



# **Report to the Finance Committee 2023 Year End Review**

**MTA Finance  
Office of Financial Services  
January 29, 2024**

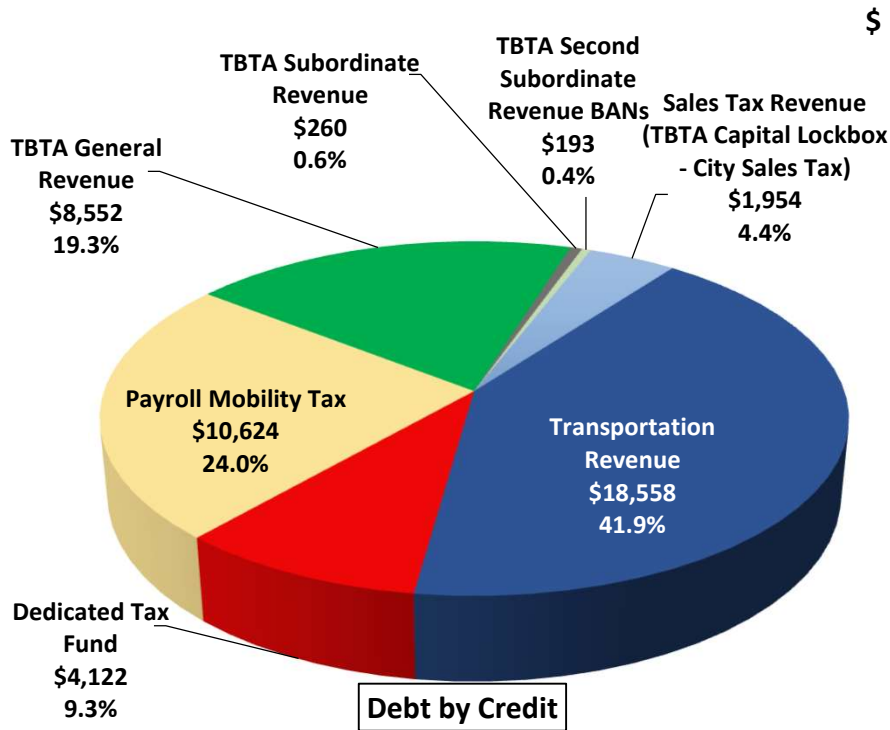


# MTA Debt Overview

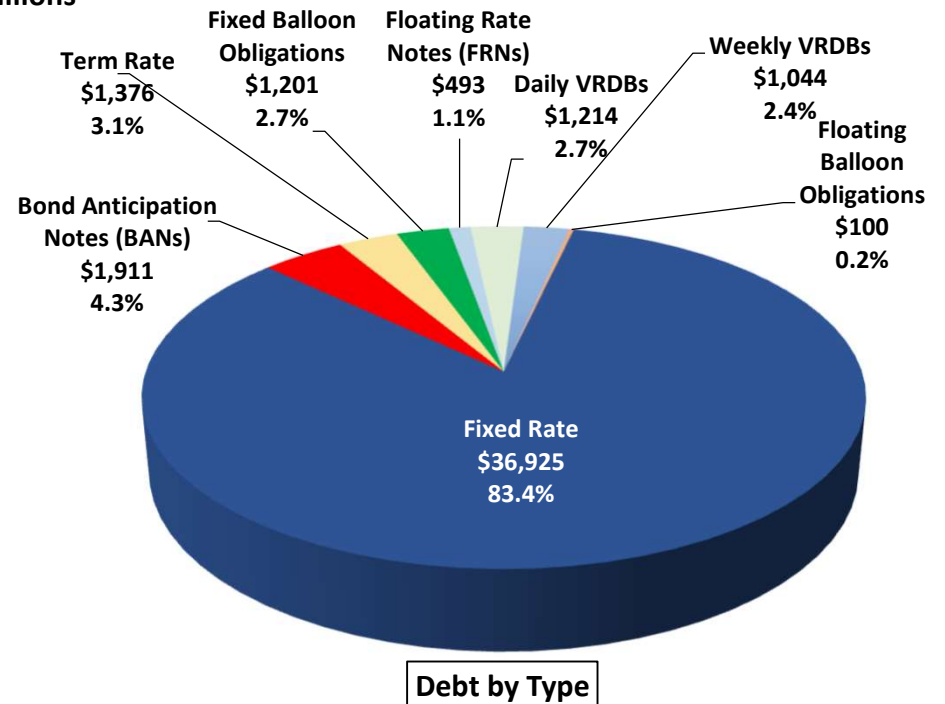
As of 12/31/2023, \$44.3 billion debt outstanding

