

# **Utah Transit Authority Series 2024 Sales Tax Revenue Refunding Bonds**

Presentation to State Finance Review Commission of the State of Utah

May 15, 2024



# Potential Financing Opportunity

*Current financial market conditions present a unique opportunity for the Authority to potentially achieve various favorable objectives*

## The Opportunity: Refinancing of Build America Bonds (“BABs”)

- UTA has \$461.45 million of bonds outstanding with interest rates ranging from 5.7% to 5.9% (Series 2009B & 2010)
- The Authority receives a subsidy from the Federal Government each year to offset some of the interest cost
- Since the issuance of the Bonds, various Congressional Acts have reduced the subsidy to UTA (subsidy risk). UTA has approximately \$130 million in remaining subsidy payments at risk
- The BABs have a call feature (make whole) that previously made refinancing very costly to UTA.
- Today, **unique financial market conditions** may present UTA an opportunity to refinance all or a portion of the BABs and achieve savings or at a minimal cost
- Several entities across the country are contemplating or have already executed similar financings in order to reduce risk from future reductions or elimination of subsidy payments

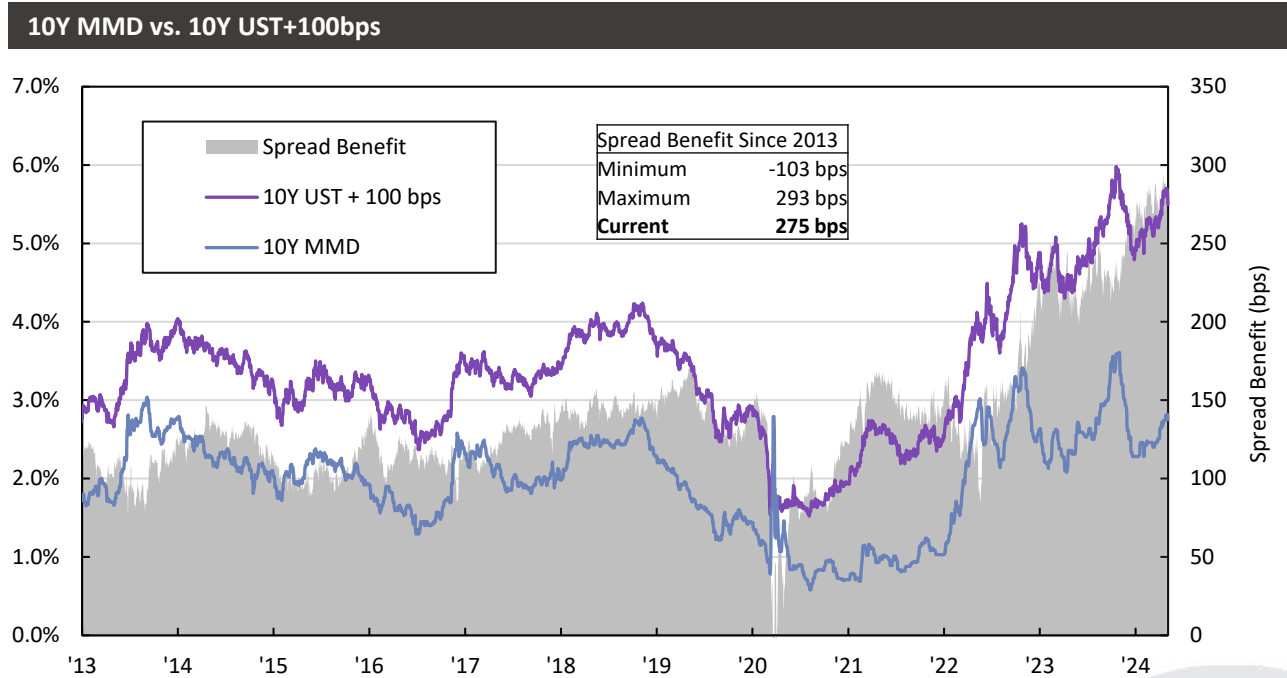
## Key Benefits

- ✓ **Risk Reduction:** Refinancing of all \$461.45 million of BABs will eliminate UTA’s exposure to the risk of further subsidy reductions as the result of Federal Government actions or inactions
- ✓ **Market Conditions:** Current market conditions, unique on a historical basis, may allow UTA to refinance its BABs with the issuance of tax-exempt bonds and potentially achieve overall debt service savings
- ✓ **Future Optionality:** In 10 years, UTA will likely have the option to refinance the bonds issued today at a lower interest rate and achieve savings
- ✓ **Lower Overall Debt:** the proposed transaction would lower UTA’s outstanding indebtedness by approximately \$45 million

