



**Massachusetts Bay
Transportation Authority**

Commuter Rail Safety and Resiliency Program - RRIF Loan Agreement

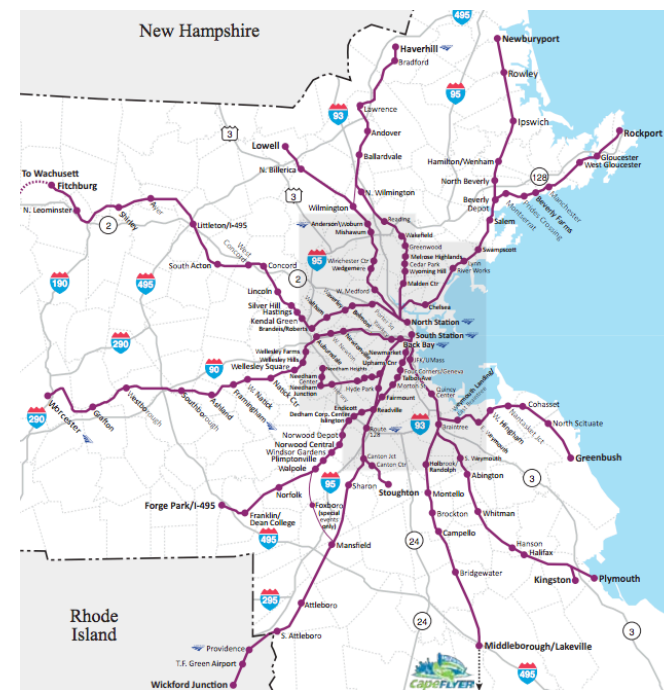
Joint Meeting of the MassDOT Board & Fiscal and Management
Control Board

June 22, 2020

Pat Landers

Executive Summary

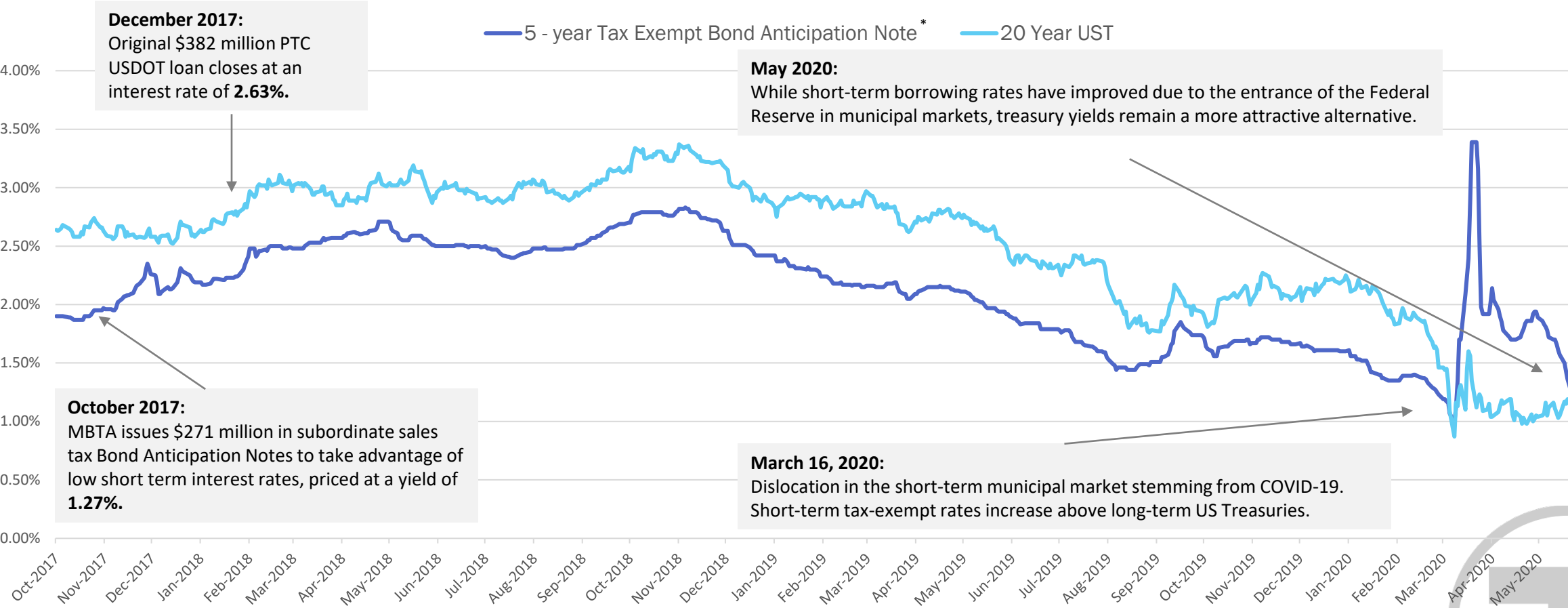
- The original PTC RRIF loan was authorized by the MassDOT Board of Directors in November 2017.
- The original 2017 plan of finance successfully utilized an interim borrowing strategy with a long-term federal loan to take advantage of attractive short-term interest rates while also locking in a long-term treasury rate to pay down the BANS at their maturity date.
- The MBTA is requesting Board authorization for an amended RRIF loan for the Commuter Rail Safety and Resiliency Project (the “Project”), which includes the following three project elements, resulting in gross savings over the life of the loan:
 - Refinancing of the original USDOT \$382 million PTC loan to achieve **\$57 million** in cash flow savings;
 - New money financing of the North Side Automatic Train Control (“ATC”) system cost of approximately \$369 million (anticipated to provide **\$84 million** in lower debt service costs versus issuing MBTA Bonds); and
 - New money financing of the Fiber Resiliency project cost of approximately \$100 million (anticipated to provide **\$50 million** in lower debt service costs versus issuing MBTA Bonds).