**Year-over-year net reduction of outstanding debt by \$3.6 billion, due to several key factors, including:**

- Repayment of \$2.907 billion of notes placed with the Municipal Liquidity Facility to support MTA liquidity at the onset of the pandemic
- \$651 million of bond redemptions from cash and from NYS GO bond proceeds
- \$993 million of long-term debt paid at maturity



\$ in millions

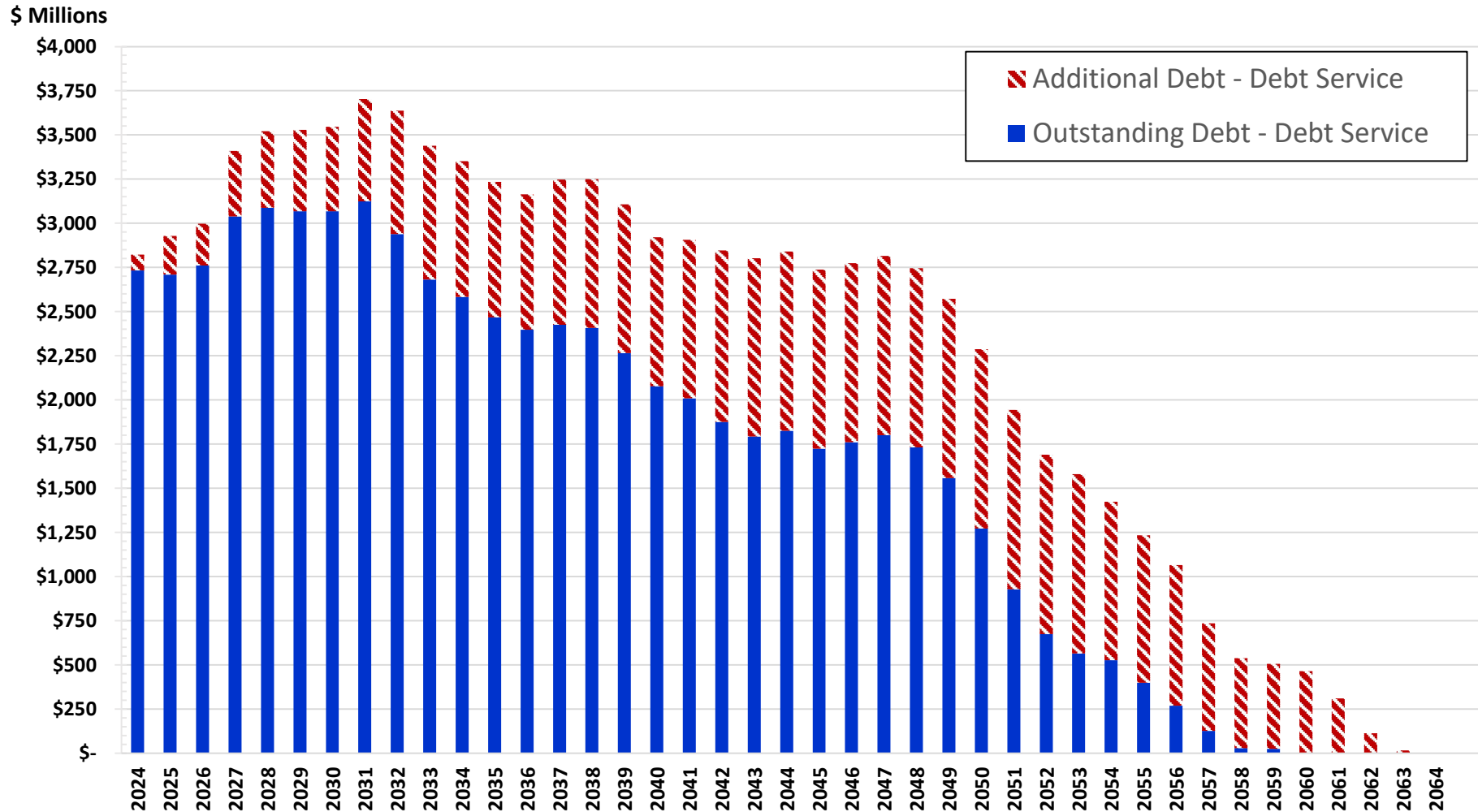


Notes:

- 1) Debt by Credit chart incorporates BANs into their respective credits
- 2) 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
- 3) Balloon Obligations are bonds with a bullet maturity (entire principal due at maturity) and are intended to be refinanced/reoffered on or prior to their respective maturity dates
- 4) FRNs listed in Debt by Type exclude \$99.56 million SOFR FRNs that are Floating Balloon Obligations, as reflected above
- 5) Excludes \$795.8 million Hudson Rail Yards Trust Obligations (Series 2016A and Series 2020A)
- 6) Numbers may not total due to rounding



