

# Staff Summary

<b>Subject</b> Qualification and Selection of Banks to Provide New Working Capital Lines of Credit, Letters of Credit, Credit Facilities and Liquidity Facilities
<b>Department</b> Finance
<b>Department Head Name</b> Kevin Willens, Chief Financial Officer
<b>Department Head Signature</b>
<b>Project Manager Name</b> Olga Chernat, Deputy Chief, Financial Services

<b>Date</b> December 18, 2024
<b>Vendor Name</b>
<b>Contract Number</b>
<b>Contract Manager Name</b>
<b>Table of Contents Ref #</b>

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Comm	12/16/24	X		
2	Board	12/18/24	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal	2	Chief of Staff

## **Summary:**

The MTA Finance Department is seeking MTA Board and TBTA Board approval to update the previously approved ratings requirements for the selection of qualified commercial banks and financial institutions to provide new and replacement lines of credit for working capital purposes, letters of credit, credit facilities or liquidity facilities for variable interest rate bonds or revenue anticipation notes issued pursuant to certain MTA’s and TBTA’s bond and note resolutions.

## **Background:**

On January 27, 2016, among other approvals and authorizations, the MTA Board and TBTA Board had authorized MTA Authorized Officers to compile and periodically update a list of banks and financial institutions qualifying to provide operating liquidity through revolving credit agreements or other loan arrangements and new credit and/or liquidity facilities subject to those banks and institutions meeting certain ratings requirements. In particular, those commercial banks and financial institutions were required to (i) have minimum long-term ratings of “A2”, “A” and “A” from Moody’s, Standard & Poor’s and Fitch, respectively, and (ii) carry, in the case of letters of credit, credit facilities or liquidity facilities for variable interest rate Bonds, the highest short-term ratings of “MIG 1” from Moody’s, “SP1+” or “SP1” from Standard & Poor’s and “F1+” or “F1” from Fitch, respectively.

On May 20, 2020, among other approvals and authorizations, the MTA Board and TBTA Board had updated the ratings requirements for the selection of financial institutions eligible to provide short-term liquidity under the Series 2013 Transportation Revenue Anticipation Note Resolution (Working Capital Revolving Credit Facility), adopted on July 24, 2013 to conform to the January 27, 2016 criteria. In particular, those commercial banks and financial institutions were required to have minimum long-term ratings of “A2”, “A” and “A” from Moody’s, S&P and Fitch, respectively.

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### **Purpose:**

In order to attract a broader base of commercial banks and financial institutions eligible to provide new or replacement letters of credit, credit facilities, liquidity facilities, and lines of credit for working capital, MTA Finance seeks to amend requirements contained in the January 27, 2016 and May 20, 2020 MTA Board and TBTA Board approvals to reduce the minimum number of ratings for qualifying commercial banks and financial institutions from three to two ratings as further described below. In the current market, investors generally only require that financial institutions providing credit or liquidity support for variable interest rate bonds carry two ratings. As a result, MTA Finance does not anticipate any negative pricing consequences from potential investors in MTA bonds as a result of this change. Furthermore, MTA Finance expects that attracting a broader base of potential financial counterparties will increase competition and may result in lower fees payable by MTA.

Pursuant to the updated criteria, in order to qualify as eligible credit and liquidity facility providers, commercial banks and financial institutions (A) must have two of the three long-term ratings of at least “A2”, “A” or “A” from Moody’s, S&P and Fitch, respectively and (B) in the case of letters of credit, credit facilities or liquidity facilities for variable interest rate bonds, must also have two of the three ratings in the highest short-term ratings category: “MIG 1” from Moody’s, “SP1+” or “SP1” from Standard & Poor’s, and “F1+” or “F1” from Fitch.

### **Alternatives:**

Keep the current criteria for the selection of commercial banks and financial institutions in place. Such action would limit the number of commercial banks and financial institutions eligible to provide liquidity and credit support to MTA and TBTA.

### **Recommendations:**

To attract a broader base of qualifying banks and financial institutions, it is recommended that the Board approve the proposed changes to the ratings requirements applicable to the selection of commercial banks and financial institutions eligible to provide new and replacement lines of credit for working capital, letters of credit, credit facilities or liquidity facilities.