

Case Study: MTA's RRIF Application Process

FRA Rail Program Delivery Conference

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Patrick McCoy

Director, Finance



MTA's Essential Transportation Network

Primary mass transportation provider in the NYC Region

- MTA is the **primary** mass transportation provider in the New York City metropolitan area, covering over 5,000 square miles serving a population of over 15.1 million
- MTA's Network includes New York City Transit, MaBSTOA, MTA Bus Company, Staten Island Railway, Long Island Rail Road, Metro-North Railroad and Triborough Bridge and Tunnel Authority
- MTA serves the 5 boroughs of NYC, 7 New York suburban counties and provides service in northern NJ and southern CT
- Route/Track miles and stations
 - 950 commuter rail miles
 - 2,816 bus route miles
 - 2,069 subway track route miles
 - 736 stations (468 subway, 22 Staten Island, 124 LIRR, 122 Metro-North)



Backbone of the Regional Economy

MTA's services are essential to serving the region's travel needs and underpins its economic growth

- MTA is the backbone of New York's \$1.4 trillion economy, second in the world to Tokyo
 - The Authority serves 73% all of trips to the Manhattan CBD which represents nearly 40% of the region's employment
 - Near monopoly position serving travel to the NYC Metro area
 - Hurricane Sandy demonstrated the MTA network is critical to keeping the NYC region functioning
 - Growing role in the suburban and intra-borough travel markets
 - Changing travel patterns and demographics positively influencing ridership
- MTA serves over [one-third of the nation's transit riders](#), and defines the public transit industry
 - Serves 4.3x more passengers than next largest U.S. system (Chicago)



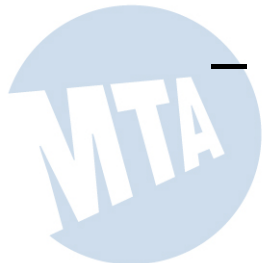
MTA RRIF Loan

- MTA applied for a \$3 billion RRIF loan in April, 2011 to fund the local share of East Side Access (ESA) and to refund previously issued MTA bonds for commuter rail projects.
 - East Side Access.
 - Received a Full Funding Grant Agreement from FTA
 - Among the largest transportation infrastructure projects in the nation.
 - Construction of a new railroad connection between Long Island and Grand Central Terminal.
 - Met all 8 RRIF Criteria.



The Parties

- FRA
 - Internal: Office of Passenger and Freight Programs; Financial & Credit Analysis Division
 - Independent Financial Advisor # 1
 - Independent Financial Advisor # 2
 - Transaction Counsel
- MTA
 - Internal Finance, Budget and Legal staff
 - Bond Counsel
 - Financial Advisor



MTA's RRIF Process

- Phase 1: Significant coordination of resources to respond to FRA's Independent Financial Advisor review:
 - MTA's 4-year Financial Plan (Operating budget) and,
 - MTA's 2010-2014 Capital Plan.
- MTA assisted in developing a 25-year analysis of revenues, expenditures and capital needs.
- Heavy emphasis to demonstrate long-term financial viability of the project and the MTA.



MTA's RRIF Process, cont.

- Phase 2: MTA request exceeding \$1 billion triggered 2nd IFA review – confirming and validating work of first IFA.
 - Extensive review of rating agency analysis of MTA credits going back 10 years.
 - Review of other 3rd party reports such as State Comptroller, Citizens Budget Commission, etc.
- MTA worked with 2nd IFA to advance loan request to Financing Agreement negotiations.



