



Report to the Finance Committee Review of Variable Rate Debt

**MTA Finance Department
Patrick J. McCoy, Director
April 20, 2020**



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:

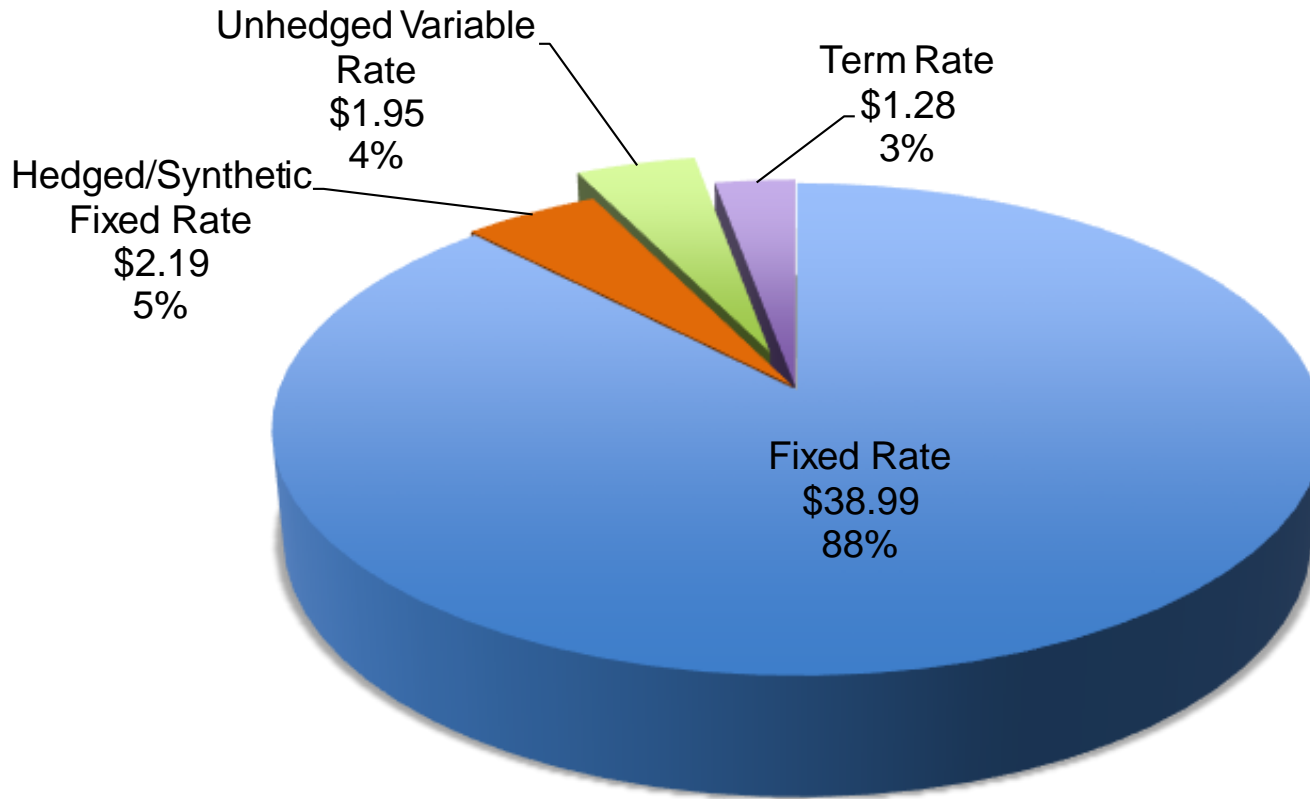
(1) MTA Board adopted the Variable Rate Policy on May 25, 2005

(2) Synthetic Fixed Rate presentation is scheduled to be presented to the Finance Committee in October 2020