# Budgeted Debt Service on Outstanding and Additional Debt Payable from the Operating Budget

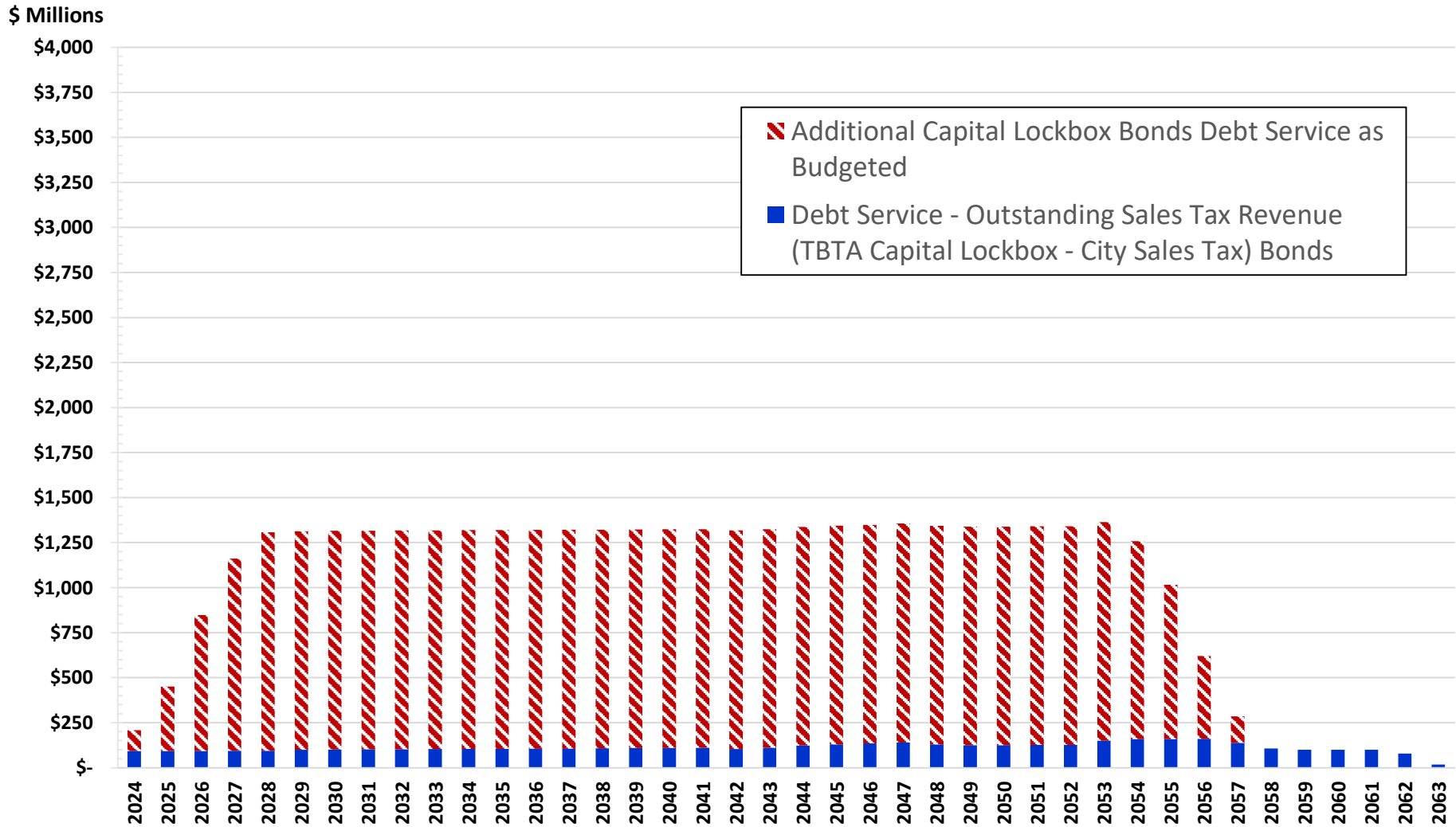


Notes:

- 1) Outstanding Debt - Debt Service, includes debt service on Transportation Revenue Bonds, Dedicated Tax Fund Bonds, TBTA General Revenue and Subordinate Revenue Bonds, Payroll Mobility Tax Obligations, and 2 Broadway CoP Lease Payments as incorporated in November Financial Plan 2024-2027; excludes debt service on Sales Tax Revenue (TBTA Capital Lockbox – City Sales Tax) Bonds