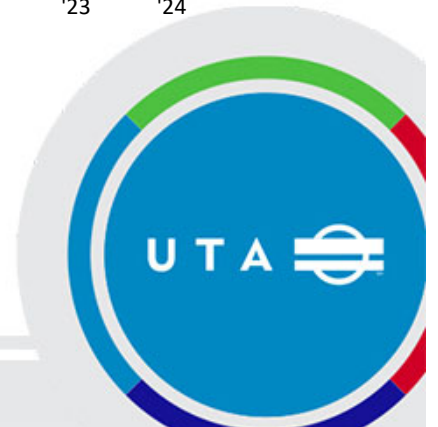


# Current Market Conditions Provide Beneficial Conditions for Exercising a Make-Whole Call

- The current market presents a historically favorable opportunity for issuers to retire their BABs: discount rates to redeem BABs have increased (i.e., UST +100bps) while the absolute spread differential between these discount rates and tax-exempt rates (MMD) has increased
- Issuers can pay a lower make-whole redemption price (due to higher UST yields), while simultaneously borrowing at a relatively low rate in the tax-exempt market (due to lower MMD)
- This market dynamic is unusual, and ratios may normalize as either UST falls or MMD increases



Source: Thomson Reuter TM3 and US Department of the Treasury as of April 2024



# Comparable BABs Refinancings | Completed

UTAH TRANSIT AUTHORITY

CUSIP	Borrower	Series	Principal	Coupon	Maturity
409327DR1	Hampton Roads Sanitation District	2009B	\$55,715,000	5.814%	11/1/2029
409327DS9	Hampton Roads Sanitation District	2009B	55,715,000	5.864%	11/1/2039
544646XZ0	Los Angeles Unified School District/CA	2009 KRY	1,029,760,000	5.750%	7/1/2034
544646XY3	Los Angeles Unified School District/CA	2009 KRY	340,040,000	5.755%	7/1/2029
544646ZR6	Los Angeles Unified School District/CA	2010 RY	1,250,585,000	6.758%	7/1/2034
04048RDR4	Arizona Board of Regents	2010A	5,995,000	5.728%	7/1/2025
04048RDS2	Arizona Board of Regents	2010A	33,710,000	6.204%	7/1/2030
04048RDT0	Arizona Board of Regents	2010A	80,535,000	6.304%	7/1/2039
49151E2Q5	Kentucky Transportation Cabinet	No. 95 Series C	137,235,000	6.573%	8/1/2029
49151E4G5	Kentucky Finance and Admin Cabinet	No. 96 Series C	143,275,000	6.155%	11/1/2029
49151E7C1	Kentucky Finance and Admin Cabinet	No. 99 Series C	38,215,000	5.373%	11/1/2025
49151E7B3	Kentucky Finance and Admin Cabinet	No. 99 Series C	109,565,000	5.921%	11/1/2030
786005PM4	Sacramento Municipal Utility District	2009V	200,000,000	6.322%	5/15/2036
786005PN2	Sacramento Municipal Utility District	2010W	250,000,000	6.156%	5/15/2036
658308AF8	North Carolina Turnpike Authority	2010A	9,145,000	4.750%	1/1/2025
658308AA9	North Carolina Turnpike Authority	2010A	61,920,000	5.318%	1/1/2031
658308AB7	North Carolina Turnpike Authority	2010A	136,995,000	5.418%	1/1/2041
93974CPK0	State of Washington	2010D	20,265,000	4.736%	8/1/2024
93974CPL8	State of Washington	2010D	112,510,000	5.381%	8/1/2029
93974CPM6	State of Washington	2010D	295,390,000	5.481%	8/1/2039
93974CRC6	State of Washington	2010F	35,370,000	4.669%	8/1/2024
93974CRD4	State of Washington	2010F	110,000,000	5.040%	8/1/2031
93974CRF9	State of Washington	2010F	265,330,000	5.090%	8/1/2033
93974CRE2	State of Washington	2010F	383,680,000	5.140%	8/1/2040
746189QT9	Purdue University	Z-2	5,560,000	4.187%	7/1/2025
746189QU6	Purdue University	Z-2	30,700,000	5.184%	7/1/2030
746189QV4	Purdue University	Z-2	23,780,000	5.334%	7/1/2035
544495UG7	LADWP Power System Revenue	2010 A	316,000,000	5.716%	7/1/2039
64986AL58	State of New York State Revolving Fund	2010B	6,495,000	5.04%	6/15/2024
64986AL66	State of New York State Revolving Fund	2010B	6,825,000	5.14%	6/15/2025
64986AL74	State of New York State Revolving Fund	2010B	7,175,000	5.24%	6/15/2026
64986AL82	State of New York State Revolving Fund	2010B	7,555,000	5.34%	6/15/2027
64986AL90	State of New York State Revolving Fund	2010B	35,340,000	5.71%	6/15/2030
64986AL25	State of New York State Revolving Fund	2010B	92,485,000	5.81%	6/15/2039
91412F7Y7	University of California	2009 R GRBs	758,320,000	5.770%	5/15/2043
91412GDY8	University of California	2010 F LPRBs	21,110,000	5.050%	5/15/2025
91412GDZ5	University of California	2010 F LPRBs	335,700,000	5.946%	5/15/2045
91412GEA9	University of California	2010 F LPRBs	100,000,000	6.296%	5/15/2050
927793TC3	Virginia Commonwealth Trans	2010A-2	266,100,000	5.350%	5/15/2035
574300HY8	Maryland State Transportation Authority	2009B	101,145,000	5.788%	7/1/2029
574300HZ5	Maryland State Transportation Authority	2009B	349,370,000	5.888%	7/1/2043
574300JN0	Maryland State Transportation Authority	2010B	18,765,000	5.164%	7/1/2025
574300JP5	Maryland State Transportation Authority	2010B	51,800,000	5.604%	7/1/2030
574300JQ3	Maryland State Transportation Authority	2010B	200,055,000	5.754%	7/1/2041
84247PEP2	Southern California Public Power Authority	2010 B	41,550,000	5.921%	7/1/2035
<b>Total</b>			<b>\$7,936,780,000</b>		