Unhedged Variable Rate Debt is 4% of Total

\$ in billions



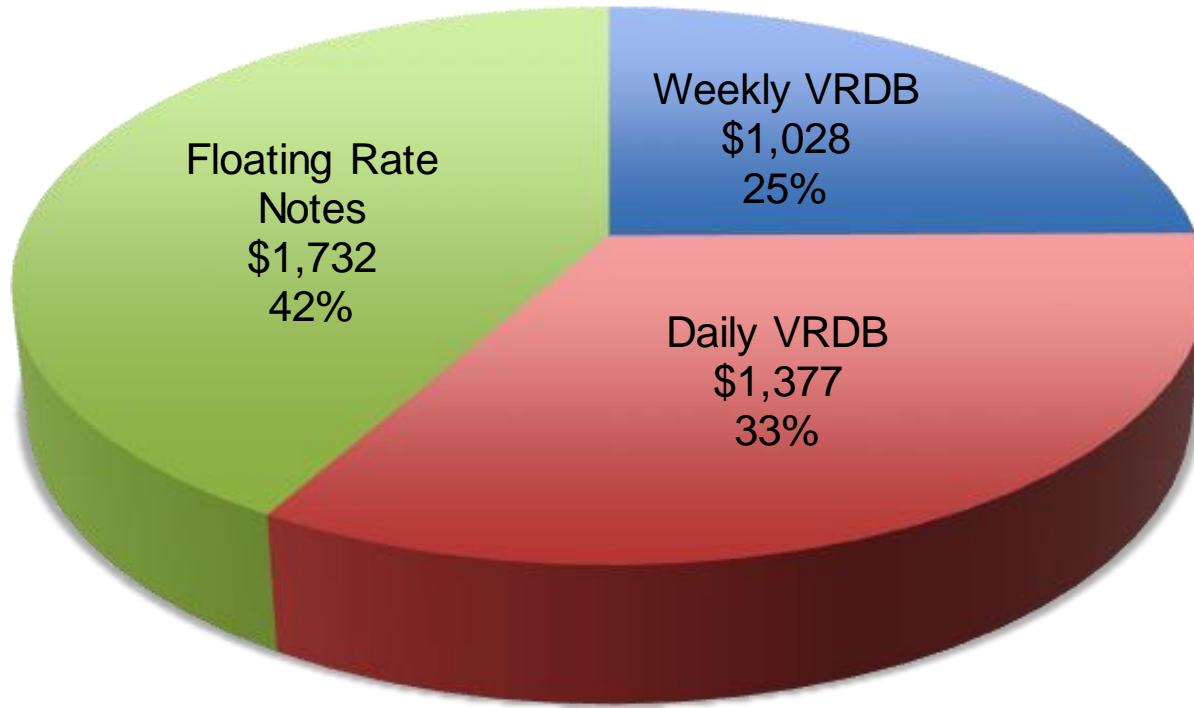
Notes:

- (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 \$8.25 billion Bond Anticipation Notes
- (3) Excludes \$214.7 million Special Obligation Bonds and \$845.1 million Hudson Rail Yard Trust Obligations
- (4) Data is as of 3/31/2020.



Variable Rate and Synthetic Fixed Rate Debt Diversification

\$ in millions



Note: Data is as of 3/31/2020.

