



**Massachusetts Bay
Transportation Authority**

Commercial Paper Program and Selective Use of Bond Anticipation Notes

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

March 29, 2021

Patrick Landers, Treasurer

MBTA Commercial Paper Program

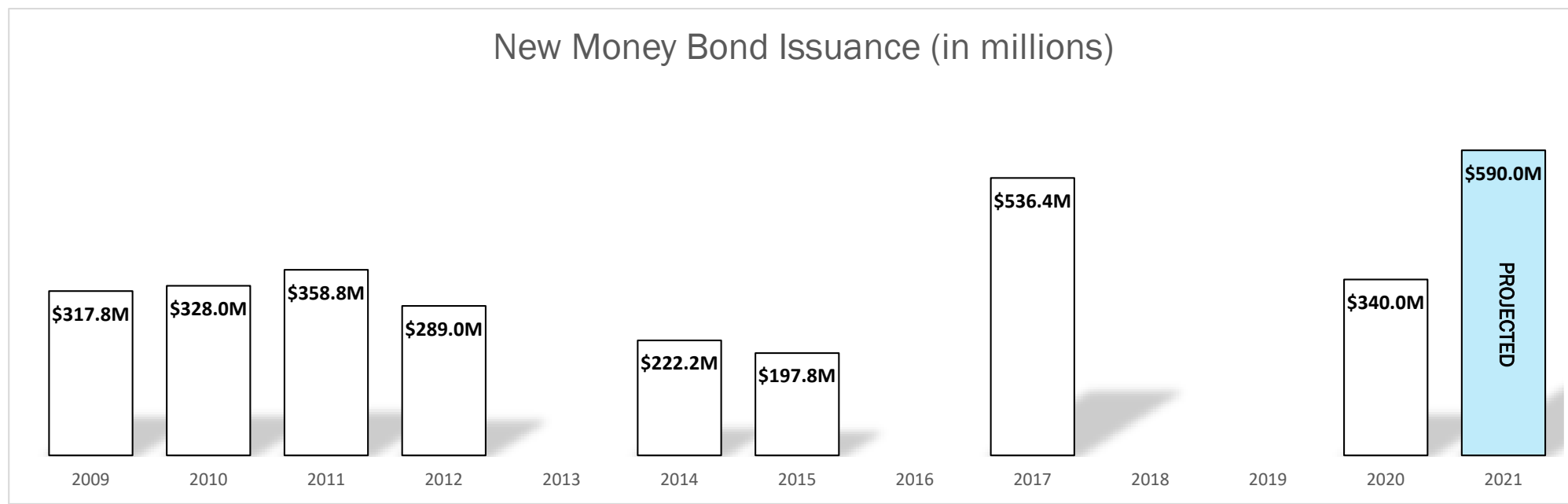
The Commercial Paper program was **created in 2001** for the purpose of interim funding capital projects. Commercial Paper gives the Authority flexibility to borrow only what it needs so it is not paying long-term interest rates on unused bond proceeds (thereby reducing borrowing costs).

**Current size of MBTA's
Commercial Paper Program:
\$250 million**



Historical Issuance Pattern

- The commercial paper program last increased from \$200 million to \$250 million in FY2008. This is when the annual MBTA capital a spend was \$800 million with annual issuances ranging from \$250 million to \$350 million.
- The current Capital Improvement Plan anticipates annual spending of \$1.75B and annual issuances of \$590M twice the scale contemplated in FY2008,
- To accommodate the current capital program, we request resizing the MBTA commercial paper program by increasing capacity by \$150 million to total \$400 million.
- State and federal sources for capital projects are declining, putting additional pressure on MBTA bonds to fund capital needs.