In light of the historically low rates available from the RRIF Program resulting from the Federal Reserve using emergency powers due to the economic fallout from the COVID-19 pandemic, borrowing from the RRIF program is anticipated to provide the Authority with the lowest funding cost alternative and can provide the flexibility to draw down as needed.

Project Plan of Finance - Background

MBTA Borrowing Alternatives for the Commuter Rail Safety and Resiliency Program: Short Term Tax Exempt Interest Rates versus Long-Term Treasury Yields



*Includes estimated historical interest rate spreads.

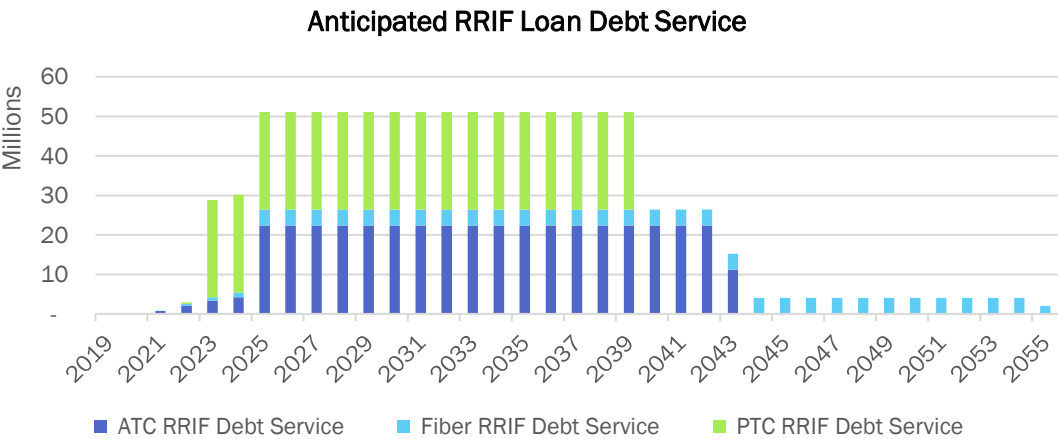
Commuter Rail Safety and Resiliency Program- Loan Structure

Positive Train Control

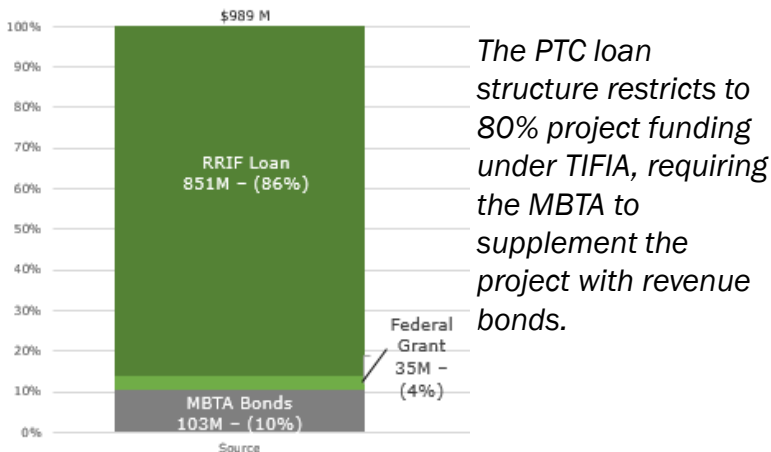
- The PTC loan tranche will be used to takeout the maturing the Series 2017 BANs maturing December 1, 2021.
- Final loan amortization in 2039, consistent with the original loan structure.
- Loan rate of **1.09%**.