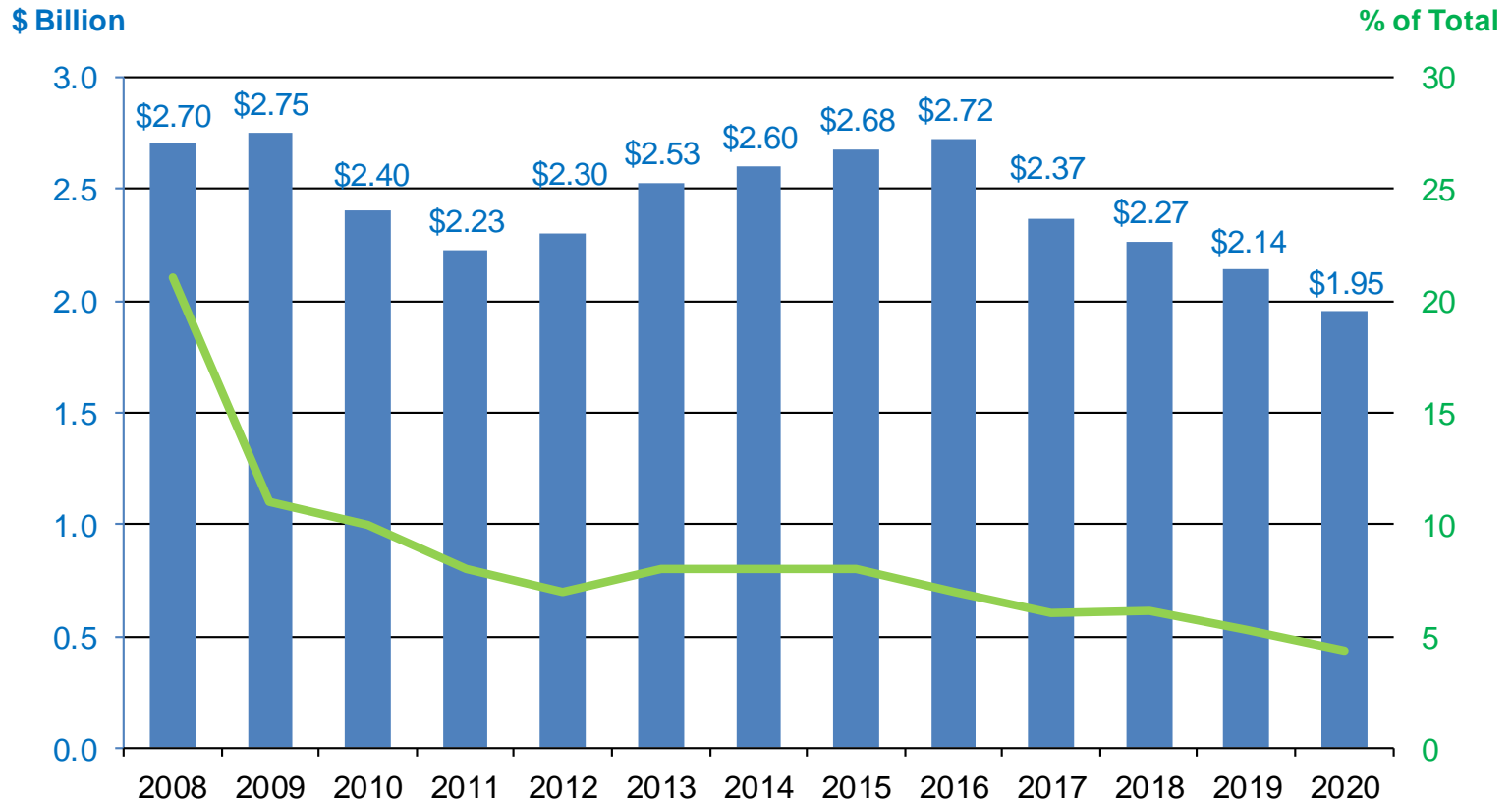


Types of Variable Rate Debt in MTA's Debt Portfolio

- **Variable Rate Demand Bonds (“VRDBs”), \$2.4 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”), \$1.7 billion outstanding**
 - Interest rate is determined based on a set spread to a floating index (SIFMA, LIBOR, or SOFR)