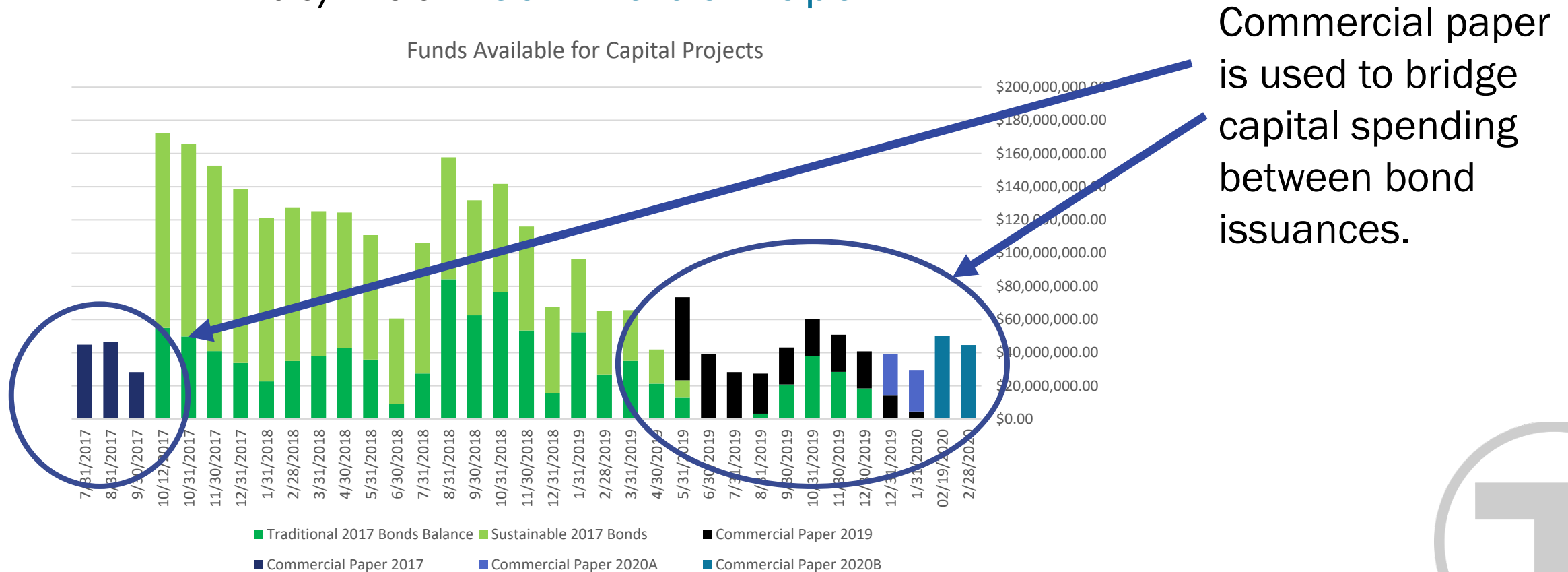


Use of Commercial Paper at the MBTA

This chart shows bond funds available for capital projects.

