

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

11.b.



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

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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

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

Bond Tender Refunding Steps to Completion

- Board of Trustees indicates intention to proceed
- Transaction is presented to the Local Advisory Council and State Finance 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

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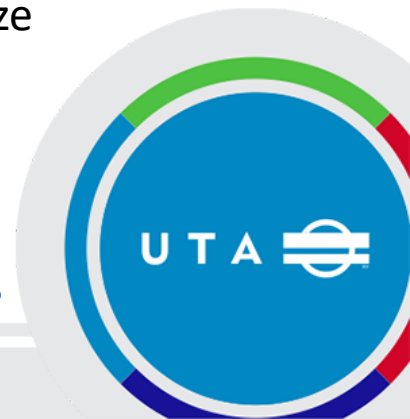


“Tendering” Outstanding Taxable and Tax-Exempt UTA Sales Tax Bonds for Savings

Additional Information and Considerations

- Estimated savings are shown on a subsequent page and 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

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Indicative Tender Results

- Detailed below are indicative results for a bond tender on a maturity-by-maturity basis
- As shown, a bond tender of \$262.709 million of UTA's Subordinated 2016, Senior 2019B, and Senior 2020B Bonds (at the assumed tender prices below) would allow for PV savings for as much as \$30.285 million (11.53% of refunded bonds)
 - This assumes a 100% success rate, though total savings and refunded par will be dependent on the number of bonds tendered
 - These results are sensitive to assumed tender price and the willingness of investors to tender their bonds
- UTA would work with its Municipal Advisor and Dealer Manager to determine a tender price which both (i) incentivizes a bondholder to tender and (ii) allows for savings via the tender
- Recent tenders have seen success rates that have ranged from 20 – 40%, depending on a variety of factors

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Indicative Tender Results Continued

Tender Analysis – Maturity by Maturity Savings | Senior and Subordinated Lien Sales Tax Revenue Refunding Bonds

Series	Refunded Maturity	Refunded Par	Refunded Coupon	Tender Price				Tax-Exempt Bond Tender				
				BVAL /Trading Price	Tender Price	Tender Price Premium	Tender Yield Premium	Bond Coupon	YTC	YTM	PV Savings \$	PV Savings %
2016	12/15/2030	\$29,915,000	4.00%	103.678	104.735	1.057	0.35%	5.00%	2.53%	2.53%	\$1,388,916	4.64%
2016	12/15/2031	31,110,000	4.00%	104.062	104.541	1.055	0.35%	5.00%	2.59%	2.59%	1,727,005	5.55%
2016	12/15/2032	23,599,090**	CAB	71.773	72.691	2.025	0.30%	5.00%	2.63%	2.63%	1,106,218	4.69%
2019B ¹	12/15/2042	103,335,000	3.44%	81.712	82.575	2.939	0.30%	5.00%	Multi*	Multi*	18,151,889	9.61%
2020B	12/15/2033	2,835,000	0.90%	81.020	81.952	2.193	0.30%	5.00%	2.61%	2.61%	435,417	15.36%
2020B	12/15/2034	2,905,000	1.18%	80.234	81.306	2.332	0.30%	5.00%	2.74%	2.89%	418,555	14.41%
2020B	12/15/2035	2,965,000	1.33%	79.740	80.939	2.467	0.30%	5.00%	2.89%	3.15%	389,584	13.14%
2020B	12/15/2036	4,365,000	1.84%	79.360	80.682	2.595	0.30%	5.00%	3.08%	3.41%	503,316	11.53%
2020B	12/15/2039	61,680,000	2.97%	79.969	81.269	2.969	0.32%	5.00%	Multi*	Multi*	6,163,966	9.99%
Total		\$262,709,090									\$30,284,866	11.53%

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Indicative Tender Results Continued

Expected Savings by % Tendered³

Percent Tendered	Par Tendered (\$)	NPV Savings (\$)
10%	26,270,000	3,028,487
20%	52,540,000	6,056,973
30%	78,815,000	9,085,460
40%	105,085,000	12,113,946
50%	131,355,000	15,142,433
60%	157,625,000	18,170,920
70%	183,895,000	21,199,406
80%	210,165,000	24,227,893
90%	236,440,000	27,256,379
100%	262,710,000	30,284,866

Series 2020B 2036 Maturity Example

- If this investor tendered their bond at a price of \$82.682, they would be economically advantaged given the approximately \$2.595 premium on the price they receive over the bond's current market value (as estimated by BVAL – Bloomberg Valuation Services)
- Meanwhile, UTA would be able to fund the purchase of the tendered bond on a tax-exempt basis. If the full maturity was tendered, it would provide PV savings of approximately \$503,316, or 11.53% of refunded par

Assumptions: Rates as of 4/18/2023, Delivery Date: 5/15/2023, \$5/bond Costs of Issuance, \$2.70/bond Tender Costs, and a Tender Price calculated based on BVAL yields for the tendered bonds plus a declining concession (as shown above) to BVALs as of 4/5/2023. BVALs for Tendered Bonds sourced from Bloomberg, assumes a 10-year par call on 12/15/2033. Tax-Exempt refunding bonds assume use of 5% coupons; (1) Remaining Series 2019B Bonds refunded Series 2015A Bonds whose escrow is still outstanding as the refunded bonds will be called on June 15, 2025; (2) 2019B refunded par is calculated by multi-purpose allocation; *Indicates where serial refunding bonds will replace term tendered bonds; **Assumes CAB is accreted as of 5/15/23; (3) Savings reflect an estimate based on a pro-rata tender of the refundable par