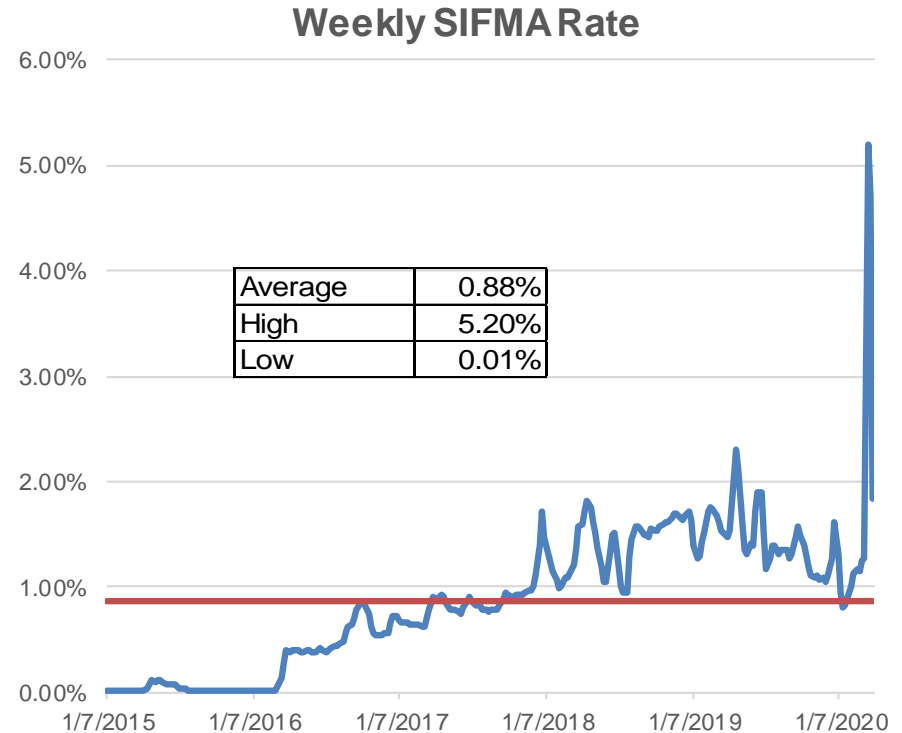
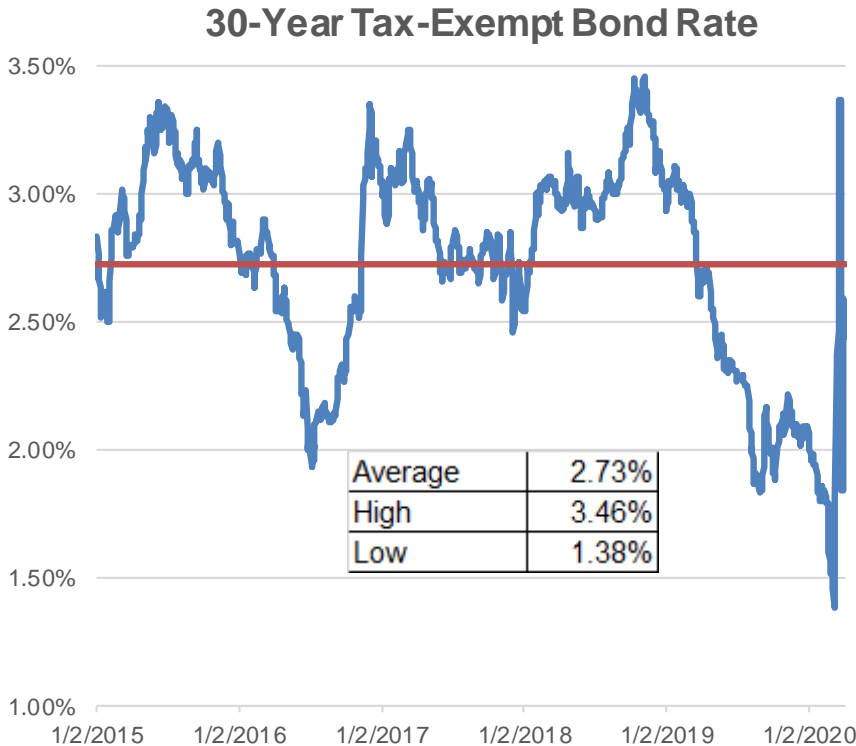
Unhedged Variable Rate Debt has Declined