- 2) Additional Debt – Debt Service, includes debt service on Transportation Revenue Obligations, TBTA General Revenue Bonds and Second Subordinate Obligations, and Payroll Mobility Tax Obligations as incorporated in the November Financial Plan 2024-2027; excludes debt service on Sales Tax Revenue (TBTA Capital Lockbox – City Sales Tax) Bonds and Lockbox bonds



## Budgeted Debt Service on Outstanding and Additional Debt Payable from Capital Lockbox



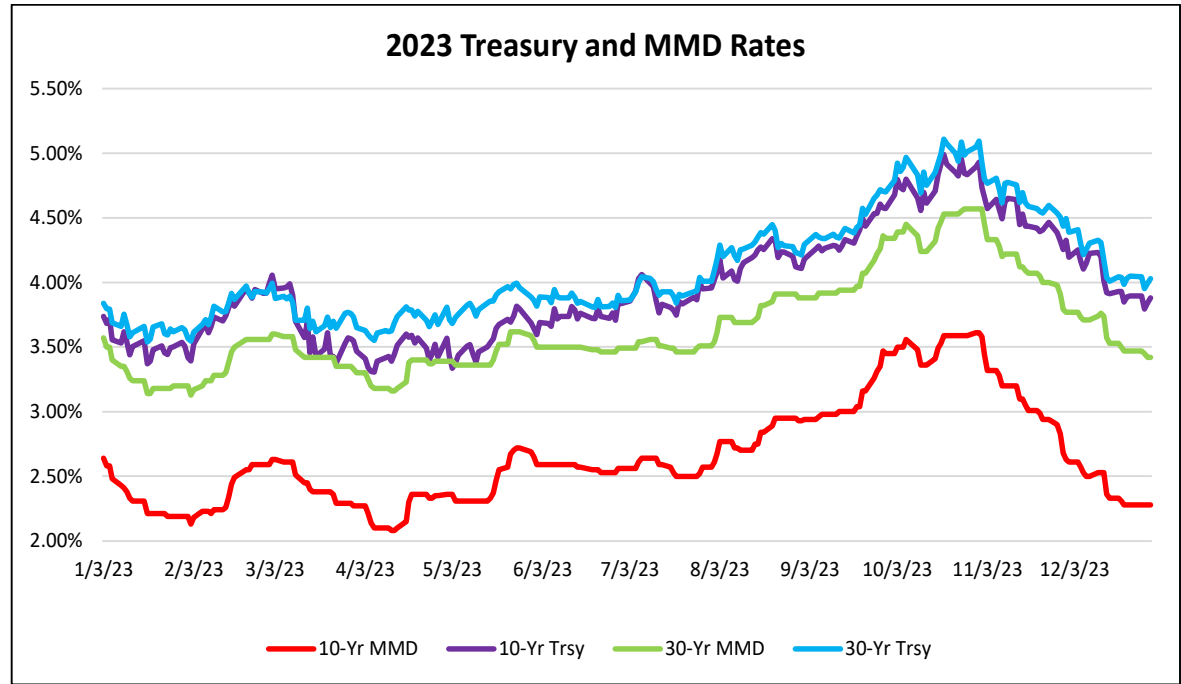
Notes:

