

Proposed Bond Tender of Certain Taxable and Tax-Exempt Debt to Produce Debt Service Savings



Mechanics of a Bond Tender

UTA could seek to execute a bond tender of certain taxable and tax-exempt debt to produce debt service savings

Bond tenders have grown in popularity following the elimination of tax-exempt advance refundings, with several large issuers – including the Pennsylvania Turnpike Commission, Bay Area Toll Authority, and Metropolitan Atlanta Rapid Transit Authority all executing recent bond tenders for savings

Mechanics of a Bond Tender



Tendered Bonds ①

Tender Purchase Price



Existing Bondholders

Refunding Bonds ②

T/E Refunding Bonds

- ① Existing bondholders will be given an opportunity to “tender” their bonds via an Invitation to Tender. The Invitation would establish a tender price at which UTA will agree to purchase such bonds, with the price set to ensure that UTA can ultimately achieve savings via the tender
- ② UTA would fund the purchase of tendered bonds with tax-exempt bonds, creating a tax-exempt current refunding of tendered bonds for economic savings



Mechanics of a Bond Tender Continued

UTA could seek to execute a bond tender of certain taxable and tax-exempt debt to produce debt service savings

- A bond tender is an offer by UTA to purchase bonds from investors that are currently not callable and are currently underwater because of higher interest rates
- Tendered bonds from the 2019B, 2020B and 2016 series would be purchased with the proceeds of a tax-exempt bond issue creating an allowable “current” refunding that could produce savings
- In a bond tender, UTA would invite existing bondholders to “tender” their bonds at specified prices determined by UTA, its Municipal Advisor, and its Dealer-Manager
- Given the potential candidates (shown on the following page), a tender with even a 30% pro-rata success rate (meaning acceptance by the bond holder) would mean nearly \$78 million in refunding bonds, with PV savings of \$9.1 million (or 11% of par refunded)
- Some UTA bond investors have been willing to tender bonds in the past, while others, like insurance companies who like to hold bonds to maturity, are unlikely to participate



“Tendering” Outstanding Taxable and Tax-Exempt UTA Sales Tax Bonds for Savings

Bond Tender Refunding Steps to Completion

- Board of Trustees is consulted on bond tendering opportunity
- Transaction is presented to the Local Advisory Council and State Financial Review Commission
- Board of Trustees adopts resolution authorizing tender offer to bondholders and issuance of refunding bonds
- Notice distributed to investors allowing underwriter and MA to begin conversations with bondholders about potential tender pricing
- UTA works with MA, Bond Counsel, Information Agent, and Underwriter to price the tender offer, obtain bond ratings, and size, structure, and issue the refunding bonds
- After bondholders have responded to the tender offer, UTA will know the size of the potential offering and likely savings, and can determine whether or not to proceed



“Tendering” Outstanding Taxable and Tax-Exempt UTA Sales Tax Bonds for Savings

Additional Information and Considerations

- Estimated savings are shown on a subsequent page and will be completely determined by market conditions and total amount of bonds tendered by bond holders
- The likely timing to complete the tender process and issuance of refunding bonds would include extending the tender offer in late June and issuing the refunding bonds in July or August
- Debt service savings are mostly realized in years where bonds are being refunded, which are the years 2030-2042
- If deemed beneficial, UTA could consider a tender offer for certain non-callable near-term maturities to realize debt service savings in more immediate fiscal years
- Costs of issuance associated with the transaction will run a range based on the amount of bonds tendered and size of the refunding bond issued, but we have assumed approximately 0.5% of the new bond size



Indicative Tender Results

Recent Taxable Tenders (\$MM)					
Issuer	Tender Launch Date	Offer Type	Bonds Offered	Bonds Tendered	Success Rate
Alameda County Transportation Agency	6/2022	Fixed Price	\$775.88	\$226.88	29.24%
Pennsylvania Turnpike Commission	8/2022	Fixed Spread	174.28	21.41	12.28%
Southern California Public Power Authority	9/2022	Fixed Price	64.22	11.38	17.72%
State of Wisconsin	10/2022	Fixed Spread	451.83	133.28	29.50%
City of Chicago	1/2023	Fixed Spread	1,529.46	382.42	25.00%
Pennsylvania Turnpike Commission	2/2023	Fixed Spread	193.17	12.06	6.24%
Metropolitan Atlanta Rapid Transit Authority	2/2023	Fixed Spread	536.15	87.39	16.30%
State of Wisconsin	2/2023	Fixed Spread	359.31	74.07	20.62%
Massachusetts Water Resources Authority	3/2023	Fixed Spread	373.38	88.92	23.81%
Bay Area Toll Authority	3/2023	Fixed Spread	1,325.98	485.22	36.59%
State of Wisconsin	4/2023	Fixed Spread	379.84	51.11	13.46%
Total/Average:			\$6,163.50	1,574.14	25.54%

Recent Tax-Exempt Tenders (\$MM)					
Issuer	Tender Launch Date	Offer Type	Bonds Offered	Bonds Tendered	Success Rate
Southern California Public Power Authority	1/2022	Exchange	\$3182.79	\$344.525	10.82%
Virgin Islands Public Finance Authority	2/2022	Fixed Price	165.71	124.61	75.19%
Anaheim Housing & Public Improvements Auth.	3/2022	Fixed Price	246.25	118.57	48.15%
Alameda County Transportation Agency	6/2022	Fixed Price	1,049.63	362.76	34.56%
Pennsylvania Turnpike Commission	8/2022	Fixed Price	1,255.84	770.02	61.32%
Utility Debt Securitization Authority	8/2022	Fixed Price	2060.72	659.29	31.99%
Southern California Public Power Authority	9/2022	Fixed Price	113.14	58.71	51.89%
State of Wisconsin	10/2022	Fixed Price	156.07	69.65	44.63%
Iowa Finance Authority	12/2022	Fixed Price	19.99	3.11	15.54%
City of Chicago	1/2023	Fixed Price	1,419.55	258.38	18.20%
Pennsylvania Turnpike Commission	2/2023	Fixed Price	1,123.75	384.89	34.25%
State of Wisconsin	2/2023	Fixed Price	347.96	174.46	50.14%
Massachusetts Water Resources Authority	3/2023	Fixed Price	411.02	46.78	11.38%
State of Wisconsin	4/2023	Fixed Price	1,429.89	804.23	56.25%
Total/Average:			\$12,982.31	\$4,179.99	32.20%