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



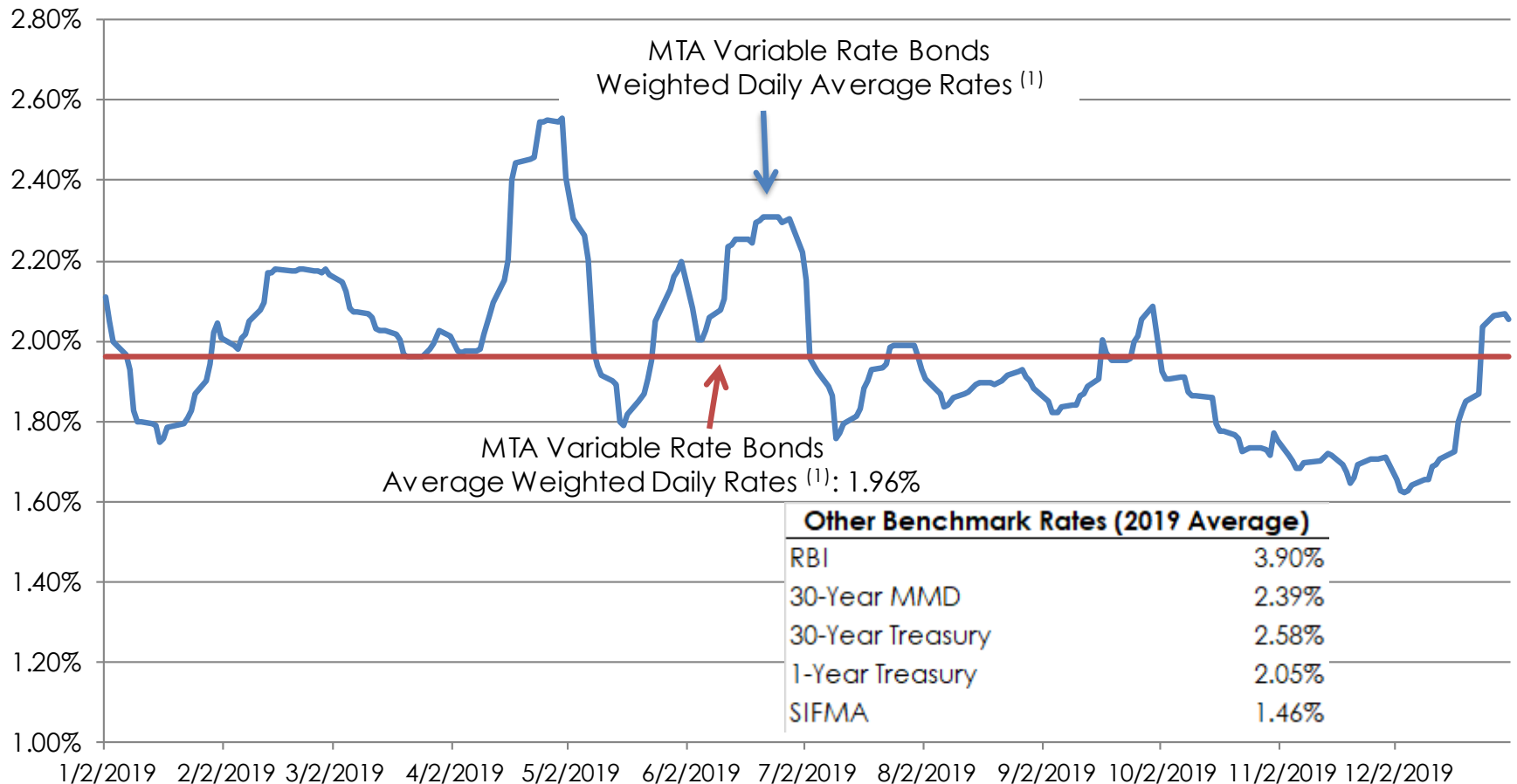
Tax-Exempt Bond Rate History



- Long-term bond yields declined steadily since late-2018, increased significantly to 3.37% in mid-March 2020 and then declined sharply to 1.99% at the end of March (Average since January 2015 is 2.73%)
- After resetting mostly in the 1% to 2% range since 2018, short-term rates spiked to 5.20% in mid-March 2020 and then came back down to 1.83% on April 1 (Average since January 2015 is 0.88%)