# Comparable BABs Refinancings | Pending

Notice date	Borrower	Total Potential ERP
5/9/2024	Alaska	\$119,570,000
5/8/2024	Kentucky Turnpike	130,630,000
5/3/2024	Irvine Ranch Water District	175,000,000
5/2/2024	Hennepin County, MN	28,390,000
4/25/2024	LADWP	250,000,000
4/15/2024	Colorado Mesa University	56,940,000
3/28/2024	City of Burbank Water	27,095,000
2/27/2024	Kentucky State Property & Bldg Comm	428,290,000
1/8/2024	Bay Area Toll Authority	1,360,965,000
1/24/2024	Midland County Hospital District	79,575,000
<b>Total</b>		<b>\$2,656,455,000</b>



# Financing Overview

## Build America Bonds (BABs) Refunding

- In the current market, a refunding of all outstanding Series 2009B BABs and 2010 BABs would result in the following:
  - **Aggregate (2009B & 2010 combined) debt service cashflow savings of approximately \$4.0 million**
  - Aggregate NPV dis-savings are roughly neutral at approximately -\$42,000 or -0.01% of refunded par
- The financing would result in significant future optionality (option to refinance again at a lower interest rate for savings)
  - For example, in 2034, assuming current rates, UTA would be able to refund the bonds issued today and achieve NPV savings of \$20.6 million (e.g., “Second Order Savings”)
  - This optionality is meaningful given the current lack of a 10-year par call option on the outstanding BABs

## Additional Refundings to Improve Near-Term Savings

- UTA can achieve added near-term cash flow savings (2025-2029) through additional refunding strategies
- Tax-exempt Make-Whole Call (“MWC”) refunding of UTA’s Series 2007A bonds maturing 2026-2029 generates **\$13.9 million of total debt service savings in those years**
- A tender refunding of UTA’s Senior Lien Series 2015A maturing in 2025 (assuming 40% tendered/refunded), results in **\$12.1 million of savings in 2025**
- A MWC and tender refunding can be incorporated into a broader BABs refunding transaction relatively seamlessly and at a minimal incremental cost
- Favorable current market conditions may also allow UTA to execute a bond tender refunding of certain additional outstanding bonds in order to improve overall financing results
- UTA completed a tender refinancing in 2023 under similar favorable market conditions



