTA Bus - \$1.410 billion**
 - Passenger Stations - \$375 million
 - Mainline Track and Switch - \$248 million
 - Traction Power - \$150.4 million
 - Shops & Yards - \$144.3 million
 - Subway Cars & Bus Purchase - \$152 million
 - Signals and Communications - \$90.5 million
 - Line Structures - \$80.5 million
- **Bridges and Tunnels - \$287 million**
 - \$195 million - various Structure Painting / Rehabs and Utilities
 - \$49 million - Roadways and Decks
 - \$43 million - Open Road Tolling and New Toll Initiatives
- **Capital Construction - \$713 million⁽²⁾**
 - East Side Access - \$565 million
 - Second Avenue Subway Phase 1 & 2 - \$86 million
 - Security - \$26 million
 - LIRR Expansion & Penn Station Access – \$10 million
- **Commuter Railroads - \$654 million**
 - LIRR - \$375 million, including Positive Train Control, Double Track and Station Improvements
 - MNR - \$279 million, including Positive Train Control, Station & Shop improvements, and Network Communication Equipment

Notes:

Specific items listed under subheaders reflect only major cost categories and projects, so may not add up to totals reflected

1) Includes expenditures on projects related to Superstorm Sandy

2) Includes Security, Police, Administration and Lower Manhattan Projects



2019 Cost of Issuance Summary

	New Money	BAN Takeout	Refunding	Remarketing	Total
NYS Bond Issuance Fee	-	-	-	N/A	-
Underwriter's Discount	\$2,796,488	\$1,393,443	\$884,013	\$337,962	\$5,411,907
Bond Counsel	736,749	464,742	177,126	465,817	1,844,435
Disclosure Counsel	406,675	238,887	123,415	190,273	959,250
Financial Advisor Fee	279,628	292,218	102,558	72,579	746,983
Bond Insurance	-	2,592,273	414,590	-	3,006,863
Rating Agency Fees	825,000	572,658	240,720	194,300	1,832,678
Trustee	34,500	10,500	8,500	19,000	72,500
Printing and Distribution	33,292	16,064	9,005	16,799	75,160
Miscellaneous	256,246	29,510	9,076	96,712	391,545
Total	\$5,368,580	\$5,610,296	\$1,969,002	\$1,393,442	\$14,341,320

Notes:

- 1) NYS Bond issuance fee (BIC) of \$8.40 per \$1,000 issued is charged for new money bonds and refunding bond transactions, but not on bond anticipations notes (new money proceeds) or remarketing transactions; BIC fees were waived by NYS DOB on all MTA bond transactions in 2019
- 2) Underwriter's Discount includes fees paid to Underwriters, Underwriter's Counsel, and other expenses
- 3) Financial Advisor Fee reflects a flat fee paid monthly for a 12-month period, rather than a per transaction cost; and fees paid for special assignments
- 4) Miscellaneous may include fees such as: Independent Engineer, Verification Agent, TM3 wire fees, Contingency, Insurance Cancellation, Green Bond Certification, and Bank Counsel Fees
- 5) Earnings for M/WBE and SDVOB (% of total compensation, underwriters discount net of expenses) for State Fiscal Year 2019-20 will be reported to the Board in April 2020
- 6) Numbers may not total due to rounding