

Escrow Substitution for the 2019 and 2021 Defeased Bond Escrows

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An Escrow Substitution could produce current savings of approximately \$400,000-\$500,000

Process involves selling the securities in the current 2019 and 2021 escrows and re-populating with more efficient SLGS

At the time each escrow was originally created, UTA bid out the escrow and received better results than had we used State and Local Government Securities (SLGS) at that time. Currently, the shift in rates allows the restructuring to capture savings and make the existing escrows more efficient

- UTA bond refunding escrows from 2019 and 2021 present opportunities to generate cash savings now by doing an escrow substitution
- The combined escrows hold approximately \$500 million in securities that mature 15-30 days before they are needed to defease bonds in 2025
- As a result, a restructuring allows UTA to capture interest earnings on those funds during 2025 un-invested periods
- When current escrow securities are liquidated, SLGS (State and Local Government Securities) will be purchased with those proceeds for less than the amount of the securities sold
- Because SLGS rates are known at 8 AM Utah time, UTA would not actually complete the escrow liquidation unless we know the economic savings would meet desired targets

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Escrow Substitution Steps to Completion

- Consult with the Local Advisory Committee on May 31st
- Board of Trustees adopts resolution authorizing amendments to existing escrow agreements at a June meeting
- UTA works with bond counsel, their municipal advisor, escrow trustee, and bidding and verification agent to prepare bidding and legal documents
- UTA executes the escrow substitution on any day where the bond market rallies through the day (so that the rates on the sold escrow securities will be lower compared to the available SLGS rates that were published in the AM)
- The difference between the price the escrow is liquidated for and the cost of the SLGS necessary to re-populate the escrow is UTA's cash savings
- The U.S. Department of the Treasury's Bureau of the Fiscal Service announced the suspension of sales of State and Local Government Series (SLGS) nonmarketable Treasury securities, effective 10:00 am Eastern Time (ET), May 02, 2023, until further notice. This suspension is due to the statutory debt ceiling.

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