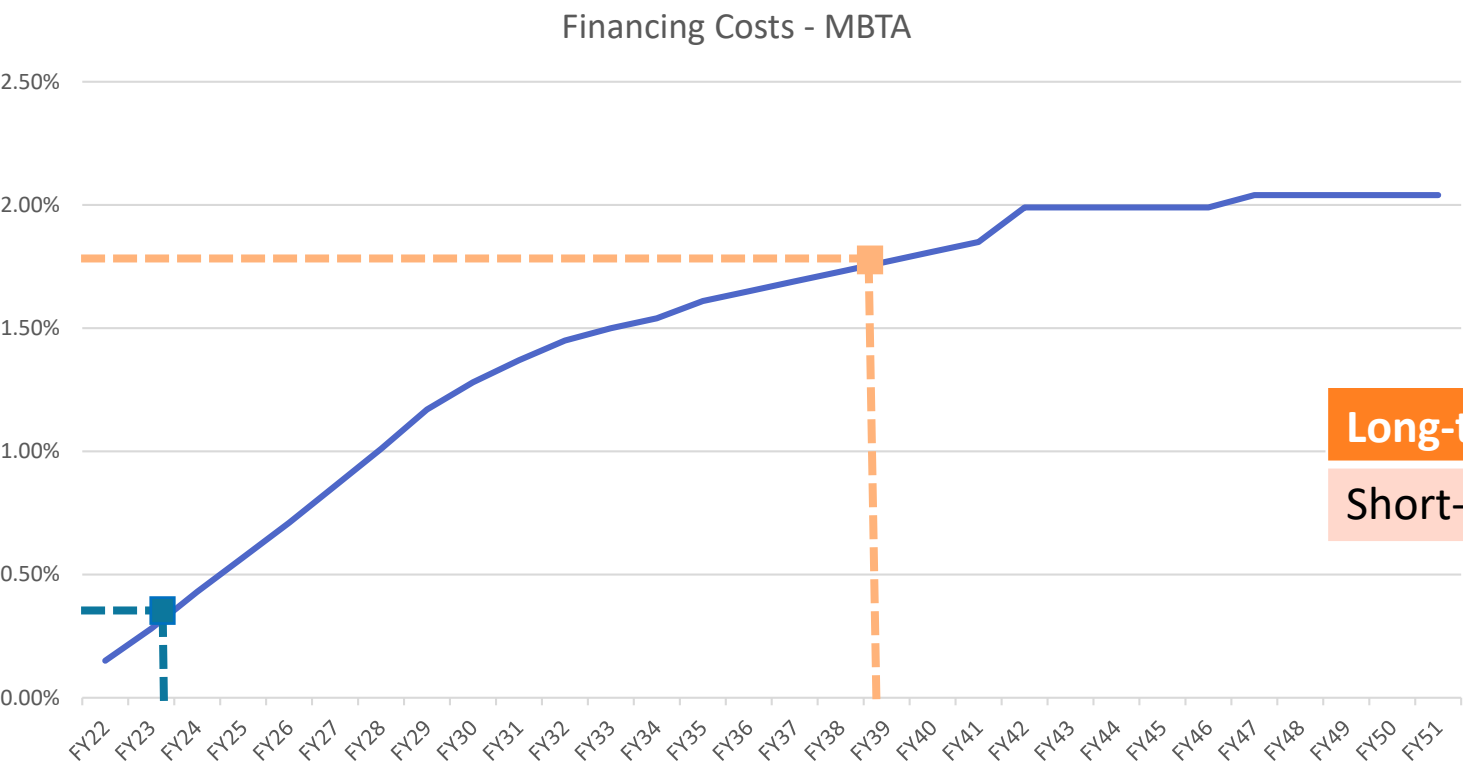
Green: **Traditional** and **Sustainable** 2017 Bonds

Blue/Black: **Commercial Paper**



Proposal to Increase Commercial Paper Program

MBTA Treasury proposes to expand the MBTA Commercial Paper program to \$400 million from \$250 million



Current Cost of Commercial Paper	
Liquidity Facility	25 bps
Dealer Fee	4 bps
Interest (varies)	10-20 bps
TOTAL	39-49 bps