Automatic Train Control and System Resiliency

- Loan draws will be used to replenish MBTA commercial paper.
- Loan draws are available upon financial close with USDOT (no interim financing will be used).
- Final loan amortization set to the economic life of the Project (2042 for PTC and 2054 for System Resiliency).
- Loan rate of **1.24%** for ATC and **1.38%** for System Resiliency.



Commuter Rail Safety and Resiliency Project Funding Sources



MBTA RRIF Loan Project Elements

RRIF Loan Tranches	PTC	ATC	System Resiliency
Project Completion	2020	2022	2024
RRIF Loan Amount	382,000,000	369,064,667	100,085,333
Final RRIF Loan Maturity	1/1/2039	7/1/2042	7/1/2054
Useful Life	18	20	30
Loan Rate*	1.09%	1.24%	1.38%
Total Interest Costs	37,866,751	55,526,698	25,435,344

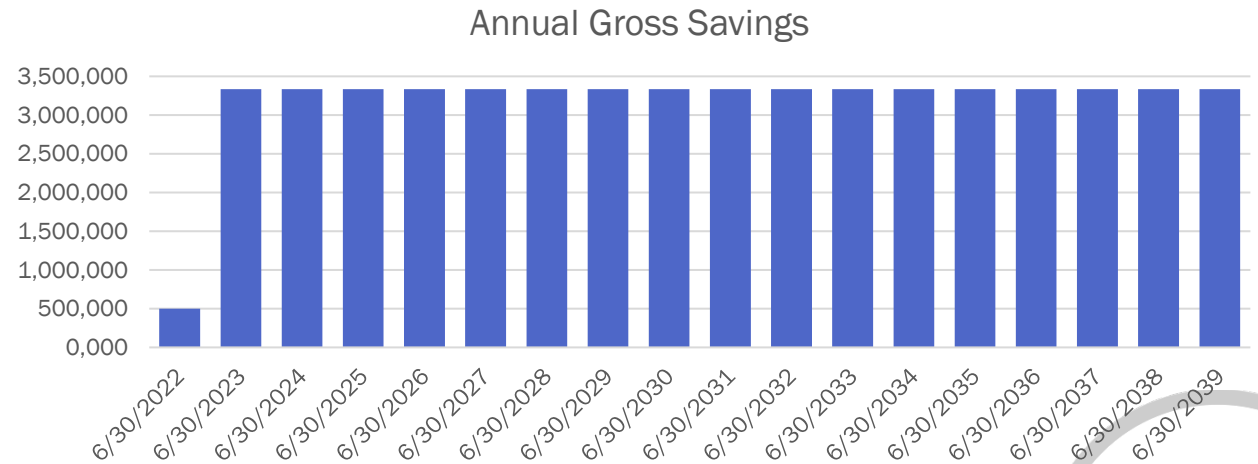
*Interpolated US Treasury rate based upon useful life of each of the project components from each of the respective project completion dates

Commuter Rail Safety and Resiliency Program- Refinancing the Original 2017 PTC Loan

The MBTA will refinance its undrawn 2017 Federal PTC Loans to take advantage of low treasury rates to generate interest cost savings

- The PTC refunding will generate **\$57 million** in gross cash flow savings and **\$52 million** in net present value (“NPV”) savings (representing 13.62% of the original loan amount)

Summary Statistics	
Refunded Par Amount	382,000,000
Refunding Par Amount	382,000,000
2017 TIFIA and RRIF Loan Rate	2.63%
2020 RRIF Loan Rate	1.09%
Gross Savings	57,162,424
Average Annual Savings	3,175,690
NPV Savings (\$)	52,047,372
NPV Savings as a % of Refunded Par	13.62%