# Preliminary Results

UTAH TRANSIT AUTHORITY

Cashflow Savings				
	2009B/2010 BABs MWC Refunding	Select Series 2007A Bonds MWC Refunding	40% Tender of 2015A (Snr.) 2025 Maturity	Aggregate Financing Results
12/31/2024	1,843,104	14,610	22,519	1,880,233
12/31/2025	(2,824,965)	39,250	12,053,000	9,267,285
12/31/2026	(2,824,965)	3,451,750	(554,500)	72,285
12/31/2027	(2,824,965)	3,471,750	(554,500)	92,285
12/31/2028	(2,824,965)	3,481,750	(554,500)	102,285
12/31/2029	(2,824,965)	3,481,750	(554,500)	102,285
12/31/2030	659,081	(720,750)	(554,500)	(616,169)
12/31/2031	658,720	(720,750)	(554,500)	(616,530)
12/31/2032	661,556	(720,750)	(554,500)	(613,694)
12/31/2033	661,782	(720,750)	(554,500)	(613,468)
12/31/2034	656,910	(720,750)	(554,500)	(618,340)
12/31/2035	661,050	(720,750)	(554,500)	(614,200)
12/31/2036	660,996	(720,750)	(554,500)	(614,254)
12/31/2037	2,922,056	(3,972,375)	(3,060,250)	(4,110,569)
12/31/2038	2,917,756	(3,976,250)	(3,058,500)	(4,116,994)
12/31/2039	2,920,971	(3,976,250)	(3,055,125)	(4,110,404)
12/31/2040	2,920,797	(3,977,000)	(3,059,625)	(4,115,828)
<b>Total</b>	<b>4,019,956</b>	<b>(7,006,265)</b>	<b>(6,257,481)</b>	<b>(9,243,790)</b>

Summary Financing Results				
	2009B/2010 BABs MWC Refunding	Select Series 2007A Bonds MWC Refunding	40% Tender of 2015A (Snr.) 2025 Maturity	Aggregate Financing Results
<b>Refunded Bonds</b>				
Refunded Par	\$461,450,000	\$15,200,000	\$12,300,000	\$488,950,000
Redemption Cost	\$474,838,915	\$16,342,970	\$12,571,830	\$503,753,714
Maturities (6/15)	2033 - 2040	2026 - 2029	2025	-
<b>Refunding Bonds</b>				
Par Amount	\$417,365,000	\$14,415,000	\$11,090,000	\$442,870,000
Average Coupon	5.00%	5.00%	5.00%	5.00%
All in TIC	3.70%	3.79%	3.79%	3.71%
Arbitrage Yield	3.28%	3.28%	3.28%	3.28%
Gross Debt Service Savings	\$4,019,956	(\$7,006,265)	(\$6,257,481)	(\$9,243,790)
<b>NPV Savings (\$)</b>	<b>(\$41,573)</b>	<b>(\$1,128,829)</b>	<b>(\$709,988)</b>	<b>(\$1,880,390)</b>
<b>NPV Savings (%)</b>	<b>(0.01%)</b>	<b>(7.43%)</b>	<b>(5.77%)</b>	<b>(0.38%)</b>
<b>2<sup>nd</sup> Order NPV Savings (\$)</b>	<b>\$20,600,627</b>	-	-	<b>\$20,600,627</b>
<b>Aggregate NPV Savings (\$)</b>	<b>\$20,559,054</b>	-	-	<b>\$18,720,237</b>
<i>Assumptions: Dated/delivery date of August 1, 2024; structured for level annual savings; pricing is indicative as of 5/7/2024 and subject to market conditions at time of pricing; MWC prices assume H.15 used was posted on 5/7 at 4:15 pm; All-In COI/UWD of \$5/bond, respectively; Assumes Sales Tax Rev. Bond ratings of Aa2/AA+/AA and Subordinated Sales Tax Rev. Bond ratings of Aa3/AA/AA; Assumes lost BABs subsidy for the life of the bonds (5.7% BAB sequestration haircut rate); 2<sup>nd</sup> order refunding assumes current refunding of BABs refunding (2035 – 2040 maturities); 5% Coupons at current interest rates for each respective maturity</i>				
<i>Tender Assumptions: Rates as of 5/8/2024, Delivery Date: 8/1/2024, \$5/bond Costs of Issuance, \$2.50/bond Tender Costs, and a Tender Price calculated based on BVAL yields for the tendered bonds plus a 40 bps concession to BVALs as of 5/8/2024, BVALs for Tendered Bonds sourced from Bloomberg</i>				



# Scenario Analysis of Potential Reductions to BAB Subsidy Payments

- Volume of BAB refundings increases likelihood of subsidy payment reduction or non-reauthorization
- Refinancing Results if BAB Subsidy were eliminated:
  - BAB-only NPV Savings: \$94,301,668 / 20.43%
  - Entire Issue NPV Savings: \$92,462,851 / 18.91%
  - Gross Debt Service Savings: \$108,810,894
- Refinancing Results if BAB Subsidy is reduced 10%:
  - BAB-only NPV Savings: \$9,963,013 / 2.16%
  - Entire issue NPV Savings: \$8,124,195 / 1.66%
  - Gross Debt Service Savings: \$3,275,264



## Parameters in Approving Resolution

- Maximum Par Amount: \$650,000,000
- Maximum Interest Rate: 5%
- Maximum Final Term: 19 years (no extension of bond term)
- Maximum Discount from Par: 2%