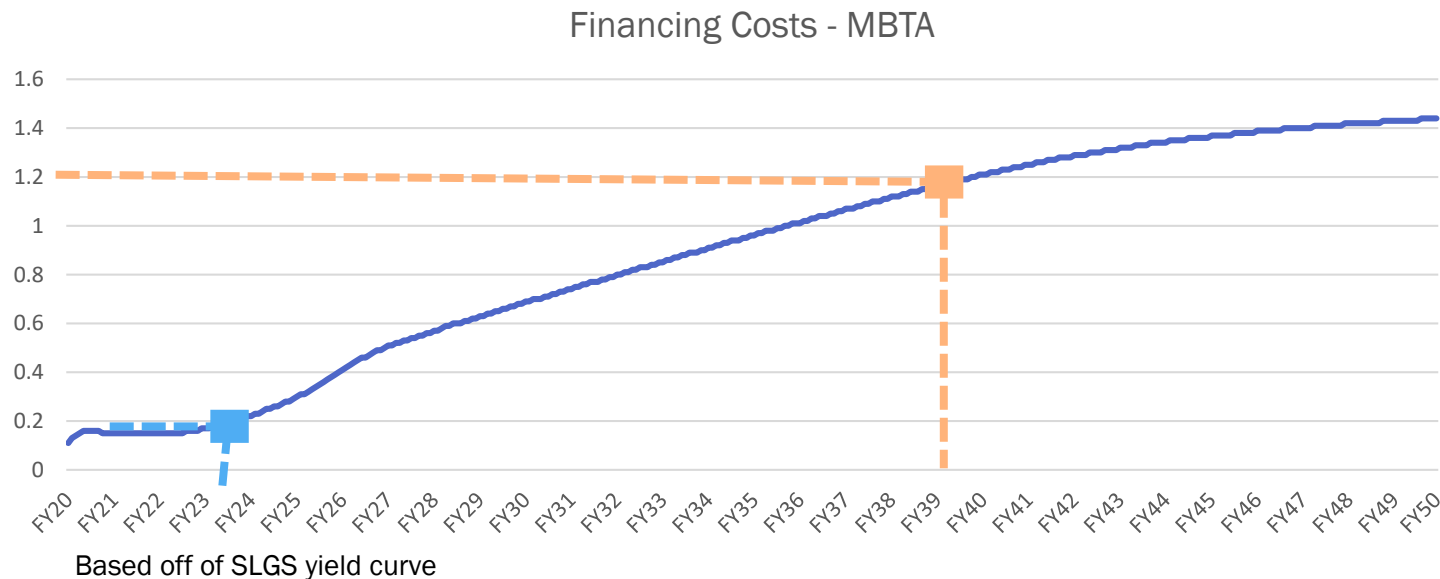
Long-term debt interest cost	179 bps
Short-term savings	130-140 bps

Based off of MMD benchmark yield curve



Use of RRIF Program: Example Interim Financing for ATC

- MBTA is relying on the federal Build America Bureau RRIF program, which provides more favorable terms than conventional financing. This program allows flexible amortization, enables us to lock-in lower rates, and finances projects on a subordinate third-lien.
- The MBTA is examining its portfolio to determine what projects may be best-suited for the BAB program.
- Through this program, the MBTA secured long-term financing for the Automatic Train Control project at an interest rate of 1.29%.
- Instead of drawing on the loan immediately, the MBTA can use interim financing for the next two years (through March 2023) at an estimated rate of 30 bps.
- In the current market, a riskless arbitrage opportunity exists to fund the interim financing period before required BAB loan drawdowns (this is illustrated below).



USDOT Loan long-term
interest rate: 129 bps

Bond Anticipation Note
Rate: 30 bps (estimate)

Estimated savings: 99 bps

Interim Financing for Automatic Train Control/Fiber Resiliency

- MBTA Treasury proposes to issue Bond Anticipation Notes (BANs) for an initial \$370 million, and a subsequent \$100 million, until the first required draw on the loans. Estimated cost savings: \$4.15 million
- The MBTA pursued a similar structure in 2017, relying on the RRIF program to finance Positive Train Control and simultaneously issuing a \$301 million Bond Anticipation Note (BAN) to finance the project in the interim. Estimated cost savings through this interim financing was \$13 million.

Anticipated Cash Flows – ATC/Fiber Resiliency

Project Name	Pre-FY21 Spending (actual)	FY21 Proj. Spending (per monthly cash flows)	Proj. Spending FY 2022	Proj. Spending FY 2023	Proj. Spending FY 2024	TOTAL
ATC Implementation on the MBTA North Side Commuter Rail Lines	\$27,806,084	\$124,695,095	\$143,604,367	\$10,572,667	\$62,071,787	\$368,750,000
Bury 100 Miles of Fiber Annually - Strategic Locations	\$558,967	\$3,856,330	\$37,540,412	\$50,468,671	\$9,650,179	\$102,074,559



Board Vote

The proposed votes provide for the FMCB to recommend approval and the MassDOT Board to approve the expansion of the MBTA's commercial paper (CP) program to \$400 million and the issuance, through a competitive sale, of other bond anticipation notes (the "Notes") to fund ATC and other capital projects, through the adoption of supplemental trust agreements under the Sales Tax Trust Agreement, and also authorizes and approves all related matters.