2019 Variable Rate Bonds Performance



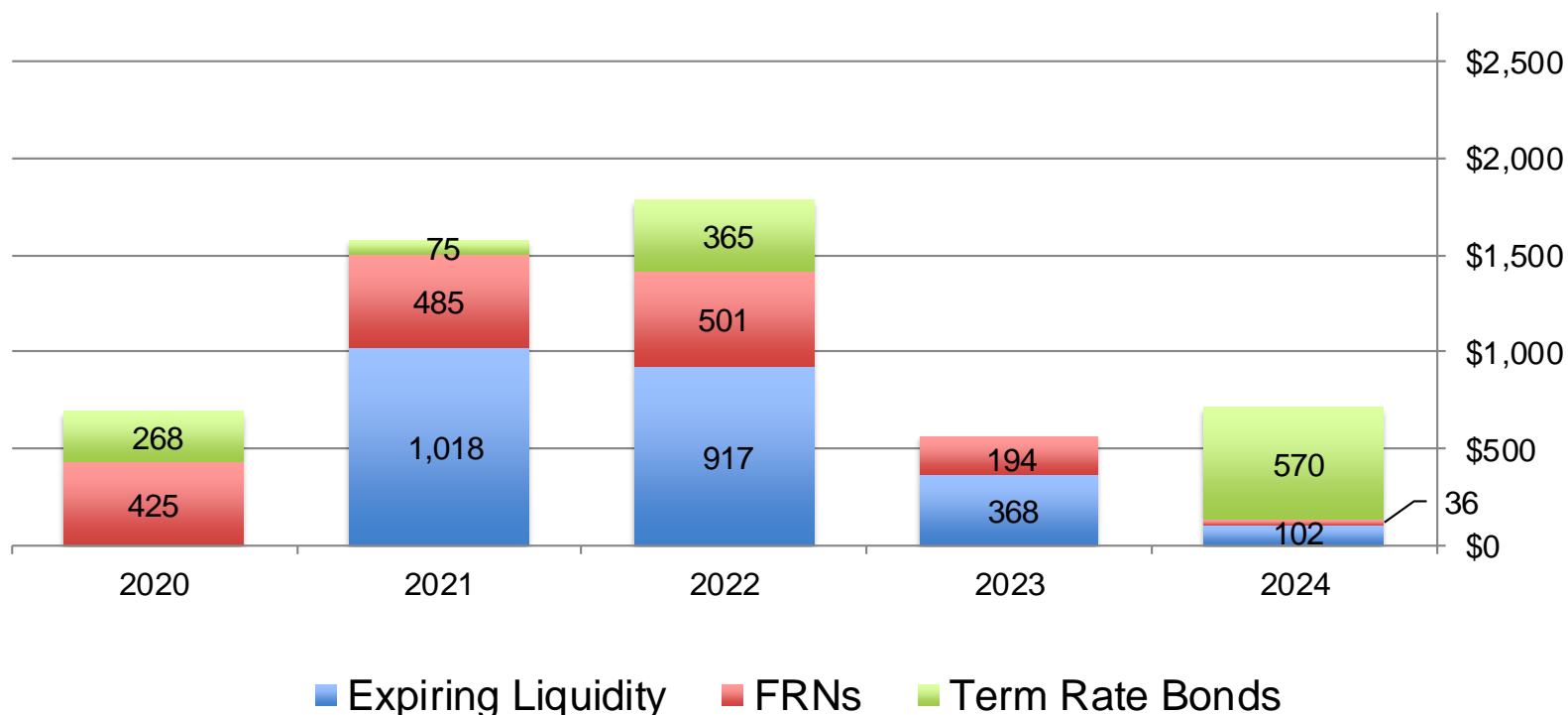
Note:

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



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

\$ in millions



- **2020 Outlook:** \$425 million of FRNs and \$268 million of term rate bonds have tender dates remaining in 2020

Note: Data is as of 3/31/2020.



Appendix

- 2020 FRN / Term Rate Bonds Tender Dates Schedule
- Remarketing Agents
- Credit/Liquidity Support Providers



Remaining 2020 FRN / Term Rate Bonds Tender Dates Schedule

Bond Series	Outstanding Par (\$ millions)	Mode	Credit/Liquidity Support Provider	Exp./Reset Date
TRB 2002D-2a-1	50.000	FRN	NA	4/6/2020
TRB 2015A-2	250.000	FRN	NA	6/1/2020
TBTA 2018D	125.000	FRN	NA	10/1/2020
TRB 2015C-2	72.890	PUT	NA	11/15/2020
TRB 2018A-1	194.700	PUT	NA	11/15/2020