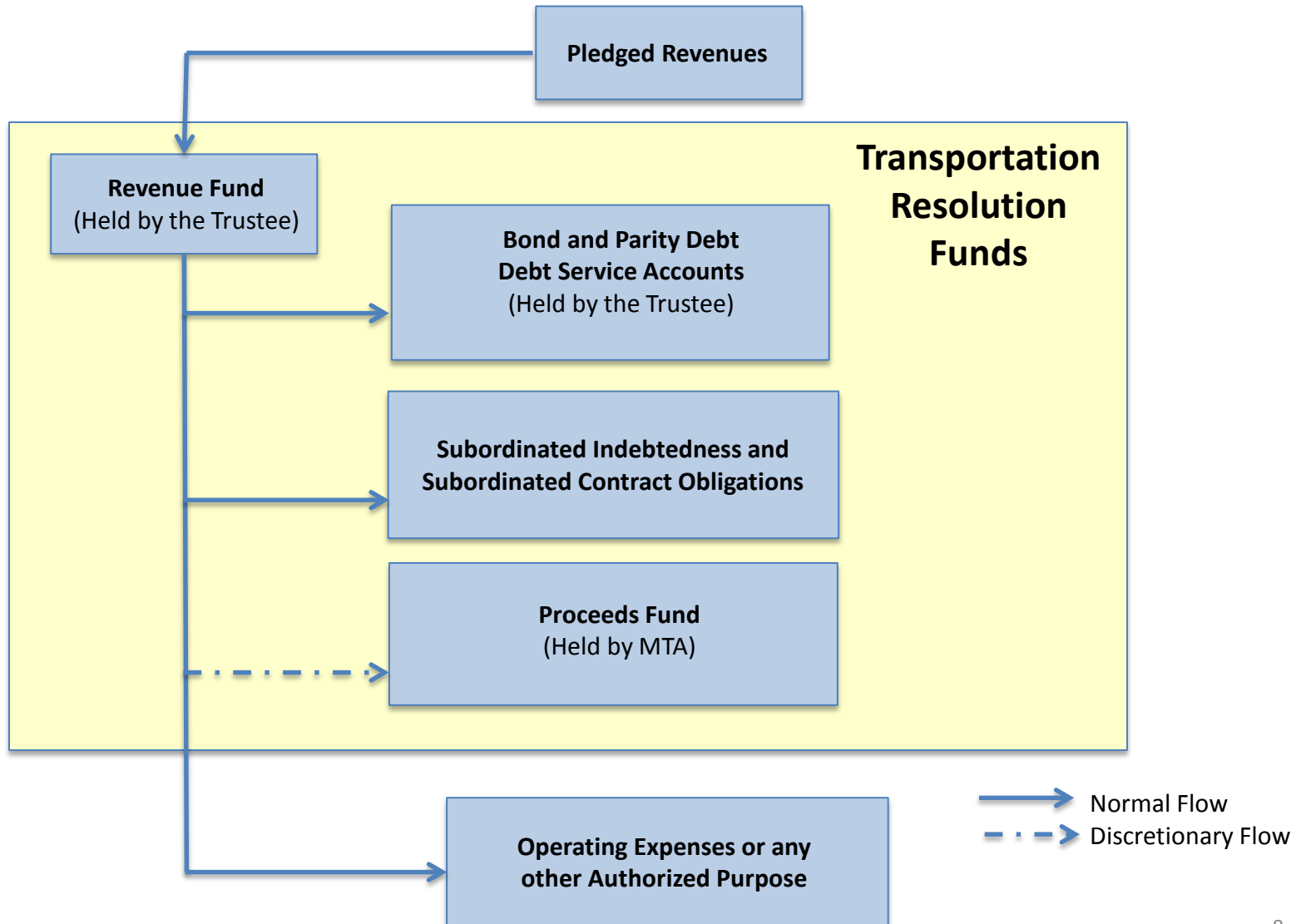
MTA Security for RRIF

- MTA offered FRA a senior lien Transportation Revenue Bond (TRB) as security for the loan – intended to provide a highly rated municipal bond that is widely accepted in the capital markets.
- Gross pledge of both operating and dedicated tax revenues *before* payment of operating costs.
- IFA focus on senior liens secured by dedicated taxes before pledge at TRB level.



