



Derivatives Portfolio Report

**MTA Finance Department
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October 28, 2020**



MTA's derivatives program reduces budget risk by employing interest rate and fuel hedging strategies

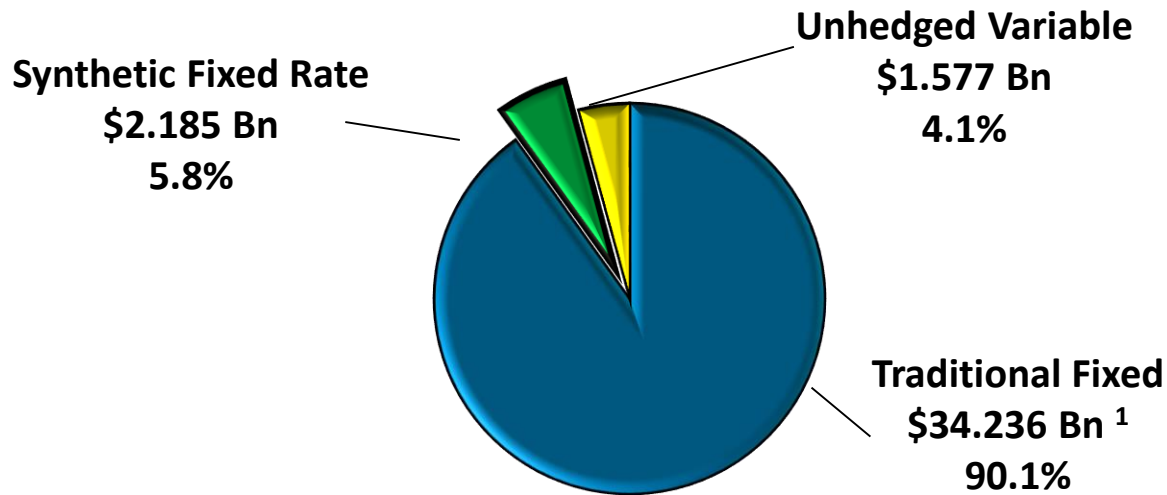
- MTA's synthetic fixed rate portfolio remains low cost
- \$2.2 billion notional with 8 counterparties
 - Executed 2001 thru 2007
 - Weighted average synthetic fixed rate of 4.14%
- Remaining weighted average life of interest rate swaps is 8.7 years
- MTA's fuel hedging program mitigates budget risk by dollar cost averaging half of our ultra-low sulfur diesel ("ULSD") expenses
 - 24 hedges with 4 counterparties
 - Final maturity 2022
 - Average locked in rate for the next 12 months is \$1.79



Interest Rate Swaps



MTA's debt portfolio is designed to manage budget volatility while maintaining a low cost of capital



- Interest rate exposure is managed through a combination of low cost synthetic fixed rate, fixed rate portfolio management through refundings and reasonable level of floating rate debt
- Exposure to liquidity events is manageable with a total variable rate debt load of \$3.762 billion allocated between bank facilities and FRNs

Note: As of October 1, 2020 and excludes Hudson Rail Yard Obligations.

¹ Excludes Term / Put Bonds (\$1.525 billion outstanding as of 10/1/20) and BANs (\$6.151 billion). Including Term / Put Bonds and BANs, Traditional Fixed percent of all debt is 75.0%.



Outstanding synthetic fixed rate debt is declining and remains low cost

- The weighted average cost of the synthetic fixed rate portfolio is 4.14% (including fees, excluding benefit of up-front payments)
- Synthetic fixed rate exposure continues to be manageable
- Mark-to-Market values do not impact capital or operating budgeting



Outstanding counterparty exposure is manageable across strong counterparties

Swap Counterparty	Ratings Moody's/S&P/Fitch		Notional Amount (\$000)		% of Total Notional		MTM (mid)	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾
AIG Financial Products Corp. ²	Baa1/BBB+/BBB+	Baa1/BBB+/BBB+	\$91,465	\$87,605	4	4	(\$19,601)	(\$23,081)
BNP Paribas US Wholesale Holdings, Corp. ³	Aa3/A+/A+	Aa3/A+/AA-	189,300	188,300	8	9	(37,400)	(46,495)
Citibank, N.A.	Aa3/A+/A+	Aa3/A+/A+	189,300	188,300	8	9	(37,400)	(46,495)
JPMorgan Chase Bank, N.A.	Aa2/A+/AA	Aa2/A+/AA	746,075	744,675	33	34	(215,501)	(257,254)
The Bank of New York Mellon	Aa2/AA-/AA	Aa2/AA-/AA	324,670	304,000	14	14	(50,486)	(59,289)
UBS AG	Aa3/A+/AA-	Aa3/A+/AA-	463,695	451,115	21	21	(96,202)	(115,739)
US Bank, N.A.	A1/AA-/AA-	A1/AA-/AA-	120,588	110,725	6	5	(15,465)	(17,163)
Wells Fargo Bank, N.A.	Aa2/A+/AA-	Aa2/A+/AA-	<u>120,588</u>	<u>110,725</u>	6	5	<u>(15,465)</u>	<u>(17,163)</u>
Total			\$2,245,680	\$2,185,445			(\$487,519)	(\$582,680)

- MTA continues to seek novation opportunities to increase counterparty credit strength and/or improve economic and credit terms

¹ Data from Mohanty Gargiulo LLC Interest Swap Portfolio Reports dated 9/30/2019 and 9/30/2020.

