Consultation on Issuance and Sale of the Authority’s Sales Tax Revenue Refunding Bonds

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Potential Financing Opportunity

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

The Primary 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 resulted in a reduction in the subsidy that UTA had expected to receive (subsidy risk) and thereby increasing UTA's actual annual interest expense
- In recent years, while UTA could have refinanced the BABs to eliminate the risk of further future reductions to the subsidy, it would have come at a significant cost 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

Potential Financing Opportunity (continued…)

The Secondary Opportunity: Make-Whole Call of 2007A and Tendering of 2015A Bonds

- 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 **$14.5 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 **$12.0 million of savings in 2025**
- A MWC and tender refunding can incorporate in 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 while similar favorable market conditions existed

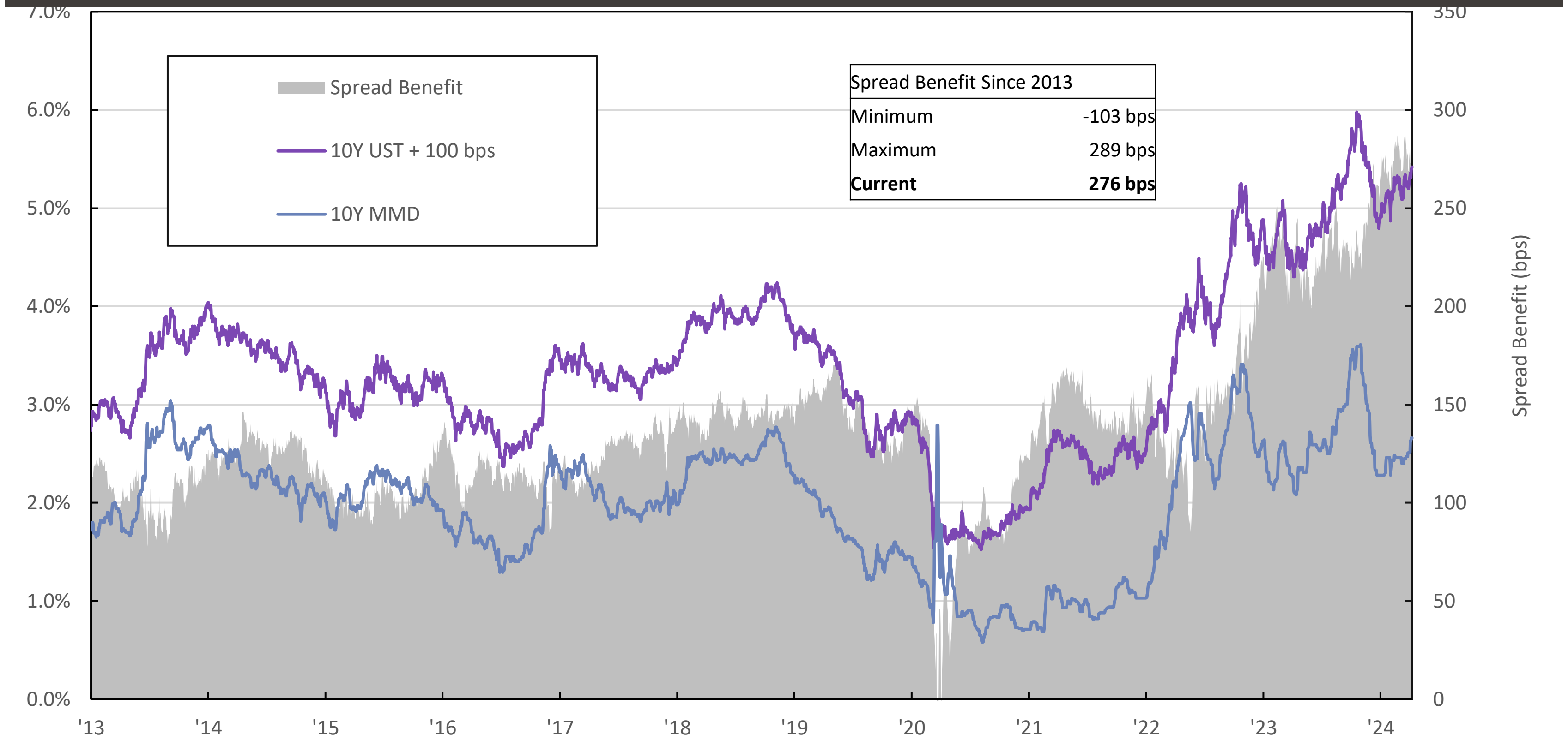
Potential Financing Opportunity (continued…)

Key Benefits

- ✓ ***<u>Risk Reduction:</u>*** 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
- ✓ ***<u>Market Conditions:</u>*** 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
- ✓ ***<u>Future Optionality:</u>*** In 10 years, UTA will likely have the option to refinance the bonds issued today at a lower interest rate and achieve savings
- ✓ ***<u>Lower Overall Debt:</u>*** 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

10Y MMD vs. 10Y UST+100bps



Spread Benefit Since 2013	
Minimum	-103 bps
Maximum	289 bps
Current	**276 bps**

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

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Current Market Conditions Provide Beneficial Conditions for Exercising a Make-Whole Call (continued...)

- The current market presents a historically favorable opportunity for issuers to defease 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 as well
- 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

Financing Overview & Preliminary Results

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Summary Financing Results

	2009B/2010 BABs MWC Refunding	Select Series 2007A Bonds MWC Refunding[3]	40% Tender of 2015A (Snr.) 2025 Maturity	Aggregate Financing Results
Refunded Bonds				
Refunded Par	$461,450,000	$16,000,000	$12,300,000	$500,175,000
Redemption Cost	$467,367,368	$17,655,259	$12,834,066	$509,400,030
Maturities (6/15)	2033 - 2040	2026 - 2029	2025	-
Refunding Bonds				
Par Amount	$415,945,000	$15,370,000	$11,160,000	$442,475,000
Average Coupon	5.00%	5.00%	5.00%	5.00%
All in TIC	3.82%	3.88%	3.88%	3.82%
Arbitrage Yield	3.44%	3.44%	3.44%	3.44%
Gross Debt Service Savings	$4,462,619	($7,760,813)	($6,370,208)	($9,668,402)
NPV Savings ($)	**($1,342,458)**	**($1,239,750)**	**($610,210)**	**($3,192,419)**
NPV Savings (%)	**(0.29%)**	**(7.75%)**	**(4.96%)**	**(0.65%)**
2nd Order NPV Savings ($)	**$21,983,386**	**-**	**-**	**$21,983,386**
Aggregate NPV Savings ($)	**$20,640,928**	**-**	**-**	**$18,790,967**

Assumptions: Dated/delivery date of June 15, 2024; structured for level annual savings; pricing is indicative as of 4/15/2024 and subject to market conditions at time of pricing; 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); 2nd order refunding assumes current refunding of BABs refunding (2035 – 2040 maturities); 5% Coupons at current interest rates for each respective maturity

Tender Assumptions: Rates as of 4/15/2024, Delivery Date: 6/15/2024, $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 4/15/2024, BVALs for Tendered Bonds sourced from Bloomberg

Financing Overview & Preliminary Results (continued...)

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 $4.4 million**
  - Aggregate NPV savings/dis-savings are roughly neutral at approximately $1.3 million or -0.29% of refunded par
- The financing would results 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 $22.0 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