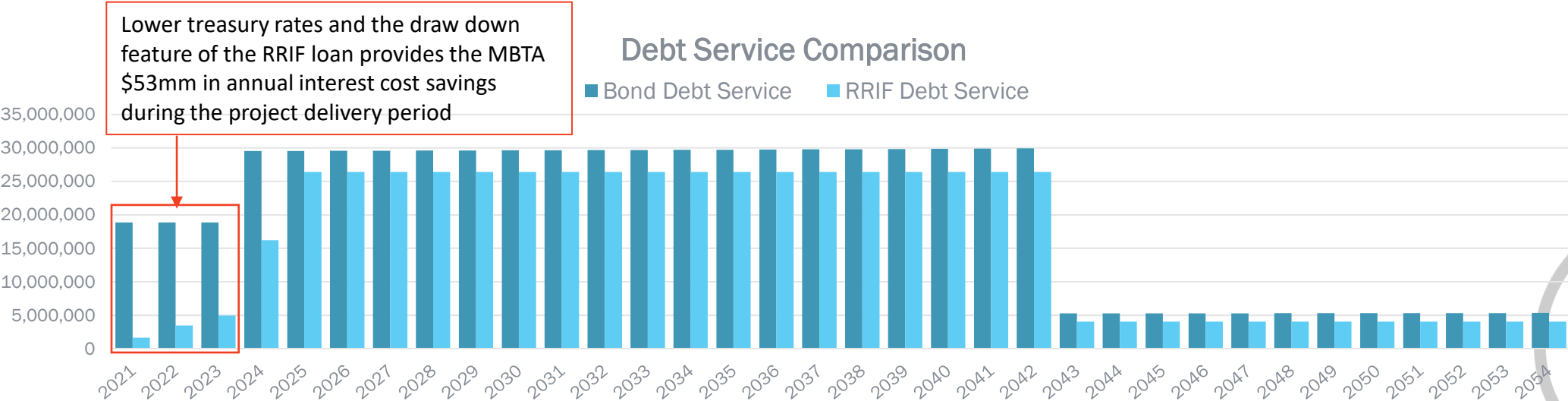


Commuter Rail Safety and Resiliency Program

New Money RRIF Financing for ATC and Fiber Resiliency

- Use of the RRIF Loan Program, with its drawdown feature, provides the MBTA with a lower cost alternative to issuing MBTA Bonds.
 - It is anticipated that the subordinate sales tax RRIF loan will provide the MBTA with **\$53 million** in interest cost savings during the project delivery period and **\$134 million** in debt service savings over the life of the loan relative to bond funding.

	Subordinate Sales Tax RRIF	Subordinate Sales Tax Bonds	Differential
Total Debt Proceeds	\$469,150,000	\$470,232,496	\$1,082,496
Final Loan Maturity	7/1/2054	7/1/2054	-
Blended All-in TIC	1.30%	3.05%	1.75%
Interest During Construction Period	13,012,307	66,004,750	52,992,443
Total Debt Service	550,112,042	684,505,750	134,393,708



Commuter Rail Safety and Resiliency Program - Timeline

Date	Event
October 2017 ✓	Interim borrowing for PTC
December 2017 ✓	TIFIA / RRIF loan close for PTC
April 2019 ✓	ATC / Fiber RRIF loan letter of interest submitted to USDOT
February 2020 ✓	ATC / Fiber RRIF loan application submitted to USDOT
April 2020 ✓	RRIF Loan Application Re-Submitted to USDOT (PTC refinancing included)
May 19, 2020 ✓	USDOT deems RRIF loan application is complete
June 17, 2020 ✓	Finance and Audit Committee Review
June 22, 2020	Joint Board review
By end of June 2020	Expected USDOT Credit Counsel approval
July 2020	Expected RRIF loan closing
July 2020	ATC and System Resiliency loan draws commence and reimbursement for prior project expenditures
December 30, 2020	PTC project completion. ATC on the Lowell and Wildcat lines completed
December 1, 2021	Drawdown of the PTC loan tranche to fund December 1, 2021 BAN payment
July 2022	ATC project completion
July 2024	Fiber project completion

Key Benefits of the RRIF Loan Program

- Low interest rates set to US Treasuries provides a lower cost alternative to MBTA bonds
- Interest does not accrue until proceeds are drawn, eliminating interest during the project delivery period
- Ability to prepay loans at anytime without penalty or to take advantage of possible lower future interest rates
- The subordinated sales tax will be pledged to the RRIF loan, eliminating the need to fund a Debt Service Reserve Fund
- The original CRP on the 2017 PTC Loan was 4 basis points. While the new CRP on the 2020 Project will not be known until after loan approval, when applying the 4bps CRP to the Project, the total cost to the MBTA is \$340,460
- It is anticipated that the new PTC loan will generate cash flow savings in excess of \$57 million versus the original PTC loan
- If estimates vary or project parameters alter for the fiber burial project, the MBTA can reduce the loan amount



Recommend and Authorize the Issuance of Subordinate Sales Tax Bonds

Please reference the full vote language in the board package.