² Guaranteed by AIG Inc. (AIG Financial Products Corp. parent company).

³ Guaranteed by BNP Paribas.

Totals may not add due to rounding.



Fuel Hedging Program



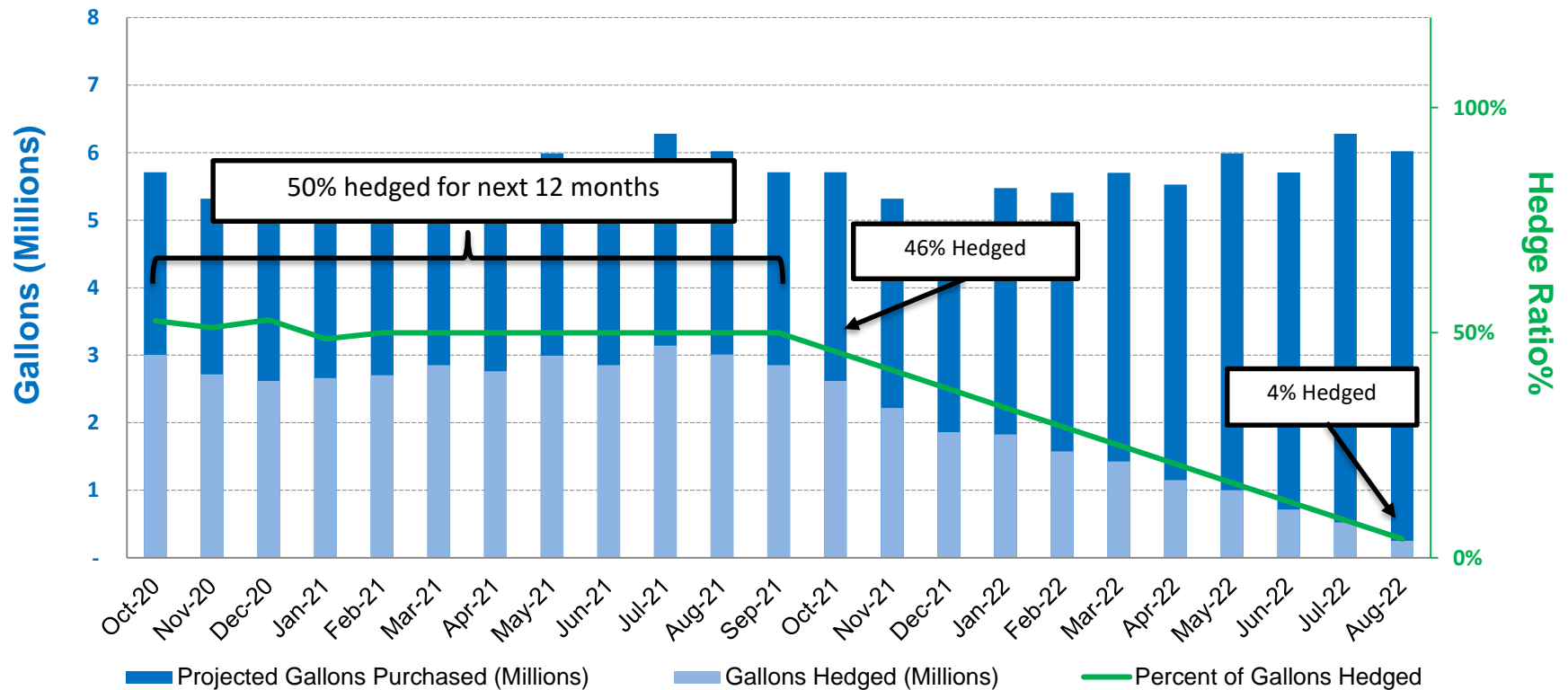
MTA hedges 50% of its fuel costs to protect ULSD budget from volatility

- Currently hedging 50% of annual ultra-low sulfur diesel (“ULSD”) expenditures pursuant to existing Board Authorization in September 2012
- Hedges are procured through a competitive bidding process with pre-approved counterparties:
 - J. Aron & Company (26,294,087 gallons hedged)
 - Merrill Lynch Commodities Inc. (12,529,335 gallons hedged)
 - Macquarie Energy LLC (8,244,711 gallons hedged)
 - Cargill (5,177,259 gallons hedged)



Current portfolio hedges 50% of the next 12 months of projected fuel purchases laddered in over time