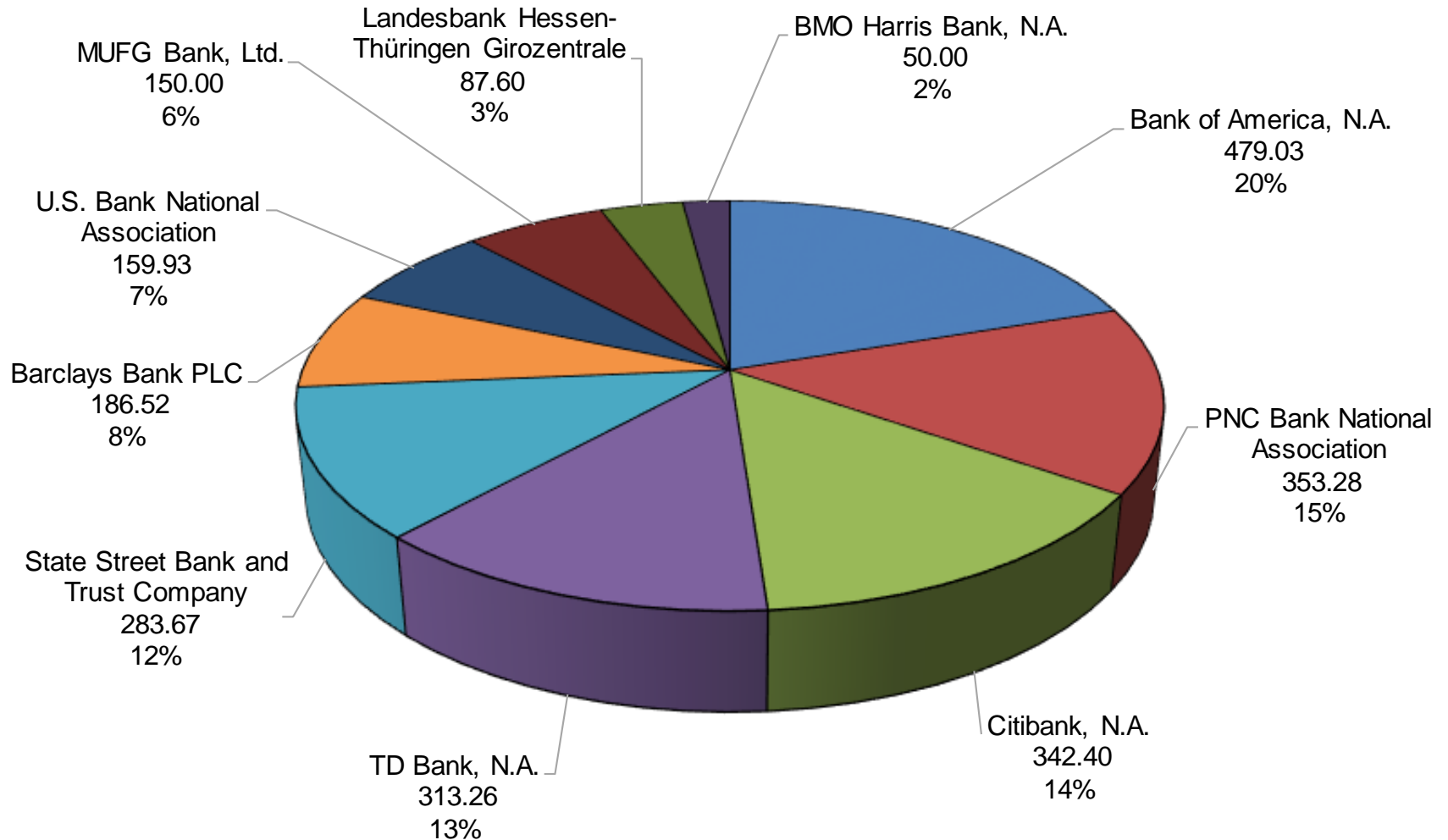
Note: Data is as of 3/31/2020.

