

## MTA to Refinance \$163 Million in Capital Debt with 30-Year Bonds

**UPDATE** (Nov. 15) The MTA sold \$161.4 million worth of 30-year bonds, Tuesday, in a move to refinance recent short-term loans. Bear Stearns, the lead in a syndicate that included a number of other investment banks, won the bond package with an overall interest rate of 5.28 percent.

The amount of the bonds sold Tuesday varied from the original \$163 million bond offering due to the effect of market discounts on the price, according to MTA Treasury Debt Manager Mike Smith.

(Nov. 10) The MTA plans to sell \$163 million in 30-year bonds, Nov. 14, to refinance a series of short-term loans accumulated last fiscal year to finance the agency's expenditures on bus, highway and rail-related capital projects.

The MTA will accept the competitive bid with the lowest rate of interest that meets the rules of the sale, according to Treasury Debt Manager Mike Smith.

Short-term loans usually have variable interest rates that may rise and fall with the market. By refinancing the debt as long-term bonds, the MTA can negotiate fixed interest rates that remain stable for the life of the bond.

"As a major agency, we want to balance long-term fixed rates with short-term variable rates," says Terry Matsumoto, executive officer, Finance. "After accumulating a certain amount of short-term debt to cover our expenditures, we refinance them on a long-term basis."

The MTA's last major series of bond sales occurred during the first six months of 1999 when the agency sold four bond issues totaling \$605 million. Two of the sales - refinancing bonds amounting to \$275 million - helped lower the MTA's debt service costs by a total of \$35 million over the life of the bonds.

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