- 1) Debt service as incorporated in the November Financial Plan 2024-2027
- 2) Additional Lockbox Bonds debt service includes Sales Tax Revenue Bonds, other debt to be issued with Lockbox Revenues and bonds to be issued for CBTDI Infrastructure



# 2023 Market Recap and 2024 Outlook

- In 2023 through October, markets had experienced persistent volatility and higher rates amid Fed rate hikes and geopolitical conflicts
- Inflation cooled considerably, with CPI YoY in December 2022 at 6.5%, compared to 3.1% CPI YoY in November 2023; at the same time, the unemployment rate remained low at 3.7% in November 2023, raising expectations of a soft landing
- The 10-year UST peaked at about 5% in October and closed at 3.88%, 112 bps below the peak and unchanged on the year; similarly, the 10-year MMD peaked at 3.61% in October and closed at 2.28%, 133 bps below the peak and 35 bps lower on the year
- The Fed dot plot is projecting three rate cuts to the current Fed Funds target rate of 5.25%-5.50% in 2024, while market consensus calls for up to six cuts this year, with the first cut occurring as early as March



2023 Rates	Average	Low	High	12/30/2022	12/29/2023	Diff. (bps)
10-Yr MMD	2.66%	2.08%	3.61%	2.63%	2.28%	(35)
10-Yr Trsy	3.95%	3.31%	4.99%	3.88%	3.88%	0
30-Yr MMD	3.65%	3.13%	4.57%	3.58%	3.42%	(16)
30-Yr Trsy	4.09%	3.54%	5.11%	3.96%	4.03%	6

## 2024 U.S. Treasury Rate Projections

	Q1 2024	Q2 2024	Q3 2024	Q4 2024
2-Yr Median	4.35%	4.10%	3.90%	3.70%
5-Yr Median	4.08%	3.88%	3.70%	3.60%
10-Yr Median	4.05%	3.98%	3.80%	3.75%
30-Yr Median	4.25%	4.15%	4.01%	4.00%