Recommendation to MassDOT Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

FISCAL AND MANAGEMENT CONTROL BOARD

That the members of the Fiscal and Management Control Board (the “FMCB”) hereby recommend to the Board of Directors of the Massachusetts Department of Transportation (“MassDOT”) that it:

Approve the Plan of Finance recommended by the MBTA’s financial advisor, Public Resources Advisory Group, in its memorandum presented herewith;

Approve an increase of \$150 million to the MBTA’s existing \$250 million commercial paper program, through the authorization of up to \$150 million of bond anticipation notes under the Sales Tax Trust Agreement (the “CP”), which CP may be issued on a tax exempt or taxable basis to fund, on an interim basis, portion of the MBTA’s capital improvement program and other expenses of the MBTA;

Approve the issuance of one or more series of Subordinated Sales Tax Bond Anticipation Notes pursuant to the Sales Tax Bond Trust Agreement and, if necessary, one or more renewals thereof (collectively, the “Notes”), for the purpose of financing a portion of the costs of the Automatic Train Control (“ATC”) project and other approved MBTA projects on a short-term basis, such Notes to be repaid, in the case of the ATC project with the proceeds of a draw on the USDOT Loan Agreement executed in 2020, and in the case of other MBTA projects, with the proceeds of Subordinated Sales Tax Bonds;

Recommendation to MassDOT Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Approve one or more supplemental trust agreements, under the Sales Tax Trust Agreement, for the CP and the Notes, in substantially the forms presented at this meeting, with such changes as are deemed advisable by the Chief Administrator, the Chief Financial Officer and the Treasurer, or any of such officers acting singly (each referred to herein as an “Authorized Officer”), the definitive form of such agreements to be evidenced conclusively by the execution thereof by an Authorized Officer;

Approve the execution and delivery of one or more line of credit agreements (or other agreements constituting Liquidity Facilities under the Sales Tax Bond Trust Agreement) to provide liquidity for the CP, on such terms and in such forms as determined by an Authorized Officer, with the definitive form of such line of credit agreement (or other Liquidity Facilities) evidenced by the execution thereof by an Authorized Officer;

Approve, in connection with the CP, the execution of one or more dealer agreements, issuance and payment agent agreements and escrow agreements, in substantially the forms presented at this meeting, with such changes as are deemed advisable by an Authorized Officer, the definitive form of such agreements to be evidenced conclusively by the execution thereof by an Authorized Officer



Recommendation to MassDOT Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Authorize the preparation and distribution of an Offering Memorandum for the CP in the form approved by any Authorized Officer, acting singly, the definitive form of which shall be evidenced conclusively by a certificate of such Authorized Officer;

Authorize (i) the distribution of Preliminary Official Statements and Official Notices of Sale with respect to the Notes, substantially in the forms presented at this meeting, with such changes as are deemed advisable by an Authorized Officer, the definitive forms of which shall be evidenced by a certificate of an Authorized Officer, and (ii) the distribution, execution by an Authorized Officer and delivery to the initial purchasers of the Notes of final Official Statements in substantially the same form as the respective Preliminary Official Statements, with such changes, omissions, insertions and revisions as are deemed advisable by an Authorized Officer, the definitive forms of which shall be evidenced by a certificate of such Authorized Officer;

Authorize the sale of the Notes by competitive bids, on the terms and in the manner set forth in the Official Notices of Sale;



Recommendation to MassDOT Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Authorize the execution and delivery by any Authorized Officer, acting singly, of one or more continuing disclosure agreements with respect to the Notes, in the form approved by any such Authorized Officer, the definitive form of which shall be evidenced conclusively by the execution thereof by any such Authorized Officer; and
Authorize each Authorized Officer, the General Counsel and other officers of the MBTA and MassDOT, acting singly, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by the documents executed in connection with foregoing votes.