Gallons Hedge Ratio

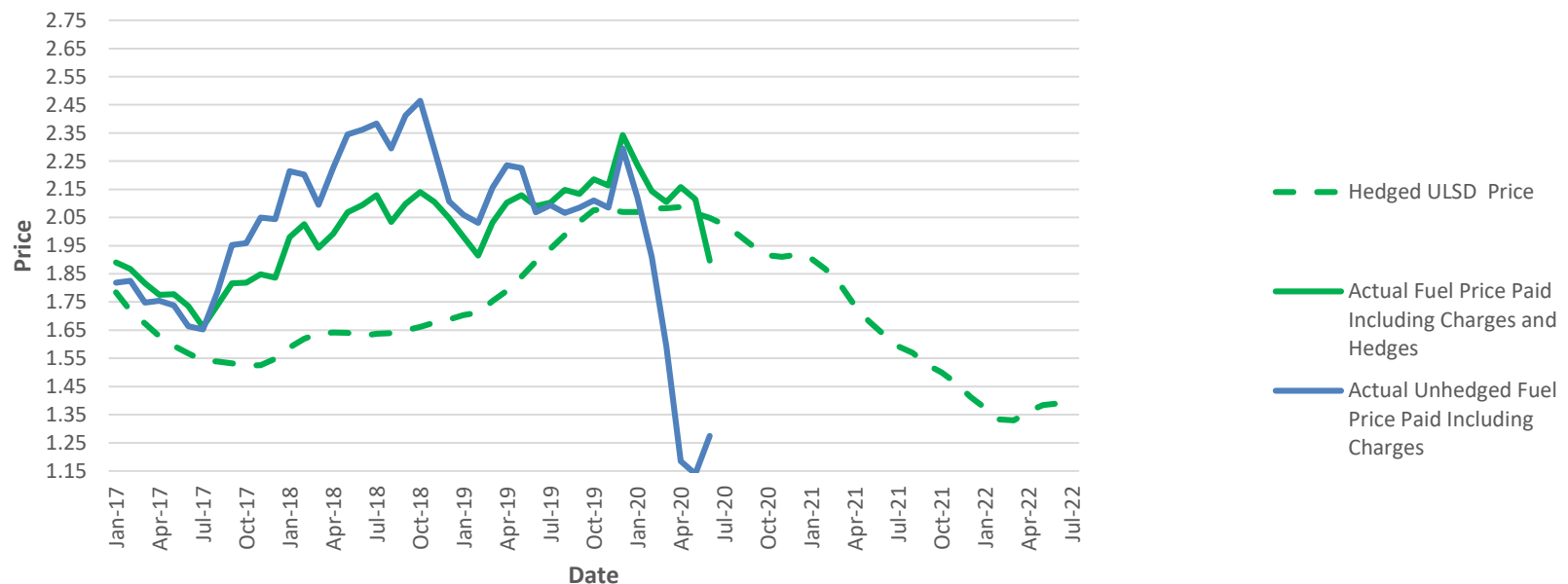


- Note: The Projected Gallons Purchased in above graph reflects estimates pre-Covid.
- The goal of the program is to be 50% hedged for the next 12 months.
- Hedges are entered into monthly for roughly 4% of the projected fuel purchases expected to occur 13-24 months from each hedge execution date.



Hedge program provides budget stability while protecting against commodity price spikes

- Executing monthly forward hedges results in deferring the impact of major market moves in any current budget year by shifting them 12 months forward into future budgets
- With limited resources to protect the budget from negative volatility this strategy will reduce the immediate impact of potential spikes in fuel prices



- We realized the benefit of hedges as ULSD prices were rising in the second-half of 2017 and in 2018.
- The pandemic has caused ULSD prices to plummet – our hedges have blunted the immediate impact, and we will see the benefit of lower prices in future months.



Appendix



Interest Rate Derivative Contract Bond Allocation

Issue	Bond Series	Par Amount (\$Mn)	Fixed Rate Paid (%)	Variable Rate Index		Maturity Date	MTM Values (\$Mn)
					Received		
Transportation Revenue							
	2002D-2	\$200.00	4.450%		69% 1-Month LIBOR	November 1, 2032	(\$89.092)
	2002G-1 ¹	97.22	3.520		67% 1-Month LIBOR	January 1, 2030	(8.937)
	2005D & 2005E	350.42	3.561		67% 1-Month LIBOR	November 1, 2035	(92.324)
	2011B ¹	92.46	3.520		67% 1-Month LIBOR	January 1, 2030	(20.437)
	2012G	356.38	3.563		67% 1-Month LIBOR	November 1, 2032	(121.666)
	Total	<u>\$1,096.47</u>					<u>(\$332.456)</u>
Dedicated Tax Fund							
	2008A	\$304.00	3.316		67% 1-Month LIBOR	November 1, 2031	(\$59.289)
	Total	<u>\$304.00</u>					<u>(\$59.289)</u>
Bridges and Tunnels --General Revenue							
	2001C	\$10.00	3.520		67% 1-Month LIBOR	January 1, 2030	(\$1.579)
	2002F& 2003B	188.30	3.076		67% 1-Month LIBOR	January 1, 2032	(46.496)
	2005A	21.78	3.520		67% 1-Month LIBOR	January 1, 2030	(3.373)
	2005B	564.90	3.076		67% 1-Month LIBOR	January 1, 2032	(139.488)
	Total	<u>\$784.98</u>					<u>(\$190.936)</u>

Notes: Data for derivative contracts outstanding as of 9/30/20.

Totals may not add due to rounding.

¹ Associated swap is with TBTA.