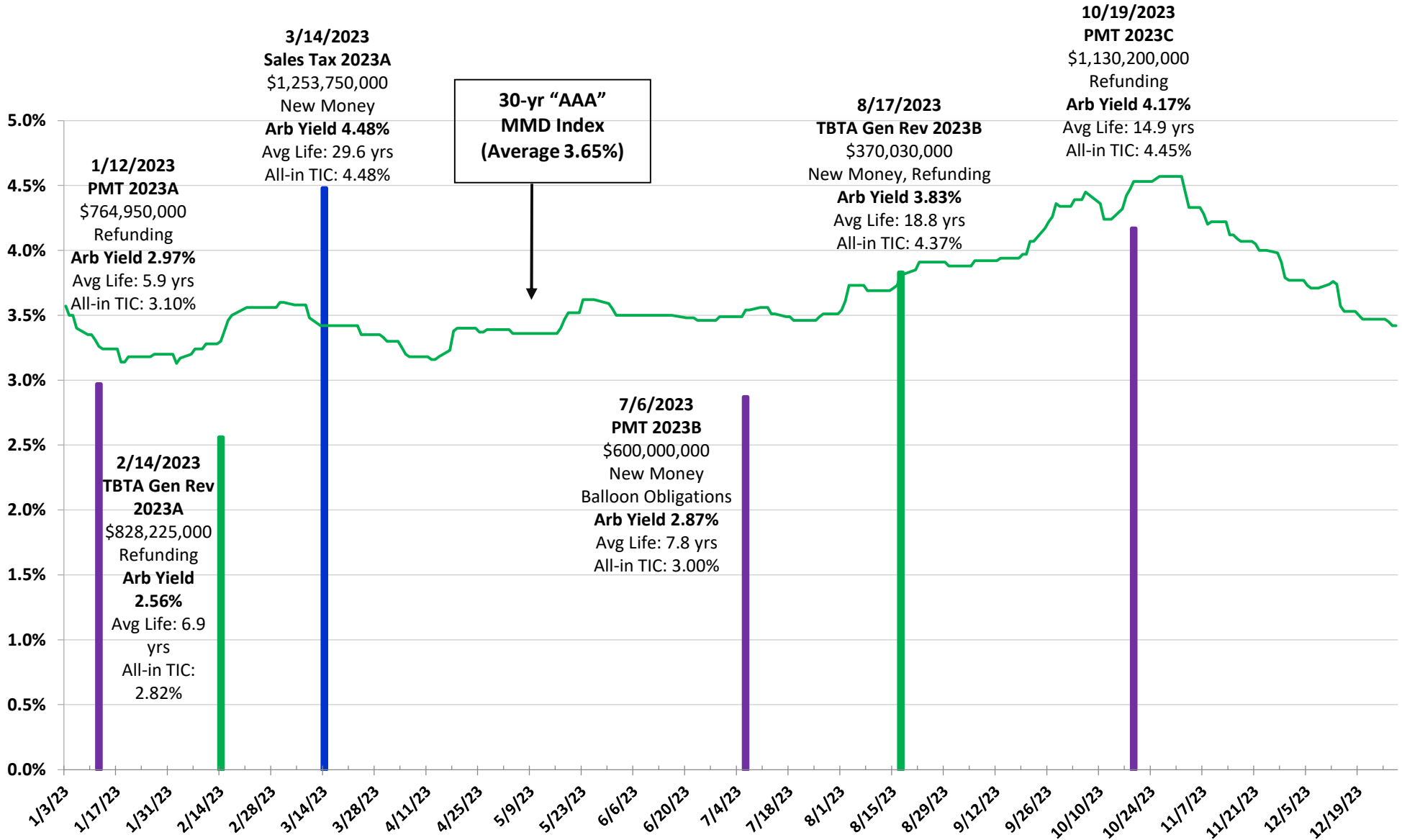
Treasury Rate Projections as of January 3, 2024

Note: MMD = Municipal Market Data; UST = U.S. Treasury; bps = basis points; YOY = year over year

Sources: Bloomberg, Refinitiv and Lipper



# 2023 MTA Fixed Rate Bond Issuances



Notes:

- 1) Arbitrage Yields reflect the cost of funds to the first call date and All-in TICs reflect the cost of funds to the final maturity date
- 2) All-in TICs and Arb Yields calculated at the time of sale on the bonds
- 3) All dates above reflect the delivery date



# 2023 Activity Summary

## Transactions - \$5.5 billion

- **\$1.979 billion fixed rate bonds issued for new money proceeds**
- **\$2.968 billion of refunding bonds issued**
  - Refunded approximately \$3.237 billion of Transportation Revenue Bonds, Dedicated Tax Fund Bonds and TBTA General Revenue and Subordinate Revenue Bonds and realized net present value savings of \$259.3 million, or 8.0% of refunded par amount
- **\$363 million of Tendered Obligations remarketed**
  - Remarketed as variable rate debt with bank support in daily mode including \$102 million converted from SOFR FRNs
- **\$239.4 million Letters of Credit extended for variable rate debt**
  - Extended existing letters of credit (bank support) with liquidity providers for three subseries of variable rate debt in daily and weekly modes