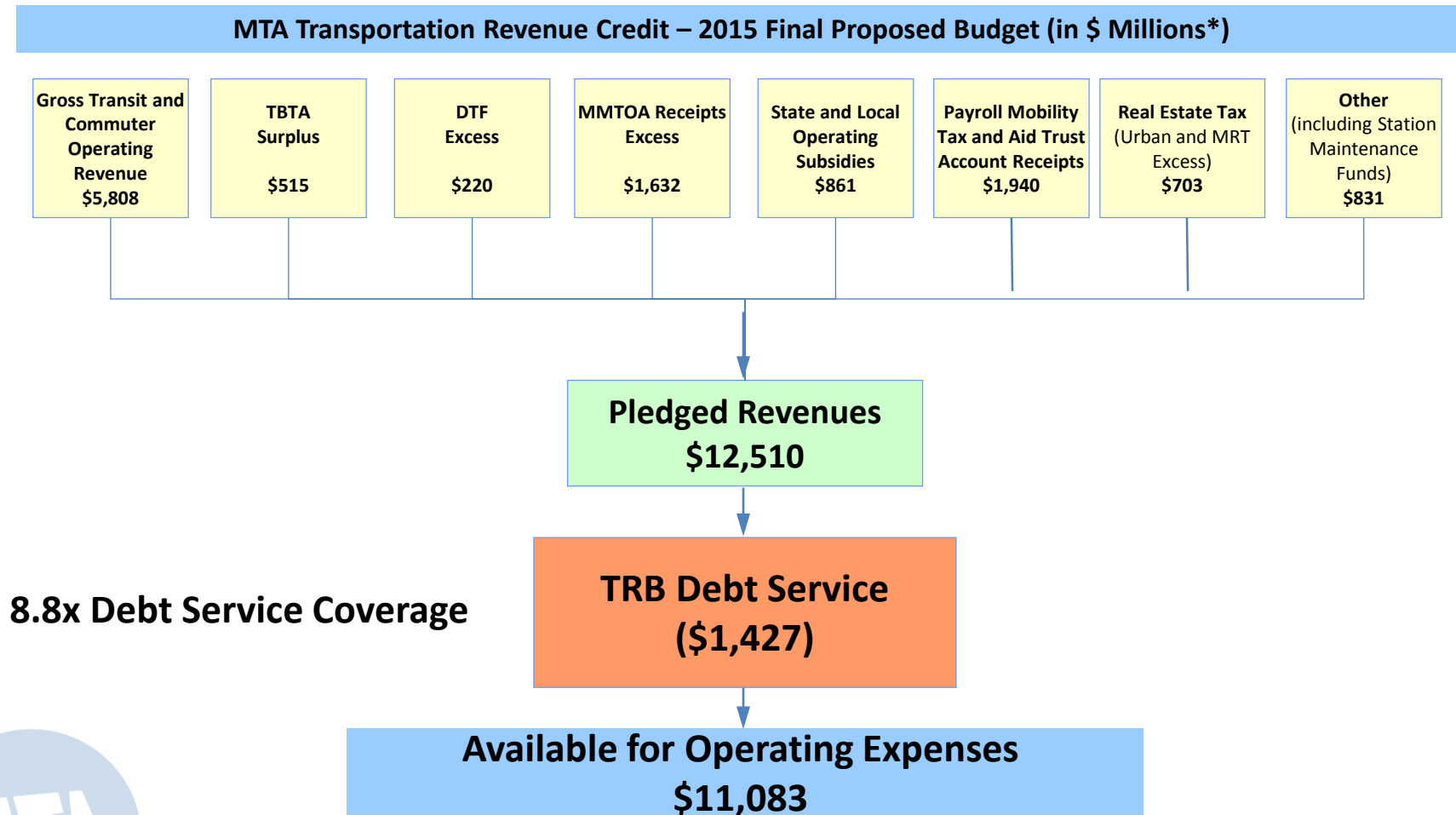
Resolution Strength – Flow of Pledged Revenues

Bondholders take first priority



Transportation Revenue Bond Flow of Funds

Flow of funds provides robust debt service coverage



Source: MTA 2015 Final Proposed Budget November Financial Plan 2015 – 2018

Revenues do not include proposed fare and toll increases in 2015, which are estimated to provide \$210 million and \$257 million additional revenues in 2015 and 2016, respectively.



Amending the Loan Request

- MTA amended its RRIF loan request in January 2014 to seek \$967 million for the installation of Positive Train Control technology on its commuter railroads; Long Island Rail Road, and Metro North Railroad.
- FRA advised MTA that the balance of the original loan request for ESA would not be advanced.
- Both parties refocused to negotiate the loan for PTC.
- FRA required an additional financial review due to the passage of time.



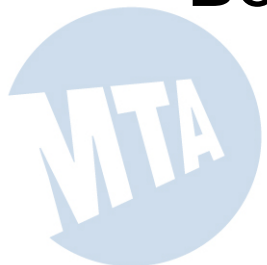
Positive Train Control

- Federal mandate included in the Federal Rail Safety Act of 2008 requiring installation of PTC on all commuter main-line tracks.
- PTC technology required significant research and testing as well as coordination with the Federal Communications Commission to ensure availability of needed radio spectrum.
- Strong support at all governmental levels.



Financing Agreement

- FRA's transaction counsel drafted the Financing Agreement to include Federal loan requirements and policy directives of Department of Transportation.
- Negotiations extended over several months as both parties addressed policy matters through innovative proposals.
- Upon reaching an agreement in principle on all major issues, the MTA Finance team sought Board approval of the loan in April, 2015.



Financing Agreement Key Provisions

- Term: November 15, 2037
- Rate: 2.38%
- Security: MTA Transportation Revenue Bond
- Credit Risk Premium: 0.00%
- Prepayment: Allowed anytime at no cost.
- Credit Substitution: FRA has a one-time right to exchange the TRB for a new structurally senior bond if MTA issues such bond.
- Assignment: FRA may assign its rights as a bondholder to an additional holder.
- Waiver granted for small portion of non-U.S. sourced components (less than 1%).



The Future of RRIF

MTA is encouraged for the future of the RRIF program as a result of significant time and effort by both parties. The Financing Agreement achieved by MTA and FRA for PTC is a model for a long term relationship -- based upon FRA's desire to lend to eligible projects, and MTA's substantial need in operating the largest transportation network in North America.