March 22, 2021



Approval of Fiscal and Management Control Board Recommendation Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

BOARD OF DIRECTORS

That the members of the Board of Directors of the Massachusetts Department of Transportation (“MassDOT”) hereby approve the recommendation of the Massachusetts Bay Transportation (“MBTA”) Fiscal and Management Control Board that:

Approve the Plan of Finance recommended by the MBTA’s financial advisor, Public Resources Advisory Group, in its memorandum presented herewith;

Approve an increase of \$150 million to the MBTA’s existing \$250 million commercial paper program, through the authorization of up to \$150 million of bond anticipation notes under the Sales Tax Trust Agreement (the “CP”), which CP may be issued on a tax exempt or taxable basis to fund, on an interim basis, portion of the MBTA’s capital improvement program and other expenses of the MBTA;



Approval of Fiscal and Management Control Board Recommendation Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Approve the issuance of one or more series of Subordinated Sales Tax Bond Anticipation Notes pursuant to the Sales Tax Bond Trust Agreement and, if necessary, one or more renewals thereof (collectively, the “Notes”), for the purpose of financing a portion of the costs of the ATC project and other approved MBTA projects on a short-term basis, such Notes to be repaid, in the case of the ATC project with the proceeds of a draw on the USDOT Loan Agreement executed in 2020, and in the case of other MBTA projects, with the proceeds of Subordinated Sales Tax Bonds;

Approve one or more supplemental trust agreements, under the Sales Tax Trust Agreement, for the CP and the Notes, in substantially the forms presented at this meeting, with such changes as are deemed advisable by the Chief Administrator, the Chief Financial Officer and the Treasurer, or any of such officers acting singly (each referred to herein as an “Authorized Officer”), the definitive form of such agreements to be evidenced conclusively by the execution thereof by an Authorized Officer;

Approve the execution and delivery of one or more line of credit agreements (or other agreements constituting Liquidity Facilities under the Sales Tax Bond Trust Agreement) to provide liquidity for the CP, on such terms and in such forms as determined by an Authorized Officer, with the definitive form of such line of credit agreement (or other Liquidity Facilities) evidenced by the execution thereof by an Authorized Officer;



Approval of Fiscal and Management Control Board Recommendation Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Approve, in connection with the CP, the execution of one or more dealer agreements, issuance and payment agent agreements and escrow agreements, in substantially the forms presented at this meeting, with such changes as are deemed advisable by an Authorized Officer, the definitive form of such agreements to be evidenced conclusively by the execution thereof by an Authorized Officer

Authorize the preparation and distribution of an Offering Memorandum for the CP in the form approved by any Authorized Officer, acting singly, the definitive form of which shall be evidenced conclusively by a certificate of such Authorized Officer;

Authorize (i) the distribution of Preliminary Official Statements and Official Notices of Sale with respect to the Notes, substantially in the forms presented at this meeting, with such changes as are deemed advisable by an Authorized Officer, the definitive forms of which shall be evidenced by a certificate of an Authorized Officer, and (ii) the distribution, execution by an Authorized Officer and delivery to the initial purchasers of the Notes of final Official Statements in substantially the same form as the respective Preliminary Official Statements, with such changes, omissions, insertions and revisions as are deemed advisable by an Authorized Officer, the definitive forms of which shall be evidenced by a certificate of such Authorized Officer;



Approval of Fiscal and Management Control Board Recommendation Regarding Expansion of Commercial Paper Program and Issuance of Other MBTA Bond Anticipation Notes

Authorize the sale of the Notes by competitive bids, on the terms and in the manner set forth in the Official Notices of Sale;

Authorize the execution and delivery by any Authorized Officer, acting singly, of one or more continuing disclosure agreements with respect to the Notes, in the form approved by any such Authorized Officer, the definitive form of which shall be evidenced conclusively by the execution thereof by any such Authorized Officer; and

Authorize each Authorized Officer, the General Counsel and other officers of the MBTA and MassDOT, acting singly, to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by the documents executed in connection with foregoing votes.

March 22, 2021