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



Variable Rate Demand Bonds Liquidity Providers

\$ in millions

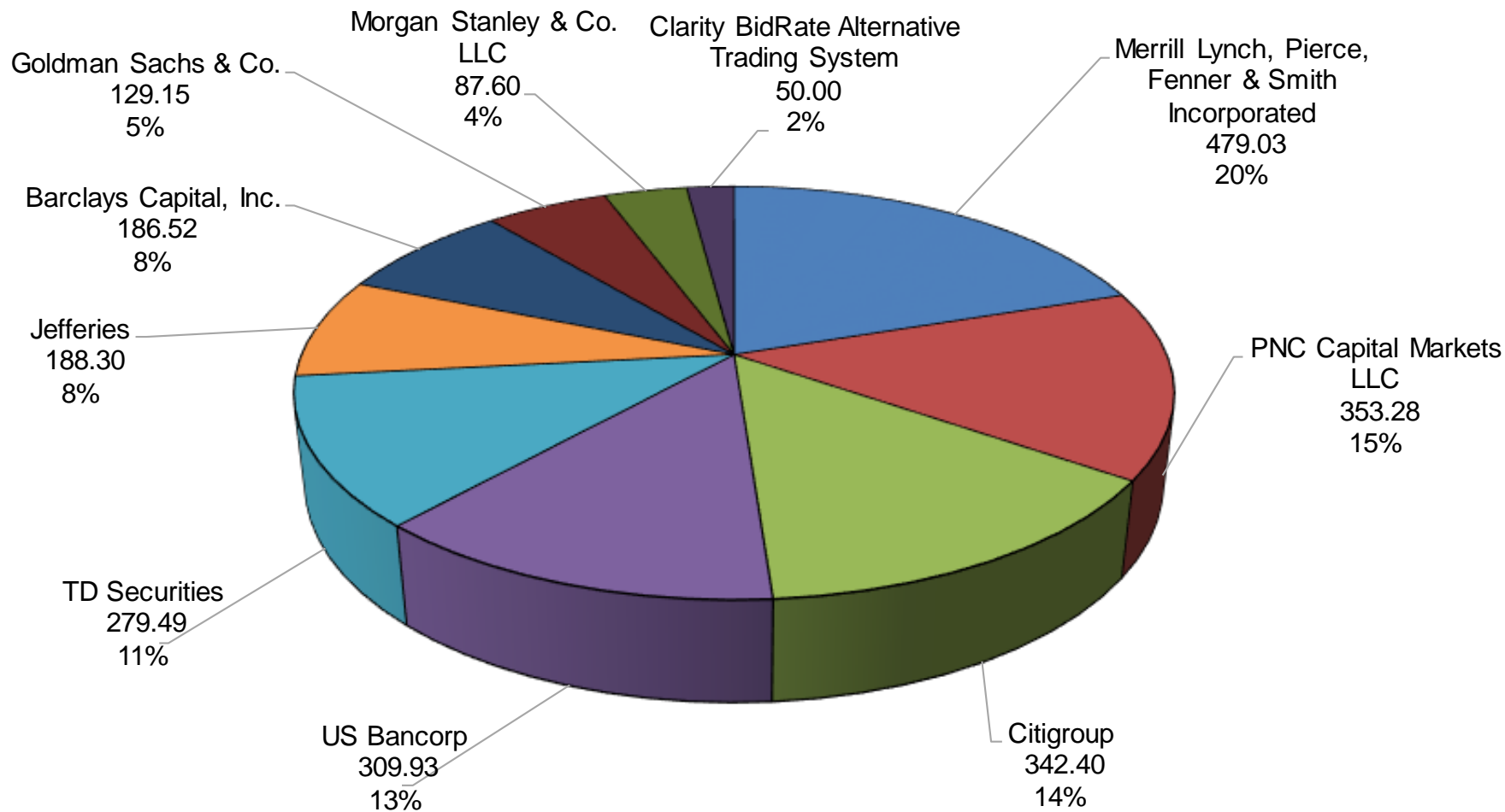


Note: Data is as of 3/31/2020.



Variable Rate Demand Bonds Remarketing Agents

\$ in millions



Note: Data is as of 3/31/2020.