## Redemptions and Repayments - \$5.4 billion

- **\$993 million of long-term bonds amortized and paid in 2023**
- **\$651 million of bonds refunded by cash redemptions and State GO proceeds**
  - Refunded certain Transportation Revenue Bonds and Dedicated Tax Fund Bonds with available cash and with proceeds from a State General Obligation bond transaction (\$271.6 million)
- **\$800 million TRB 2020A-1 BANs and \$2.907 billion TBTA PMT 2020A BANs placed with Municipal Liquidity Facility were repaid in full**

## Capital expenditures paid from bond proceeds - \$2.4 billion



## 2023 Ratings Activity: Positive Actions by Rating Agencies Lifted the TRB Credit Ratings into the “A” Category or Above

- During fall 2023, rating and outlook changes on TRB included:
  - Outlook improved from stable to positive by Moody’s
  - Ratings upgrade to A- (from BBB+) and outlook from stable to positive by S&P Global
  - Ratings upgrade to A (from A-) and outlook from negative to stable by Fitch Ratings
- Rating actions were motivated by material improvements to the credit, including:
  - Improving ridership performance, increased financial flexibility and operating stability with out-year budget gaps through 2027 eliminated, essentiality of the transportation system, and strong support provided at the Federal, State and local levels during and following the pandemic

Table below shows ratings and outlooks on core credits as of 12/31/2023

Credit	Moody’s	S&P Global	Fitch Ratings	KBRA
Transportation Revenue	A3, positive	A-, positive	A, stable outlook	AA, stable outlook
Dedicated Tax Fund	NAF	AA, stable outlook	AA, stable outlook	NAF
Payroll Mobility Tax	NAF	AA+, stable outlook	AA+, stable outlook	AA+, stable outlook
Sales Tax Revenue (TBTA Capital Lockbox – City Sales Tax)	NAF	AA+, stable outlook	AAA, stable outlook	NAF
TBTA General Revenue	Aa3, stable outlook	AA-, stable outlook	AA-, stable outlook	AA, stable outlook
TBTA Subordinate Revenue	A1, stable outlook	A+, stable outlook	A+, stable outlook	AA-, stable outlook
TBTA Second Subordinate Revenue	A1, stable outlook	NAF	A+, stable outlook	NAF

\* NAF – Not applied for





## 2024 Financing Quarterly Calendar\*

(\$ in millions)

Purpose	Q1	Q2	Q3	Q4	TOTAL
New Money	\$422	\$1,130	\$1,130	\$376	\$3,058
Working Capital	\$500	-	-	-	\$500
Lockbox New Money	\$814	-	\$814	-	\$1,628
BAN Takeout	-	-	\$951	\$767	\$1,718
Remarketings	\$122	\$612	-	\$500	\$1,234
Current Refundings	-	\$518	-	\$407	\$925
<b>TOTAL</b>	<b>\$1,858</b>	<b>\$2,260</b>	<b>\$2,895</b>	<b>\$2,050</b>	<b>\$9,063</b>

**\*All information in the 2024 Financing Quarterly Calendar is preliminary and subject to change**

Notes:

- 1) Numbers may not total due to rounding
- 2) New Money values reflect expected par amount
- 3) Subject to cashflow needs, there may be additional issuance of working capital, up to the authorized amount of \$1.2 billion
- 4) New money obligations may be issued as bonds or BANs, new money and BAN takeout projections are based on forecasted debt in MTA 2023 Final Proposed Budget and November Financial Plan 2024-2027, as adopted by MTA Board in December 2023, including Lockbox bonds
- 5) Remarketings reflect FRNs and Put Bonds (Term Rate) with mandatory put dates and VRDBs with liquidity facility expiration dates in 2024
- 6) Current refundings reflect fixed rate bonds, first callable in May 2024 and November 2024, including approximately \$755 million of TRB and \$170 million of TBTA General Revenue Bonds; do not reflect other currently callable bonds that may be refunded for savings in 2024 subject to market conditions