The votes provide for the FMCB to recommend and the MassDOT Board to approve:

- The Plan of Finance recommended by financial advisor, Piper Sandler
- RRIF loan agreement between MBTA and US Department of Transportation
- Issuance of \$851,500,000 of Subordinated Sales Tax Bond Bonds
- The Forty-First Supplemental Trust Agreement providing for the issuance of the Bonds
- Sale of the Bonds to USDOT
- Authorization of MBTA Officials, and their delegates, to deliver and execute any documentation to effectuate completion of transaction



Appendix



RRIF Loan Reporting Requirements

- Project related reporting requirements include quarterly status reports to USDOT that specifies Project status versus schedule, and identifies any cost overruns and/or change orders and their impacts to the Project budget and schedule.
- The financial reporting requirements require, among other things, that the MBTA:
 - Certify that pledged revenues shall be sufficient to meet RRIF loan debt service;
 - Update annually, the MBTA RRIF loan financial model, including pro forma debt service coverage;
 - Provide an estimate of the total project costs and remaining costs to complete the Project;
 - Give notice for any increase or decrease in Project costs that is equal to or greater than 5%; and
 - Provide annual financial statements.



Results of Bond Sale 6.3.2020

- Refunding of 2010A and 2010B created a combined net present value savings of **\$31.38 million or 21.34%** of refunded bonds
- True Interest Cost: 2.83%
 - This is lower than recent MBTA deals, including deals secured by the senior lien
 - Also, lower than the 2017A-1 subordinate deal
 - Outperformed a concurrently priced Washington Metropolitan Area Transit Authority (WMATA)
- Advantageous structuring, which includes:
 - 8-year call on \$164.245 million, **which improves optionality** for the MBTA beyond the standard 10-year call (the MBTA had no optionality in 2028 previously)
 - Additionally, the deal is structured with 5% coupons, which provides **greater option value** than lower coupon bonds
 - Premium bonds that require less par amount, **improving the Additional Bonds Test**
- Maximized allowable escrow savings, which produced **\$2.9 million**
 - Negotiated the preservation of Forward Delivery Agreement with 6.38% yield

MBTA Series	Par Amount	Final Maturity	Sales Tax Credit	Sale Type	True Interest Cost (TIC)
2020B	\$384,765,000	7/1/2050	Subordinated	Negotiated	2.83%
2017A-1	\$99,170,000	7/1/2046	Subordinated	Competitive	3.61%
2015AB	\$358,405,000	7/1/2045	Senior	Negotiated	3.47%
2014A	\$200,000,000	7/1/2044	Senior	Negotiated	3.96%

MBTA (AA/Aa3)				
Maturity	Coupon	Spread	Yield	Call
7/1/2025	5.00%	12	0.50%	N/A
7/1/2030	5.00%	25	1.09%	N/A
7/1/2035	5.00%	30	1.53%	7/1/2030
7/1/2040	5.00%	30	1.74%	7/1/2028
7/1/2045	5.00%	28	1.88%	7/1/2028
7/1/2050	5.00%	30	1.95%	7/1/2028

WMATA (AA/AA/AA+)				
Maturity	Coupon	Spread	Yield	Call
7/15/2025	5.00%	16	0.54%	N/A
7/15/2030	5.00%	30	1.14%	N/A
7/15/2035	5.00%	37	1.60%	7/1/2030
7/15/2040	4.00%	60	2.04%	7/1/2030
7/15/2045	5.00%	39	1.99%	7/1/2030
7/15/2050	--	--	--	--

Favorable Market Conditions

The MBTA captured a moment in the market when there was more demand than supply.

- The MBTA deal was 3.3x oversubscribed, indicating significant market interest. We were able to reprice the deal after the initial order period, lowering rates 2-5 bps across the curve.
- The MBTA's aggressive timeline allowed it to execute the transaction in a window that was favorable to the Authority.

